

**ECONOMIC
TRANSFORMATION
COMMISSION REPORT –
NGC 2015**

INTRODUCTION

- The Commission acknowledged the NDP, as a “living and dynamic document” which provides an overarching framework for our programme of economic transformation, as stated at the ANC’s Mangaung Conference
- The NDP reaffirms the dynamism of South Africa’s mixed economy, including the strategic leadership role to be played by a developmental state.

Deliberations of the Commission

- The Commissions reflected on the content of the discussion document.
- Acknowledged the progress made on the implementation of the 53rd conference resolution on Economic Transformation.
- Identified key new developments in the economy, particularly slower global growth that impacts on the South African economy, the drop in the demand and price of minerals and the slowdown in export markets

12 Key interventions

The Commission noted these challenges in the economy, identified weaknesses in implementation of policy and proposed improvements on the following areas:

- Infrastructure
- Mining and Beneficiation
- Oil and Gas
- Energy: electricity
- Transport
- ICT
- Tourism
- Agriculture and Agro-processing
- Manufacturing/Green economy/Circular economy
- Labour Market Reforms
- BBBEE/Transformation
- Cross-cutting areas: investment, R&D and coops/SMMEs

Implementation: 8 point pack

Based on these interventions, the Commission proposes the following 8-point pack, dealing with

1. Budget reprioritisation
2. Tax revenue
3. Base erosion and transfer pricing by companies
4. Developmental state
5. Political co-ordination
6. Government Co-ordination
7. Social co-ordination: Finance
8. Social co-ordination: Business, Labour, Society.

INFRASTRUCTURE

- Key driver of Development in the NDP
- Speed up New Project Approvals, Funding and implementation
- ANC 2016 January Lekgotla to receive full report on project pipeline implementation.
- Maintenance to be prioritised: targets, Funding, Audits and performance agreements
- Artisanal training for youth in infrastructure

Mining

- Exercise restraint on employment and wages in order to avoid job losses and to sustain the sector's potential for future growth and development.
- Speedy promulgation of the amendments to the Mining and Petroleum Resources Development Act (MPRDA) to give effect to beneficiation.
- Furthermore, the resolution of the current dispute over the interpretation of the terms of South Africa's Mining Charter is also urgently required.
- The State Owned mining company must be strengthened.
- Expedite beneficiation.
- MPRDA must be split into two separate legislation, one for mineral resources and another one for petroleum (oil and gas) resources.
- The NGC welcomes the launch of the Operation Phakisa in Mining.

Oil and gas

- **Operation Phakisa recommendations** to advance offshore oil and gas exploration **should be implemented.**
- **The exploration onshore for shale gas should be accelerated** in such a way to ensure that no damage is done to South Africa's water and other environmental resources.
- **The effective integration of the South African economy with the oil and gas resources** available in the Southern African region holds vast potential.
- **Need to expedite the drafting of policy of Oil & Gas industry**, separate from the mature mineral policy, and incorporating the 'free-carry' principle for the state
- **South African companies**, including state-owned companies, **should have a clear role in the gas industry.**

Energy

- The **shortage of electricity supply serves as a significant constraint on economic growth and development in South Africa.**
- **To address this:**
 - **Use Independent Power Producers for renewables, gas and coal**
 - **Ensure that Eskom is part of new energy build projects to ensure that it remains at the centre of the South African energy industry**
- **Make clear decisions on future base-load power investments, include coal, renewables, gas, nuclear and hydro.**
- **The IPP office has to be restructured** with the objective of ensuring a governance structure is set up to support national development goals
- **Setting up refining capacity in the Coega SEZ is an important development for the liquid fuels sector growth and development.** This will boost industrialization, job creation and attract significant foreign direct investment.

