



MINISTRY
PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

**REMARKS OF THE MINISTER OF PUBLIC ENTERPRISES, MR PRAVIN GORDHAN,
AT THE ECONOMIST INTELLIGENCE CORPORATE NETWORK EVENT,
JOHANNESBURG,**

19 MARCH 2024

Mr Rob Willock, General Manager Economist Intelligence Corporate Network (EICN),

Mr Mpho Makwana, Chairman Epitome Investments,

Mr Peter Mehlape, Managing Director, Medtronic,

Mr Sam Rolland, Director Sub-Saharan Africa, EICN,

Business Representatives,

Distinguished Guests,

Ladies and Gentlemen,

Molweni,

Sanibonani

Good Morning,

Goeie More.

Thank you very much for this opportunity to interact with you, but also agitate you a little bit with an alternative set of ideas.

But where we agree, is that we are living in a very complex world at a very complex time.

Probably there is a historian in the audience who will tell us that this is one time in history where we have a lot of complexity that we probably never had at any time before, which means that we need to wise up enough to -- on the one hand data, and what it shows us, but secondly, be a lot more thoughtful about the kind of society we want, the kind of economy we want, but also the kind of politics we want, and the manner in which these factors interact with each other.

So one of the questions put to me is what are the takeaways from our recent combination of crises. So South Africa, on the one hand, as you can see from numbers, stands, heads and shoulders above many countries, on the other hand, and like many parts of the world, we've had our fair share of crises as well.

Firstly, the financial crisis, which had nothing to do with us, it came from a part of the world. But we had a good and resilient banking system, and financial system, it was able to cope, and we had fiscal space.

So we had a set of choices to make. Do we go the direction of the UK? Which is austerity, austerity, austerity, from which they have not recovered yet? Or do we absorb that shock.

And we made the better choice because we have the fiscal space to do so. So perhaps one of the lessons that we learn is try to keep building first, fiscal space where it's possible. But also the kind of interaction that takes place between rating agencies, the financial markets, governments, and the private sector probably needs to undergo some kind of dynamic paradigm shift as well.

Because if you're borrowing not for consumption, but for investment, and investment is linked to growth, then that kind of borrowing should have more latitude than it's currently allowed.

So what kind of fiscal space did South Africa have in 2008? I think our debt-to-GDP ratio was closer to 20% - 22%. There was a small surplus that Trevor Manuel and company had left behind. And it gave us the capacity to absorb the R50 billion loss in revenue.

At the same time, the other factors didn't kick in, which is growth. So whereas many of the economies that have been impacted by the financial crisis had the opportunity to recover and go back to 3-4% growth, ours went above 3% for a short while, but then came down to very modest numbers afterwards and the question is why? I'll come back to that point.

Equally. Today, we talk about the energy crisis. Quite frankly, we made mistakes. In 1998, there was a policy paper which said build more power stations.

But you guys in the private sector, didn't come to the party, because that was the expectation at the time, that the market will step in, the market will build the power stations, it will benefit from that exercise and South Africa would have energy security. It didn't happen.

And a series of mistakes there after meant that load shedding, which everybody blames us as if it happened yesterday, started in 2007. And, but it's at hand. And the manner in which it has been dealt with is perhaps an interesting lesson for things to come in South Africa. Let me dwell on that and the logistics situation, but sometimes its gets overplayed as well.

Another consideration is the interaction between the private sector, the demand factor globally, the necessity for logistics to work, after a period of state capture, which had destroyed infrastructure, human infrastructure, physical infrastructure, financial infrastructure, governance systems, which again, journalists are too lazy to understand.

And rebuilding, if any of you have been involved in rebuilding an institution that has been thoroughly destroyed by opportunists and greedy people, it takes time. And we are more or less there but there's still a lot of hard work to do.

But let's use energy and logistics as two examples, where an on and off set of exchanges between government and business finally began to spark towards the latter part of last year.

And today, you will see 50 people from the private sector, with skills on the soft side and on the hard side, that are deeply involved in Eskom's work, that have done almost repeated analyses that we have done before as well, but are practically assisting on the ground, so to speak, in pushing Eskom in the right direction.

And that's what we call the National Energy Crisis Committee (NECOM). Equally on the logistic side, we have the National Logistics Crisis Committee (NLCC) community, and Centers of Excellence have been created along some of the eight key corridors on the rail side that Transnet currently operates.

So that's the sign I think of the future as we go, involvement of the private sector, partnerships with the private sector, bringing in private sector skills, but where appropriate, if you like, commercial partnerships -- one of them just fell through, unfortunately, the one on SAA.

But there too, I think it was mentioned earlier on, the direction of travel is quite clear. Where it is appropriate, we will partner with the private sector, but on a transaction by transaction basis. If the transaction proves to not be in the public interest, and where the numbers don't quite square off, then you have to step back, as you would in the commercial sector, as well.

If you take another one, COVID-19, I think we did remarkably well. The President led from the front, both in the context of South Africa, but also of the African continent as well. He tried to garner vaccines from the more developed parts of the world. And I'm sure somewhere in the annals of The Economist network, you're going to find how selfish, developed countries were in this period.

One of them I won't mention, had two to three times the vaccines that they would require for their own population, but they wouldn't share a single vial with South Africa or the African continent.

But there was a brave set of efforts to negotiate with manufacturers, negotiate with countries, particularly with countries like India, that came to the party, China that came to the party in a different way as well. And so it shows that the networks we develop, and the partnerships that we give can pay off as well.

