

Short Preliminary report on SACLI Economic Conversations

October 2020 – written by Edwin Arrison

Introduction:

Over the last few years, there have been suggestions within SACLI that Church leaders could be trained to become more economically literate. The idea was that a series of training sessions could be held with Church leaders to help them understand “the economic landscape and economic language”.

In the absence of this happening and with the economy in its worst crisis since World War 2, SACLI decided in mid-2020 to engage in a series of courageous economic conversations, to understand what is really happening in the economy at the moment and to make some real implementable proposals for the way forward. The idea was not to make general proposals to government and others, but proposals that could be implemented by SACLI members and the church in South Africa.

Edwin Arrison was given the responsibility for these conversations. He wrote a basis document as a departure point for these conversations (see attached). The Tutu Foundation made its webinar facility available to make these conversations a reality. This webinar facility allows SACLI to see who registered for a particular conversation and who actually attended.

Previous statements of support from SACLI for documents such as the NDP and the Treasury Document did not have any particular, clear or nuanced rationale. We needed to correct that and “give an account of the hope that is within us”.

One of our speakers on this Courageous Economic Conversations, Dr Pali Lehohla, the former Statistician-general, is particularly critical of the two documents mentioned: according to him, the NDP is not a plan but a dream. It has no targets and indications of who will do what by when. The Treasury document, according to him, should never have been accepted by Cabinet as it is equally weak on targets.

SACLI should therefore suspend judgement on any of the current economic proposals in the public domain until we have thoroughly reflected on it and until we have brought our unique Christian convictions and sensibility to the conversation.

Preceding and Parallel processes

Before we started the process, some of us read through the SACC documents that formed part of the National Convention process. On 8 October, the SACC convened a special Zoom webinar in honour of Archbishop-Emeritus Desmond Tutu to reflect on the question of inclusion in the South African economy. Dr Pali Lehohla, Bishop Malusi Mpumwlanana and Ronel Kruger were the main speakers at this webinar where much of the same information was provided by Dr Lehohla. Bongiwe Njobe facilitated this conversation. Some of the insights of this is shared below.

On the same day, Marius Oosthuizen distributed a zoom webinar to the SACLI leadership team that was convened by Nick Binedell and was addressed Azhar Cachalia, Bonang Mohale, Thabi Leoka and Adrian Gore. Some insights are below.

Before that, Miles Giljam had started parallel conversations that were Africa-wide as part of Abundant Africa. The Abundant Africa Facebook page was used to stream most of our webinars.

NEDLAC was also busy with negotiations on an economic recovery plan (something which we are not really connected to at the moment – a point raised by Miles) and the President will be unveiling a recovery plan emanating from NEDLAC on 15 October in a joint sitting in Parliament.

All the processes that preceded our conversation was detailed in Dr Lehohla’s presentation. They are indicated in the top part of this slide:

What do I see through this eye of the needle? 

| | Colin GVMT Coleman | National Treasury | Economists | Civil Society Manifesto | B4SA | ADRS | ANC |
|----------------------------|--------------------------|----------------------|------------|----------------------------|------|--------|-----|
| Ave. GDP Growth | 5 | 2.3% | | | 5.2% | 6.2% | |
| Employment Addition | 2 - 3.5M EPWP | 6M | 1M | | 6-8M | 8-10M | |
| Unemployment Rate | <20% | | | | 15% | 12% | |
| Poverty Rate | | | | | | 23% | |
| Inequality (Gini index) | | | | | 0.43 | 0.55 | |
| Debt to GDP Ratio | | | | | 60% | 48-63% | |

There is therefore no shortage of economic discussions happening and economic data available. The ADRS document seems to have set the clearest targets.

In the face of this, the question must be asked: **What unique contribution, if any, can SACLI make or bring to these conversations?**

A snapshot of insights gained thus far:

While history is important, we were not primarily interested in where we come from in terms of the South African economy, and where we are and why we are where we are (since these have been aired many times ad infinitum) but rather we were primarily concerned about “how to collectively get the car out of the ditch.”

During the SACLI webinars, Nick Binedell made two important points:

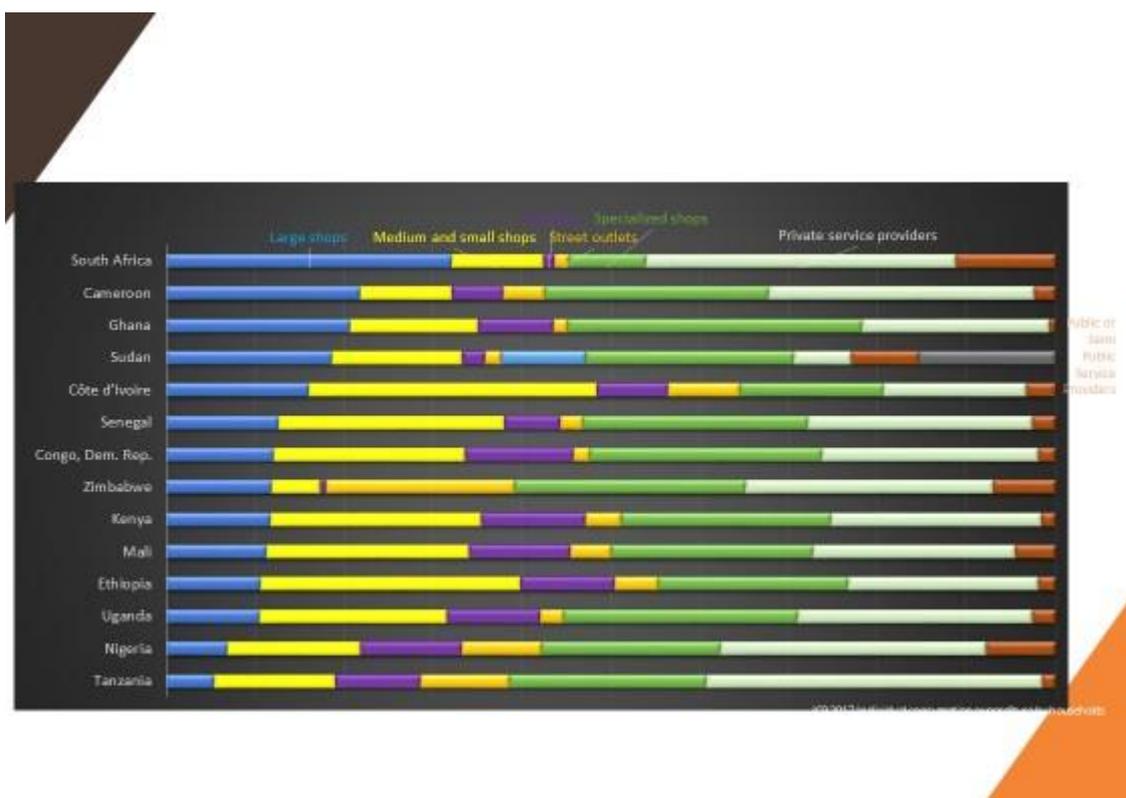
1. **Hope**, as important and central as it is, **is not a strategy** (perhaps we can call it a central ingredient) and
2. **One’s vision should be stronger than one’s memory.** Where memory dominates, the energy of vision is suppressed. A reasonable balance must therefore be found between these two things.

Nick underlined that we should really talk about the “political economy” and he emphasized the importance of good governance, strong institutions and quality education for everyone and how/whether we can calculate the cost of low quality education particularly as we are in the age of the Fourth Industrial Revolution and Artificial intelligence.

These insights were useful as a framework and guiding mechanism for most of our conversations.

We are happy to report that one of the topics we started addressing (the issue of Church land) has now become a project of the Western Cape Ecumenical network.

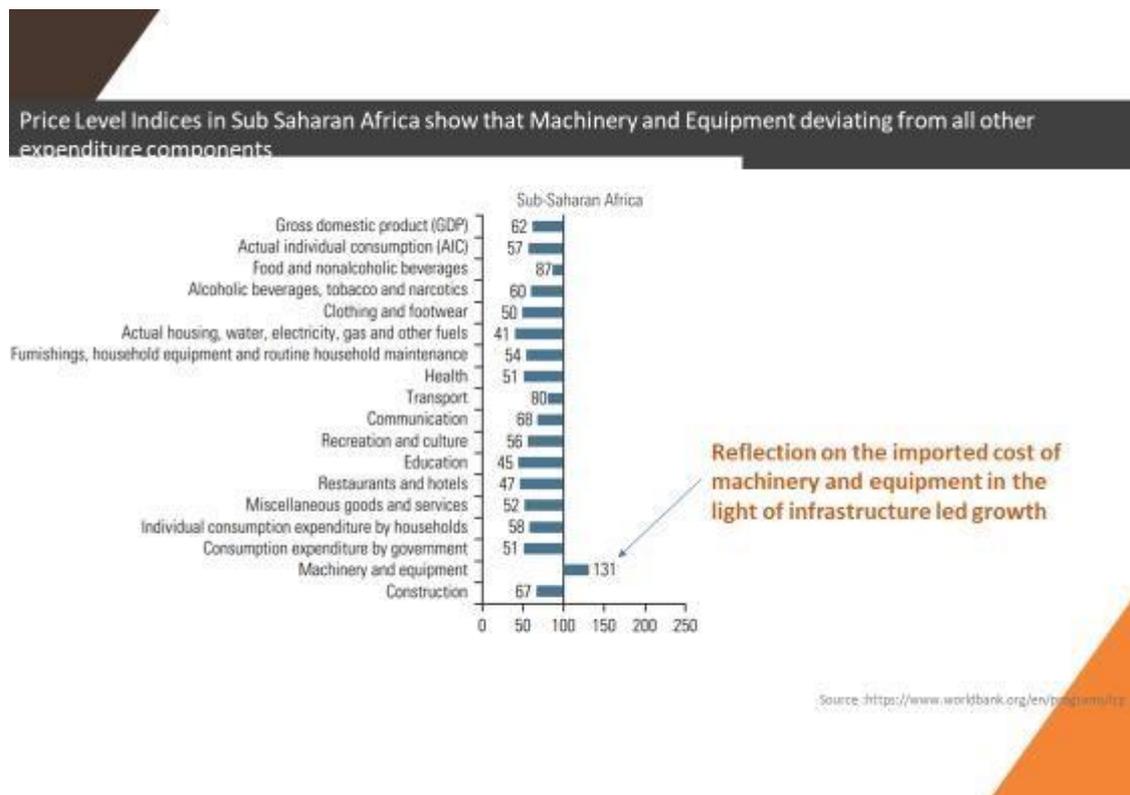
The tourism and SMME topic was useful but it was only after Dr Lehohla showed us the small extent to which SMME’s are part of this country’s economy – as compared to other countries - that the importance of this topic was made clear. We would need to come back to this topic and see to what extent Clem Sunter’s dream of a million SMME’s that will create 5 jobs each (in other words, a total of 5 million jobs) will be feasible. We also need to understand why the culture of entrepreneurialism is suppressed in this country and why financing for SMME’s are not being supplied by the banks. A continued conversation with Chris Black is important to deal with this topic in a more systematic and nuanced way. The slide below shows the challenge (in yellow). Compare South Africa to Senegal, Kenya, Ethiopia and Uganda.



