

## **GOVERNMENT'S POSITION PAPER**

"Accelerating the rate of growth and pace of development through partnership, prioritisation and active participation"

Government's position paper on the Growth and Development Summit

Purpose of the GDS:

President Mbeki stated in his 2003 State of the Nation Address "our country has a continuing task to push back the frontiers of poverty and expand access to a better life for all. The challenge we all face as South Africans is to put our shoulders to the wheel to accelerate the pace of change." The purpose of the Growth and Development Summit (GDS) is to respond to the President's call.

When he first publicly announced his intention to convene the GDS, in the 2002 State of the Nation Address, the President indicated that the GDS would seek to "...address the urgent challenges facing us in the economy and build an enduring partnership in which all of us can lend a hand building a prosperous South Africa."

Objectives of the GDS:

Based on the President's dictum, the objectives of the GDS can therefore be packaged as follows:

- \* Building an enduring partnership - promoting a shared vision of South Africa's growth and development strategy to frame sectoral and developmental agreements and lay the basis for partnerships in action (partnership);
- \* Addressing urgent challenges - selecting from many possible interventions those which hold the promise of the greatest possible impact in the shortest possible time for accelerated investment, job creation, improved efficiency and productivity, greater social equity, and a fairer distribution of economic opportunities and rewards (prioritisation).
- \* Lending a hand - securing the commitment and active participation of all social partners in those areas identified for prioritised action in ways that build on lessons learnt from the successful implementation of social, economic and development programmes (active participation).

## Background

Against a background of faltering growth and uncertain prospects internationally, South Africa entered 2003 with a strengthening currency, robust investment growth and rising business confidence.

Several important conditions for improved economic performance are in place - macro-economic stability, decent labour standards and institutions for social dialogue, sound public finances, a robust legal and financial infrastructure, well-developed transport, communications and logistical networks, an open trading environment, surplus energy capacity, rising quality in the schooling system and a set of dynamic higher education and research institutions.

These conditions have been achieved since 1994 both as a result of the comprehensive transformation of public policy and its implementation through legislation, government programmes and services and well as from the actions of those in civil society who have worked tirelessly for growth and development. An overview of the work of government can be found in the 2003 Intergovernmental Fiscal Review which provides an informative account of public expenditure and service delivery across several critical areas.

Nonetheless, much more remains to be done. South Africa has experienced a persistent structural unemployment problem and associated household poverty and vulnerability. The pace of investment, job creation, productive asset distribution and institutional development remain inadequate to overcome the legacy of disadvantage and marginalisation that keeps millions of people out of the mainstream of economic opportunity and progress.

### A shared vision for growth and development

In the 2003 Budget Review Government elaborated its strategic programme of action for accelerating the pace at which we advance towards a shared vision for growth and development. The programme consists of nine key elements overlaid by a cross-cutting commitment to job creation.

The cross-cutting commitment to job creation is in line with the imperative articulated by the President "...to act to ensure that we reduce the number of

people dependent on social welfare, increasing the numbers that rely for their livelihood on normal participation in the economy".

This clarion call by the President requires Government to work in collaboration with social partners to broaden the base for sustainable employment opportunities in all sectors of the economy.

The nine substantive elements of its strategic programme priorities, as detailed in the budget read by the Minister of Finance in February 2003, are:

- \* Progressive broadening of the income security net, revitalised health services and targeted poverty reduction initiatives
- \* A national skills development strategy, focused on productivity enhancement and learning opportunities for the unemployed
- \* Redistribution and restitution of land, coupled with investment in rural development and agricultural support services
- \* Public administration reform, founded on respect for citizens' rights, courteous and efficient service delivery, modernisation of systems and honest, accountable governance
- \* Investment in infrastructure, technology advancement and industrial expansion, in partnership with the private sector
- \* Strengthening the fight against crime and combating corruption
- \* Widening access to financial services, integration of small businesses into the formal economy and further easing of the tax burden on low and middle-income households
- \* A sustainable, broad-based and transparent approach to black economic empowerment
- \* Deepening of democracy, promoting peace and security and expanding investment and trade as principles of international cooperation and the New Partnership for Africa's Development.

Government has used these priorities to guide the allocation of state resources, both in terms of the work programmes supported as well as in terms of the scale of the support provided.

This can be seen from the strongly expansionary nature of the budget elaborated in the Finance Minister's Budget Speech.

But growth and development cannot be achieved by government acting alone, and everything that needs to be done cannot be done at once. Government therefore proposes to its social partners that a joint programme of action be developed to accelerate the pace of change - and that this programme be built on the basis of partnership, prioritisation and active participation. Government further invites its social partners in Labour, Community and Business constituencies to embrace the set of nine programmatic areas outlined above as an agreed (and resourced) platform on which to build the proposed joint programme of action.

Social partners in NEDLAC agreed that the agenda of the Growth and Development Summit should be managed under four broad headings each of which is separately discussed below. They are:

- \* Investment: creating the conditions for growth and development;
- \* Skills and equity: Investing in people;
- \* Job creation and enterprise promotion; and
- \* Local action: partnership to build vibrant communities.

Government has built on this agreement as a basis on which the prioritisation process should commence and has identified a couple of intervention areas under each theme; and social partners are invited to indicate what their respective contributions will be in addressing the above-mentioned challenges under each of the agreed four themes. The objectives of the GDS, namely "participation, prioritisation and active participation" have been used to guide the selection of Government's priorities. Government believes that once an agreed set of priority intervention areas have been identified, each should be unpacked to clarify the roles and functions of each social partner, a plan of action developed and, where government has not already allocated resources then new resources should be identified by social partners.

Investment: creating the conditions for growth and development

Investment in productive assets and services, especially in labour absorbing sectors, and investment in social and economic infrastructure, remain at levels well below what our society needs, and well below what the economy can sustain.

