



Nedlac prepares for **growth summit**

The recent visit by ILO DG Juan Somavia has given Nedlac the impetus to move forward in fulfilling its mandate. Nedlac outlines some of the key developments to date.

ILO DG Juan Somavia (left) with Nedlac Executive Director Philip Dexter



Director general of the International Labour Organisation (ILO), Juan Somavia, visited Nedlac in August 2002, and gave a strong message regarding the importance of putting job creation strategies at the heart of all government policy making. 'Employment cannot be the result of economic policies, it should be the objective,' he told a meeting of Nedlac's management committee. He said he was becoming increasingly

convinced that the present model of globalisation was incapable of producing jobs for people where they live.

Paying Nedlac an enormous compliment, he said that if any country in the world was capable of solving this problem, it was South Africa, and if South Africa managed to do it, it would be because of Nedlac. The two institutions agreed to establish a partnership to work closely together on this, and other issues.

Financial sector transformation

The formal financial sector in South Africa is regarded as one of the most sophisticated in the world. Nonetheless, the sector has been unable to provide services to much of the population. In 2000, this problem was brought to Nedlac by the Community and Labour constituencies. All parties agreed that the financial sector needed to do more to support economic and social development.

During subsequent engagements



Focus on Nedlac

between the parties, the Nedlac constituencies agreed on a number of strategies to transform the financial sector. These agreements were cemented at a Financial Sector Summit held on 20 August 2002. They include:

Ensuring access to basic financial services

The parties agreed that every South African should have access to basic financial services.

... the parties will propose appropriate regulation for micro-lenders to minimise the negative effects of usurious practices (charging too much interest).

Development of sustainable institutions to serve poor communities

While the large formal financial institutions have an important role to play in providing services for the poor, they must interact with and support smaller institutions, especially cooperative banks and NGOs that can provide micro-credit to the poorest households. The smaller financial institutions serve to increase the diversity of the sector and broaden ownership.

The parties agreed on the need for new enabling legislation for so-called second and third tier deposit-taking financial institutions. As a start, they have agreed key principles for legislation for financial cooperatives.

The parties also agreed that all the constituencies should seek to support financial cooperatives and micro-credit providers. After the summit, they will engage on a concrete support programme.

In the absence of realistic alternatives, many wage earners have had to resort to micro-lenders when

they need credit. In too many instances, the result has been an accumulation of excessive debt at a high price. Following the summit, the parties will propose appropriate regulation for micro-lenders to minimise the negative effects of usurious practices (charging too much interest).

Regulation of credit bureaux

Credit bureaux should play a positive role by providing creditors with necessary information on potential borrowers, which will reduce information asymmetries in the market. The parties have proposed elements of a regulatory framework to

ensure they supply only reliable information that is relevant to a person's creditworthiness; they are more open to consumer complaints; and there is no scope for unfair discrimination in their operations.

Discrimination

The parties have agreed that, within the context of the Equality Act of 2000, every subsector within the financial sector should establish or strengthen a code to end unfair discrimination.

Government should legislate uniform norms on disclosure of financial services by race, gender, location and categories of amount. People who face unfair discrimination should have an effective route for adjudication.

HIV/AIDS

The parties are particularly concerned about the need to end unfair discrimination against people with HIV and develop appropriate services for them. Following the summit, they will work together to achieve this end, and especially to ensure that people with

HIV have improved access to housing finance and other services.

Capital markets and investment

The parties agreed on the need to increase overall investment and in particular projects that strengthen infrastructure, create jobs, meet basic needs, stimulate economic activity in the poorest regions and communities of South Africa and/or support development throughout Southern Africa. In addition, they will develop training for fund managers and retirement-fund trustees to enable them to adopt more informed and appropriate investment strategies.

Development finance institutions (DFIs) and other state-owned financial institutions

Following the summit, the parties will make proposals around the developmental impact of these institutions and, if necessary, recommend improvements. A particular concern is to ensure that the Post Bank is maintained and its services expanded to poor communities.

Savings initiatives

The parties have agreed on activities to promote a savings culture, and improve the savings facilities available.

Sustainable development: A platform for growth

This will be the theme of Nedlac's annual summit, which will take place on 9 November 2002. The summit will be chaired by Deputy President Jacob Zuma, and will assess Nedlac's performance over the past year. It will also focus on the Growth and Development Strategy, including how to take forward the agreements on sustainable development reached at the recent World Summit on Sustainable Development.