

# Address by BUSA President Sipho Mila Pityana at the Business Economic Indaba (BEI2020)

*14<sup>th</sup> January 2020*

Programme Director, Honourable Ministers, Presidents, Chairmen and CEOs of member organisations, BBC President Mr Sandile Zungu, business and societal leaders present, members of the diplomatic corps, friends, ladies and gentlemen

It is appropriate that as we start we join the nation in paying tribute and respect to the life of a doyen African entrepreneur Ntate Maponya who is being laid to rest today. Our thoughts and prayers are for his family, friends and loved ones. May I invite you to stand and join me in observing a moment of silence in his memory.

BUSA is honoured to host its annual Business Economic Indaba today. We are especially honoured that HE President Ramaphosa has agreed to grace this occasion with his presence later today to give a keynote address which will come after having heard recommendations from your day's work. We are also honoured that a number of Cabinet Ministers and senior government officials are here to join us in packaging implementable actions to rescue our country's economy.

We look forward to your active engagement with the many business constituencies that are here today.

Some may have thought they were coming here today for yet another talkshop. You are in for a surprise: Today's gathering is a workshop, colleagues, focused very clearly -- as the theme says -- on *Activating Actual Outcomes*.

We gather here not so much to lament the problems we face, but to assert our role and place as business in overcoming these. We believe that we are a country that is capable of going back to our winning ways after the disastrously corrosive and damaging state capture years.

Need we remind ourselves that we once upon a time trebled the size of our economy after 1994? We saw economic growth levels that exceeded 5%, we experienced an era that saw the fastest growth of the black middle class at the same time that we rolled out massive social security programmes that saw us cushion the poor as we gradually brought them into the net of a growing economy.

This is testimony to the efficacy of our vision of inclusive growth: we have a proven track record of pulling ourselves out of the rut by our bootstraps.

No doubt the global economic crisis of 2008 impacted us adversely. Worst still was the era of state capture which brought with it not only policy disorientation, but also its distortion and treacherous misdirection of our nation's resources. Some of the data is a stark illustration of the economic consequences:

- There can be no denying that South Africa is now facing an unprecedented economic crisis -- the longest economic downswing since 1945. We had an average economic growth rate of 1.5% over the last decade, compared to

- over 4% in other emerging economies, and the OECD forecasts an annual growth rate for 2021 of 1.31%
- Government debt ballooned from 26% in 2008 to 56% of GDP in 2019, while GDP fell by 0.6% in the third quarter of 2019. The budget deficit is likely to rise to 5.9% for this fiscal year and widen to 6.5% in 2020/21, and gross government debt is projected to rise from 60.8% in the current fiscal year to 71.3% in 2022/23
  - Alongside this, 49.2% of our population lives below the upper-bound poverty line and unemployment has risen to almost 30%. 10 million people are unemployed, and we are sitting on a powder-keg of unemployed youth with little or no future.
  - The World Bank expects us to grow at less than 1% this year.
  - We expect a revenue shortfall of about R 50 billion for the current fiscal year

All of this points to a real possibility of a Moody's downgrade, which will put SA bonds at risk of being excluded from the FTSE World Government Bond Index and could result in capital outflows of between R20 and R200 billion.

In addition, we have recently witnessed the downsizing of stockbroking businesses in our country including Citigroup, Deutsche Bank, Credit Suisse, and Mazi Macquarie Securities, among others. These companies are struggling to find deals in our country as our stagnant economy impacts takeovers, corporate bond issuance and initial public offerings. In short, our struggling economy has negatively impacted trading activity.

The crisis we find ourselves in demands credible, single minded, resolute and decisive leadership that sets the tone, determines direction and pulls the nation with it. We surely have enough technical committees, task teams, Presidential commissions -- including the planning commission whose recommendations gather dust in the presidency -- summits, conferences and Lekgotlas, etc. Too many processes and little or no action.

By now we all know what needs to be done. We may not all be in agreement about solutions, but leadership is about making choices and acting on them.

