

## **The ANC National Policy Conference 2017**

From 30 June to 5 July 2017 the African National Congress (ANC) gathered at Nasrec, Johannesburg, where it held the National Policy Conference (NPC) to debate and approve policies with key ANC stakeholders and its constituency.

## **The ANC PBF Business Breakfast Forums**

The ANC Progressive Business Forum's programme of dialogue was a unique opportunity created for the corporate sector to engage the ANC leadership on its economic and social policies on a platform that is central to where policy is being made.

This set the stage for a unique dialogue and engagement on critical issues facing the corporate sector on economic matters, that have an important bearing across the landscape of sectors in the country.

Below is a summary of the main outcomes of these sessions which can be used as a basis for further dialogue with the relevant stakeholders.

## **Synopsis of engagement with the Minister of Finance Malusi Gigaba**

**Date: 30 June 2017**

**Panel members:** ANC Progressive Business Forum Convenor Daryl Swanepoel, Minister of Finance Malusi Gigaba, ANC Treasurer General Dr Zweli Mkhize and Alexander Forbes Managing Director of Actuarial and Consulting solutions Bonga Mokoena

This session underscored the sentiment that political emancipation in 1994 did not have a clear defined agenda for economic transformation. Inclusive government means that there would be change in the ownership patterns and the National Development Plan should play a key role in growing and simultaneously transforming the economy.

The need to address South Africa's triple challenge of poverty, inequality and unemployment was emphatically noted by all speakers. The vast majority of our people are, on a day-to-day basis, still constrained by challenges brought on by the legacy of apartheid. Minister of Finance Malusi Gigaba duly noted that in many townships the challenge that is faced is that too many people still experience the following:

- Living in a 40sqm house
- Residing 40mins from the main areas of economic activity
- Spending 40% of money on transport

This status quo is not sustainable and the ANC as a governing party will be focusing on improving the situation for as many people as possible.

Economic growth has been noted as a challenge, particularly in light of South Africa's recent sovereign rating downgrade. Government will be releasing a recovery plan in due course to enhance growth and address the structural reforms necessary to stabilise the economy.

The Minister also stressed that Government needs to up its game as does business in order to boost confidence. The private sector has to embrace transformation and not just focus on minimal compliance. Business people need to understand that transforming South Africa is in everyone's interest.

Transformation is non-negotiable. The country needs to change and leaders all round need to ask themselves how they are enabling this. There is a need for the economy to grow on the broadest base possible. In conjunction with this is the need to ensure that transformation is given due focus i.e. the focus must not just be on meeting a minimal compliance requirement.

Some other initiatives cited by the Minister include a new financial services charter which is being drafted, where a black business growth fund has been proposed. He invited black business staff in the financial services industry to engage more as the charter is finalised. Some key elements include the increase of the Public Investment Corporation (PIC) assets for black asset managers, who play a critical role in driving transformation with many having been in business for a decade or more. The PIC must enforce fundamental transformation directly and indirectly across finance, audit and legal industries.

The Minister also referenced a new public procurement bill requirement; targeting procurement for black business, women and youth owned businesses particularly township businesses.

## **Synopsis of engagement with Minister of Trade and Industry Rob Davies**

**Date: 01 July 2017**

**Panel members:** ANC Progressive Business Forum Convenor Daryl Swanepoel, Minister of Trade and Industry Rob Davies, ANC Treasurer General Dr Zweli Mkhize

The economy is becoming a key focal point of discussion for a variety of reasons but foremost for the increasing need for South Africa to succeed as a democracy given the current political challenges the country is facing.

A key consideration is the local environment, with a view of what is happening globally; enabling a more complete picture of the actions policy should then address. Locally, consumer and business confidence is very low and it is becoming more critical that government, business and the general populace focus on working together. Working together means that the plan must serve all key players and be inclusive, if it is going to succeed.

A global view set the context describing how the world is still recovering from the global crisis of 2008 in which SA was spared some of the downturn, due to the mineral super cycle that shielded us from those effects for some time.

The Chinese restructure following the recovery of the global downturn then coincided with the end of the mineral cycle and we are all acutely aware of the impact that this has had on most African countries in general. Global gluts such as those in the steel industry are still a factor from that period. This is the brief background that sets the scene for the policy initiatives required.