Prof Dumisa’s insights on the level of productivity in this country was particularly useful. What is holding South Africans back from becoming more productive? (we have his powerpoint presentation available)

The insight by Dr Lehohla about how expensive materials and machinery is in this country – as compared to most other countries - is particularly important for those who think that

infrastructure provides a way forward for the recovery of the South African economy. (see this in the powerpoint presentation slide below)



Some insights from the 8 October 2020 SACC webinar: A unique South African question is: When do we know that the excluded majority has been included into the SA economy? Dr Njobe’s answer: When the excluded “self-declare” that they are now included. Currently, 10% of the population still owns 90% of the economy – this is clearly not sustainable. 5.3 million South Africans are not economically active.

Key problem in South Africa: “We produce what we do not consume and we consume what we do not produce”. Food should be locally produced. Agriculture is one of our strengths we can build on.

The current “economic deal” (according to Mcebisi Jonas) comprised of and was built on 4 elements: (1) the old elite can generally hold on to what they have acquired during colonialism and apartheid (2) the new black elite will be given a place at the table and BBBEE will be used to include more into this category (3) the unionized will be protected and (4) the poorest will be given social grants.

To what extent can we think of SADC as the EU? This point was also made by Nick Binedell.

Some insights from Marius Oosthuizen webinar:

For the first time since 2005, a firm date has been set for spectrum to be auctioned in South Africa. Some big infrastructure project worth billions of rands have begun to come onstream. Underutilised government land is being made available to emerging farmers. These are green shoots towards the recovery of the economy.

We have a world-class IPP framework but we are still 99% fossil-fuel dependent. There are major opportunities to be had if the framework was actually implemented.

Our trust level is the lowest since World War 2.

We have 700 SOE's in South Africa. Why?

Why do the banks not take more risks and support the development of SOE's?

Some general remarks:

1. The topic is a critical one for South Africa today. SACLI must therefore be congratulated for trying to understand and deal with this topic.
2. By hosting these ongoing conversations with quality speakers, others become more aware and appreciative of the work of SACLI and the way the church intervenes in society.
3. If we wanted to get as many people as possible involved in either listening to or actively participating in these discussions, we would need to find better ways to mobilize people to register and attend.

Way forward:

- a. It is clear that the "business as usual" scenario will not suffice as we move forward. Could South Africans agree on a new "social compact" and a "new narrative" that is qualitatively different from the "rainbow nation" and "restorative justice" narrative? SACLI would need to consider what contribution we make to putting the South African economy on a new path, one that is both more inclusive and absorbs more people, and grows in the process. This might involve us not only understanding what Jonas has described, but to shape a new future with a "new deal".
- b. It is clear that the "green economy" holds some promise, and contain underlying values and hope for the way forward. The full extent of this would need to be investigated. SACLI would need to find speakers who can specifically address this and see to what extent we can be part of the management of a transition to a more green economy and particularly the development of 1 million small businesses. To this end, conversations have started with people in Green Cape as well as those who operate or have operated a green business.
- c. It is clear that quality education is the long-term path out of our current economy. By the age of 8, most South African children cannot think of becoming an actuary. The way to reverse this is to consider:
 1. How the first 1000 days of the child (from conception) is managed
 2. How quality ECD education is managed effectively
 3. How quality basic education is managed. (no more "township school mentality")

- d. It is clear that local solutions in small towns must be found. This will mean that citizens will have to engage much more with their IDP process and particularly the LED (Local economic development) process. With the regional/district model emerging as part of government's solution, this would need to be understood and engaged with.
- e. How criminal behavior is dealt with is key eg. The destruction of our railways. The rule of law will have to be strengthened in South Africa if the economy is to revive.