Transport

- **Transnet should continue to invest in its capital programmes, taking account of national needs and market demand and optimize the developmental impact of its investment programmes**, including the maximization of local content with the explicit aim of creating jobs and strengthening local industry.
- Economic policy must take into account the opportunities provided through an integrated transport system that enhances the competitiveness of supply chains by more effectively integrating different transport modes across these chains.
- **The regulatory approach should be equitable and fair** and based on an approved strategy for an integrated freight system aimed at reducing the overall cost of freight logistics to benefit growth and job creation.
- The ANC supports the user-pay principle. The NGC notes the concerns raised about the current **eToll system** in Gauteng. Accordingly, the NGC urges government to continue to move with speed to explore means to address the socio-economic impact on our people, including alternative means of funding road and other infrastructure

Information and Communication Technologies (ICT)

Government must speedily finalize the review of the existing ICT policies and regulation towards the new policy that must:

- To encourage development of local South African digital content and localize the manufacturing of ICT products and services
- Reduce cost of termination rates
- Promote rapid deployment of infrastructure, ensure consolidation of government ICT assets
- Postbank as nucleus of the state-owned bank
- Spectrum policy to be finalised by December 2015 and allocation to be finalised shortly thereafter

Tourism and export of services

- The Commission **notes the issues raised by the public on VISAS processes**, also notes the process initiated by government led by the Deputy President and call on Government to expedite solution to this matter, in order to restore the country's natural comparative advantage in this important sector.
- **Transformation across the value chain of the tourism sector is paramount**, given its exceptionally strong linkages with critical areas, such as food and beverage production, financial services, printing and publishing, security services, etc
- Need to increase government investment in tourism marketing, including **nurturing a culture of domestic tourism to unlock greater value to create** meaningful new job opportunities and economic growth.

Labour market reform

Efforts to strengthen the labour regime must be fast-tracked. These include:

- **Improving lifelong learning** and career advancements
- **Improving labour market matching** and transitions
- **Stabilising the labour environment**, improving dispute resolution and shop floor relations
- **Strengthening the labour courts, bargaining councils and resourcing the CCMA**
- **Identifying routes to more equitable wage determination** in the private sector
- **Public sector labour** relations conducive to delivery
- Steps be taken to address casualisation of labour through ensuring compliance with the law
- **Ongoing efforts by the Nedlac** constituencies to advance discussions **on a minimum wage in the South African economy** must be fully supported by the ANC

On the training for young people

- **Training of young artisans and practitioners must be intensified.**
- Given the large number of young people who are falling through the cracks and find themselves neither in education or in any form of employment, **a new effective mechanisms must be found to incentivize businesses to provide practical training for young people in our economy.**

Agriculture

- Agriculture has large employment creation potential and significant farm exports add favourably to South Africa's balance of payments. Policy should be put into place to allow the development of a large number of small-holder farms, which are integrated into the commercial farming value chain in order to promote agro-processing
- Agro-processing must be expanded as a focus in manufacturing
- In order to achieve this, deliberate attention should be paid to increasing the employment impact of the sector by the development of an agriculture incentive scheme that supports key inputs such as working capital, access to infrastructure, feeds and fertilizers, parent stock and research and development for the development of new cultivars and vaccines.

Manufacturing, steel and green industries

Manufacturing a major sector of South Africa's economy – facing new pressures. To address this:

- Localisation: particularly linked to procurement by government and state-owned companies must be emphasised, with consequences for non-compliance by public entities
- Improved efficiencies in South Africa's transport and logistics networks would benefit manufacturing
- The steel production sector facing challenges due to falling prices and a global glut in steel output. The ANC supports government steps to save South Africa's steel production industry, but such assistance should be conditional on the steel producers giving firm and specific undertakings with regard to job retention, new investment commitments and future pricing, which will facilitate downstream competitiveness.
- A review of manufacturing-related incentives should be undertaken with the objective of strengthening and directing them towards more labour intensive and thus employment promoting outcomes. In particular, more emphasis must be given to labour intensive sectors of manufacturing in the design and allocation of incentives.
- The entry of black South Africans in manufacturing as owner and managers must be speeded-up.
- Policies to promote the rehabilitation of waste streams in order to recover value, benefit the ecosystem and create new industrial activities through re-use is a potential for job creation, SMME development and innovation.
- Further consideration should be given to strengthen the role of the state and its institutions in petrochemical and steel-making industries, in order to achieve national development goals.

