

BLACK BUSINESS SUMMIT 2020

The Big Political Corner: Socio-Economic Transformation And Inclusive Growth

**ADDRESS BY
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I wish to thank the Chief Executive Officer of the Black Business Council, Mr Kganki Matabane, for inviting me to address the Black Business Summit 2020. As Mr Matabane rightly said, the IFP has made important observations and pronouncements on what needs to be done to change the course of the economy. Considering the influence that this Summit will wield in shaping solutions and driving change, I am pleased to share with you the IFP's vision.

It is common cause that the success of black business is dependent on the growth of the economy, and the growth of the economy is dependent on job creation to secure greater and more inclusive economic participation. But the IFP looks beyond this simple fact to consider what needs to be done.

We believe that expanding the labour market must be done in tandem with equipping a labour force. There is little point in creating jobs if our people are ill-equipped to take up those jobs. Our focus has thus always been on education.

The IFP believes that education and skills training must be prioritized, so that each successive generation of youth will be able to contribute to the economy, whether as entrepreneurs and small business owners, as employees, or as captains of industry.

This emphasis on equipping the youth for the labour force is part of our legacy. Having been born in Umlazi, the President of the Black Business Council, Mr Sandile Zungu, will recognise that the Mangosuthu University of Technology is an example of this principle, in action. MUT was created to provide vocational qualifications to young black South Africans at a time when university degrees did not translate into jobs.

The Founder of the IFP, Prince Mangosuthu Buthelezi, secured funding for MUT, on the principle that young people need to be equipped with marketable skills, in order to contribute to the economy.

Twenty-six years into democracy, South Africa is again at a point where university degrees do not translate into jobs. So once again we need to prioritise interventions that open the way for economic participation.

The answer, we believe, is stimulating the local economy through small business development. Small, Micro and Medium Enterprises need to be supported to a much greater degree. Indeed, small business development is key to saving the economy. Accordingly, we need interventions to make it easier for emerging businesses to access both finance and support.

The role of education remains crucial. At primary school level, the curriculum should include financial education modules, training learners to manage finances and to understand the basics of savings, investment and risk management. The level of personal debt in our society is tremendously high, setting back the establishment of small businesses and enhancing the burden on the State.

When it comes to debt, however, our greatest concern is Government debt, which is growing at exponential rates. During the State of the Nation Address, the President announced billions of Rands worth of programmes to be implemented. But where will these billions of Rands come from? The Director General in the Treasury is on record having warned that the coffers of State are empty. SOE bailouts and massive corruption have depleted State resources.

It is essential that we relieve our national debt. But how? There is heavy emphasis on foreign investment. Foreign direct investment does indeed have the potential to lift our country out of the economic slump we face. But we cannot allow profits to be repatriated elsewhere. Profits earned locally should remain in the country and be taxed here, in order to benefit the local economy. This in turn will strengthen and benefit our currency.

The difficulty with attracting investment is that, no matter how many incentives Government offers, investors will be shy in the face of policy uncertainty, economic stagnation and high levels of crime. We have to face the fact that potential investors are being scared off by the policy of expropriation without compensation.

Let me address that other thorny nettle; State-Owned Enterprises. For years, the IFP has been calling for the privatization of SOEs. The damage done to our economy by underperforming and corruption-riddled SOEs has brought us to the brink of disaster. If Government fails to act now, there is no hope of recovery.

When it comes to public-private partnerships, success depends on an effective and relevant legislative framework that constrains monopolies while enabling competition.

The IFP supports the following public-private partnership methods:

- Selling shares in parastatals through public-private partnerships;
- Warehousing shares for disadvantaged groups by community trusts or community directed corporations;
- Private placement;
- Trade sales via tender or private treaty;
- Voucher/coupon system;
- Debt-to-equity conversions; and
- Preferential allotment schemes to advantage the previously disadvantaged and economically excluded.

The IFP advocates a free market economy, and we encourage free and open competition. We promote strategic liberalisation of domestic trade and of financial markets, including further regulatory rationalisation and less State involvement in the economy.

The role and scope of government should be limited in the field of economics. Private corporations should be employed to perform as many state functions as can be performed by non-state agencies. This would apply particularly in the fields of education, health, prisons and construction. The role of government should be limited to that recognised by the institutions of civil society.

The regulation of South Africa's economic system should be brought into line with international best practises. Government spending should be curtailed, budgets balanced and government's role should be facilitative and principled. It should not be centrally active to the decision making within the free market.

Economic ties with the African continent should be further developed and strengthened through free trade agreements.

Together with a robust plan for growth, increased exports of our goods and services, a deregulated market and trade system, market-friendly policies, and greater Government transparency, it is investment in skills and infrastructure that will help boost the economy.

It is essential that we introduce and fund key initiatives such as "MADE IN SOUTH AFRICA", "BUILT IN SOUTH AFRICA", and "GROWN IN SOUTH AFRICA". This speaks to the heart of developing initiatives which will stimulate growth as we enter the Fourth Industrial Revolution.

The 4IR is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres. It is important that as we enter this era we are equipped to explore the impact of the 4IR on the economy and the new digital economy, on higher education and the future of work, on inequality, on citizens, society and the State.

It is impossible to speak about South Africa's economy without speaking about corruption. Corruption, maladministration, and fruitless, unauthorized and wasteful expenditure in all spheres of Government have not only crippled our economy, but damaged trust in Government and investor confidence.

The rot of corruption must be dealt with. Politicians and government officials who are found to be contravening the law must be placed behind bars. It is unthinkable that in the face of all the evidence of state capture and corruption, there has yet to be a single arrest.

Beyond corruption, however there is a second key reason for the dire economic crisis we face at present. Nine years ago, the *National Development Plan Diagnostic Report* identified this reason. It is, quite simply, a failure to implement policies and an absence of broad partnerships.

South Africa needs stable, trustworthy leadership – with integrity – to steer the economy. Instead, it has a ruling Party constrained by the dictates of its tripartite alliance partners. The ruling Party has never committed to one economic policy. Instead they have allowed their tripartite alliance partners, the South African Communist Party and the Congress of Trade Unions, to dictate policies that were neither fish nor fowl.

Government leaders speak about creating a developmental state, while systematically entrenching a welfare state. South Africa adopted the RDP, then GEAR, then ASGISA. But all were abandoned. We adopted the NDP, and then quietly stopped implementing it.

When the President speaks about bold economic policies, we know by now that he is constrained by the dictates of the ANC's partners, and the factions within the ANC itself. What we really need is a President who is above politics, doing what is in the best interests of **the country**.

I believe it is time to revive the 2007 Constitutional Amendment Bill which was introduced by the President Emeritus of the IFP. The Bill sought to separate the positions of Head of State and Head of Government, giving us both a President and a Prime Minister. This would strengthen the dignity of the office of the President and strengthen our constitutional system. It would also free the President to do what is needed to save South Africa.

I thank you.

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