
ADDRESS BY...

THE DEPUTY PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA HONOURABLE MS.

PHUMZILE MLAMBO-NGCUKA

AT THE 12th NEDLAC ANNUAL SUMMIT

01 SEPTEMBER 2007

EMPERORS PALACE, KEMPTON PARK, GAUTENG

THEME:

**“THE ECONOMICS OF DEVELOPMENT - KEY ACHIEVEMENTS
AND CHALLENGES FOR SOUTH AFRICA”**

Programme Director,
Minister of Labour, Membathisi Mdladlana,
Minister of Trade and Industry, Mandisi Mphahla,
Other Government Ministers present,
President of Business Unity South Africa (BUSA), Patrice Motsepe,
Secretary General of COSATU, Zwelinzima Vavi,
Chairperson of JIPSA, Gwede Mantashe,
NEDLAC Executive Director, Herbert Mkhize,
Senior Government Officials,
Leaders from all the NEDLAC constituencies,
Distinguished guests,
Ladies and Gentlemen

I am honoured to have an opportunity to address and engage with you on this auspicious 12th Annual Summit of NEDLAC – the custodian of our social dialogue.

Programme Director, during the 4th Annual Nelson Mandela Lecture in 2006, Honourable President Thabo Mbeki said “... **despite the advances we have made in our 12 years of freedom, we must also recognise the reality that we still have a long way to go before we can say we have eradicated the embedded impulses that militate against social cohesion, human solidarity and national reconciliation**”. I believe this quotation is more relevant in the context of the theme of this annual summit – Economics of development: key achievements and challenges for South Africa.

Growth and development

As Government like all of you in this meeting, we believe and support the growth-development nexus, that economic growth is a necessary condition for development and vice versa. But we also acknowledge that not all growth translates into development and benefits the poor. The understanding of this growth-development nexus became a cornerstone of the

Reconstruction and Development Programme and the Growth Employment and Redistribution (GEAR). The RDP emphasized growth through development and government to invest heavily in the poor to increase productivity of resources. GEAR on the other hand, emphasized development through growth with private sector investment to stimulate growth. The Accelerated and Shared Growth Initiative of South Africa (ASGI-SA) has emphasized the importance and centrality of growth and development with the state playing a greater and central role. All these policy initiatives tell us that we need to promote economic growth, efficiency and productivity whilst we simultaneously address the socio-economic conditions of our people.

In the RDP we even went further to acknowledge that “... **no democracy can survive if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government**”. Borrowing from the work of Mhone and Edigheji in their book ‘*Governance in the new South Africa: The challenges of globalisation*’, we agree that “... **development in short, necessarily entails structural transformation of the domestic socio-economic environment such that underdevelopment and its associated economic, social, human and environmental maladies are progressively eliminated ...**”

An important question that we need ask today is “how can we ensure that the positive economic growth we have seen in the last few years translates into development, job creation, improvement in the living conditions and poverty reduction?”

Since the advent of democracy in 1994, we concentrated our efforts on ensuring that there is macroeconomic stability whilst integrating and repositioning our economy in the regional and global economic arena, with more emphasis on the realization of a credible and prudent fiscal position, reducing fiscal deficits and efforts to reduce inflation through inflation targeting. As correctly pointed out by Mhone, during this period with our tight monetary and fiscal policies, we managed to bring down the inflation rate considerably from the double-digit levels of the pre-democracy years. Our positive economic performance has also been confirmed in the recently launched Development Indicators Mid-Term Review. The review indicates that the economy has grown continuously since 1999 and that this growth trajectory continues gearing up to higher levels.

This approach we have acknowledged has yielded tangible and required macroeconomic stability. The Harvard scholars have also confirmed that our economy is doing well and even went to an extent of saying that capital inflows and the rand have been strong, growth was high in 2005, the budget is relatively healthy and that “**we need to be optimistic**”.

Whilst acknowledging this optimism, we believe there is a daunting challenge of growth-and-employment disequilibrium or imbalance. We have seen a minimal increase in the number of

jobs created yet in the same period we have been experiencing remarkable economic growth. The real GDP growth averaged 4,9% in 2005 whilst unemployment using the strict definition is hovering at 25.5% (September 2006). The growth has not been allowing sustained job creation and poverty alleviation. This would imply that the remarkable gains accrued from macroeconomic stability would be wasted if the growth and jobs mismatch continues. Addressing the 5th Annual Nelson Mandela Lecture in July 2007, Mr. Kofi Annan said something which I feel is relevant not only for the continent but also for us in this country when he said **“Still, this wave of progress continues to unfold. Our challenge, in this new century, is to ensure that the gains some of us have made can be experienced not just by a few but by all who live on this rich, vast and varied continent”**.