Let me cut to the chase and cover two broad areas. The first is my submission to you that, like many of the more thoughtful economists around the world, including those who published today in terms of the International Monetary Fund. And most recently, Angus Deaton, a Nobel Laureate, a person who spent five decades studying poverty and inequality, looking at the globe, are having second thoughts about what are accepted points of wisdom, as far as economic thinking is concerned.

And they're saying, rethink economics. So there's a whole group of economists who are saying, old wisdom is not necessarily current wisdom; that one of the things that human beings have the capacity for but don't always exercise, is to have the humility to learn and reflect; to have the emotional intelligence to listen, because we like talking and we don't like listening, have the courage to lead, change, and make change happen in the face of undeniable developments around one; have the skill to navigate change.

Now as senior leaders in business and government, talking about change, and pointing to change is one thing, leading change is another, and making it happen.

And we're talking about geopolitics, and we haven't quite mentioned geo-economics. But today, we cannot avoid the connection between economics and economic development, and politics and political developments; not only at the highest level of geopolitics, but also in respect of the political economy of each situation we find ourselves in.

So even in our own context, what's the interplay between political developments and the kind of space you have to bring about economic reforms, for example. So that's another area which I believe needs a lot more thought, a lot more reflection, particularly amongst us as Africans and South Africans, because we might come to very different conclusions about the kind of direction that we actually want to take.

We must also take account the shocking development of authoritarianism all over the world, which shouldn't pass unnoticed, to put it politely.

It is a huge danger as Martin Wolf of the FT has pointed out in the recent book of his, that trendlines in capitalism are in fact undermining democracy. They're undermining democratic institutions. They're making billionaires so powerful, that they can actually determine the shape and the direction of societies.

So you can see most graphically in the US and to an extent in the UK, how billionaires or major donors to political parties actually want to determine the direction that those political parties take, the shape that they take in terms of both their domestic politics and external politics as well.

So it requires us as Angus Deaton also points out, to re-examine economic power and where it resides, and how it relates to the well-being of all sections of society, not just the elite.

So one of the missing things from presentations, like the one you saw with apologies, is the position of the middle class and the working class, except your graph around Germany was quite graphic, the huge decline in real wages that you've seen in a country that says we have a special deal with unions, and even the position of unions most of us instinctively would say, unions are troublesome.

Some union leaders might be troublesome but unions as a force in society have played a largely, a very progressive role in ensuring that all sections of society are able to benefit from what we get as part of economic growth and so on.

The second part and last one, what I want to say is that I think it's time for change. And that we require not just marginal changes, but a paradigm shift, where we put human wellbeing, also to the forefront, because what is climate change about ultimately?

Climate change is not just about saving business, it is about saving human beings. It's about saving planet Earth. Why, not just so that you can do business? But so that eight billion of human beings can live better, while you're doing your business.

Even the question of oil -- the power of the oil lobby is still pretty much intact around the world. And while COP 26, COP 27 made some important advancements, I think we're going to begin to see a bit of regression in terms of climate politics, globally as well.

And how do we get citizens more informed, better informed so that they can make better choices that lead to less authoritarianism is amongst the challenges that we face because the quality of democracy is going to determine the quality of the business climate you have.

It might be nice to have an extremely authoritarian regime that allows a free for all as far as business is concerned but as you share the lessons of business history that doesn't last forever, and you've got to bring about some changes as we go forward.

The important role of resilient institutions is something that we don't talk about often enough as well, because institutions are supposed to outlive all of us. And they're supposed to create a pillar on which future generations can actually build. And as a young democracy, we can see the importance of institutions in our own situation.

Two last points -- one is that we need to shift from a simple idea of economic growth, to a more all-embracing idea of inclusive growth -- how do all sections of society get opportunities, particularly on the African continent, and in South Africa, itself, with a gap between the elites and others growing every day.

And that's not good. So you've got to find a way of restructuring economy, which is related to my first point that allows for a lot more enterprise. So you talk about the business climate, but the business climate is not just for big business. It's about promoting small businesses. It's about promoting medium-sized businesses in our own situations, producing more entrepreneurs so that they create more jobs.

It's not big business that creates jobs. It's those middle-sized companies that actually create jobs. And that, of course, is then linked, ladies and gentlemen, to income sharing.

If you take, I'm sure somewhere in The Economist annals or archives, there is information which says, if you take the national income of a country who gets what share of it and the share of, let's call it the non-elites, has been declining, I would think, for some time now.

So there's a huge concentration of political power and economic power at the top, and a deconcentration at the bottom. So if you want to know about crises, those are the crises of the future. But we have huge opportunities. There is a columnist in the FT who says pessimism is the last thing that we should resort to.

So this is not about a pessimistic outlook. This is about saying, there are opportunities ahead of us – do we have the intellectual and the moral, and the technical skills to be able to take advantage of the opportunities we have?

So heading of our FT article is – *'Why pessimism is pointless — and pernicious: It may be fashionable to be a catastrophist but the consequences can be alarming'*.

So I'm sure we don't want to fall in that category.

Thank you very much.

ENDS/

For Media Enquiries contact Ellis Mnyandu, DPE Spokesperson:
ellis.mnyandu@dpe.gov.za or 012 431 1228 / 079 828 7779

Issued by the Ministry of Public Enterprises

19 March 2024