Strengthening Black Economic Empowerment

- Black industrialists programme is integral to efforts to scale up manufacturing. Significant funds from the IDC and dti have been earmarked to support the growth of black industrialists.
- State procurement represents a significant market for businesses, large and small, and should be viewed as a key instrument for empowering emerging black businesses. In this regard, we need to review the PPPFA to enable the implementation of set asides that work more effectively in promoting black businesses.
- Policy work will be done to ensure develop more sophisticated mechanisms to ensure the full entry of black South Africans as productive citizens in the ownership and management of companies and address unintended consequences and fronting.
- Consideration should be given to setting up a new fund to acquire increasing ownership in both listed and unlisted companies that are seeking to dispose of their holdings, especially during the current economic downturn and relate period of low commodity prices, as part of the overall empowerment programme.

Cross-cutting interventions

- Research and Development (R&D): Investment in R&D is key intervention to lift the rate of inclusive growth and inject innovation in the economy as a driver for jobs, competitiveness and delivery. The NGC supports that further efforts need to be made to improve the level of investment in R&D.
- Investment: the Promotion and Protection of Investment Bill seeks to confirm the rights of foreign investors in South Africa in a legal regime compatible with our constitution. The ANC therefore supports the Bill and its objectives.
- Cooperatives and small business: collective enterprises such as cooperatives are an important means to draw more South Africans into economic activity and ensure more equitable development. Small businesses are a further instrument to promote entrepreneurship and combat economic exclusion. Government measures to support small business and cooperatives need to be scaled up to ensure their impact is felt across the economy.

Implementation

In order to:

- mobilise the resources to implement the above priorities.
- lift the rate of inclusive growth and job creation, and
- take into account the need to address inequalities in the society, the ANC policy framework that supports a progressive tax policy and the recent calls by the OECD to consider a higher tax contribution by wealthier South Africans,

the NGC now calls for the following 8-point pack:

1. Raising resources: Budget reprioritisation

Reprioritisation of the Budget across all three spheres of government in order to reduce consumption expenditure, boost investment spending and raise revenues. This will require hard choices in the allocation of resources and decisive action against waste and corruption

2. Raising resources: Tax revenue

Consideration of an appropriately structured wealth tax to raise revenues for investment in skills, infrastructure and the economic development priorities identified

3. Raising resources: Base erosion and transfer pricing

A crackdown on transfer pricing abuses and fraudulent behaviour by some corporations that deprives the fiscus of resources and local stakeholders from the benefits of economic activity

4. Building the developmental state: State owned companies

Firm action to improve the performance of state-owned companies through better governance, by ensuring the appointment of skilled staff and qualified board members and protecting public institutions from improper interference particularly in allocation of tenders and appointment of staff.

5. Political co-ordination

To improve political coordination in the movement, the Economic Transformation Committee (ETC) should be consolidated as a single entity with sub-structures, to ensure coherence in policy recommendations to the NEC. ETC structures at provincial, regional and zonal levels need to be intensified and coordinated with the ETC at national level.

6. Government co-ordination

Within government, the Presidency should step up efforts to coordinate the work of the various economic departments in national government and across the three spheres, to ensure that implementation is made more coherent and effective.

7. Social coordination: Finance sector

Engaging with the finance sector, including banks and asset managers, to secure the lowest effective borrowing rates for the state in order to promote development inclusive growth and job creation. Such engagement will have the aim of securing an agreed concessionary rates for public infrastructure investment.

8. Social coordination: Business, labour and society

To deepen the dialogue with the private sector and organized labour in order to identify commitments that need to be made by business, labour and the state, to address the new global headwinds and to boost local inclusive growth and development. This process should conclude with a National Job Summit to unveil these common commitments to the nation and help ensure that wider society is mobilised behind the programme of economic transformation.