



BRIEFING ON THE FRAMEWORK FOR SOUTH AFRICA'S RESPONSE TO THE INTERNATIONAL GLOBAL CRISIS

MPUMALANGA SUMMIT ON THE GLOBAL RECESSION

By the Nedlac Executive Director



INTRODUCTION AND BACKGROUND

- On 04 December 2008 the President of the Republic of South Africa convened a special Presidential Economic Joint Working Group to discuss the challenges brought about by the International economic crisis.
- Social partners comprising organised Labour, Business, Community and Government agreed that overcoming these challenges will require a collective response to the difficult economic conditions we face.



INTRODUCTION AND BACKGROUND

- Nedlac, in partnership with the Presidency subsequently met and concluded a Framework for South Africa's Response to the International Economic Crisis setting out measures that must be taken to respond.
- The Framework for South Africa's Response was then adopted at the subsequent Presidential Economic Joint Working Group meeting in February 2009)
- The Framework identified six (6) key platforms on which to locate/craft South Africa's response to the crisis.



KEY PLATFORMS FOR INTERVENTIONS

- Investment in Public Infrastructure
- Macro Economic Policy Measures
- Industrial and Trade Policy measures
- Employment Measures
- Social Measures
- Global Coordination



PRINCIPLES GOVERNING THE RESPONSE

- The first principle is that low income workers, the unemployed and the vulnerable groups can lose much through even a relatively brief economic shock, and the risk of unfairly placing the burden of the downturn on the poor and the vulnerable must be avoided.
- The second principle is to ensure that all of the activities that are aimed at strengthening the capacity of the economy to grow and create decent jobs in the future, are protected and supported as far as possible.



PRINCIPLES GOVERNING THE RESPONSE

- Maintain the planned high levels of investment in public sector infrastructure and to encourage the private sector to maintain and improve wherever possible, their levels of fixed direct investment and continue with corporate social investment programmes.
- Interventions must be timely, tailored and targeted as is appropriate. Actions to counteract the downturn must be reviewed periodically, and be removed when they are no longer effective or appropriate.



PROCESS

Five 2-aside teams were established to develop and agree action plans to give effect to the Framework;

- Leadership Team
- Investment and Financing Task Team
- Social Interventions Task Team
- Employment Task Team
- Distressed Sectors Task Team.

MODUS OPERANDI FOR THE TASK TEAMS



Each Task Teams is required to prepare short, preferably 1-2 page reports on areas of agreements/action plans for sign-off by the Leadership Team, which would include the following details;

- What the proposed action is;
- A short motivation for each action;
- Cost of the action and how it is envisaged it will be funded;
- Any regulatory or related issues;
- Who is responsible for implementation
- Expected impact on the issues in the Framework

TERMS OF REFERENCE FOR THE LEADERSHIP TEAM



- To agree terms of reference for all Task Teams;
- To ensure that work is taken up at Task Team level and monitor progress;
- To consider and sign-off on Task Team proposed action plans;
- To consider new proposals by constituents
- To deal with cross cutting issues or 'big ticket' items such as ;

... CROSS-CUTTING ISSUES SUCH AS;



- Funding mechanisms, including proposal for a Jobs Fund and Integration of different mechanisms.
- Infrastructure funding including Development bond;
- High Level Engagement with the CEOs in the financial sector
- Trade policy tools, with specific reference to the issue of applied and bound rates;
- Local procurement
- Consideration of what can be done to avoid early or unnecessary resort to retrenchment;



TERMS OF REFERENCE FOR THE LEADERSHIP TEAM

- To deal with broader issues in the Framework such as;
 - Macro-economic issues, including;
 - Engaging the Reserve Bank ;
 - Addressing the Balance of payments constraints;
- Global coordination: G20, IMF, WB, WTO, ILO;

TERMS OF REFERENCE FOR THE EMPLOYMENT TEAM



- Develop Proposals to avoid early or unnecessary resort to retrenchments;
- Address Public sector related issues in the Framework ;
- Expanded Public Works Programme;
- Training layoffs;
- SETAs;
- Labour broking and outsourcing;
- Social plans;
- Unemployment Insurance Fund;

TERMS OF REFERENCE FOR THE FINANCE AND INVESTMENT TEAM

- How to ensure that at least R787 billion is raised for the public investment programme and spent in projects with the largest social, employment and economic return;
- Develop Proposals to fast-track the public investment programme;
- Define the Role of DFIs in public investment programmes;
- Identifying additional sources of funding;
- Identify Priorities, financing and capacity constraints;
- Engaging the financial sector on the flow of credit



TERMS OF REFERENCE FOR THE DISTRESSED SECTORS TEAM

- Sustainable local procurement;
- Fast-response mechanisms for companies in distress;
- Sectors in distress and strategic responses to them;
- Sectoral coordination;
- Electricity pricing/rationing and its Impact;



TERMS OF REFERENCE FOR THE SOCIAL POLICY TEAM



- Emergency Food Relief Programme;
- Food for All programme;
- Cost-drivers in the food chain;
- Competition measures to address food prices;
- Investigate Community-based food production on a mass scale;
- Fast-tracking spending on Fund for Social Relief of Distress;
- Social transfers, the child grant and old age pensions;
- Role of cooperatives, support measures, funding and regulation;



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- The various task teams started off by conducting a quick scan/audit of initiatives that were being planned, those that were underway with a view , first of all to avoid duplication of effort and secondly to examine areas that would require tweaking and refocus.

