



# ANC gears up for its national policy conference

*ANC structures are supposed to be preparing for the national policy conference being held in September 2002.*

*The **Labour Bulletin** looks at the key debates, which will shape the direction of discussion at the conference*

**T**he ANC has been involved in a lengthy policy review process in preparation for the 51st national conference in December 2002. The review of policy has taken place, for some time, in various structures such as the ANC's Economic Transformation Committee (ETC). The ETC, for example, has been meeting on and off for the last two years to review existing economic policy with the aim

of drafting an economic growth path. Aside from the ETC, other structures have been meeting in recent weeks to debate broad policy. This process will culminate in the national policy conference in September, which is supposed to lay the basis for the adoption of policy resolutions at the year-end national conference. The starting point for the policy review process was the existing policy

positions adopted by the 50th national conference in December 1997 in Mafikeng.

The 1997 Mafikeng Conference confirmed that successful economic transformation required a set of economic policies that were mutually re-enforcing and which, as a package, addressed the structural problems in the economy. These objectives as set out at the 50th general conference are:

- A competitive, fast growing and developing economy that creates sufficient jobs for all those seeking work.
- A redistribution of wealth, income and opportunities in favour of the poor and the historically disadvantaged.
- A society in which sound health, education and other services are available to all.
- An environment in which homes are secure and places of work are productive.
- The popular involvement and participation of all South Africans in the economy and in economic decisions.

Building on the Mafikeng resolutions, government adopted a combination of policies in the form of an Integrated Economic Action Plan in 2001. This plan was reformulated into a Microeconomic Reform Strategy in 2002 (see SALB 26 (1) and (3)). The Microeconomic Reform Strategy does not represent the totality of

discussions is the failure of government's institutional arrangements to deliver. It has become clear that, as one observer says, 'the policy and implementation arena are not speaking to each other'. Time and time again this issue came up in different forms: 'uneven capacity to implement', 'lead time between policy formulation-law-regulation-implementation-review', 'implementation is hampered due to lack of coordination between government levels', 'no proper synergy' and so on.

Government can draft the most ambitious and comprehensive policies but limited or inadequate capacity is preventing implementation. As one delegate commented on the culture of government: 'We do not do anything about people who do not do the job (no civil servant gets fired for incompetence and sometimes even is promoted for being incompetent). We have not worked sufficiently hard to change the culture.'

Delegates pointed out that the ANC had not implemented a previous decision to provide resources and capacity to local government. One delegate jokingly recounted an exchange between delegates around whether the country – drafting First world policies with third world capacity as opposed to third world policies for third world capacity.

A broad assessment of the policy arena was conducted where discussion focused on government's overall achievements, shortcomings and challenges for implementation. Some of the achievements recorded included: improvements in the delivery of some basic services, socioeconomic advances, stable macroeconomic policy, servicing debt and the economy being able to deal with external factors.

The problem areas and challenges are in many cases interlinked and relate to the following: insufficient focus because the ANC is trying to do everything; the lack of balance

between social and economic efficiency; job creation and poverty; corporate governance issues in relation to parastatals/regulators

and government, parastatals need to be brought into the system; inadequate strategies for developing and supporting local authorities; skills mismatch in the economy, which affects service delivery; questions around input costs such as tariffs and wharfage and other aspects of industrial strategy; welfarism (redundancy in public service); the cost of bureaucracy and whether capacity to deliver poverty programmes exists; issues around domestic and foreign investment and a lack of synergy around infrastructure.

The following challenges were highlighted with the aim of ensuring: the domestic market leads investment;

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government's economic transformation agenda. Rather it is an attempt to integrate those strategies and programmes critical to accelerating growth.

#### **Assessment of policies**

The debates in the various workshops revealed that there would be no dramatic shift in overall policy. Instead, there could be a refinement in some policy areas – such as black economic empowerment and the approach to the financial sector – as well as an attempt to build on and strengthen implementation of existing policies. One of the most critical issue to have emerged from these

Linked to the capacity problems in government, one senior minister lambasted various parliamentary structures, such as the National Council of Provinces, ANC study groups and the like for their lack of understanding of issues being debated in Parliament. Issues around implementation and capacity brought to the fore national government concerns around the provinces and local government structures. It is clear that local government structures lack capacity to function properly and this directly affects huge areas of delivery. Local government's inability to promote local economic development is of concern to national government.

the implementation of investment incentives; growth linked to development; tightening coordination within government and between government and its agencies/regulators/parastatals; the strengthening of capacity of government to implement policy; sector strategies linked to parastatals; proper regulatory framework regarding the financial sector, which includes issues around access to credit for the poor; the need to link domestic economic priorities with Nepad and the region; procurement to ensure promotion of local production; the need to focus on priority delivery areas; issues around land; the implementation of a strategy to increase household income and livelihoods in rural areas; more targeted intervention around skills development; the need to develop an integrated approach to deal with tensions between social and economic issues and the need to properly define the role of the state.

Emerging from this process a number of core areas were identified for further discussion:

- developmental state (what is meant by a developmental state);
- promotion of the micro economy (which includes land tenure);
- capacity for implementation (which includes issues around deployment to ensure political control of institutions, the role of parastatals and how they engage with government, local government and skills development);
- participation of civil society in policy-making;
- black economic empowerment;
- Nepad.

