

Vision 2030 Summit – Our future our Plan

Opening address by Minister of Planning, Monitoring and Evaluation

Mr Jeff T Radebe, Emperors Palace, 17 June 2015

Programme Director, Minister of Environmental Affairs, Deputy Ministers, Leaders of state institutions, Business Leaders, Distinguished Guests, Ladies and Gentlemen, Good morning.

I wish thank Topco Media for the invitation to this inaugural Vision 2030 Summit and I congratulate them for this important initiative. Although this is a private initiative, I know that they worked very closely with the secretariat of the National Planning Commission in putting the programme together.

This summit takes place hot on the heels of the African Union Heads of State Summit which discussed a number of programmes to propel the continent towards the goals set out in the continental blueprint, Agenda 2063. Central to the actions needed to advance towards Agenda 2063 is to significantly increase investment in connective and energy infrastructure to enable the growth of the economies of the continent through greater industrialisation.

Seven days ago, officials, representing 26 countries including South Africa, signed an agreement to establish a free-trade zone, which will be the continent's largest yet. Combined, these countries are home to 626 million people and account for 58 percent of the continent's gross domestic product of roughly R15 trillion. This will expand markets and create enormous opportunities for trade and investment.

Earlier this year, the 24th Ordinary Session of the African Union held in Addis Ababa, Ethiopia adopted a resolution mandating South Africa to champion "the manufacturing of rail rolling stock to support the deepened drive towards industrialization" in Africa. In simple terms, the African Union wants South

Africa to develop the capacity to manufacture rail rolling stock for the rest of the continent. It would appear that the significance of this resolution is not fully appreciated by our private companies, development finance institutions, and the media as I have not seen any reporting on this landmark decision.

There is an acute awareness among our leaders that the development of our continent rests in our own hands as Africans. It should be noted, however, that while Heads of State can adopt resolutions and make declarations, unless the people of this continent, in particular the private sector companies take up the opportunities, the resolutions will remain words on paper. As the NDP reminds us, “it may be states that secure international trade or financial relations, but it is, ultimately, private companies that do business across borders”.

Two weeks ago, we hosted the World Economic Forum on Africa which discussed a number of challenges facing the continent and the actions needed to address them to truly unlock the development potential of the continent. It is apparent that infrastructure development and the improvement of skills of our people are central to unleashing the industrial transformation that the continent desperately needs. Once again, the message is clear that governments can and must set the strategic direction for their countries but it is the people either as the workers, investors, innovators, researchers, entrepreneurs, business leaders who will direct the economic fortunes of this continent.

Later this year in September, world leaders will converge in New York for the United Nations General Assembly which will adopt the Sustainable Development Goals (SDG). These goals will build on the success achieved and address shortcomings of the Millennium Development Goals which were adopted in 2000. Similar to the MDGs, the new SDG will serve to galvanise the resources and energy towards a set of common goals over long-period of time.

I raise these different initiatives to draw your attention to four observations that can be made. Firstly, the setting of long term goals to focus the minds of everyone at the global, continental and national level is important. Secondly, long-term goals must be accompanied by detailed implementation plans which will enable effective monitoring and evaluation of progress. Thirdly, our people are central to the development of our countries and we should invest in them. Finally, we need to build systems for constant reflection, adaptation and improvement. These lessons are true for South Africa as well.

Programme Director

In terms of the first observation that I made, South Africa's long-term plan, the National Development Plan (NDP) was adopted by our Parliament and Cabinet in 2012, almost three years ago. This summit provides a platform for us to celebrate our achievements, identify shortcomings and strategize on how to address them as well as hold each other accountable for the parts of the NDP for which we are responsible.

It will be a wasted opportunity if this platform is used simply to complain, find fault or debate whether the NDP is the correct plan for the country. That train has left the station a long time ago. Our attention must now focus firmly on implementation, learning, adapting and making improvements as we progress with the implementation of the NDP.

Speaking about progress, American industrialist, Henry Ford once said: *"If everyone is moving forward together, then success takes care of itself."* From this it is clear, that our failure to move forward together will retard our progress as a nation.

The American innovator, Steve Jobs, [the man who created the wonderful gadgets such as the iPod, the iPad, the iPhone (the only truly smartphone) and recently the iWatch] once said:

You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something - your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life.

In taking the decision to adopt and implement the NDP, the South African government did not try to connect all the dots looking forward. It did not wait until the plan was perfect in every respect; it accepted that the broad direction is clear and we must start moving towards it.

Ladies and Gentlemen

While the NDP is South Africa's first long-term plan, we must understand clearly that the drafters did not start from scratch but recognised government's existing constitutional mandate and policies. In this regard, the National Development Plan affirmed the correctness of the government's decision to invest in the expansion and maintenance of economic infrastructure. Since 2009, we have been allocating more than R800 billion in the rolling Medium-Term Expenditure Framework (MTEF) towards infrastructure. By the end of 2014 government had spent R1 trillion in developing the much needed infrastructure. The expenditure was in areas such as energy, water infrastructure, sanitation, rail, road-based public transport, and hospital revitalisation among others.