The following priority initiatives are proposed to accelerate the impetus of investment.

\* The pace and quality of public infrastructure investment, including both enhanced construction of new social and economic infrastructure, and improved maintenance of public assets, relies on both adequate budgetary provision and a dynamic and responsible institutional environment. A joint task team is proposed to address infrastructure planning and project management bottlenecks, to strengthen the design and terms of public-private partnerships and construction contracts, to improve the coordination of infrastructure planning, urban and rural development and industrial investment, to enhance national, provincial and local collaboration in infrastructure development and to promote effective and accountable management and maintenance of public assets.

\* Reducing input costs: The competitive advantage that underpins investment in industry and job creation depends in part on input costs, pricing and quality of raw materials, transport, energy, communications and other services, research and technology development and support and other aspects of the business environment. Drawing on the progress made in improving the investment environment and diversifying industrial and trade activities in the past decade, a focused review of opportunities for productivity enhancement and reducing the costs of inputs and intermediate products and services and improving the quality of investment opportunities is proposed.

#### Skills and equity: Investing in People

More and more young people are successfully graduating from school but too many of these graduates are unable to make the transition to work - not only because jobs are not available (although this is clearly part of the problem) but also because they have not yet acquired skills needed for employability.

To address the employability problem government has adopted a two-pronged strategy (incorporated in its Human Resources Development Strategy). On the one hand it has restructured the public provider landscape at both further and higher education and training levels for quality promotion as well as to increase the number of traditional enrolments and pass rates of students. On the other hand it has introduced a new set of labour market institutions, the Sector Education and Training Authorities (SETAs) to signal skill needs and then resource and facilitate their development. One of the key instruments for skills development in the

hands of the SETAs is the new learnership programme. The learnership programme is principally a work-based training route which aims to provide a parallel set of options for unemployed young people, particularly school leavers and young inexperienced graduates who are otherwise unable to find work. However, it should be kept in mind that learnerships are also available to those already in work. Learnerships combine theoretical learning and practical experience in a workplace. To succeed, the learnership programme needs employers to agree to engage learners and workers need to support the campaign to accommodate young people on limited contracts into their workplaces. An additional requirement for taking learnerships to scale is the active involvement of the public provider community. Employers who enrol learners in the learnership programmes will be entitled to tax incentives that would enable them to offset the cost of enrolling learners.

Alongside investment in skills, South Africa needs a deliberate and sustained framework for broadening enterprise ownership and control and extending economic opportunities to disadvantaged people. To complement the Employment Equity Act, a policy on black economic empowerment has now been tabled. The Summit provides an opportunity to explore its implementation and agree on joint approaches to managing and monitoring this strategy.

Areas for social collaboration include:

- \* Learnerships: Massive increase in the recruitment of unemployed young people into learnerships supported by the expanding participation of public providers in the delivery of the theoretical components of these new programmes;

- \* Codes and charters: Development of codes and sector/enterprise charters, in keeping with the BEE policy framework

Job creation and enterprise promotion

To ensure that people can "depend on participation in the normal economy for their livelihoods", government must create an environment conducive to enterprise development, job creation and diversified participation in income generating and service delivery activities. A key part of this strategy rests on fundamental microeconomic reform to ensure markets are effectively regulated,

land and agricultural reform take place and that emerging enterprises are lifted into the formal economy and not confined to the periphery of economic activity.

Relevant policies include small business training and mentorship, support for development of markets, tax incentives for small businesses and for industrial investment, investment in transport and communications, broadening of access to financial services, promotion of industrial linkages and reorientation of industrial incentives and support measures.

Alongside enterprise development, employment creation can be promoted through labour-based social and municipal service delivery and community development programmes. Valuable lessons have been learnt through the poverty relief and employment programmes implemented since the Jobs Summit - these are currently under review. The Budget provides for stepped up employment largely in support of municipal infrastructure and service delivery improvement.

Issues for consideration at the Summit include:

- \* Expanded public works programme: Enhance labour intensive methods in the construction of public infrastructure, and expand public works projects for urban renewal and rural development.
- \* Enterprise support and empowerment: Strengthen small business incentives and support, including access to financial services, mentorship and incubation, and use public and private sector procurement to promote enterprise development and black empowerment.

Local action: partnerships to build vibrant communities

Though programmes may be effectively developed at a national level, the challenge is to improve the pace of local level implementation. Too often key initiatives (like small business support, housing, health, welfare and community services, tourism development or land reform, including the use of mineral rights and so on) encounter implementation obstacles at the local level. Unblocking these obstacles requires concerted effort by all social actors, not only government.

Certainly government has challenges of its own, such as improving the co-ordination across national departments as well as between spheres of government. The Integrated Development Planning process at local government level is the vehicle that government has adopted to achieve this end. But community members, including labour and business at local level, can make vitally important contributions to local social and economic development. The President has promoted the 'Vuk' uzenzele campaign - or direct voluntary action - which gives one example of the form this help can take. But there are other ways - through service on local boards and advisory bodies, councils of education and training institutions and the like, as well as through new forms of partnership with government, which can be profit-based (such as formal public private partnerships) or be based on more co-operative, non-profit based principles. Of course direct investment is also key for growth in all localities.

Finding the right vehicle for partnership and action at local level is a matter for local actors to determine. However, these partnerships can be strengthened by national agreements, which eliminate obstacles and smooth the way for local implementation and which provide support and leadership from national constituency organisations to their members at local level. The challenge facing government and its social partners at the Growth and Development Summit is to select those areas of agreement, which will have the greatest possible positive impact at local level "to accelerate the pace of change".

Only when all constituencies "have their shoulders to the wheel" will the problems of social exclusion and poverty be overcome and growth fast tracked.

