

## ANC Economic Transformation Policy Discussion document

22 March 2007

### A Strategic Perspective on Economic Transformation

The achievement of democracy in 1994 provided South Africans with the opportunity to pursue economic growth, development and redistribution so as to achieve a better life for all. Yet we are only at the beginning of an historic transformation of the South African economy; a transformation which aims to realise the Freedom Charter's vision of a society in which the People Shall Share in the Country's Wealth!

Our vision of the economic base of a National Democratic Society is characterised by:

A thriving and integrated economy that draws on the creativity and skills that our whole population can offer, building on South Africa's economic endowments to create employment opportunities for the benefit of all.

An economy in which increasing social equality and economic growth form a virtuous cycle of development, which progressively improves the quality of life of all citizens, rolls back the frontiers of poverty and frees the potential of each person.

An economy in which national prosperity is ensured through innovation and cutting-edge technology, labour-absorbing industrial development, a thriving small business and cooperative sector, the utilisation of information and communication technologies and efficient forms of production and management.

An economy in which the socio-economic rights of all are progressively realised, including through fair labour practices, social security for the poor, the realisation of universal access to basic services and ongoing anti-poverty campaigns that promote the economic integration of all communities.

A mixed economy, where state, cooperative and other forms of social ownership exist together with private capital in a constructive relationship, and where democracy and participation lead to growing economic empowerment.

An economy that is connected to the world, benefiting from vibrant trade relations with North and South, and which is an integral part of a balanced regional economy that contributes to the growing prosperity of Africa.

A sustainable economy where all South Africans, present and future, realise their right to an environment that is not harmful to their health or well-being.

We are still some way from our vision of the economic base of a national democratic society. The ownership and control of wealth and income, the poverty trap, access to opportunity and so on are, are all in the main defined, as under apartheid, on the basis of race and gender.

Therefore, the basic economic tasks of the NDR must remain the same - the eradication of the socio-economic legacy of apartheid, the creation of employment and the defeat of poverty.

In pursuing these goals, the ANC's economic policy stances have remained consistent throughout the era of liberation. The critical challenge we now face is not the elaboration of an entirely new policy paradigm, but the identification of critical interventions that will enable us to accelerate implementation. At the same time there must always be room to refine and improve our policy stances on the basis of a clear analysis of the lessons learnt and challenges posed in the course of past implementation.

### Building a Developmental State as an instrument of Economic Transformation

Our approach to economic transformation proceeds from the understanding that the changes we seek cannot emerge spontaneously from the `invisible hand` of the market. The state must play a strategic role in shaping the contours of economic development.

The developmental state is one that is capable of leading in the definition of a common national agenda, mobilising all of society to take part in its implementation and directing society's resources towards this common programme.

In building the organisational and technical capacity of the state to implement its programmes, the following issues are considered:

Macro-organization of the national, provincial and local spheres: As part of the debate about the appropriate governance model for provincial and local government, issues around the ability of the state to lead economic development must come to the fore.

Strengthened capacity for economic planning at the centre of government.

Further work is required to create an institutional centre for government-wide economic planning. Such a centre should have the necessary resources and authority to ensure that long and medium term economic planning is conducted and implemented

Macro-structure of ministries, portfolios and departments: do they reflect the functions required for development?

The creation of a common framework for government planning across all three spheres that leads to the alignment and harmonisation of planning and implementation.

The need for a stronger emphasis on the state's human capacity to carry out its work.

The developmental tasks we face require that the state should maintain its strategic role in a number of key economic sectors, including through continued ownership of State Owned Enterprises (SOE's). These sectors include the energy complex and the national transport and logistics system.

Our capacity to ensure that the infrastructure programme acts as a catalyst towards the broader development of the economy will be a critical marker of the progress we are making in building a developmental state. The key factor here is our ability to ensure that the programmes we implement are mutually reinforcing.

The ANC and the democratic state must also ask how we act more effectively to mobilise the private sector behind the objectives of economic transformation. On its part, the private sector needs to ask itself whether it has not been somewhat lethargic and perhaps even pessimistic in its assessment of the trajectory of growth in our country and the rest of the sub-continent, thus falling short when major positive changes start to manifest.

