The University of Cape Town ("*UCT*") Vice- Chancellor's Open Lecture

Delivered by Colin Coleman

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From a "*Two-Speed Society*" to One that works for All

Doing "Whatever it Takes": A Ten-point Action Plan to Grow an Inclusive South African Economy, and Escape a Socio-Economic Crisis

Chancellor Dr Moloi-Motsepe,

Vice Chancellor Phakeng,

Chair of UCT Council Ngonyama,

Members of the UCT Council,

Ministers, business leaders and dignitaries present,

Faculty and students of UCT,

Ladies and Gentleman,

Greetings, its is indeed an honor and privilege for me to address you virtually today.

My fellow compatriots,

South Africa is in Trouble.

No society can survive 50% unemployment; yet, including for those 7.1 million South Africans looking for employment but who cannot find it, those 2.9 million South Africans who have given up looking for work, and those estimated 1.5 million workers expected to lose their jobs due to the Covid -19 Pandemic in 2020, that's exactly what our expanded unemployment rate, can be expected to be by the end of this year. Pre - Covid effects, with South Africa's economy already in recession, the expanded unemployment rate is already at a frightening 42%.

No doubt, just this one aspect of our present reality represents an economic ***State of Emergency*** for our beloved country.

But there is more:

1. Inequality has racial markings everywhere: for instance, 89 percent of those looking for jobs, but who are unable to find them are African, whilst only 2.3 percent are white;

2. Women and the Youth are bearing the brunt: 43.4 percent of women vs 36.5 percent of men are unemployed, whilst for 25- 34 years old it is 47%;

3. Gender Based Violence is tearing communities apart, and driving fear into the hearts of all women, mothers, fathers and children in the country; and

4. South Africa is one of the most unequal societies in the world: our gini - coefficient score remains the highest in the world at a stubborn 0.65, with 30.4 million out of 59.6 million South Africans, or 51 percent, (as per the World Bank "*International Poverty Line*" definition of an income of less than $2 per day) who now live in poverty.

This reality, compounded by the now surging Covid -19 pandemic, reflects South Africa's "***Two-Speed Society***": one part modern, affluent, technologically advanced, skilled, mobile, dynamic and increasingly non-racial; the other, jobless, marginalized, unskilled, young, mostly rural or peri-urban outcasts, largely African, and increasingly restless, bereft of hope and condemned to poverty. This is the ongoing structural legacy of Apartheid and colonialism, which the democratic Government is battling, and frankly not yet succeeding, to overcome.

I propose, and elaborate in this talk on, a '***Ten-Point Action Plan***" to forge ***"One Economy that works for All"***, as follows:

1. An intervention to put income in the hands of the unemployed and most vulnerable South Africans, thereby protecting livelihoods and stimulating consumption;
2. The introduction of tax reforms to fund this intervention in a fiscally neutral way, making the tax system work smarter and harder for those most in need;
3. A campaign to wage war on the rampant illegal economy in South Africa, and confront tax evasion, fraud, criminality and corruption, and bring an end to State Capture;
4. Re-engineering the Covid relief fiscal plan to provide much needed funding, either interest free loans or equity, into struggling, but solid businesses;
5. Supporting SMMEs to provide fuel to South Africa's largest job creating machinery, driving a new generation of entrepreneurs;
6. Unlocking infrastructure blockages through public-private partnerships that reduces input costs and expands productive capacity of businesses;
7. Introducing an *E- Government* initiative to transform and modernize the public service, making South Africa a capable country, with a smart and capable state;
8. Negotiating a comprehensive resolution of Eskom's capital structure and business model, to eliminate South Africa's largest single fiscal and systemic risk, and bring stability to the country's largest State Owned Enterprise ("SOE");
9. Reviewing and redesigning South Africa's industrialization plan to create 5 million jobs over the next decade, by creating economic incentives to drive

competitiveness, and position South Africa as a regional supply hub and gateway into Africa for global and local manufacturers; and

10. An ambitious plan to end Apartheid spatial planning and create integrated and densified urban centers, close to work opportunities.