Opportunities for joint initiatives include:

Implementation mechanisms: Examples of the various contributions social partners could make and provide support for local level implementation have been indicated above. It is therefore required of teams that will be engaging each other in preparation for the GDS to identify a limited set of initiatives and develop a set of implementation plans. These should be accompanied by firm commitments by social partners to report on progress against commitments.

Special attention needs to be paid to those commitments which will enhance the successful implementation of programmes targeted under the above three themes (investment, skills and equity, job creation and enterprise promotion), however there is a wide range of other government programmes planned for

local level implementation which also require social partnership. It would be desirable for a process to be agreed whereby the participation of social partners in this wider range of such additional programmes, not specifically listed in this document; can be agreed at the Summit.

Information: Improving the relevance, timeliness, accessibility and quality of information available to local actors, as well as their capacity to use it, is key to successful management at local level. Social partners are invited to work with government to explore practical ways in which this might be achieved. Government is committed to strengthening its Multi-Purpose Community Centres as one element of this focus area.

### Way Forward

Government is submitting this document as its contribution to the Growth and Development Summit. It anticipates that the other social partners will similarly have prepared their contributions.

Following an early exchange and presentation of contributions, government believes that a process must immediately commence to arrive at a common vision and set of priority areas for action as indicated.

Given the urgency and importance Government places on the GDS, Government accordingly urges all social partners to make their teams available to start with the interaction at NEDLAC without any further delays.

While the formal consultative process on the GDS will be processed through the NEDLAC structures, Government will continue to engage in other parallel processes to ensure that views of other interested parties not formally represented at NEDLAC also influence the outcome of the GDS process.

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# **BUSINESS POSITION PAPER**

Initial Business Position -7 June 2003

## **1. INTRODUCTION**

Business is committed to working in partnership with government and the other social partners to ensure the success of the Growth and Development Summit (GDS), and to making a real and sustainable contribution to growth and development in South Africa.

Business is, therefore, pleased to present its initial document on the GDS to its social partners. The main emphasis in this document is on practical and achievable initiatives to meet some of the challenges facing our country. It deals largely with short-term strategies in an attempt to start addressing immediate needs urgently. However, a longer-term proposal is also made so that any successes attained in the short-term can be sustained over time.

This document is not business's final word on the subject. Further business proposals will be made as the engagement between the stakeholders unfolds. It is an initial position put forward by business with the intention of stimulating further debate on practical measures that might be developed to encourage growth and development. We recognise that the successful outcome of the GDS depends on the parties arriving at practical projects and initiatives that can be implemented on an urgent basis.

Not only will we have to explore the overarching architecture of such projects, but we must also design the steps required for their practical implementation. Business recognises that it must work in concert with government and other stakeholders to drive such initiatives forward, and appreciates the opportunity afforded by the GDS to foster such interaction.

All the proposals and initiatives set out in this document are in the pursuit of a shared vision of a globally competitive economy that draws on the human and

financial resources of all South Africa's people and offers real benefits to all South Africans.

An essential condition for growth and development is a competitive economy to pave the way for a greater share of world trade and investment for South Africa. All our efforts at the GDS should be underscored by this fact.

## 2. ECONOMIC BACKGROUND

The positive results for the economy of the difficult post-1994 economic decisions have been apparent in recent years. In earlier decades South African business cycles owed their "boom/bust" nature to "stop/start" fiscal and monetary policies. Now, because government finances are in better shape, the economy is less vulnerable to external shocks.

The official approach and resolve, and the country's consequent reduced risk profile, have been increasingly recognised by international rating agencies. A major benefit of the opening up of the economy to world competition has been an improvement in industrial productivity and international competitiveness. Important challenges still remain, some of which are addressed in this document.

In February 2000 inflation targeting became the formal mechanism of monetary policy. A target of 3% to 6% was set for 2002, reducing to 3%-5% in subsequent years. Unfortunately, the sharp fall in the rand towards the end of 2001 made it difficult to meet the target – but the subsequent tightening of monetary policy should at least ensure that inflation drops through 2003. Also, because it is anchored in fiscal discipline and trade liberalisation, the long term trend in South African inflation is downward.

Business applauds the macroeconomic achievements to-date and the success which the government has had in stabilising the economy. In so doing, greater predictability and certainty have been created in fiscal and monetary policy. This has been accomplished in tandem with the development of a more business-friendly environment and the forging of constructive links with the business community in NEDLAC and other structures.

Although many problems – such as unemployment and poverty – remain, the approach to a number of economic policy issues in recent years has strengthened the prospects for a better overall economic performance over the

longer term. Macro-economic stability is a necessary condition, but not a sufficient one, for growth and development.

### 3. THE CONTRIBUTION OF BUSINESS

The business contribution to growth and development hitherto has been largely based on productive businesses that invest in the economy. This is supplemented by the encouragement of economic participation by those previously excluded (through employment equity, BEE, SMME and training programmes); participation in the provision of public services, through public private partnerships; and investment in society through corporate social investment programmes.

In real terms, gross private fixed investment rose by 70% from 1994 to 2002, against a rise of 19% by general government and public corporations combined. In 2002, private fixed investment constituted 75% of total private and public fixed investment. If, however, the benchmark is accepted that total investment should be about 25% of GDP, the creation of an environment which would foster investment remains a critical challenge.

In a developing country with an unusually substantial private business sector, a key challenge is to free the entrepreneurial capacity of large and small firms to be productive and increase the rate at which they mobilise investment, produce services, create jobs, pay taxes, etc. A complementary challenge for a country with high levels of poverty and unemployment is for businesses, over and above their commercial activities, to demonstrate a commitment to help ameliorate the plight of the poor. In South Africa this is done through substantial corporate social investment programmes.

