



**MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA**

SPEECH BY THE MINISTER OF FINANCE, ENOCH GODONGWANA, AT THE GALA DINNER OF THE BLACK MANAGEMENT FORUM IN KOMANI, EASTERN CAPE, AT THE QUEENS CASINO AND HOTEL

DATE: 26 APRIL 2022

INTRODUCTION

Program Director

The Executive Mayor of the Chris Hani District Municipality Councilor Wongama Gela

President of the Black Management Forum Mr Andile Nomlala and the Executives

Members of the BMF

Ladies and Gentlemen:

Thank you for inviting me to celebrate with you this evening the Black Management Forum's 46th year of existence.

Understanding that the Black Management Forum is an organization of Black professionals, the expectation I guess, is that I should speak about the transformation agenda in our country. This, I will do.

However, allow me to firstly reflect on our fiscal strategy and also to say something about our expectations from black professionals.

On Fiscal Strategy

On fiscal strategy let me start by indicating that since the 2008 global financial crisis, South Africa adopted a counter-cyclical fiscal policy.

This means that as the economy under-performed, government increased its deficit to counter the impact of the crisis. In this regard, on a consistent basis, we were spending more than we were receiving in tax revenues.

Added to this was the composition of our spending that tended to be skewed more in favour of consumption than towards growing the productive capacity of our economy.

The net effect of all of this was that instead of getting higher growth from fiscal expansion, our debt continued to rise.

Currently our debt stands at R4.3 trillion, projected to rise to R5.4 trillion over the medium-term.

Our debt servicing costs average R 330 billion annually. Debt servicing costs are among the largest portion of our spending.

Students of economics will tell you that higher government debt tends to increase the cost of debt in the entire economy, making raising debt expensive even for the private sector and this limits investment in the economy.

Higher debt and debt servicing costs also tend to crowd-out other spending priorities.

We are encouraged that our revenue collection continues to exceed what we forecast owing to higher commodity prices.

However, we understand that this will be the case only in the short to medium term.

Faced with this reality, our medium-term fiscal policy is focused on reducing the budget deficit and stabilizing the debt-to-GDP ratio.

We are using a portion of the higher-than-anticipated tax revenue to narrow the deficit while increasing non-interest expenditure to support economic growth, job creation and to provide further social protection for the poor and vulnerable.

Government is determined to stay the course of fiscal sustainability in order to restore the health of our fiscus and to support growth.

The fiscal sustainability agenda also puts a responsibility on public officials to spend public money in a responsible and prudent manner.

To support economic growth, we have, among others, committed ourselves to implementing reforms in the electricity sector, water, logistics, telecommunications as well as in supporting tourism and attracting skills required by our economy.

In addition, we are pursuing aggressive investment in infrastructure as a catalyst to economic growth and development.

We are also seized with the task of replacing red tape with smart tape as part of our overall commitment to addressing the ease and reducing the cost of doing business.

On the Transformation agenda

Programme Director, government remains committed to the agenda of thorough-going transformation.

Part of what we have done in this regard is to focus on empowerment initiatives such as our policy on Broad Based Black Economic Empowerment; which has resulted in thousands of black-owned businesses being supported to grow and develop.

Through our policy on Affirmative Action we have ensured that more and more black professionals are able to enter the corporate world.

The Ready to Govern Document of the ANC has the following to say on affirmative action:

“We do not support giving positions to unqualified people simply on the grounds of race or gender. What we will insist on, however, is that the hundreds of thousands of

highly merit-worthy persons who have been unjustifiably kept out of jobs, denied advancement in their careers and excluded from training, be given their due. Those who have been kept back by apartheid education and by sexist assumptions should be given special backing to catch up.”

This quote raises three important issues about our approach to transformation and in particular affirmative action:

1. Firstly, is the significance of meritocracy in all our efforts to advance transformation
2. Secondly, is the imperative of reversing the imbalances of the past
3. Thirdly, is the focus on upskilling and supporting those who “have been kept back by apartheid education and sexist assumptions” to enable them to compete on an equal footing.