Any economic plan should aim to create a fast growing and dynamic economy, facilitating a seamless connected structure of opportunity and access for all, a "*ladder*" up and down the economy, driven on merit, recognizing talent and rewarding hard work, irrespective of race, gender and class, with a hand - up for the historically disadvantaged. This is what the "***Ten-Point Action Plan***" aims to achieve.

<u>The Economic backdrop:</u>

Given the dark Covid clouds over our economy today, it seems easy to forget that, across important measures, in the Mandela and Mbeki period 1994-2007, South Africa made big strides forward. GDP growth rates averaged 3.6% per annum, with GDP doubling from $140 billion in 1994 to $285 billion in 2007, inflation fell from double digits in the decade prior to '94, to an average in that period of 6.3%, Government's debt as a percentage of GDP fell to 28% in 2007, and the Budget grew nine fold in the two decades from '94 to 2014. A highly effective and successful social grant system was established, that now reaches 18.3 million South Africans.

But, around 2008, this steady progress was rudely interrupted by the "*double whammy*" of the global financial crisis and the ascension of President Zuma, and his allies, whose central purpose, it would turn out be, was a cynical project of State Capture. This project saw a systematic re-purposing of the state, its' institutions, and *SOEs*, as a site of accumulation, under the guise of a developmental state, a scourge we still battle to defeat today, and which effectively succeeded in "*hollowing out*" state institutions, and crippling many SOEs.

Consequently, from 2008 - 2019 South Africa's GDP growth rates more than halved to an average of 1.5%, but adjusted for an economic contraction of 7.2% this year, as forecast by the National Treasury, the average growth rate since 2008 will now, somewhat shockingly, average under one percent, well below our 1.5 percent population growth rate. So, whilst GDP per capita almost doubled from $3,441 in 1994 to $6,621 in 2013, it fell back to $6,000 by 2019, as South Africans got poorer.

The overall size of our economy, in fact, peaked in 2011 with a GDP of $410 billion, but has declined by $120 billion since, and now is, disturbingly, practically the size it was in 2007. In contrast, as one comparative emerging market example illustrates, the Polish economy grew from $420 billion in 2007 to $592 billion today, with its' GDP per capita now 2.5 times South Africa's.

This absolute, and relative, decline in the size of the South African economy came at a terrible opportunity cost. The IMF, in 2013, forecast South Africa's economy would grow in keeping with global peers to a size of $467 billion by end 2019, only in fact to fall to $290 billion, a difference of $177 billion. Over 13 years, therefore we recorded between $120 and $177 billion in "*missing GDP*", a mid-point cost in rand of a sickening R2.5 trillion, the true cost to South Africa of "*Zuma Economics*" and State Capture. With our economy now back at 2007 levels, but with 10 million more South Africans to feed, we instead face an economic picture that has weakened considerably.

Today, overall Government debt of 4 trillion Rand represents 81.8 percent of debt / GDP and, absent reforms, is set to be a "*runaway train*" reaching 100 percent by

2023. Alas, had our GDP not shrunk by R2.5 trillion, our debt to GDP ratio today would, instead, be a healthy 54%!

Although elevated, our debt / GDP level is still lower, according to IMF 2020 forecasts, than the UK at 102, USA at 141, EU at 105 and Japan at 268 percent respectively; however, in all cases their interest rates and cost of borrowing are materially lower, and their economies more resilient. As we consider our fiscal response, Gita Gopinath, the IMF's economist, warned last week, "*While the trajectory of public debt could drift up further in an adverse scenario, an earlier-than-warranted fiscal retrenchment presents an even greater risk of derailing the recovery, with larger future fiscal costs.*"

With the National Treasury expecting a tax revenue shortfall of R300 billion this year, the consolidated budget deficit is now expected to reach 15.7 percent of GDP for the current fiscal year. Simply put: the R640 billion public sector wage bill, plus the R236 billion interest cost on our national debt, plus the R190 billion cost of social grants is equivalent to our entire forecast tax revenue of R1.1 trillion this year. The salary and interest bill thus crowds out fiscal space in our revised R1.8 trillion budget for essential Government services, and needs to be thoughtfully managed down.