Corporate social investment for 2001 was estimated at just over R2bn. Across a sample of 100 corporate grant makers this amounted to some R1067 per employee per annum. 49% of this went to education and training and another 26% to health, welfare and job creation. Less than half (42%) of corporate giving qualified for tax deductibility. South African corporate giving represented some 1,16% of pre-tax profit, compared to 0,22% in the UK and 0,9% in the USA. If account is taken of non-financial contributions by way of advice, donations in kind, partnership links, providing the use of facilities, equipment and materials and senior executive time, the contribution could be as much as R4bn to development in South Africa.

In addition to what has become routine corporate social investment, South African businesses have pooled their resources to work together, and more recently in partnership with government, to respond to critical national challenges. The Business Trust, to which business has committed R900 million to-date, is the most recent of these efforts. The Trust was established at the time of the 1999 Job Summit as a five year partnership between business and government and is one of several ways in which business commits itself to corporate social investment. Business would like to see this partnership strengthened.

#### 4. THE CHALLENGE OF THE GDS

There remains a widespread acceptance that "South Africa Inc" can do better. Despite the achievements to-date there are several key ways in which economic performance and participation can – and must – be improved. Hence the focus of the GDS. Business believes that the GDS is a valuable opportunity to explore additional ways and means of widening and deepening partnership as a mechanism to promote growth and development,

Although we recognise the need for longer-term strategies, the business position has been heavily influenced by the need to concentrate on what is "doable". Therefore, we have focused to the largest extent on practical programmes and projects which can make a difference to growth and development. In developing certain initial proposals, business has found the recent 2003 / 2004 national budget a useful point of departure.

Business welcomes the logical juxtaposition of "growth" and "development" in the title of the Summit. This emphasises that, although the business position is being defined in terms of the broad GDS themes agreed to, many of the issues are indeed cross-cutting ones.

#### 5. GDS THEMES – INVESTMENT, GROWTH, JOBS, EQUITY, DELIVERY

It is to the GDS themes that the business position now turns:

##### 5.1 Growth and Investment

Despite the optimistic forecasts for SA of another year of about 3% growth in 2003, there is a widespread view that our economy can do much better in the emerging market "growth league" table. Already there is evidence of a levelling off in growth in 2003, for both external and internal reasons. An average growth rate of 2,7% over the period 1994-2002, although much higher than the 1% over the previous decade, is far below SA's true potential.

A condition precedent to higher growth, together with more and better jobs, is investment. At present the 3% growth rate is being supported by total fixed investment (private, including foreign direct investment, and public sector) of about 15% of GDP.

This ratio needs to be closer to 25% if sustainable growth rates of 5% and 6% are to be attained. It is possible for SA to grow at higher rates over the longer term. This challenge needs to be set in the broader context of integrating growth and sustainable development. What can fiscal and monetary policy contribute?

State finances today are completely unrecognisable from ten years ago. Ten years ago the overriding objective was to stabilise the state's finances. Today this objective has been achieved and the fiscus has already been able to switch to a more stimulatory policy in the last three budgets.

The overriding objective ten years ago was to prevent a "debt trap". The fiscal deficit stood at 7,3% of GDP in the '93 fiscal year. State debt, expressed as a percentage of GDP rose sharply through the 1980s and 1990s to reach a peak of 50,2% in '98/'99.

Since then the fiscal deficit has been reduced to approximately 1% of GDP in the fiscal year '02/'03 with the result that state debt should fall to close to or even below the 40% GDP mark within a year.

On the revenue side, an overhaul of the tax system has resulted in a more efficient tax collection regime, but also in a shifting of the tax burden to the potential savers; contributing to the current low levels of savings in the economy. Put simply, South Africa needs to encourage savings, and this should feature on the agenda of the GDS.

The combination of more spending on social expenditure at the cost of capital expenditure, and the shifting of the tax burden to middle/higher income earners and corporates, has resulted in the current huge redistributive effect of the state.

While the fiscus should be redistributive, at this stage, social expenditure as a proportion of overall government spending is almost sufficient and the state, for a period, should rather concentrate on:

- \* the improvement of efficiencies; and
- \* an increase in capital expenditure.

While the first priority of the state has been to stabilise an unsustainable financial situation and to provide much needed social expenditure for social upliftment in general, and more specifically for poverty alleviation, capital expenditure has been a victim.

Regarding monetary policy, over time low inflation is a prerequisite for long-term economic growth, while inflation also has a particularly severe impact on the poor. Nevertheless, analysis of the likely future trends of inflation indicate that the current cycle of price increases is slowing down. This suggests that the monetary authorities could soon be in a position to lower short term interest rates to facilitate investment.

A perceived area of difficulty in meeting inflation targets in South Africa has been the role of so-called "administered prices". It is suggested that it may be necessary to develop guidelines on administered prices to support inflation targeting. Business proposes that the issue of administered prices in this context be investigated.

There are also a number of other factors, including labour market reform and other microeconomic factors, which bear on the creation of an investment climate favourable to higher rates of economic growth – not all of which can be explored in this preliminary document.

## 5.2 Job Creation / Skills

Business has always shared government's deep concern that the poor skills base in our country inhibits our competitiveness. We have repeatedly argued

that the rapid and sustained advancement of skills is an essential ingredient in transforming the workplace and underpinning higher rates of growth and development in South Africa.

Relevant, high quality training is essential if industry is to meet the productivity and competitiveness standards required by a country which aspires to become a global player. Our domestic industries are increasingly being exposed to international competition and enterprises in most sectors have recognised that they must invest in skills development or be overtaken by smarter and more efficient opposition.

The real challenge of the new skills development dispensation is not simply to devise methods to ensure that companies claim grants - though this will help. It is more about achieving a fundamental and radical mindshift on the part of both employers and employees to skills development. We all have to accept that skills development is not a "nice to have"; it is a strategic imperative for growth at all levels - individuals, communities, business and the country as a whole.