Fortunately, we have no shortage of ideas and capable people to drive South Africa's economic revival. We need to let the good among us free to drive SA's agenda for the gap between policy and execution continues to grow, leading to a significant leakage of crucial development resources and crippling governance across the board, including Parliament, government, and the SOEs.

Given all our strengths it should be possible to act – and we need to emerge from this gathering with a clear and common view of what that action looks like.

As business, we welcome President Ramaphosa's open and inclusive leadership style. We would, however, caution against an overemphasis on leadership by consensus for this can condemn our nation to move at the pace of the slowest and the most conservative; or worst still being vetoed by an unaccountable lot.

The challenges we confront demand urgency, agility, quick footed responses and yet humble and thoughtful stewardship.

We urge the President -- as we do all leaders in society, including those present here today -- to resist the temptation to make false promises to our people as that will result in the further erosion of public trust. Although urgent action will shorten the painful journey ahead of us, there must be no pretence that there are quick fixes.

We must re-emphasise, as we did at the jobs summit in 2018 that, without well considered economic structural reforms, even as we implement the summit's resolutions, we are likely to see more job losses. Notwithstanding our efforts at attracting investments, if we don't drastically change our prevailing economic conditions, which necessitates the government creating a conducive environment for investment, it might be difficult to deliver on these ambitions in the immediate future.

We must be frank and consistent in letting our people know that it's going to be tough before it gets better. Better to prepare ourselves for the worst and take encouragement whenever quick wins arise. The President's credibility and good standing is one of the greatest assets whose squander we can ill-afford. Hence business's support for his leadership even though we differ sometimes.

Colleagues: We have structured this BEI in the form of working sessions around five key themes:

- Restructuring the Economy
- Energy security.
- Enabling a capable state.
- Critical sectors for economic growth.
- The Fourth Industrial Revolution.

This structure is based on what we believe will direct our efforts at what will shift the ship to sturdy waters:

It's no longer enough for government to acknowledge the crisis of the economy. Importantly, it urgently needs to pronounce far reaching **structural economic reforms** that focus on sustainable inclusive growth and a fiscal policy that is aimed at reducing public debt while simultaneously reducing public spending. We must do all we can to stave off a sovereign ratings downgrade. A failure to do this will see our economy contract further, more jobs lost and an accelerated flight of skills and investment. This is a path we must avoid at all costs as with it might come socio-political instability.

South Africa desperately needs an action-oriented blueprint to revive the economy, focusing on **key strategic sectors and interventions**. The treasury proposals are an important start but they need unambiguous endorsement from the President and government and must be finalised urgently. We need a single government voice on this, not a debating society reminiscent of the state capture years. The public display of divisions does the country a great disservice.

We urgently need **security of electrical energy supply** , without which the country can't survive, let alone business. This is our single biggest concern, as we stated to

the President two years ago. We take no comfort from the resignation of the chair of Eskom, we need to be informed what happened to the restructuring recommendations made by both the board and the Presidential technical task team. How are the governance concerns raised by the board with parliament going to be addressed?

We urge a transparent board appointment process that must be based on a well publicised and considered board composition strategy. This would enable the public to scrutinise the suitability of those to be appointed.

We are deeply concerned by suggestions that leadership appointment considerations at this critical moment might be caught up in ANC factional battles that have nothing to do with national interests. We must also guard against using a critical matter like the ESKOM crisis as a political football, as evidenced by the attack on Minister Gordhan and the new-found passion in some quarters for moving Eskom out of the Public Enterprises portfolio.

**The reform of state-owned enterprises (SOEs)** is beyond urgent. These entities are significant to the success or failure of our economy, and the contagion from the multiple crises that plague SOEs reverberates across our businesses and society. Although the focus has tended to be on those few reporting to the Ministry of Public Enterprises, others too are facing serious governance, operational and repositioning challenges. The unconstitutional and illegal influence of the ANC's deployment committee through government has set many of these into paralysis and dysfunctionality. Experienced corporate executives have had their careers destroyed in these institutions under the mercilessly grinding misgovernance. It's unclear how the establishment of an SOE Council as proposed by the President will solve these crises.