I want to take a few minutes to provide you with some detail about government's investment in infrastructure development to expand our economic opportunities.

Energy

In the energy sector, some of the projects include the construction of Medupi and Kusile power stations and iNgula Pumped Storage Scheme. It is important that we understand that despite the fact that these projects may be behind schedule, they constitute the largest investments in the power sector by the democratic government in South Africa. Our focus is on ensuring that these projects are urgently completed.

In addition, South Africa has enabled significant investment in the renewable energy sector totalling some R168 billion in the Four Bidding windows announced to date. South Africa is now regarded as the global leader in renewable energy, having approved 79 Independent Power Producer Projects totalling 5 243 MW. What is very impressive about these projects is the extent of technology maturation over a very short space of time which has reduced the cost from 115c per kilowatt-hour (kWh) in the first bidding round to 62c per kilowatt-hour (kWh) by the fourth bidding round.

Government has also issued a *Request for Proposals* (RFP) for the commissioning of 3 126 MW of power from natural gas, with initial power expected to be available by 2020. Steps are also under way to switch Eskom's open-cycle gas turbines from diesel to natural gas.

Over the next six months, we will be procuring additional co-generation capacity of about 800MW from the private sector. The process of procuring up to 2 500MW from independent power producers generating electricity from

coal was initiated in December 2014 and this power should be added to the grid by 2020

Rail Infrastructure

In order to succeed, these initiatives, however, require investment in other sectors and the NDP identifies the impact of rail infrastructure. In this regard, the expansion of the Sishen Iron-Ore line is currently underway as announced by Transnet Freight Rail in 2012. An amount of R28.6 billion was earmarked for the project when it was announced. Plans are underway for the first-phase expansion of capacity on the railway line from Lephalale in Waterberg — from 4-million tonnes a year to 23-million tonnes a year by 2018 as proposed in the NDP.

Last year Transnet announced a R50 billion investment to manufacturer more than 1,000 locomotives. The tender was awarded to China South Rail, China North Rail, Bombardier and General Electric. The plan is that all locomotives except for the first 70 will be manufactured in South Africa and delivered by 2019. This will significantly expand Transnet's general freight capacity to support economic activity as well as expand the country's industrial capacity.

Operation Phakisa

Government has taken a comprehensive approach to transport infrastructure including the role of our ports. Delegates will be aware that government launched Operation Phakisa last year which uses the Malaysian 'big, fast results' methodology to unlock delivery. As part of Operation Phakisa's initiative to unlock the economic potential of our oceans, a commitment has been made to allocate R7 billion for investment in our ports by Transnet Ports Authority.

A further commitment of R 9.2 billion of public and private investment for the construction of a new berth in Saldana Bay, the extension of the Mossgas Quay and the refurbishment of the Offshore Supply Base has also been made.

All the planning for the roll-out of Operation Phakisa in the health sector has been concluded and we are now setting up implementation modalities. This initiative will significantly improve the functioning of public sector clinics and provide good quality health care that our people deserve.

It is important to note that Operation Phakisa will also be extended to the basic education and mining sector. We will use this methodology address challenges and unlock the full development potential of these sectors.

Public Transport

In addition to investment in goods and freight transport and in line with the proposals in the NDP, government has invested in public transport initiatives. The Passenger Rail Agency of South Africa (PRASA) awarded a tender for the new rail rolling stock estimated to cost R51 billion and will spend R4 billion on new hybrid locomotives over a ten-year period. A rail passenger factory will be established in Nigel, Ekurhuleni for the manufacture and assembly of locomotives and trains. It is expected that over 65 000 direct and indirect jobs will be created. Significant investment has gone into modernising the network of train stations across the country.

The Integrated Public Transport Network system – popularly known as the BRT system - has been expanded over the past six years. These include the *Rea Vaya* in Johannesburg, *MyCiti* in Cape Town, and the *A Re Yeng* in Tshwane which launched a test phase recently. BRT Infrastructure

construction is at different stages in George, Polokwane, Ekurhuleni, eThekweni, Mbombela, Msunduzi and Rustenberg.

In addition, Government recently announced an amount of R1.1 billion for the upgrade of the Moloto Road to improve safety and mobility on this road. Taken together, these are significant investment in the public transport systems to ensure that our people have reliable, safe and affordable public transport.

Other Programmes

It is important that we understand that initiatives by government are not undertaken in isolation and form part of a broader mandate to expand economic opportunities and improve the lives of our people. For example, the Employment Tax Incentive scheme which is intended to expand employment, especially of young work-seekers has begun to show positive results and by the end of 2014 a total of 270 000 young people had benefited.