Business has, thus, been supportive of an integrated skills development system which promotes economic and employment growth and social development through a focus on education and training. For these reasons, too, business has agreed, in the spirit of a new training paradigm for South Africa, not only to play a leading role in establishing new institutional structures for skills development, but also to investing a minimum of one percent of payroll into skills development and training.

There are so many countries that already have the basic economic essentials in place, that we have to ensure that South Africa stands out from the rest by developing and implementing leading edge policies which will attract investment. This applies particularly to the quality of the skills our people possess.

### 5.2.1 Learnerships

In preparation for the GDS, business is currently working on a project that will have two main goals:

- \* to establish a realistic target for learnerships that the business sector can set as a goal to pursue during the next year; and

- \* to propose a process through which business can co-ordinate and drive the targets selected.

Business hopes to report significant progress by the time the GDS takes place.

### 5.2.2 Public Works

The government is already committed to a large scale public works programme. Business believes that the private sector can play a bigger role in the implementation of a successful public works strategy. It is proposed that a Technical Task Team should be established to design a public works programme that will serve to provide a small income for the unemployed and also give the beneficiaries a modicum of training and work experience that could provide them with more marketable skills and experience for the future.

A basic framework for such a programme could include the following:

- \* the programme could be overseen by a specialist board which draws on expertise from government, business and labour. It is believed that this is essential if bottlenecks to the creation of such schemes are to be avoided;
- \* the programme should be multi-faceted and demand driven;
- \* any labour intensive activity must be economically rational;
- \* mechanisms to measure the legitimacy of spending and to avoid corruption would have to be put in place; and
- \* targets should be realistic, but ambitious.

### 5.2.3 Infrastructure

One of the major focuses of the 2003 / 2004 budget is on alleviating poverty through the provision of basic services and infrastructure. However, the decision by the national government to use the lower tiers of government as a delivery mechanism raises some concerns about institutional capacity and the ability to spend effectively at the local level.

Business proposes that government should establish a joint Task Group to deal with infrastructure delivery mechanisms and to identify steps which strengthen and encourage public private partnerships, particularly in those areas where budget

provisions are already in existence. Business is willing to consider to what extent local chambers of commerce / sakekamers can be further mobilised to assist municipalities and local authorities to address delivery problems.

#### 5.2.4 Encouraging Small Business: Regulatory Impact

Regulation is a reality in the South African market. Where regulation exists without the necessary checks and balances, however, it can create as many problems as it provides solutions. It has been shown that small businesses often carry a disproportionate burden of regulatory costs.

It is proposed that South Africa adopts a Regulatory Impact Assessment (RIA) strategy to ensure that the level and cost of regulation is appropriate, particularly for small business. Research done by business overseas shows great advantages accruing to those economies where efforts are made to minimise regulatory costs.

Although the impact assessment system will be of particular benefit to SMEs, the benefits are, however, not limited to this category of institution but accrue to the economy in general through more efficient regulation and limiting the unintended consequences of regulation.

In this regard, business therefore suggests that:

- \* a task team be appointed to review regulation in South Africa pertaining to business activities. The review should propose ways to reduce unnecessary compliance costs and should be particularly mindful of the impact on SMEs; and
- \* the task team should recommend an appropriate institutional structure to ensure ongoing RIA in all relevant areas of regulation, drawing on international experience. It should also advise on the legislative and regulatory changes required.

One such area for investigation relates to the government's preferential procurement policy. We understand that the Preferential Procurement Policy Framework Act and its regulations are already under review by the National Treasury and business suggests that the social partners be involved in this process so as to assist with the streamlining of the relevant policies.

### 5.3 Equity

Business believes that the critical issue relating to equity is that of Black Economic Empowerment (BEE). The systematic exclusion of black South Africans, and also women and the disabled, from equitable economic participation prior to 1994 has created a legacy of extensive inequality of wealth, income, skill levels and ownership of the country's productive capacity and resources. The South African business community recognises the urgent imperative to create conditions and implement policies aimed at eliminating, as far and as quickly as is practicable, these manifestations of our history. We do so both because we see it as necessary for ensuring political stability and economic growth and development, and because it is inherently just.

The implementation of the various elements of empowerment need to be guided by a range of principles to ensure that the objectives of empowerment can be met. These include:

- \* BEE should be implemented within the context of increased and sustained economic growth;
- \* it must be broad-based and ensure the inclusion of as many people as possible in the mainstream of the economy; and
- \* BEE should be implemented within the context of sound business principles.

Business recognises that a consequence of past policies is the lack of capital accumulation amongst black people. This makes it difficult for black people to participate effectively in the mainstream economy.

The principles and factors described above dictate the necessity for sound financing mechanisms for BEE, with a critical role for both the financial sector and government. Business believes that it is essential that available and potential resources be used in the financing of BEE. Government funds, currently placed in numerous institutions for BEE programmes, should be utilised for risk enhancement, guarantees, equity and other instruments to enable transactions to comply with the principle of sound business practice and sustainability.

Business proposes the following broad framework:

- \* the overall capacity of the financial sector to finance BEE transactions needs to be determined;
- \* the quantum of such capacity should be such that it does not inhibit the financial sector from continuing on a sustainable growth path;
- \* a suitable mechanism will have to be agreed to determine the capacity referred to above. This should include the financial sector, regulators and, possibly, government; and
- \* all attempts should be made to source available grant funding from overseas donors and foreign investment potential for BEE.

In addition, a mechanism to determine priorities for financing, probably with substantial government input, needs to be investigated.