When I addressed the Freedom Day celebration in Bloemfontein earlier this year, I acknowledged the daunting challenges we are faced with when I indicated that **“with all the progress, too many of our people still live in poverty. Too many of our people are victims of crime, too many young people cannot find jobs, too many women are suffering gender-based abuse and too many children are violated even in their own homes and in their communities”**.

What are the key policy interventions to address the imbalances?

The biggest test facing Government and all our social partners now is to change the lives of the millions of our people who have fewer opportunities and provide them with better chances to survive, and to benefit and share in the country's positive economic growth. All of us, government, nationally, provincially and locally plus the private sector and civil society, must have comprehensive strategies for economic transformation, with the state playing a central and strategic role by investing directly in underdeveloped areas and providing direction for private sector investment. This is what ASGI-SA is trying to accomplish and we need your support. ASGI-SA defines the national agenda whilst at the same time mobilizing financial resources and all sectors of society to actively participate in driving and implementing the objectives of the national agenda.

The ASGI-SA programme is specifically aimed at removing barriers to growth to ensure that we accelerate our economic growth to our intended target of over 6 percent by 2014. However, we recognise that our interventions should be directed at addressing both the supply and demand of our economy. Let me pull out some of the key interventions in this regard:

Firstly, on the supply side, we recognise that one of the major impediments to this growth and development is the lack of skills. It is for this reason that the Joint Initiative of Priority Skills Acquisition (JIPSA) is an important component of ASGI-SA.

We must understand that JIPSA is also part of the country's broader skills development revolution driven by the Department of Labour through our National Skills Development Strategy. The importance and success of JIPSA thus far however, lies in its ability to coordinate activities around addressing priority and scarce skills among stakeholders. As part of skills development we have also committed ourselves to recapitalise our Further Education and Training (FET) colleges to the tune of R600 million to build their capacity to meet the skills requirements of our economy.

We have also taken note of the fact that one of the reasons for the insufficient growth levels is the sluggish performance of the non-traditional tradable goods and services in low skill intensive sectors. This is the rationale that informs the development of an active Industrial Policy which aims to diversify our economy to ensure that whilst we aim to become competitive in the global economy we simultaneously create the much needed employment to align our growth-employment mismatch.

I must say that one of the main challenges under AsgiSA as noted in the JIPSA report is dealing with the challenges of the second economy. It is heartening that most of the people trapped in the second economy remain women and young people who also constitute the majority of the unemployed. What all this means is that despite our well intended efforts to mainstream the second economy to the first economy such as SMME and cooperative development, provision of funding, education and training and so on it still remains underdeveloped. I have to say that we can only be successful in our interventions if we share ideas, cooperate and support each other, which brings me to my next point, the importance of social dialogue in managing the economics of development.

What should be the role of NEDLAC in the process??

As I have already indicated, there is a national agenda that needs the support from all of us, including the NEDLAC constituencies gathered here today. We have indicated in the previous summits and meeting as we continue to do so, that social dialogue is amongst the most important and effective mechanisms to address the challenges of sustainable development. Since its birth in 1995, NEDLAC has positioned itself as the premier institution of social dialogue that has directed most of our programmes and policy directions for the realisation of a just and democratic society. As we all know, there have been institutional and capacity challenges within NEDLAC, but it is our strong belief that the developmental challenges facing our country will not be solved without the robust and effective dialogue amongst social partners.

To respond to these institutional and capacity challenges, as Government we have embarked on numerous efforts to strengthen our capacity across all spheres of government in order to

accelerate the pace of service delivery to effectively address the current service delivery backlogs in working class communities, particularly in our townships and rural areas. This capacity should enable the state to successfully transform the current dominant gender relations in our society, and also assist in strengthening NEDLAC.

As social partners, we need to re-look at ways of strengthening our capacities to ensure that NEDLAC can also firmly deliver on its mandate. NEDLAC can only be strong if we ourselves as its constituent parts are strong. Our strength and that of NEDLAC would be critical not only from the standpoint of institutional capacity but also because it will improve the quality of the decisions and outcomes of our joint efforts.

Let me conclude with a quote from one of our Nobel Prize Laureates, Archbishop Mpilo Desmond Tutu when he said, **“We really do have much to celebrate and much for which to be thankful”**.

Thank you