Radical disruptive change has come in the form of a new technology revolution, the 4th industrial revolution. We have an important role to play in the 21st century but in order for us to

survive this disruptive change, we need a radical approach to economics. This means bringing about fundamental changes in the productive structure of our economy and in the patterns of ownership, participation and management in favour of the majority of the population. It also means focusing on inclusive growth and operating as one African unit. A number of things are required to achieve this:

- Move up the value chain as an industrialised economy. No longer being labelled as an economy of producers and exporters of primary mineral commodities but rather shifting into more industrialised and complex economy. With value adding activities and a determined effort to have an active and inclusive industrial policy.
- We need to utilise the policy tools and take firm and clear decisions, using them as instruments of industrial development. Using trade policy tools informed by the needs of industrial development, take decisions when it comes to procurement in favour of locally produced products and support the emergence of a value chain that allows for more participation by more industrial activities in our country.
- We need to have more opportunities for entrants in supply and development.
- Look very closely and carefully at the 4th industrial revolution and prepare for the new world that lies ahead. The implications of which could mean:
  - o Lowering barriers to entry for more businesses.
  - o Creating more opportunities to find new solutions to all kinds of developmental challenges.
  - o Raising the bar for entry for workers in manufacturing jobs because we will need a higher level of skill.

Expansion of the Black Industrialist Programme is in progress. To date 46 people have been supported through the National Gazelle enterprise development programme, bringing the industrial economy investments to R3.7billion with about 8000 direct jobs and 12 000 indirect jobs created. Government is looking forward to having bigger, quality partnerships to expand this programme.

There is a need to shift from only looking into domestic markets to expanding on a continental scale and operating in large regional markets. The continental Afri-Trade agreement will open a number of opportunities, some of which will soon be visible between the SADC and East Africa communities. The Minister cited concern that current World Trade Organisation initiatives are focused on maintaining current trade patterns which were largely extractive from Africa and do not foster inter Africa trade. As a result South Africa is focused on ensuring that the new e-commerce framework does not maintain this global status quo. It was stressed that South Africa must continue to defend its policy and ensure that what is agreed as priority, takes centre stage in the African region.

## **Synopsis of engagement with Minister of Small Business Development Lindiwe Zulu**

**Date: 02 July 2017**

**Panel members:** ANC Progressive Business Forum Convenor Daryl Swanepoel, Minister of Small Business Development Lindiwe Zulu, ANC Treasurer General Dr Zweli Mkhize, and Harvest CEO Martin Mudau

In this engagement, the recurring theme among the speakers was the importance of developing small and medium black enterprises in the plight of achieving Radical Economic Transformation. These enterprises are often limited to the informal market and battle to obtain funding – amongst others – for business development. As such, under-capacitated enterprises struggle to enter the mainstream economy and do not enjoy the economic opportunities that established entities enjoy. As a result some perceive South Africa as being over regulated, however government is somewhat forced into this position to ensure that transformation occurs more rapidly.

The Minister highlighted the mandate of her ministry to do everything in its power to make sure there is no diversion from the task of ensuring that small and medium enterprises grow.

Some of the initiatives in place for small business include protectionism where small businesses can compete for tenders below a certain monetary threshold and a 30-day payment schedule should be adhered to, to ensure the small business can be sustainable. In some instances, payment has been decreased from 30 to about 15 days and this goes a long way in relieving some of the cash flow pressures that SMME's face.

In addition, a key barrier for SMME's is access to finance facilities. Some loan sharks charge up to 50% interest and it is critical to protect small businesses against exploitation. The creation of a black bank that caters for the needs of small business where they are neglected by banks can address this.

There are concerns that a few big firms are controlling a large portion of the market share within their respective industries – of which auditing, transport and information and communication technology companies were alluded to during the session.

The Department of Small Business Development has various programmes in place to boost small businesses, but in order to truly achieve radical economic transformation, the department (in coordination with other relevant departments) would require the cooperation of the private sector. Public-Private Partnerships should be formed in which large private sector entities are incentivized to proactively participate in the broader radical economic transformation agenda.

Lastly, one of the critical challenges raised include the monitoring and evaluation of programmes to establish the level and number of jobs created by SMME's and co-operates. An audit should be done to identify the gap and whether we will make the 2030 target. And if not, it needs to be established why not, and what are the remedial actions we can take to address this timeously.

