



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**2016 ASSOCIATION OF BLACK SECURITIES AND INVESTMENT
PROFFESIONALS
TRANSFORMATION FOR SUSTAINABLE GROWTH
Patron's Address
Speech Read on behalf of
Mcebisi Jonas
Deputy Minister of Finance**

Good morning ladies and gentlemen

Allow me to thank you for taking the time to join us here today and to discuss what we need to do to find solutions to South Africa's challenges, particularly relating to the investment industry and its role in sustainable economic growth.

Investments are considered to be a mainstay of sustainable economic growth. The efficient allocation of capital helps our businesses meet the needs of our local and global customers.

As a savings-poor country, South Africa must rely heavily on foreign savings to help finance our investment. It is imperative that we optimise our use of available capital for efficient investment if we are to grow as a nation.

As members of ABSIP, you are all well-placed to help foster debate and engagement on what needs to be done to support investment in South Africa.

It is not always easy to work together; to see eye to eye – I'm sure today you will disagree on a number of matters!

But by working together, by asking difficult questions, such as those that will be discussed today, and by being frank in our answers, we will collectively be able to come up with effective solutions.



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“A winner takes all” approach in a country as diverse as South Africa is likely to create a toxic environment in which some sectors are left undeveloped. This is inappropriate as a national strategy. An excessively combative approach – that says no for the sake of it – needs to be avoided at all costs. ABSIP members have a role to play in finding this common ground across a range of players.

The truth is that the process of achieving truly inclusive growth, that improves the livelihoods of all, is **about** South Africans **by** South Africans and **for** South Africans. It is about making the right policy choices and taking the necessary actions. It calls for collective action. With concerted collective action, we can grow faster and we can employ more people.

Without this common purpose, we face the risk that joblessness and inequality could set in motion a counter-reaction – the politics of desperation - that could put in place perpetual fault lines in society and set our quest for development even further back.

I feel that this conference supports the process of engagements that have been underway since the beginning of the year, when Government, business and labour have been working together intensively to help manage short term confidence and reinforce our long term growth ambitions. To do so, we have been focusing on four key areas:

- I) Restoring confidence and boosting investment in local and domestic investors
- II) Unblocking obstacles to faster employment growth in key sectors
- III) Undertaking fiscal, SOC and regulatory reforms
- IV) Efforts to reduce youth unemployment

So far, the results of this partnership have been positive. I am sure the outcomes of your discussions today will be equally positive!!

I believe in particular that the contribution will be significant because I am sure that your answers will not just be about growth – but about sustainable, transformative growth.

South Africans have in the last few years had to endure the harsh reality of low economic growth and its negative impact on employment. The economy is not generating enough jobs, compromising our efforts to alleviate poverty, and give people dignity. There are



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currently 5.7 million South Africans who want to work and are not able to. A further 2.4 million are discouraged from joining the labour force. And forty per cent of unemployed have been unemployed for more than three years.

Confidence has been falling and as a result investment is lower than that which we require. At the same time, the rand has been weaker, putting upward pressure on inflation and consequently borrowing costs.

Worries about a potential ratings downgrade and concerns about long term growth potential are weighing heavily on the minds of investors and citizens alike.

Low growth and low confidence have a particularly adverse impact on poor people. Opportunities for them to improve their lives remain limited, as they find themselves trapped by poor education outcomes and low employment prospects exacerbated by having no access to the personal networks that are critical in the process of employment.

The effects compound over time. Every year of low growth consigns more young school leavers to unemployment. And the longer they remain unemployed, the less likely they will be able to find work later. And their children are less likely to have connections that can secure work experience or a spot in a top-performing school.

Economic activity is dominated by a handful of very powerful firms and individuals, who are able to capture swathes of the economic landscape, through using their connections of the political and business elite of our highly divided society. This inequality colours the prism through which our labour relations take place, and makes it harder to find opportunities for compromise.

We urgently need to resolve these deep challenges in our society. We need to break the cycle of inequality, poverty and unemployment which compounds one another. Economic growth and transformation go hand in hand. Transformation without growth is purely about a struggle for the same size pie and can possibly fuel discontent and resistance from those that feel they have to forego.

There are very real benefits from having a transformed society.

As a firm, this makes sense from a profitability perspective. Nurturing young, black talent can help improve the efficacy of your business. It can also help to promote you as an



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employer of choice – critical in a world where we are all hunting for the best and brightest minds to grow with our ventures.

As a country, it makes sense to help boost growth rates if we are better able to make use of the vast resources of human potential in our country.

Despite significant progress, there are still deep divides in the quality of education South Africans have access to and this is often along racial lines. The close social networks that mirror trends in business and the public sector will tend to exclude those who don't have family or friends working in these areas – and because of that exclusion, they are less likely to be linked in - no matter what their raw talent or ability.

This human potential represents a vast resource in our skills-strapped nation. It is true, it may take time to unlock, and it is true, there may be some hardships or failures along the way. But this does not detract from the overall importance of the project. Mentoring programmes and graduate skills development schemes; homework assistance to those close to you – we all have a part to play in helping to bring people closer to the hub of activity.

There is much for us to be proud of in terms of what is happening around us. South Africa has a vibrant civil society and lively political discourse. We have strong, robust and independent institutions and excellent frameworks for transparency, as well as dynamic and innovative business and people. We have a strong and credible fiscal framework, and we remain committed to stabilising debt and consolidating the fiscal deficit. We are committed to cutting waste and improving efficiency of public spending, whilst protecting social services for the poor. We remain committed to building up the infrastructure of our economy and we are prioritizing spending on growth-enhancing, job creating activities.

We have reduced the number of people living in poverty from 41.1 per cent to 21.5 per cent between 1994 and 2015. School enrolment and access to services such as sanitation and electricity have increased dramatically.

Over the last 21 years our economy has been greatly transformed, evidenced by a growing black middle class.

But we still have much to do. I look forward to hearing your suggestions on how best to accelerate this transformation!



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Thank You