Government is also investing in building skills to support our economy and through the Department of Science and Technology, it will spend R13 billion on the Research, Development and Support Programme. The department will also make transfers to the National Research Foundation of R2.7 billion to support 4 539 researchers, 15 918 masters students; and 9 615 doctoral students.

In addition, the National Education Collaboration Trust's (NECT's), a joint initiative between government, business and civil society to improve education outcomes is now at an implementation phase. The flagship district improvement programme is being implemented in eight districts in Limpopo, Eastern Cape, North West and Mpumalanga and is reaching a total of 4 262 schools.

Ladies and Gentlemen

I have attempted, by highlighting the work that is currently underway as part of implementing the NDP, specifically in infrastructure development, to make it clear that we are, indeed, at work. It should serve to confirm that the questioning of government's commitment to implement the NDP is unfounded. I am not suggesting that government has all the answers. We are learning by doing in many areas.

I want, if you will permit me, to address another matter that I think is pertinent, especially when considering my opening remarks that agreements between leaders will remain hollow unless, we the people give effect to it.

There is a narrative that is gaining popularity that says our government is hostile towards the private sector, a narrative which I find quite curious. As you know, we do not have a state construction or state manufacturing company, and all the work I referred to earlier is undertaken by private companies. These projects are structured and financed by both foreign and local investment companies including South African banking institutions. Yet this narrative is allowed to gain so much popularity.

I want to address this specifically because I believe we can do so much better than this. If we work together we can certainly achieve far greater success. It is important that even if we are unhappy about something that the government has done or failed to do in our view, we should still work together, understanding that we are building a future many times better than the present.

Working together to achieve greater progress means that when communities are unhappy about service delivery, they should not burn down the little that they have. When government makes a decision that some in the community do not agree with such as the determination of municipal boundaries in Malamulele, communities should not prevent children from going to school and burn public assets.

When there is a breakdown in wage talks, protest action should not become violent and lead to loss of property and life. There should be no intimidation of those who choose to work. Strike action should not be so protracted as to make workers and their families worse off than they were before the strike commenced even if they win the increases they are fighting. Such actions hurt the workers and our economy and it erodes not only our economy but also our society.

The National Development Plan calls on all South Africans to be part of a virtuous cycle where working together means understanding that we are each playing an important role in the development of this country. Illegal actions such as those calculated to delay the completion of Medupi or obstructing the education of our children, including selling teachers' and principals' posts should not be accepted and the perpetrators should be prosecuted. These actions constitute a form of breaking down and slowing of our progress.

Resisting measures intended to facilitate entry into the labour market by young people and taking actions that lead to loss of jobs is not in the best interest of this country. We need to create more jobs rather than destroy the ones we have.

Acts of blatant corruption, whether in the public or private sector should be exposed and strong action taken by the authorities against those involved.

Anti-competitive behaviour such as price fixing as we saw in the construction of the 2010 Soccer World infrastructure, and tax evasion through measures such as transfer pricing all serve to erode what we are trying to build.

Deliberately failing to meet black economic empowerment and employment equity obligations, the flaunting of wealth by the rich in our society, and paying obscenely high salaries to business executives are further forms of this attitude. It generates anger and resentment by those who toil every day for wages hardly enough to cover transport costs.

We have among the highest levels of income inequality in the world. According to the *World Top Incomes Database*, the share of income accruing to the Top 10 per cent income earners in South Africa was 54 per cent in 2011 and the situation has not changed very much since. When the next richest 10 per cent is included, the Top 20 per cent income earners' share increases to 70 per cent.

Our income inequality is higher than all other BRICS countries, and countries at similar levels of development. Our income distribution has become so distorted we must recognise that it is as an anomaly and address it accordingly.

The NDP calls on us to take measures to reduce income inequality and raise the income share of the bottom 40 per cent income earners. This requires all of us to discuss and reach an agreement on the kind of economic order we want and the trade-offs and sacrifices we require to achieve it. At the same time we must resist calls for policies that only contribute to breaking down what we have achieved and slowing our progress.

We have to own up to the fact that the approach we have followed so far in managing income distribution, characterised by the 'survival of the fittest'

mentality, has many shortcomings. This has pitted workers against those who are unemployed, it has locked young people outside of the labour market and slowed our growth and has served to benefit especially the rich in our society.

The President has provided leadership and begun engaging all sectors through the different Presidential Working Groups to begin a dialogue on how to work together to implement the NDP. We need to extend this initiative, discuss elements of and agree on a new social compact to advance the goals of the NDP. It is important that we are reminded that the NDP is not a plan simply for government but for the entire country.

I wish you well and trust that the deliberations over the next two days will be robust but constructive and serve as the beginnings of the social compact that we need to move forward.

Thank you.