State institutions urgently need **competent and ethical leaders**, to ensure we have a **capable state**. The repeated appointment and continued retention of people known to be unsuitable -- and worst still, corrupt -- makes a mockery of the President's publicly stated commitment to good governance. At great cost, under President Ramaphosa's chairmanship, the NPC tabled a set of universally endorsed proposals on a **capable state**. Given that both the Public Service Commission (PSC) and the Auditor General (AG) have also shared detailed accounts of how state capacity is being hollowed and undermined, we expect not so much an empty promise to deliver a corruption free and capable state, but a progress report on the implementation of this work.

We are going to spend most of our time today in workshops around these five themes because we believe we have long passed the time when all we do is talk. We need action, and we need it now.

Last year when I addressed the inaugural BEI, I warned that the level of inequality in our country is now an economic risk. That economic risk has since escalated over the past 12 months.

The message from business, Honourable Ministers, ladies and gentlemen, is a clear and precise one: **THE CENTRAL ISSUES IN SOUTH AFRICA ARE SUSTAINED**

ECONOMIC GROWTH, THE IMPERATIVE FOR INVESTMENT, AND THE FORMATION AND GROWTH OF BUSINESSES. AND IT IS THE ROLE OF GOVERNMENT TO CREATE THE ENVIRONMENT FOR THIS.

We must be very clear about one thing: business has a crucial role to play in developing and implementing a national economic recovery plan. And I can assure our government colleagues, that we are more than ready to do so, as we have consistently indicated to you over the last two years

But in order to plan, support and mobilise resources, we need definition. We need certainty. We need hard decisions to be taken. And we need them now.

Given the President's stated ambition of improving our country's ranking on the World Bank's Ease of Doing Business report, we need to urgently move forward with the necessary economic reforms.

We cannot afford to live with our current poor rankings including being ranked 139 out of 190 economies; 108 for registering a property; 98 for dealing with construction permits; 114 for getting electricity; and 102 for enforcing contracts

The options are clear. The Minister of Finance hit the nail on the head in his latest warning that we are running out of time, and we need all hands on deck to avoid a sovereign downgrade and the extreme pain that would follow bail-outs from entities like the IMF. We agree with this and trust you do too.

None of the choices that need to be made are easy. They involve compromises on all sides – government, labour, business and civil society. They involve tough decisions that will have ramifications for both friends and foes.

Most of all, they require courage – and Mr President, we can guarantee that we will stand by your side once these decisions are taken.

We all know the choices that have to be made to catalyse an expanding economy and unleash inclusive growth. But the nation needs decisive leadership that's capable of pulling all of us together.

Where this prevails, we can be counted on to be part of that journey together with our social partners.

Business today recommits to partner with government if it is committed to move in this direction. We want to invest, we want to start and grow businesses, we want to employ people, we want to act in the national interest while running profitable businesses!

We are making this commitment against the backdrop of our country's prominent role of chairing the African Union and a non-permanent seat on the UN security Council this year.

**This should be the year in which we emerge from our lost decade.**

This should be the year in which we together lead the drive to extricate our country from the current low-growth trap and play our role in ensuring meaningful economic integration in Africa.

Despite the current global manufacturing slump, and with China's industrial sector moving up the value curve, SA and other African countries should be well positioned to be part of the global supply chain by giving effect to the free trade agreement on the continent.

In conclusion: prior to this gathering we created listening posts with a view to ensuring that the voices of ordinary South Africans are part of this important conversation.

The feedback we've been getting is that we need to streamline both public-private support for small businesses. Mr President, we require the legal and regulatory reforms to remove entry barriers to markets for small businesses, thereby enhancing competitiveness.

Let us lead. Let us get started! Let us activate actual outcomes. Let us begin work on a national economic recovery plan that will take us into the future. And let us do it together. Today.

Thank you!