
ANC Policy Priorities: National Transformation Through Local Delivery

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Introduction

The following document provides a summary of a meeting, held at Chatham House on 11 May 2016, with Dr Zweli Mkhize, Treasurer-General of the African National Congress (ANC).

Dr Mkhize gave an overview of the state of the South African economy, the challenges it faces, and the policies and initiatives promoted by the ANC to address these challenges. He emphasized that it is important for the government to retain tight fiscal budgetary control, and to focus on investments in those sectors that can create jobs and enable a turnaround of the economy. The government must address challenges relating to trust, service delivery and education if the country is to remain a robust and stable democracy.

Dr Zweli Mkhize

South Africa is going through a challenging time in terms of its economy. The level of growth has fallen below 1 per cent, giving rise to serious concern that development issues cannot be addressed. A level of growth of 5–7 per cent is needed in order for the government to be able to tackle the very grave issues facing the country, including poverty, unemployment and inequality. Progress has been made in terms of job creation, with the creation of jobs for roughly 15 million people, but unemployment levels have nonetheless increased, with an estimated 7 million unemployed.

South Africa is also faced with a possible downgrading of its economic status. A lot of effort is being put into identifying what can be done to turn the economy around, in particular through the maintenance of a very tight fiscal budget stance to avoid rapid increases in debt levels, and reducing deficits.

There is a need to build a very strong relationship of trust and confidence between the private sector and the government. There is an ongoing dialogue focusing on the specific concerns of businesses. Progress has been made in overcoming the historical trust deficit between the government and the private sector, and recent efforts have resulted in increased contact between the sectors. Among issues discussed has been addressing uncertainty in the mining sector through revisions to the Mineral and Petroleum Resources Development Amendment Bill.

Several other sectors are being examined in detail – including for example infrastructure, as part of the National Development Plan. Over the past two years, increasing demand for energy supply has been addressed by building additional power plants and promoting renewables such as solar energy. In addition, there is a strong focus on industrial manufacturing, which has the potential to generate jobs in a relatively short time period.

The 2016 local elections are an important part of the economic agenda. Communities are emphasizing issues of service delivery, for which there is competition between communities, linked to the economic situation. Such competition, and the concerns of people on the ground, presents a challenge for the leadership of the ANC, which needs to address allegations of corruption and overcome communication issues caused by the distance between councillors and citizens. These challenges are not easily met, and the government has to work with limited resources. Limited availability of housing has, for example, been an issue since 1994, and will continue to be a major challenge in the next decade. The government acknowledges this, and expects that future economic growth will enable certain groups to take responsibility for their own household needs. There is a need meanwhile to reduce the number of people, currently about 60 million, who are dependent on the government social welfare system.

In the medium and long term, building skills will be an important challenge for South Africa. There is a mismatch between the areas that are in need of skills and the areas in which skills can be provided. Despite the fact that the government has invested in education over the last few years, there are still issues to be addressed including the fees of university students in South Africa. The number of students coming from disadvantaged communities was about 150,000 in 1994, and has since increased to roughly 800,000. As part of efforts to deal with these challenges, the government is employing appropriately skilled and trained individuals to work in the areas of finance, technical development and infrastructure.

There are several more complex political issues to be addressed. In this regard, the government is focusing on the strength of the constitution. A robust message has to be sent that this institution, guarding South Africa's democracy, can act without hindrance of favouring certain groups. This requires not only the independence of the judicial system, but also sound financial services, as both provide the checks and balances of the democratic process.

Summary of Question and Answer Session

Questions

What are your views on how the government can monitor or deal with community tensions and prevent damage to the economy of South Africa?

Can you elaborate on HIV/AIDS programmes and progress in South Africa?

Will the ANC do as well or less well than previously in the local government elections?

Dr Zweli Mkhize

There have been unfortunate tensions and outbreaks of fighting involving foreign nationals in South Africa. There has been a lot of interaction between the ANC and communities to make clear that resuming to violence will not resolve any issues. Most of the peace-making efforts to bring about stability come from the communities themselves. The government is focusing on creating early warning systems to improve the ability of law enforcement authorities to intervene when unrest arises. Such conflicts often start with one or two individuals and then escalate. Early warning systems can identify indicators of tension and enable intervention before escalation. Furthermore, communities that have been displaced and reintegrated have established their own associations through which issues can be brought forward and escalation thus prevented.

Regarding HIV/AIDS in South Africa, the country has made huge improvements as a result of existing interventions. The average life expectancy of South Africans has increased from 49 years to about 65 years. There is strong support from the international community, and cooperation between the public sector, the private sector and civil society has improved.

It is important for the government to engage in the process between employers and employees in order to improve this relationship. A lot of work has to be done especially in the mining regions, where for example improvements are needed in housing, water and sanitation. Furthermore, investments are needed in educational facilities and the diversification of income sources in mining areas. The development of business in other sectors is necessary in order to reduce reliance on mining profit.

In the local government elections, it is important to realize that there has been a large change in the demographic of voters, and that the ANC as ruling party might be paying the price for the economic challenges that South Africa is currently facing. There is indeed a lot of contest, but ultimately this is not strong enough to displace the ANC significantly. There is specific debate about Nelson Mandela Bay in the Eastern Cape. The confidence of the communities there has to be won back, as they have changed mayor several times. However, the current mayor is able to boost confidence, and polls indicate that the ANC is regaining its position.