A fresh start, with Zero- based budgeting, allows policy makers to look at everything with fresh eyes. Not as an excuse to arbitrarily cut budgets across the board, but to forensically reallocate less funding to some, and more to others, depending on critical national priorities.

Gopinath's advice is prescient for South Africa, "*Countries will need sound fiscal frameworks for medium-term consolidation, through cutting back on wasteful spending, widening the tax base, minimizing tax avoidance, and greater progressivity in taxation in some countries*."

Somewhat counter intuitively, there is a marked improvement between 2001 and 2019, notwithstanding deteriorating economic macro and micro indicators, in the implied asset ownership by South Africans households across the board. Living Standard Measures ("*LSMs*") record the ownership of a variety of household goods, property, consumer and other assets. What one observes is a sharp decrease from 11.2m South Africans in 2001, to 2.4m South Africans in 2019 in lower LSM, 1-3. Middle LSM 4-6 more than doubles from 11.3m South Africans in 2001, to 24.5m in 2019. And equally, a doubling of the upper income LSM 7-10 bucket from 6.5 million in 2001 to 15.1 million in 2019.

LIVING STANDARD MEASURES ("*LSMs*")	**2001 (total 29 million)**	**2010 (total 34 million)**	**2019 (total 42 million)**
1-3 (median monthly income: R2,256 - R3,317)	11.2 m / 38.6%	5.8m / 17.0%	2.4m / 5.6%
4-6 (median monthly income: R3,914 - R9,393)	11.3 m / 39.0%	17.0 m / 50.0%	24.5m / 58.4%
7-10 (median monthly income: R21,336 - R65,647)	6.5m / 22.4%	11.2 m / 33.0%	15.1m / 36%
Source: EIGHTY 20, Goldman Sachs: Two Decades of Freedom			

How do we explain this upward migration in LSMs, and what does it mean?

1. The informal, untaxed and unrecorded economy is large and active, including the 1.8 million informal SMME's, who combined with 800,000 formal SMME's, jointly employ over 11.5 million South Africans;
2. Public sector above inflation wage growth has spurred asset accumulation for the 2.9 million public sector employees and their families;

3. Social grants have cushioned the poor, but the supply of unsecured credit has fueled asset purchases on borrowings; and
4. There is a large illegal economy, with the proceeds of State Capture and corruption, estimated by some to total as much as R1.5 trillion since 2008, fueling domestic asset ownership. President Zuma may have left the stage, but "*Zuma Economics*" is not dead.

For a variety of reasons, these drivers of accumulation have come, or are coming, to an end. We have reached the limits of personal and household borrowings, President Ramaphosa's administration is increasingly closing down the State Capture project, the state is now unable to pay above inflation public sector wage increases, GDP trend growth is below population growth, and the Covid pandemic is devastating jobs and incomes.

"A Ten-Point Action Plan" to forge One Economy that Works for All:

Therefore, as we now face our economic growth, jobs, inclusion and looming sovereign debt crisis in South Africa, bold new thinking and action is needed.

Stale and obsolete ideas have no place. As Albert Einstein is believed to have remarked, "*The definition of insanity is doing the same thing over and over again, and expecting a different result.*" To my fellow South Africans, we all need to get out of our comfort zones, purge ideological boundaries and forego narrow interests.

Business included: we must have an honest conversation, and ask the hard questions about how our conduct as business can drive inclusion, what this means for executive compensation, or preventing monopolistic and cartel -like behavior, how to drive employment equity and empowerment, training and internships, re-skilling and entrepreneurship, financing and mentorship for small business, and driving innovation. And then, we can ask the same of our Government, union and civil society counterparts: take a hard look at what you need to change, lets solve problems together, and let's talk as one team South Africa!