The critical objectives in business' recommendation of such a framework are to:

- \* determine the maximum funds available for BEE financing;
- \* enable the financial sector, which will be looked upon to provide a significant portion of the financing, to do this in a way that promotes growth and maintains soundness;
- \* suggest sustainable use of government resources, bearing in mind also the funds allocated to BEE in the 2003 / 2004 national budget;
- \* to mobilise other resources; and
- \* to enable sustainability in broad-based BEE implementation.

Business believes that the recent BEE draft legislation creates a positive context within which to pursue these, and other, BEE issues.

#### 5.4 Delivery, Especially at Local Level

Public private partnerships, in which private financing and management has been provided for the provision of public facilities, exceeded R6 billion in value between May 2002 and March 2003 for deals under the national PPP regulations and a further R6 billion in municipal service partnerships between 1998 and 2002. This has included building of toll roads, development of hospitals, fleet management, eco tourism, waste, water, power and other projects. This brings private resources to the provision of public services and reduces the burden on the state.

One of the gravest needs is to accelerate delivery at local government level. Development at this level is hampered by lack of technical capacity and finance. We propose that the following happen:

- \* more certainty be induced into the delivery process by protecting project proposals by private sector investors/consultants to provide services backlogs, (mobilizing/infusing know-how);
- \* define a process of project development until public tenders could be called (first right of refusal), (protection against total risk); and
- \* review laws that hinder public private partnerships. (Attract private sector capital).

Business would like to explore with its social partners agreed ways to enhance capacity and delivery, especially at the local government level.

## 6. CONCLUSION

The GDS can help to develop consensus around the primacy of growth in the hierarchy of policy objectives for South Africa. This is essential if we are to achieve an economic growth performance that will result in increased job creation, enhance the country's ability to compete in a global economy and succeed in attracting both domestic and foreign investment. Economic growth is a precondition for development. It is a precondition for transformation, and it is an essential, albeit not sufficient, precondition for job creation.

Business believes that the GDS creates an excellent opportunity to strengthen the mobilisation of the nation's commitment and skills to secure higher economic growth and better outcomes. South Africa possesses a national economy that already supports millions of jobs, boasts a sophisticated infrastructure, and remains a cornucopia of natural resources and latent wealth. These valuable assets are available upon which to build a better future.

Ever mindful of this, in this document business has sought to suggest a series of initiatives that can increase our economic growth at the same time as stimulating development and job creation. Other proposals will emerge as the GDS process develops.

The current proposals are limited in their scope to what we believe is achievable in the short-term in regard to:

- \* growth and investment climate;
- \* measures to promote savings;
- \* administered prices and inflation targeting;
- \* learnerships for the unemployed;
- \* public works programmes;
- \* infrastructure development;
- \* steps to encourage small business;
- \* black economic empowerment, particularly its financing; and
- \* delivery, especially at the local level.

As a longer-term proposal, business has made a case for a regulatory impact assessment.

Business also recognises that, while some proposals may be agreed prior to the GDS, other issues may have to be finalised in a post-Summit process with, where appropriate, agreed time lines. The GDS represents an opportunity to create an important platform to further the partnership process in dealing with these matters.

## **LABOUR'S POSITION PAPER**

LABOUR POSITION PAPER FOR THE GROWTH AND DEVELOPMENT SUMMIT

11 April

COSATU welcomes the decision to fix a firm date - June 7 - for the Growth and Development Summit (GDS). Organised labour at NEDLAC, consisting of COSATU, FEDUSA and NACTU, today released its initial position paper on unemployment and investment for the Summit. It is sent as an attachment to this message.

Labour's key aim for the GDS is to shift the economy toward job-creating growth.

COSATU will continue to seek a consensus with its Alliance partners and civil society around a programme for Growth and Development, based above all in measures to generate employment and enhance the quality of life for our people. On this basis, we will be able to present a People's Programme to the GDS that lays the basis for an all-out attack on poverty and inequality and puts us onto the road to full employment.

Our position paper starts by outlining the problem: the increase in joblessness from 15% to 30% of the labour force since 1995; a rapid fall in real incomes from work, as more people are pushed into the informal sector and casual labour; and very low investment, currently well under 15%.

The causes of soaring unemployment are:

- \* The deep-seated dualism left by apartheid, which denied the majority of our people access to productive assets, the financial sector or markets, and certified skills. As a result, they are still largely shut out of the economy except as labour.
- \* The restructuring of the formal sector since the mid-1980s, which has seen a rapid decline in employment.

To resolve these problems, Labour proposes, amongst others:

- \* Employment creation must be a central priority for all government policy. Government's economic and social programmes should be much more serious about jobs. Both the public and private sector should have to include in their annual reports an assessment of their progress in this regard. In addition, employment should form part of the "three-bottom-line" approach to accounting and to the JSE's proposed sustainability index.

To restructure the formal sector:

- \* Business and government should take a more active role in driving sector job summits to help restructure the economy toward job-creating growth.

- \* The NEDLAC parties should define core outcomes for SETAs and assess them against those outcomes.
- \* The parties should do more to promote labour-based methods in construction, including by developing model methodologies and providing training for project managers.

To overcome dualism:

- \* The state must do more to improve the asset base of the poor, including through land reform, provision of infrastructure and housing nearer to employment opportunities, restructuring of the financial sector and the extension of skills development.
- \* Much more should be done to integrate small and micro enterprise into the formal economy, without displacing better-paid and more secure jobs. Formal enterprise should face pressure to increase and diversify local procurement, and to improve their services for small and micro enterprise.

To reduce the cost of living:

- \* Government must do more to densify housing - which requires a fundamental overhaul of current subsidy programmes - and set guidelines to ensure that electricity, water, education, transport and other basic services are affordable for the poor.