With regards to the issue of equity ownership, the Ready to Govern document directs that; *“Equity ownership will also have to be extended so that people from all sections of the population have a stake in the economy and the power to influence economic decisions.”*

This speaks to the need to expand participation in the economic mainstream, especially by black people, women and persons with disability.

To us, and as we said at our National Conference in Stellenbosch, transformation is not only an economic and political imperative, but also it is a moral imperative.

More than 25 years on, we have been able to make deep inroads in addressing economic marginalization.

We have greatly expanded access to employment and other economic opportunities through a calibrated process of growing and diversifying the productive base.

Social protection has also been expanded and the number of people with access to basic services such as electricity, piped water and sanitation, has increased significantly.

As indicated earlier, our efforts to promote black economic empowerment and employment equity have yielded some results.

Regrettably however, since 2009, our progress has stalled particularly as a result of state capture and a lack of political will.

The latest report released by the Commission for Employment Equity for 2020-2021 paints a grim picture about the pace of transformation in the South African economy.

The progress of Black Africans into top management positions averaged around 15% in the three years between 2018 and 2020.

The representation of the Coloured and Indian populations remained at 5.7% and 10.6% respectively in 2020.

The White population continues to dominate top management roles, accounting for nearly 65%.

The case is much the same in senior management roles.

It is this skewed representation, especially in an environment of economic stagnation, that feeds into income and wealth inequality, and the knock-on effects of social instability that threaten our national project of unity, reconciliation and prosperity for all.

Government continues to work on remedying this situation by implementing progressive legislation and policies that seek to address weaknesses in our economic framework.

For instance, we have emphasized the need for localisation, and our Preferential Procurement Policy Framework Act (PPPFA) of 2000 is aimed at providing the incentive for government and businesses to procure from BEE certified suppliers.

The ruling by the Constitutional Court in February this year; that certain aspects of the PPPFA Act are unlawful, is a set-back. We have since issued new regulations to the PPPFA for public comment.

The PPPF Bill is now with NEDLAC and it is our intention to table the Procurement Bill before Parliament in June this year.

We are committed to using all levers at our disposal, including legislation, to advance economic transformation.

What do we expect from Black Professionals?

In understanding the role that black professionals can play in helping to advance transformation, we in the ANC depart from the understanding that black professionals are part of the motive forces of the National Democratic Revolution.

We count black professionals among the social forces that stand to benefit the most from the successful execution of the NDR.

In other words, we see black professionals as our partners in the ongoing struggle to transform our economy and society.

What then do we expect from black professional? We expect largely the following three things.

1. Black professionals must be on the side of the democratic state as it carries forward the transformation agenda. They must input into this process and be among its primary custodians.
2. Black professionals also need to help the democratic state in ensuring that the resources at our disposal are managed efficiently, to the benefit of the people.
3. Equally, black professionals need to ask the critical question: why is it that black managers tend to be associated with failure and incompetence. If you look at the state of local government, 6 out of every 10 municipalities in the country are in financial distress – their governance is weak and they lack professional and judicious management. These are largely municipalities led by black managers under a black political leadership. We must ask these difficult questions and not shy away from them.

Conclusion

Ladies and Gentlemen as we meet here this evening, our country has been gripped by devastating natural and other disasters that have cost many lives in parts of KwaZulu Natal, as well as the Eastern and Western Cape.

We take this opportunity to, once again, send our deepest condolences to those who lost their loved ones and have lost their belongings and livelihoods.

We reiterate our government's commitment that we will continue to reach out and support those affected by these disasters.

Ladies and Gentlemen, there is no doubt that what we are witnessing are the shocks of climate change.

As we respond to these disasters, we must therefore ask the question: are we putting in place sufficient climate change adaptation and mitigation measures, to enable our economy and society to be climate resilient?

Linked to this is the question of whether we should not redirect more of our resources towards climate change adaptation measures?

I shall leave you with these questions.

Thank you.