### Accelerated, Shared Growth and Industrial Policy

The continuous growth we have witnessed over the last eight years points to an economy which is beginning to transcend apartheid's limitations. Critical elements of a new growth path have begun to emerge. Nevertheless, constraints and challenges remain. Concerns have been raised as to whether the present trajectory of growth will enable us to realize our goals of 6% growth, and a 50% reduction of unemployment and poverty.

Therefore, a number of strategies are required to ensure that the move towards a the post-apartheid growth path is sustained:

Decisive and bold action is required to remove the most important constraints on faster economic growth, in order to achieve our 2014 goals.

South Africa's continued prosperity will depend on a diversification of our industrial base, which is the main objective of our industrial strategy.

BEE should be linked directly to the expansion and diversification of our economic base. As well as ensuring that the ownership and control of capital is de-racialised, we must also seek to broaden the base of such ownership.

In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should take place as close as possible to main growth centres.

Whilst implementing these programmes, our macroeconomic policy framework must aim to sustain growth over the long term. Recognising the importance of macro-stability, there is considerable room to debate the appropriate framework for macro-economic policy. Whilst the tactical management of macro-economic balances cannot be determined by conference

resolutions, the ANC will need to establish a broad strategic framework within which our cadres deployed to government can operate.

## The Campaign to Defeat Poverty and Unemployment

The campaign against poverty is in the first instance a campaign to create employment. Therefore, our strategies to diversify the economy and accelerate shared growth are central to our long term programme to combat unemployment and poverty.

Whilst new jobs are being created, the problem of the absorption of unskilled labour will remain pressing. The key challenge is to address the mismatch between the supply of largely unskilled and semi-skilled labour that our history has bequeathed, and the demand for skilled labour that the economy is now generating.

The vast majority of the unemployed are black youth and women, many of whom have never held full time employment and who lack the skills to gain entry into fast growing sectors of the economy. Direct interventions are required to absorb this surplus of unskilled and semi-skilled workers, including through of public works programmes, the promotion of labour intensive technologies, active labour market policies and intensive programmes of skills transfer.

There is an objective trade-off between the quantity and quality of employment that is created. Whilst remaining committed to the protection of worker-rights and fair labour practices, the manner in which we intervene in the economy must be ensure that we do not undermine the potential of key sectors to generate employment.

Sharing the benefits of growth is as important as achieving the growth. The most significant vehicle, for sharing growth would be to eliminate the second economy. The concept of two economies does not propose the existence of two socio-economic formations in one country, but describes different circumstances in the lives of South Africans.

Our intervention in the second economy must benefit the third of our people, mostly young, who are trapped in poverty and who need to be taken out of that trap and assisted to be economically sustainably self-reliant. To end the recurrence of this economic duality and intergenerational poverty, our interventions must change destiny.

In the long run, our most effective weapon in the campaign against poverty and unemployment is education. Significant progress has been made in improving the skills profile of our people. We need a clear assessment of the progress we have made and the challenges that remain. The most immediate skills related challenge for accelerated growth is the demand a number of critical technical skills.

Responding to the immediate demands, and building an appropriate skills profile for country over the longer term, requires a people`s contract for skills development, which works to build a common programme of action between business, unions, academic and training institutions, and the government.

## Conclusion

The 52nd national conference of the ANC will adopt a resolution on the economy, which must constitute a broad framework, giving our movement clear strategic direction for the remaining years of the second decade of freedom.

The resolution should provide enduring and useful guidance for the ANC as a whole, but in particular for those cadres we deploy in government to implement policy and develop tactical responses to a dynamic and constantly evolving economic situation.

The conclusions we reach in December must therefore be informed by the widest possible input from our people. Members of the ANC - through open discussion in their branches, regions and provinces - as well as the structures of the Alliance and the broad democratic movement must all make a contribution to this important debate. By building a broad

consensus on economic strategy we can confront the challenges we face with confidence, as a united movement with a clear vision of the road ahead.

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