Yes, fellow South Africans we must do "*whatever it takes*", however uncomfortable, to get our economy back on the path of recovery, to protect the vulnerable, and grow one economy for all.

I propose a "***Ten-point Plan***" to build ***one economy for all***, to collect as much tax revenue as our economy can digest, to make every cent of our expenditures count to take people out of starvation and hunger, to wage a war on corrupt, wasteful and irregular expenditure, to provide jobs and opportunities, and to be ruthless in prioritizing our spending in the interests of economic justice for all South Africans. This is an economy that should shield the poor from poverty, grow at 5 % per annum and add 5 million jobs by 2030.

Introducing A Fiscally Neutral Basic Income Grant:

As Co-Chairman of the Youth Employment Service ("*YES*"), which is doing important work to place unemployed youth into businesses as paid interns, numbering over thirty six thousand to date, and watching the fantastic work being done by civil society groups such as *Harambee*, or the Government's *Presidential Youth Employment Intervention*, I can see the value, but also the limits of current approaches.

I am convinced, a view I believe is now widely shared, including by Government, that as this pandemic exposes the traumatic fault lines in our society, South Africans aged 18-59 permanently without a job, not receiving any form of social grant or unemployment benefit such as the UIF, or any other form of state assistance, must receive Government support. It is essential, as an ***emergency measure***, to provide a universal and comprehensive solution in the form of targeted basic income support. I have concluded that it is indeed time for South Africa to introduce, in ***a fiscally neutral manner***, some form of ***Basic Income Grant*** ("***BIG***").

For social stability, inclusion, and in service of our constitutional obligations that "*affirms human dignity, equality and freedom*" the role of a ***BIG*** today must be to tear down the walls of economic exclusion and social indignity. As Martin Luther King said (*May 8, 1967*), "*It's all right to tell a man to lift himself by his own bootstraps, but it is a cruel jest to say to a bootless man that he ought to lift himself by his own bootstraps. It is even worse to tell a man to lift himself by his own bootstraps when somebody is standing on the boot*". South Africa, we have to take our feet off the boots, and necks, of the unemployed. Instead, it is now high time to lend a compassionate, helping hand with the introduction of a ***BIG***.

Applying the "*International Poverty Line*" benchmark of $2.00 per day, equivalent to around R1,080 per month, across 10.8 million, people this ***BIG*** would cost South Africa around R140 billion per annum, before annual inflation.

My proposal would be to introduce the ***BIG***, effective this October when the temporary Covid-19 grant terminates, by targeting the 10.8 million unemployed South Africans. Alternatively, one could equally choose with R140 billion, to target all 32 million adults with R365 per month, with a clawback for those above an income limit; or, all 23.4 million labour force participants with R500 per month, also with a clawback. The merits of the alternatives should be subjected to a rigorous review. The key criteria should be maximizing economic impact on poor households, simplicity and cost of administration, and speed and effectiveness of getting cash into the hands of the targeted beneficiaries.

Introducing Tax Reforms to Fund the "BIG":

How can South Africa pay for the ***BIG*** you may well ask? Given that the ceiling on our overall tax capacity as a percentage of our economy has been reached, I present a plan, previewed with some of the countries' leading tax experts, to re-engineer the application of existing tax revenues and allocations, to make a ***BIG*** possible in a ***fiscally neutral manner*** as follows:

TAX REVENUE / EXPENDITURE SAVINGS ITEMS (Normalized year)	**SAVINGS '20 / '21** (ZAR Billion)
Eliminate Medical Aid Tax Credit for R300,000 per annum income, or more	R12.5
Increase Dividend Withholding Tax to 25%, from 20%	R5.0
Cap Interest Deductions for corporates at 25% Net Debt / Ebitda and remove carry forward allowances	R10.0
Replace Estate Duty with Progressive Inheritance Tax	R5.0
Remove Retirement Fund Deduction for R600,000 per annum income, or more	R27.0
Increase Sin Taxes (alcohol, tobacco) by 20% from R55.5 billion in '19 /'20	R11.0
Increase carbon tax to one quarter of EU standard	R2.0
Eliminate Bracket Creep Relief	R10.0
Re-engineer VAT system credits / tiering, and upward adjust old age and child support grants to ensure net gain for low income households	R18.6
Interest saving on R325 billion of Eskom Government guaranteed debt by moving it from Eskom directly onto Government balance sheet	R3.5
Reduce Cabinet size, departmental duplication, expenditures on conferences, travel, and overall Government saving of 5% on R70 billion spent on "General public services", per Budget 2020	R3.5
Introduce 5% withholding tax on state procurement contracts, creditable against tax payable (5% on R334 billion last year's value of contracts)	R16.7
Introducing a License Fee of R5,000 per annum, initially targeting top 10% of the 1.8 million informal SMME's not registered for tax, fee payable at end of their third year's operation onwards	R1.0
Reduce departmental allocations or claw back irregular / wasteful expenditure, last reported by the Auditor General for '18 / '19 to be R94.6 billion by a target of 15%	R14.2
TOTAL	**R 140**

These tax reforms do require sacrifices and pain sharing across the board, tilted towards the wealthy and middle classes, who can best absorb such pain. But the benefits will be felt by the whole society, including the middle class and the wealthy. Such a ***BIG*** should not only be seen as an expenditure, it is an ***investment***, and may represent the best form of ***short term economic stimulus*** this country could now introduce, particularly in this Covid-19 crisis moment. As the recipients are likely to spend the grant on essential items such as food, clothing and other essential household goods, we should see immediate benefits across the economy, including in VAT payments and increased corporate tax. This will be good for confidence, national unity and solidarity, and enhancing for the economy and society.

As Martin Luther King said in1968, in proposing a guaranteed income for Americans "*If democracy is to have breadth of meaning, it is necessary to adjust this inequity. It is not only moral, but it is also intelligent.*"

The fact that today a R140 billion ***BIG can be financed, as shown, in a fiscally neutral way***, demonstrates the false dichotomy present in our national discourse between rising fiscal constraints, and meeting national needs. The two are not necessarily exclusive of each other, if minds are applied to the trade-offs required, and smart choices are made based on national priorities. Hopefully this example serves as encouragement to all economic policy makers to explore "*the art of the possible*" and to get past that which divides us.

Waging War on the Illegal Economy:

These tax reforms should also spur focus on tax compliance and enforcement, and encourage all South Africans to support SARS, and the state enforcement agencies in clamping down on the rampant illegal and unrecorded economy. SARS is reportedly working with the Davis Tax Committee to wage a war on tax evasion and avoidance, targeting R100 billion or more of non-compliance, aggressive tax planning such as transfer pricing abuse, base erosion and profit shifting, VAT fraud, corruption and other avoidance or criminal schemes. This campaign deserves all our support.

An increased focus on corruption, and the elimination of abuses within the state machinery, highlighted by the Auditor General's reports on wasteful, irregular and unauthorized expenditure which he quantified at R94.6 billion for all levels of Government for '18 /'19, is urgently needed. As noted in my proposals, Government departments cannot get off "s*cott free*" when wasteful, irregular or unauthorized expenditures occur. They need to either penalize the culprits, and / or have the proportional funds removed from their budgetary allocations.

<u>Providing urgent relief to businesses:</u>

It is now important, in the midst of the Covid pandemic to rescue and protect households and the productive capacity of businesses. That should guide the ongoing Covid fiscal response, and any adjustments to the President's announced R500 billion package. The proposed ***BIG*** will significantly assist households.