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LOCAL PROCUREMENT

- All government departments will be required to commit to buy local wherever possible.
- Government will ensure payment to suppliers on an expedited basis so that local suppliers receive payment within 30 days of invoice.
- A Call Centre will be set up through which suppliers can report problems in accessing payments.



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LOCAL PROCUREMENT

On Procurement rules/legislation, three changes were agreed:

- Within the existing 90/10 and 80/20 points allocation, 9 and 18 points respectively should be allocated to local procurement.
- Further measures should be developed to improve local procurement, including through considering re-introducing a more explicit price preference.
- Legislation should be reviewed and amended.

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LOCAL PROCUREMENT

- Request the Minister of Trade and Industry, subject to any binding international obligation that SA has contracted to, to designate certain sectors as strategic, and thus to require that all procurement from the affected sector is locally manufactured.
- The distressed sectors of autos, clothing, textiles and footwear and capital goods to be prioritised in this regard.



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- **LOCAL PROCUREMENT**

SOEs, statutory bodies and other para-statal institutions to enter into a shareholder compact that will include;

- A commitment to buy local wherever there is local capacity available.
- Monthly reports by the CEO to the responsible Minister on adherence to this commitment.
- Discussions with business and labour stakeholders when an SOE believes that local capacity is not available.

- Quarterly report on the total impact of the procurement on local jobs

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Leveraging Local Procurement

- Influence the procurement decisions of SOE's in regard to import tariff setting in relation to inputs into capital project by changing the relative prices in favour of domestic procurement.
- In Industrial Participation Programmes- to shift from the indirect offset to direct offset must be expedited.
- The Department of Public Enterprises to strengthen its shareholder compact with Transnet and Eskom in order to leverage the SOE's Capex programme.

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On Buy Local Campaign:

- A Local Procurement Summit convened by the Presidency and the dti, be held.
- An Office on Local Procurement to be set up on an expedited basis, initially coordinated by the Presidency during the transition period, and drawing on technical capacity in the DTI, with a final housing of such an Office to emerge from the new structure from Cabinet.



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On Buy Local Campaign:

- Government departments and SOEs will commence with a strong local-supplier programme that actively builds capacity, particularly with the infrastructure development.
- The Presidency will initiate efforts to improve on the procurement of locally-manufactured pharmaceuticals.

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- **On Buy Local, three messages would be promoted:**
 - **first**, call on all South Africans to support local industry as a response to the economic crisis,
 - **second**, a call that focuses on products from distressed sectors, and
 - **third**, a segmented campaign that targets key groups, e.g. civil servants.
- Resources be made available by government to run this campaign with sector involvement and sign-off on marketing.

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TRADE MEASURES

- It was agreed to use trade measures to protect employment and to address import substitution. This would be on the following criteria;
 - Adjustments would be targeted to specific products and not be blanket interventions.
 - It would be invoked where local capacity exists.
 - It would be done in instances where there is a positive employment impact, either in saving manufacturing jobs or in creating new manufacturing job opportunities.

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TRADE MEASURES

- The interventions may take the form of either adjustments to bound levels, or the introduction of specific duties in place of advalorem duties on specific products or other effective measures that are available.
- A Meeting will be held between ITAC and the Minister of Trade and Industry to advise of the view of the Department on trade adjustments and the need to improve response-times as a matter of urgency.
- It was agreed to support the request by SARS for additional funding and reprioritisation of existing resources in order to curb Illegal imports

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Import data be made availability to stakeholders: (Agreed to remove the secrecy provisions in the Act and to make information available at the level of the importer, subject to there being no legal constraints)

All public support (from government departments as well as DFIs) be based on recipient companies signing off to key conditionalities including;

- Employment retention commitments
- Fair Labour standards practices
- Social partnership in developing the rescue packages
- Executive pay restraint
- Local procurement commitment



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SECTOR PROCESSES

- In the auto sector, it was agreed on the urgency of ensuring that the processes of seeking rescue plans are fully tripartite and that the labour movement is part of the processes.
- In the Clothing & Textiles sector, an agreement has been developed with industry, labour and government. Efforts are now being made to ensure implementation and to discuss resource issues with the relevant parts of government.
- In the capital goods sector, progress has been made in the transport equipment sector.
- In the mining sector, the issue of conditionalities for the deferred royalty tax was discussed and it was agreed to convene a meeting between the Ministers of Finance and Mineral & Energy with the CEOs of large mining houses and representatives of the labour movement.