### Key areas for discussion

As mentioned above, it is not anticipated that there will be a wholesale policy review. However, a refinement of tactics could take place in a number of policy areas, some of

which relate to the abovementioned issues. During various discussions, it became clear that a number of resolutions adopted in Mafikeng have never seen the light of day. There was an acknowledgement of the need to draft resolutions, which were not all encompassing but provided a broad framework for government. A range of resolutions – relating to the economy, black economic empowerment (BEE), state asset restructuring, the future of key sectors in the economy, skills development, employment, rural development, building a cooperative movement and regional development and Nepad – are expected to be debated at the national policy conference. There are a number of policy areas that require further clarification or where formal strategies have not been finalised. They include the following:

### BEE

Government does not yet have a comprehensive policy on BEE, although every department has programmes to achieve this aim. The absence of such a strategy has given rise to ambiguity about the definition of BEE and the character of the empowerment process. This has resulted in fronting and other forms of misrepresentation in order to access BEE opportunities. (The dti together with other government departments have recently developed a BEE strategy, in part, in response to the publication of the BEE Commission report.)

Despite the government programmes in place, most studies suggest there has been virtually no change in the overall distribution of incomes and wealth since 1994. In this context, the fundamental question is whether BEE aims to:

- ensure blacks are fairly represented among the top owners and managers of companies; or
- improve the position of all black people, especially women, through

measures that ensure a more equitable distribution of incomes and assets overall.

The ANC has adopted the second view, which means BEE includes such broad-based redistributive strategies as land reform, reprioritisation of government services and job creation. Nonetheless, many measures considered part of BEE, such as set-aside programmes for black investors when selling state assets and a bias toward black-owned companies on procurement, seem geared primarily to support black capital. Further, such initiatives have had mixed success. Special Purpose Vehicles have left many BEE initiatives heavily indebted, BEE initiatives in strategic sectors of the economy that are particularly averse to transformation still need to be developed, there is a problem of front companies and the continued weaknesses of the state procurement system, and 'black-chip' shares on the JSE have performed poorly.

A major debate revolves around the usefulness of setting targets, and how targets should be understood. The ANC itself must do more to report and assess progress. On that basis, it may be possible to begin to develop clearer numerical objectives. Resolutions therefore, need to be drafted which attempt to deal with these issues.

### Employment

It is clear that the fight against unemployment is critical, Government believes there are no magic solutions or quick fixes. Unemployment in South Africa is a deep, structural problem, reflecting the large inequalities inherited in ownership and skills. New jobs will not be generated overnight, at least not in the numbers needed. Fighting unemployment will be a long haul.

Government has yet to fully articulate an integrated employment strategy of the type proposed at Mafikeng. Moreover, a number of

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Mafikeng resolutions have not been implemented, such as raising the cost of job shedding to employers, reducing the prices of wage goods, lowering transaction costs on the labour market, improving the access of the poor to assets and undertaking large-scale public works projects.

The report of the Committee of Inquiry into Comprehensive Social Security (CCSS) has argued that if high unemployment is here for the foreseeable future, government must strengthen welfare and involve the unemployed in community development projects. Otherwise the country will end up with unacceptable levels of poverty and social isolation. Employment projects could include community services, such as homecare for people with AIDS and childcare, as well as public works.

Further, the adoption of an active labour market policy to address unemployment has been constrained by the structural nature of unemployment in the South African economy and poor labour market information. It is critical then that resolutions be adopted that aim to support proposals for large-scale public works and community services programmes as proposed by the CCSS. Such projects could support the expansion of social infrastructure, public housing, home-based health care, ABET and childcare as well as the delivery of critical public services to poor communities. Other resolutions could focus on ensuring more targeted interventions around skills and the use of SETAs; sector summits and regional forums should be established to identify where sustainable job creation is possible; procurement policies should aim to increase demand for quality local

products; and land reform and the transformation of the financial sector must be accelerated to ensure food security and rising incomes for the rural poor, in particular. If necessary, government must expropriate land for the purpose of land reform.

**Skills development**

Discussions have revealed that limitations still exist around skills development with many companies still not taking up the benefits provided for in the Skills Development Act. Resolutions should therefore, focus not only on addressing this issue but those relating to the educational system. For example, those subjects in schools that have been neglected such as maths and science (many black schools do not have teachers for maths, science, computer or cultural studies – all of which are critical in the modern economy). Of 400 000 black matriculants last year, only 1 000 had maths and science grades high enough to take university courses. In 2000, almost half of all schools still had no electricity, and only one in ten had computers for learners.

**Financial sector restructuring**

A number of issues around the financial sector remain unresolved. Key to this is the role it should be playing in contributing towards the development of historically disadvantaged communities. However, the financial sector alone cannot overcome the obstacles to development. Therefore, measures to transform the financial system must be embedded in a coherent and comprehensive development strategy.

Government has a variety of possible instruments for affecting decisions by financial institutions.

They include the location of government accounts; requirements around the direction of credit and establishment of outlets; support to new kinds of borrowers; deposit guarantees to protect lower-income depositors; tax incentives or sanctions; anti-discrimination requirements and procedures; and direct support for innovative forms of financial ownership, such as cooperative banks and stokvels.

In the absence of a coherent policy, however, government has not used these instruments consistently to transform the financial sector. Engagement at Nedlac in the run up to the Financial Sector Summit, now planned for mid-August, seems likely to lead to more explicit and vigorous measures to restructure the financial sector. In particular, some agreement seems likely on regulation of credit bureaus, development of more appropriate legislation for cooperative banks, anti-discrimination measures, and the direction of contractual savings toward more productive investments. The issue of prescribed assets (setting aside a portion of assets in retirement funds for development projects/social investment) has been a controversial issue for some time. However, some form of requirement for more targeted investment should form part of the discussion.

Resolutions to be adopted should take into account the developments taking place around the financial sector summit. However, these resolutions should also focus on areas such as the abuse and corruption in the micro-lending sector with the aim of developing strategies to ensure poor people have access to affordable financial services. LB