For rescuing troubled, but normally solid ***businesses***, immediate consideration could be given to re-imagining the remaining, as yet unallocated, R100 billion of the loan guarantee scheme, in the form of interest free loans, via the participating banks, subsidized by the SARB, PIC and / or UIF, probably at a net cost of around 8% of the loan amount. Or, not unlike the Troubled Asset Relief Program ("*TARP*") of the United States, post the global financial crisis, this R100 billion could be structured as equity or hybrid - equity investment by Government, together with the IDC and / or PIC in struggling, but still promising businesses.

<u>An Economic Growth Plan:</u>

More than anything we need now to change course to get economic growth back on track, towards our post '94 average 2.6% growth rate in the short term, and 5% in the medium and longer term. How do we achieve this?

Government, business and civil society need to work collaboratively in a climate of teamwork to find common purpose. Business is the driver of growth, not the enemy. As pointed out by the umbrella body *B4SA*, business generates 83% of the GDP, 55% of the taxes, 79% of the jobs and 69% of investment in South Africa. Government, in particular, has to remove obstacles to private sector investment, facilitate private sector partnerships and build investor, and consumer confidence.

Last week, B4SA and the governing ANC both released economic policy documents. There is much common ground, and some important differences. Yet, the chains of vested interest and ideology seem to weigh the debate down, and prevent both sides from breaking fresh ground.

We have two overriding challenges: first, private sector confidence to invest, and second, a state with cripplingly weak institutional and implementation capacity. Our Goal: not a big state, nor a small state, but a smart state that works. Not big business, nor small business, but patriotic business that invests!

Both business and the ANC propose long lists of things to be done. But we only have the capacity as a nation to focus on a few things at a time, and select those with the highest potential impact, and with the greatest multiplier effect, that can be quickly implemented. As part of the "***Ten-point Plan***" to build an inclusive economy I have selected the following six key initiatives:

1. Target the ease of doing business, in particular, removing obstacles in the way of ***SMMEs***. A pact to buy local, build local and employ local, not to the exclusion of others, must be the language of business diplomacy. And the pact should include supporting black entrepreneurs, providing essential business infrastructure, technology and subsidized, free internet support, paying SMMEs on time. In return SMMEs must pay their fair share of taxes, and contract with the state in a fair, transparent and above board manner at all times;

2. Unlocking a mix of a) stand -alone Government ***infrastructure*** projects, b) private-public partnerships ("*PPPs*") and c) purely private sector investments in cargo rail, ports, airports, roads, water, pipelines, renewable (solar, wind and gas) energy, aviation and telecommunications, including issuing spectrum. For *PPPs*, we will know there is progress if and when we see request for proposals ("*RFPs*") being issued. Until then, it is all just talk!;

3. Investing in "***E- Government***" technology. This is the wave of the future, and given the administrative failures of the state, and the prohibitive cost and poor returns from rising public sector wages relative to the quality of service, "*E - Government*" is a practical way to qualitatively modernize public services. Our goal should be to invest in an *E-Government* technology platform for all citizens to use on their mobile devices, so that within one decade all Government visa, tax, passport, birth and death certification, immigration, traffic fines, education, health, police, municipal billing, social grant administration, banking, insurance, asset management is all officially recorded and available on line, using biometric and

fingerprint functionality. No person should have to queue for anything, least a script at a public hospital, or your police file at a police station, or your birth certificate at a home affairs office. This all should be securely available on-line. This investment now will save billions later, releasing funds for front line service delivery in police stations, hospitals and schools and be a massive boost to the efficiency and attractiveness of the economy;