The ANC has to admit that lack of voter confidence arises from issues of division within the party, and these must be addressed. If there is any part of the country where the ANC might not do well, it will be in areas where the ANC is unable to resolve such issues. One example is the Gauteng area, where there are tensions in the party structure. It is important that communities are able to choose who they think will serve the community best and is most capable to address local issues.

Questions

Do you sense a change within the government as to how it is perceived externally and whether investors might look at South Africa in a different light?

What do you think could change issues regarding currency devaluation and decreasing investment to make South Africa more interesting for foreign investors?

What is South Africa doing to improve the level of education and skills in the country?

What is the reason, in your opinion, that growth rates have fallen so far, and what can turn this around in terms of tangible measures?

Dr Zweli Mkhize

It should theoretically be the case that the elections will have a positive impact on political stability in the country. However, South Africa is not yet in a situation in which a complete change of government, with new policies, is anticipated. It can be expected that a consistent policy approach will be taken before, during and after the elections. From previous elections, lessons are learned to make sure eruptions of unrest will not happen.

It is important that a positive message is sent abroad regarding South Africa. However, media outputs forecasts are strongly influenced by what they think will catch readers' attention. It is often the shocking and negative side that generates more excitement than the story of peace, tranquillity and progress.

There are two colliding issues that have contributed to reduced economic growth. First, when the economies surrounding South Africa and the international economy in general are affected, so is South Africa. The downturn from 2008 thus strongly contributed to the fall in the South African economy, which is heavily dependent on its trading partners in for example Europe. Second, the major export sector and source of foreign exchange for South Africa is mining, which suffered as a result of a decrease in commodity prices. Internally, South Africa has to address issues of confidence related to the government as well as to the unions. A stable environment protecting the rights of both employees and employers is necessary in order to prevent strikes and outbreaks of violence. The government needs to continue promoting the National Development Plan and engage with businesses and employees.

Skills training is indeed an important point. There is an impression created in South Africa that skills are gained at university. The government is currently promoting the college sector as a means of gaining skills that are essential to the economy, including for example artisanal skills. Furthermore, there has to be an alignment with industry for workers to pass their experience to those being trained.

Questions

Considering the fundamental shortage of skills in municipalities, what would you propose as a means to harmonize training across the different tiers of the public service?

Can you elaborate on the importance of Constitutional Court decisions?

Presumably the outcome of free and fair elections in South Africa could be a coalition situation, how do you see this developing, and how would the ANC respond to this?

How would you foresee trading among African nations improving the South African situation, and how would you propose to encourage cooperation with South Africa's neighbours?

Is there a policy addressing the 'brain drain' of South Africa?

From a policy point of view, what can the ANC – as a party rather than a state – offer to the multiple constituencies to maintain their support?

Dr Zweli Mkhize

The important issue as South Africa moves on is to tie up the public and private sector to cooperate and focus on the sectors that need attention. If the private sector brings up issues in the mining sector, the government has to be able to respond to and resolve these. Furthermore, investment in infrastructure is essential for two reasons. First, it has contributed to the stabilization of the economy by providing jobs. Second, infrastructure can open up new opportunities. It is essential to identify those areas in the economy with potential for job creation. A turnaround of the economy is possible, and there is adequate commitment in the country to achieve this.

Especially those with technical finance, management, engineering and accounting skills tend to move across the different tiers of government. The association of local governments works on promoting the improvement of skills and best practices across the different levels.

Regarding the question on Constitutional Court rulings, the president has to pay back a reasonable proportion of the expenditure¹. The Treasury must, within 60 days, independently come up with the amount, after which the president gets 45 days to respond. It is important for the president to state that the Constitutional Court has made a ruling and that the president intends to comply unreservedly with this ruling. This does not only demonstrate his commitment; it is also a message to South Africans that it does not matter whether one appreciates a ruling or not, you have to comply with it. This shows that the constitution and court ruling apply the same to everybody.

¹ On 31 March 2016 the Constitutional Court of South Africa ruled on a case brought to the court regarding the use of public money to make upgrades to the President's personal residence at Nkandla. Chief Justice Mogoeng Mogoeng presented the ruling which determined that the President must pay back a proportion of the money used on the residence. The upgrade on Nkandla has been a long running political issue in the country.

Inexperience and recklessness is affecting some of the very populist leaders taking advantage of poverty and frustrations concerning the economic situation of South Africa. Furthermore, some are taking advantage of the fact that frustration can lead to people turning to unreasonable solutions. However, if there is any message to be taken from the history of South Africa, it is that South Africans do not support violence. In addition to this, the authority of the South African constitution and system is trusted. There have been groups attempting to overthrow the government, but these attempts have failed.

Trade between African states is an important point in the National Development Plan. The most important objective of this trade is the integration the African economy, a matter in which the African Union is strongly involved. A number of steps are essential to accomplish this, including the development of infrastructure between different countries addressing visa regimes, transport and customs in order to better facilitate the movement of goods and people. The speaker noted that South Africa is progressing in this and its companies make around 26 percent of their revenues outside the country in the rest of the continent.

The 'brain drain' of people migrating out of South Africa is not something that can easily be stopped. However, South Africa is also able to attract a lot of new investment, which will bring new skills and technology transfers. Furthermore, addressing crime remains a priority of the government.