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MINIMISE RETRENCHMENT AND MITIGATING THE IMPACT:

- The **UIF** Act be amended to include a Provision or a top-up clause that would enable temporary lay-offs to claim from the UIF.
- **UIF** resources should be used to avoid people from becoming unemployed and not to lure the labour force into receiving passive payouts.
- A joint public statement by social partners directed to employers that they need to make every endeavour to find ways to avoid retrenchments, be issued.
- As many of the jobs in EPWP Phase 1 were short term and had limited positive impact on the lives of the targeted unemployed people, it was agreed that the EPWP II must be scaled up and improved.

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- It was agreed that CCMA develops a booklet which will serve as a guide containing detailed information on steps to take in order to avoid retrenchments and a directory of services available for both the employers and employees.
- In order to ensure that Section 189 is not dealt with mechanically, it was agreed that the CCMA Commissioners should consider the social impact when dealing with Section 189 and not merely look at the severance package.
- To allow facilitation of the retrenchees' immediate access to UIF benefits and in the case of Productivity SA, to allow the timeous intervention of the Business rescue dimension of the social plan to kick in. It was agreed that the CCMA should share the data on all Section 189 matters with the UIF, Productivity SA and other relevant bodies.



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PUBLIC SECTOR ISSUES IN THE FRAMEWORK

- It was agreed that Government should conduct a review of the number of vacancies in government and to develop a plan on how to fill such vacancies.
- It was agreed that the information on vacancies not already in the public domain must be given to Department of Labour's Labour Centres to display.

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COOPERATIVES

- **It was agreed** to promote the development of the Cooperatives Sector as one of the interventions in dealing with the crisis and that a Cooperatives Development Fund be set up.

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Development Finance Institutions;

The DFIs be requested to give reports to show:

- How the DFIs will respond to the crisis in concrete detail and in particular, what the DFIs will do differently to carry out the commitments in the Framework;
- How it will ensure that the conditionalities for accessing public funds are consistent with the Framework;
- what its plans are for distressed sectors and for SMME;
- what resources it will mobilize and
- what other projects it is implementing in response to the crisis

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GREEN JOBS

- It was agreed that the Department of Environmental Affairs and the Department of Trade and Industry should set up a work team to develop proposals on Green Jobs.

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FOOD FOR ALL PROGRAMME

- To find ways to improve the logistics of food distribution such as transportation, warehousing, and procurement in order to reduce food prices in the long term.
- It was agreed that a one aside task team meet with the Ruling Party's Transition Committee for a briefing on the institutional Arrangements to give effect to the **Food For All Programme**.

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SOCIAL RELIEF OF DISTRESS

- The crisis is likely to lock people in social distress for much longer than three months therefore it was agreed in principle that the duration of Social Relief of Distress should be extended from 3 to 6 months.
- It was agreed that a basic leaflet and a briefing document for shop stewards on rules and goals of the Social Relief of Distress Fund be produced.



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EMERGENCY FOOD RELIEF PROGRAMME

- It was agreed that the Department of Agriculture will fast track the Ilima/Letsema and Household Food Production Programme.
- It was agreed to fast track and roll out targeted Agriculture Starter packs including support in the form of seeds, fertilizers and pesticides.
- It was agreed to rehabilitate the abandoned railway lines and road infrastructure to reduce the cost of distribution of food.



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COST-DRIVERS IN THE FOOD CHAIN

- In order to develop measures that will be taken to improve the logistics of food distribution such as transportation, warehousing, and procurement in order to reduce food prices in the long term;
- It was agreed to conduct a market enquiry into the food chains of basic food, along the lines of the Bank Charges enquiry by a dedicated Multi Stakeholder Committee under the Auspices of the Price Monitoring Committee.
- It was agreed to establish a Multi stakeholder structure, similar to the National Electricity Advisory Council to monitor prices and make policy recommendations for government intervention.



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COMMUNITY-BASED FOOD PRODUCTION ON A MASS SCALE

- It was agreed to extend the National School Nutrition Programme to early Childhood Development Centres and High Schools.
- It was agreed to increase transfers to NGOs and CBOs involved in soup kitchens.
- It was agreed to revitalise the extension of services, research and development in the entire agriculture sector.
- To boost the infrastructure and support for food production activities, it was agreed that Government should increase investment in Agriculture.



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THE CHILD SUPPORT GRANT

- It was agreed to support the request for a Budget of R1.9bn required for the extension of the Child Support Grant to 15 year olds in the current MTEF be pursued.

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CORPORATE SOCIAL INVESTMENT

- Companies should be encouraged to continue their corporate social responsibility programmes and not cut back on them as a result of the economic crisis.

CHALLENGES



- **Finding Resonance:** Tweaking the existing programmes and activities of various institutions often raises new challenges.
- **Speed;** The pace of finding convergence in the details of the action plans in some instances, very slow.
- **Information:** Lack of knowledge by sectors of availability of resources.
- **Integration and Coordination:** In some cases incentive programmes reside in more than one Government department.
- **Inclusivity of the processes:** Lack of all-inclusive-participation of social partners in some sectors.
- **Refocusing existing policy regimes:** The bulk of the existing policies were not designed to deal with crisis of this magnitude hence limited room to tweak without creating new problems in the process.