4. Fix Eskom's balance sheet once and for all. ***Eskom***, still South Africa's biggest systemic risk, makes up 77 percent of the state's contingent liabilities with R300 billion of Eskom's debt guaranteed by the Government, out of a total R454 billion in Eskom debt, which represents around 15 x Ebitda. Some claim "*moral hazard*" as the reason not to bail out Eskom, but the facts are since 2008 Eskom has received R133 billion from Government, and in the next 3 years another R112 billion in bail-outs has already been budgeted, so it is time for the Government to "*bite the bullet*". Rather than sinking this combined R245 billion into a hole, it should resolve Eskom's capital structure by moving all Eskom guaranteed debt to the government balance sheet, on negotiated and enhanced terms with bond holders, thereby capturing the benefit of the over 1% annual credit spread saving, equivalent currently to R3.5billion per annum, between Government and Eskom's cost of borrowing. Such a move is credit neutral for the sovereign as the credit rating agencies have already written up the contingent liabilities into their sovereign debt models. This would leave around R154 billion of debt, or around 5x Ebitda, which is at the high end of international norms. Ideally, one would persuade debt holders such as PIC to swap R60 billion of debt for equity, leaving Eskom with R90 billion or 3 x net debt /Ebitda, a capital structure with which it can stand on its own, and which will support an attractive refinancing of the remaining debt stock. As "*quid pro quo*" Government should simultaneously negotiate lower cost coal supply contracts, and a lower wage agreement with

Eskom workers, to put Eskom's cost structure on a sounder footing. Such a comprehensive solution will immediately be credit positive for Eskom and the country, and should see markets rally on a compelling resolution, and in my view, lead to a lower cost of capital for both, as it resolves overwhelmingly the largest single SOE exposure Government has. Most importantly, it will set Eskom free to concentrate on its' core function of providing low cost, secure and reliable energy, as an important part of the overall energy supply mix;

5. Review and evaluate the package of industrial incentives, and institutional architecture driving South Africa's support for ***industry, manufacturing and mining***. In the next decade South Africa needs to ask itself how we create **5 million** jobs, twice the job creation rate of the last decade, to bring down the formal unemployment rate, at least to below 20%, if not lower. One example, is by getting rid of the import duties on textiles and yarn, the clothing retail industry believes that, whilst it will cost the Government around R800m in annual revenue, that this would make local manufacturing commercially viable, and, including for underwriting volumes and jobs of all local textiles makers, could still create 120,000 new jobs by 2030, and generate R37.5 billion in local purchasing. The experience of Special Export Zones ("***SEZs***") in other countries including China, UAE, Malaysia, Bangladesh, Indonesia, and here in Africa in Ethiopia, Morocco and Kenya, is that well resourced and targeted *SEZs* signal to private investors that the country is open for business, even though the investment cycle often takes one decade, or two, to pay off in large scale job creation. Those that work, have turned the SEZ islands of competitiveness into whole countries that out-compete. As the world looks to diversify geographical sources of supply, including away from China, we need to review our own attempts at *SEZs* such as Coega. We should explore and target sectors with high pay-off potential, such as manufacturing, agriculture, natural gas and services, and target the creation of our own Silicon

Valley including technology data centers and tech entrepreneurs, and find strategic anchor tenants to drive success. Often the master developers of the SEZs, acting within a bespoke Government regulatory and legal framework, are private operators, such as logistics companies, but can also be entertainment and tourism operators who establish "*Destination SEZs*" where people work, live, play and bring up families. South Africa, with its' blessed climate and natural beauty in my view, is ideally positioned for this. Making the Africa Free Trade Agreement work, to deliver a functioning export market on the continent of 1.2 billion people, will underpin the market for goods. The package of competitiveness need not be labour concessions, though those may be offered, they may include Government subsidies, worker training, tax incentives, infrastructure provision such as subsidized rentals on property, ports, road and rail. The net overall cost of manufacturing and export to market needs to be attractive for tenants. Finding the first large anchor tenants, and over a decade signing up your first 1,000 tenants are the key milestones to success. International precedent is that the President should drive this from a unit in his office to achieve the right outcomes; and

6. Lastly, South Africa needs to confront the structural Apartheid spatial planning patterns of the past. The human, social and economic cost of segregated and remote townships and informal settlements is both unacceptable and unaffordable. Releasing land for, and densifying ***integrated human urban settlements***, is probably the largest untapped economic and infrastructure opportunity of our time. We need to grab this ambitious plan by the horns. Creating non-racial, densified cities, close to work opportunities has the potential to change the landscape of our society. This calls for a massive Government - led effort to bring together urban planning experts, construction companies, civil society and all relevant stakeholders in a local, provincial and national effort to reshape our built landscape.