Short-term measures should include:

- \* Publicly funded public works and community service programmes, especially for the youth, should create 500 000 person-years of positions, with a reasonable income.
- \* Government should ensure the social security system provides income relief for young unemployed people, who are currently not eligible for any systematic government support. In particular, COSATU supports a Basic Income Grant to achieve this aim.
- \* Government and parastatal procurement practices must be aligned much more rapidly with the requirements of the Proudly South African campaign. Procurement practices should ensure the greatest possible support for domestic

employment. These institutions should be required to support, as far as possible, the development of local producers to replace goods and services that they currently import.

- \* Government and the main parastatals should in future ensure that any restructuring process contributes to job creation, at least indirectly and in the medium term.

- \* Formal employers should institute more active labour market policies, abiding by the NEDLAC Social Plan agreement and ensuring utilisation of the Workplace Challenge programme.

- \* Government should explore ways to ensure a more stable exchange rate that is favourable to manufactured exports. The rand is currently overvalued, just as it was previously undervalued.

In the context of an integrated development strategy geared to employment creation, labour will contribute:

- \* Continued strong engagement in the sector job summits. Labour has already dedicated considerable resources to this purpose, including establishing a special project with over five full-time policy analysts.

- \* When a clear perspective on areas for job-creating growth is agreed, we will work to establish appropriate investment vehicles and guide pension fund investments in that direction.

- \* Given a moratorium on retrenchments, work in public service and private sector to support progressive restructuring and productivity increases, including support for skills development and work reorganisation.

- \* Support for public works and community service programmes and for co-ops, in line with the proposals above.

- \* Continued proposals and innovative organising work to address the challenge of casualisation and the informal sector and mainstream employment into "decent work."

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# **CIVIL SOCIETY POSITION PAPER**

Disabled people South Africa and Women submission to Nedlac community  
Constituency GDS Task Team

## **INTRODUCTION**

To be able to measure the success the GDS, it should result in empowerment and growth in and around communities where people live and therefore we recognize the inherent interdependence between the four themes. For this reason it is necessary to achieve significant progress on all fronts. There is no clearer illustration of this interdependence than the situation of people with disabilities in South Africa. People with disabilities constitute at least ten percent of the population of any country, and invariably face significant challenges in their quest for human rights, development and economic empowerment.

Despite very significant gains achieved at the level of policy and legislation in the ten years of our democracy, it remains true that the vast majority of South Africans with disabilities rank worst on all social development indices. Caught in the multi-billion rand poverty trap of dependence on social welfare, people with disabilities remain the least employed, the most skill-deprived, the worst affected by crime, corruption, violence and AIDS, landless, with little access to financial services, SMME support, technology and so on, all of which is measurably exacerbated when disability coincides with race and/or gender.

The targeting of disability by the Reconstruction and Development Programme (RDP) in 1994 resulted in the 1997 Integrated National Disability Strategy White Paper (INDS), which in turn spawned the integration of disability into important legislation such as the Equality, Skills Development, Employment Equity and Public Procurement Acts, and as a cross-cutting issue into broader policy frameworks such as the Strategy for Broad-Based Black Economic Empowerment. As such, South Africa's disability policy environment, itself a product of partnership between Government and civil society, ranks among the best in the world, and constitutes an excellent basis upon which to embark upon sustainable implementation.

## INVESTMENT: CREATING THE CONDITIONS FOR GROWTH AND OPPORTUNITIES

DPSA believes that the speedy implementation of the Strategy for Broad-Based BEE deserves a priority ranking in the context of the GDS. This recently released policy clearly outlines the imperative of BEE for economic growth, and proposes a comprehensive and achievable set of strategies for its implementation.

Furthermore, it is our view that the BEE strategy is an opportunity to focus on dynamics which are substantially within our control as a country, as opposed to others (such as foreign direct investment) which may be less so, being more susceptible to global vicissitudes, such as war, international terrorism, currency fluctuations and the like. The BEE strategy, in contrast, is about restructuring our own State assets, our own purchasing power, our own skills development resources etc.

Government's proposed prioritisation of public infrastructure development is to be welcomed, both for its own merits, as well as its likely impact in terms of BEE.

Specifically in respect of disability and the BEE strategy, DPSA would like to bring to the attention of the GDS, the following:

1.

The confirmation of, and commitment to, the addressing of institutional discrimination on the grounds of disability and gender in the process of de-racialising the economy is to be welcomed, and we call for the explicit inclusion of disability in all BEE initiatives.

2.

The way current Sale of State Assets BEE bid processes are run, the disability sector's primary investment vehicle is forced to join one bidding consortium in each process. If that consortium fails, the result is that disability is excluded from the investment opportunity, and, consequently, the likelihood of Government's disability policy being implemented is radically reduced. We request a bi-lateral with Government to develop a strategy to address this problem.

3.

We note that the proposed BEE Council is intended to be representative, and we call for the specific inclusion of a disability representative, as has become standard practice on other important structures.

## SOCIAL EQUITY

Overarching legislation to social equity

The Equality Act

This act outlaws discrimination on the basis of disability and does not attempt to define disability. Instead, it describes what constitutes disability discrimination and amplifies the provision in the constitution that all people are equal under the law as stated in section 9. The INDS of 1997

Although not law, this policy must form the basis for any disability planning in all departments. It contains recommendations for each line department and obligates them to consult with organizations of persons with disabilities.

For the disability sector the following four priority areas are critical to ensuring social equity and integration of disabled people into society. Central to the implementation of these areas are the recognition of universal access and awareness raising.

Legislation Policies:

White Paper 6 on Inclusive Education

Key Aspects

Not law, only a policy.

Provides a framework for the inclusion of children with disabilities into mainstream schooling.

Makes provision for support to learners.

Makes provision for the establishment of full service schools within the local communities.

Defines the role of special schools as resource centers.