## **Synopsis of engagement with Minister of Economic Development Ebrahim Patel**

**Date: 03 July 2017**

**Panel members:** ANC Progressive Business Forum Convenor Daryl Swanepoel, Minister of Economic Development Ebrahim Patel, ANC Treasurer General Dr Zweli Mkhize, and Multichoice Chairperson Nolo Lethole

Minister Patel painted context of the current South African economic environment with high levels of unemployment, constrained fiscal flexibility and a limited ability to use the budget and rising public debt. Regarding the policy environment, he raised the concern of exclusion underpinning the call for radical economic transformation.

He highlighted the gains made in the past five years despite the turbulent global climate. As an example, he cited that since the last Policy Conference, 1.7mil additional jobs have been created.

Current challenges include a technical recession, credit downgrades and a high level of youth unemployment. He highlighted four areas that need to be addressed amidst these challenges as:

- A credible growth plan including sectors
- Transformation of the economy
- Integrity in government
- Deepening of partnerships.

The role of the competition authorities was explained, citing various examples. The gradual re-engineering of their focus areas over the past 8 years has been refined to include the below in order to stimulate broader economic participation:

- Mergers and acquisitions
- Cartels and abuse of market dominance.

The importance of infrastructure was emphasized and there was a commitment to invest R330bn set aside for infrastructure development. Infrastructure development is important for the rebuilding of the foundations of growth i.e. energy, water supply, ICT, logistics and rail, healthcare and schooling. In addition, the Industrial Development Corporation has been requested to commit between R15 – R18bn of fresh investment into the economy.

Another example of foreign investment is the new Chinese Automobile plant which is the first new plant in South Africa in 40 years, bringing a R4.3bn investment into Nelson Mandela Bay. Lastly the importance of data to drive the economy was highlighted and the initiative to launch a market enquiry by the competition commission was announced, in order to analyse the salient factors and to ultimately drop the costs of data.

The gap of \$100bn in infrastructure on the continent of Africa was highlighted as an opportunity for growth and to meet the needs of a rapidly urbanizing population. In order to streamline coordination between government departments, a central one-stop-shop has been launched for foreign and local investors by the President. The aim of this organisation is to facilitate

investment seamlessly, linking departments. An invitation was also issued for feedback on how to optimise this organisation once interacting with them.

In closing, the effectiveness of development finance institutions was put under the spotlight. Due to the re-engineering of the mandate and processes of the Industrial Development Corporation, investments in the past financial year equated to R4,7bn, supporting 77 projects – this is 60% increase on the previous financial year. It was conceded that further improvements can still be made with the collaboration of the relevant stakeholders.

## **Synopsis of engagement with Minister in the Presidency Jeff Radebe**

**Date: 04 July 2017**

**Panel members:** ANC Progressive Business Forum Convenor Daryl Swanepoel, Minister in the Presidency Jeff Radebe, ANC Treasurer General Dr Zweli Mkhize, and Investec CEO Stephen Koseff

All the speakers concentrated on a central theme of transformation in South Africa. The triple challenges of poverty, inequality and unemployment were highlighted as critical issues that both government and the private sector should concentrate on. The National Development Plan (NDP) was noted as the roadmap that would assist the country in moving forward to achieving its growth targets in the different sectors.

The NDP was noted as a policy instrument that would be critical in addressing the structural challenges that the country faces. One of the targets contained in the NDP includes 3 million jobs by 2030, but emphasis was put on the unity in purpose between the government and business if inroads are to be made. Business was encouraged to be an active partner in resolving the country's challenges by investing resources into improving access to funding and markets as well as aiding in skills training by provision of internships and sustainable employment. However, government is challenged with the issue of how to incentivise or penalise businesses where transformation is particularly slow and relating to specific industries.

In addition a collaborative NDP monitor and evaluation system was proposed to assess the progress of the initiatives that are being embarked on. This will also assist in assigning the accountability required for the NDP goals to be driven and realised.

Reassurance was also given to business and the social partners that the notion of radical economic transformation was nothing sinister but an extension of the ANC's NDP. However, there was acknowledgement that populist policy stances must not be entertained as they will divert attention from the most important and pressing issues of fostering transformation and inclusive growth. Government made a serious commitment to business, that its leadership will set aside narrow interests and focus on putting the country, its growth and the realisation of an inclusive economy first.