In summary and conclusion, Vice-Chancellor, ladies and gentlemen, now is not the time for timidity.

We have the opportunity to take bold steps to unite our country. The time is now, to bridge the divides, to wrap our arms around our fellow South Africans who are destitute, starving and jobless. The "***Ten-Point Plan***" is a comprehensive proposal to turn the tide towards economic inclusion and dynamism. Growing our economy by 2,5 percent in the short term, and 5 percent in the medium and longer term must be our driving goal, with the doubling of our rate of job creation to bring formal unemployment below 20% by 2030.

South Africa has huge potential. In one decade our goal should be to talk of ***"One Economy that works for All"***. That means a nation and economy that, irrespective of race, class, gender or status, protects the vulnerable, aims to provide jobs for all close to decent living environments, that supports local entrepreneurs and industry alike whilst welcoming and attracting global investors and skills, that roots out tax evasion, corruption and criminal conduct from both the state and the private sector, that provides opportunity and access to technology for everyone from the youngest age, that provides world class infrastructure for business and communities, that promises a public service that works, that secures a stable currency, ensures decent public education and health services, provides a safe and secure environment for women, children and families, and that proudly protects and promotes the constitutional rights of all citizens, a cornerstone right of which is for South Africans to exercise their democratic right to vote for the Government of their choice.

It wont be easy. But, we can do it!
I thank you

ABOUT THE SPEAKER: COLIN COLEMAN

Colin Coleman is a Senior Fellow and Lecturer at Yale University's Jackson Institute for Global Affairs, where since January 2020 he is teaching a course "*Africa: doing business in the last frontier of global growth*". He is presently also serving as a senior advisor to the Eurasia Group, and is a non-executive member of the Board of The Foschini Group (TFG).

Colin retired end 2019 as chief executive officer of Sub-Saharan Africa, Goldman Sachs. He had been head of the Johannesburg office of Goldman Sachs since he joined Goldman Sachs in 2000. Colin was named by Goldman Sachs a managing director in 2002 and partner in 2010.

In 2013, he authored "*Two Decades of Freedom*", a Goldman Sachs report on South Africa's progress since 1994.

In the 1980s, Colin was involved in South Africa's anti-apartheid movement and later in its constitutional transition. From 1989 to 1994, Colin was an executive director for the Consultative Business Movement (CBM). He served in working groups of the multi-party talks, facilitated the International Mediation Forum and helped to negotiate the agreement to facilitate all parties' participation in South Africa's 1994 elections.

In 1994, Colin was appointed advisor to the Standard Bank chairman. He was then appointed director of public finance for Standard Corporate and Merchant Bank. In1997, Colin relocated to London, where he became a vice president of energy, power and oil for J.P. Morgan's Investment Banking Advisory Department.

In 1996, Colin was nominated as one of the World Economic Forum's Global Leaders for Tomorrow. He was also a recipient on behalf of the CBM of Harvard Business School's "*Business Statesman Award*" in 1994 and was named one of Euromoney's World Top Ten "*Financing Leaders for the 21st Century.*"

Colin is co-chairman of the Youth Employment Service ("*YES*"), and a member of the Steering Committee of the CEO Initiative in South Africa. He served as a member of the Board of Directors of both Business Leadership South Africa, and the National Business Initiative.

He is seen as a leading commentator, and influencer, on African affairs.

Colin earned a BA in Architecture from the University of Witwatersrand in 1988.Colin has four children. He currently splits his time between Johannesburg and New York City.