#### Recommendations

A clear framework for the implementation of the guidelines for White paper 6 needs to be developed and should include the following:

A programme of action for the development of sign language.

Public education and awareness raising programme on White paper 6.

Partnership agreement between the Department of Education and Organisations of People with Disabilities.

#### Responsible party

Government

#### Legislation Policies

The Social Assistance Act

#### Key Aspects

Gives effect to section 27C in the constitution.

Makes provisions for adults with disability to access the disability grant and children with disabilities to access the care dependency grant.

These regulations fails to facilitate fair access to social grants for people with disabilities.

#### Recommendations

The social security system should operate on a sliding scale and therefore except that disabled people have unique needs dependent on the nature, degree and severity of the disability.

The effectiveness of the current spending on social security needs to be evaluated.

The appropriateness of the means test needs to be investigated.

The role of the Dept of Social Development needs to be defined in terms of a comprehensive social security system and not only in the provision of cash grants.

A comprehensive social security package for disabled people needs to be provided as opposed to only cash grants.

The linkage between the role of the Dept of Labour and the Dept of Social Development must be clearly defined when developing a comprehensive social security system.

The purpose of the disability grant needs to be clearly defined as the disability sector feels that it is currently a poverty alleviation mechanism and it should be for the management of the disability related needs.

Responsible party

Government

Business

Legislation Policies

The National Rehabilitation Policy

Key Aspects

Only policy specific to disabled people within the Dept of Health.

Provides for rehabilitation of newly disabled people.

No guidelines for its implementation.

Recommendations

A clear guideline document from the National Department of Health for the implementation.

An implementation strategy for the provisioning of assistive devices

A clear policy on personal assistance needs to be developed by the Department of Health.

Responsible party

Government

Legislation Policies

Transport

Key Aspects

No policy on accessible transport.

Despite consultation with the sector on the Moving SA policy, it makes no provision for disabled people.

Recommendations

Begin a process to develop a policy.

Responsible party

Government

## MORE JOBS, BETTER JOBS DECENT JOBS FOR ALL

We recognize that government has done much to create an enabling environment for job creation through the legislative framework, which gives rights and responsibilities to both employers and employees. Further to this government has also set up implementing agencies such as the National Skills Authority (NSA), SETAs and the provincial skills forums.

The intentions of the National Skills Development Strategy (NSDS) are to develop a lifelong culture of learning, build skills in the formal economy, improve skills development on small businesses and focused assistance to new job seekers so as to enable them to access opportunities whilst making a positive contribution to the economy. But what does the NSDS mean to a deafblind person in Worcester, a quad in Aliwal North, a person with epilepsy in Barberton, youth in Kakamas or a women in deep rural Guyani? It is an unhappy truth that despite the National Skills Fund, which is intended to advance the development of community constituents with regards to skilling them for employment, there is little progress achieved to date for these people and as such, the following shortcomings hamper our full participation and needs attention:

Challenge

Although the target for disability is 4% there is no clear plan and milestones to ensure that disabled persons would be visible in the area of scarce skills.

Recommendation

Review 18 strategic projects for evaluation against the target of 4%.

Develop a clear strategy on the participation of people with disabilities in the learnership campaign with regard to selection and recruitment, support to the

learners in terms of reasonable accommodation and after care support to the employer and the employee.

Review of the capacity building program that was led by the Dept of Labour and Communities last year as the process is currently on hold due to internal changes within the Dept of Labour.

Responsible party

Government

Business

Challenge

The provincial skills forums are still structured in such a way so as to exclude community participation.

Recommendation

Develop a protocol that spells out the composition of these forums.

Responsible party

Government

Business

Labour

Challenge

Although the domestic workers project is underway, the involvement of NGOs and women's movements are not recognized by SETAs as they are dominated by organized business and organized labour with no involvement of communities reps.

Recommendation

Develop a protocol that spells out the composition of these forums.

Responsible party

Government

Business

Labour

### Challenge

Reasonable accommodation for disabled persons is separated from the skills programme, which makes it difficult for them to reap the benefits from the strategy.

### Recommendation

A public Education programme similar to the one that was launched for the Social Plan needs to be developed for the Code of Good Practice On Employment of Persons With Disabilities.

A training programme for employees and employers with particular emphasis on the rights and responsibilities of both parties needs to be designed in partnership with organizations of people with disabilities and disability specific employment agencies.

The Technical Assistance Guidelines (TAG) needs to be finalised to ensure that employers has all the tools they need to implement the EEA.

### Responsible party

Government

### Challenge

Incentives made available by the dept. of Labour to benefit people with disabilities are not used by employers because of the existing myths.

### Recommendation

The Wage Subsidy Scheme needs to be reviewed and changed to a support programme for reasonable accommodation.

### Responsible party

Government

### Challenge

SETA's have very few if any disabled employees.

#### Recommendation

SETA's personnel policies and practices should be reviewed to see if it complies with EE legislation.

#### Responsible party

Government

#### Challenge

A lack of capacity within the dept. of Labour to implement their disability specific programmes such as the Bursary Scheme, the Sheltered Employment and the Placement programs.

#### Recommendation

Analyse staff component in the employment services directorate in terms of having the appropriate skills for the job.

Analyse the impact of these programmes.

#### Responsible party

Government

#### Challenge

Public Works Programme – very few people with disabilities benefit from these programmes due to its labour intensive nature.

Managers of the PWP are not being creative in their plans to include people with disabilities.

#### Recommendation

Conduct a detailed audit on the impact of this programme on the lives of the intended beneficiaries, especially people with disabilities.

#### Responsible party

Government

## CONCLUSION

These are some of the critical blockages, areas for intervention and priority that the community constituency (women and the disability sectors) have identified that if not addressed at this early stage would ultimately undermine our efforts of job creation in the long run.