



03 / ECONOMIC TRANSFORMATION

The National Policy Conference agreed that the following draft resolution would need to be further discussed in branches and other structures of the movement in preparation for the 52nd National Conference of the ANC.

BELIEVING THAT

- 1 Our vision of the economic transformation takes as its starting point the Freedom Charter's clarion call that the People Shall Share in the Country's Wealth!
- 2 Since 1994 we have made substantial progress in transforming the economy to benefit the majority, but serious challenges of unemployment, poverty and inequality remain.
- 3 Therefore, we are still at the beginning of an historic transformation of the economy called for in the Charter. It is a process of economic transformation which aims to realise:
 - a) A thriving and integrated economy, which draws on the creativity and skills that our whole population can offer, building on South Africa's economic endowments to create decent work for all and eliminate poverty
 - b) Increasing social equality and a growing economy, which reinforce each other and constitute a positive cycle of development that improves the quality of life of all our people.
 - c) National prosperity through rising productivity, brought about by innovation and cutting edge technology, labour absorbing industrial growth, competitive markets and a thriving small business and cooperative sector and the utilisation of information and communication technologies with efficient forms of production and management
 - d) The progressive realisation of socio-economic rights, through fair labour practices, social security for the poor, universal access to basic services and ongoing programmes to defeat poverty.
 - e) A mixed economy, where the state, private capital, cooperative and other forms of social ownership complement each other in an integrated way to eliminate poverty and foster shared economic growth.
 - f) An economy that is connected to the world, and which benefits from vibrant and balanced trade with

our neighbours, the African continent and the world.

- g) 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.
- 4 The changes we seek will not emerge spontaneously from the 'invisible hand' of the market. People acting collectively in the spirit of human solidarity must shape the patterns of economic development. In this process the state must play a central and strategic role, by directly investing in underdeveloped areas and directing private sector investment.

AND FURTHER BELIEVING THAT

- 5 The central and most pressing challenges we face are unemployment, poverty and inequality. In this regard, we reiterate our determination to halve unemployment and poverty from their 2004 levels, and substantially reduce social and economic inequality.
- 6 Answering the challenges of unemployment, poverty and inequality means that we must simultaneously accelerate economic growth and transform the quality of that growth. Our most effective weapon in the campaign against poverty is the creation of decent work, and creating work requires faster economic growth. Moreover, the challenges of poverty and inequality require that accelerated growth take place in the context of an effective strategy of redistribution that builds a new and more equitable growth path.
- 7 The skewed patterns of ownership and production, the spatial legacies of our apartheid past and the tendencies of the economy towards inequality, dualism and marginalisation will not recede automatically as economic growth accelerates. Therefore, decisive action is required to thoroughly and urgently transform the economic patterns of the present in order to realise our vision for the future.
- 8 Accelerating growth and transforming the economy both require an effective, democratic and developmental state that is able lead in the definition of a common national agenda, mobilise society to take part in the implementation of that agenda and direct resources towards realising these objectives.

- 9 Our understanding of a developmental state is that it is located at the centre of a mixed economy. It is a state which leads and guides that economy and which intervenes in the interest of the people as a whole.
- 10 A South African developmental state, whilst learning from the experiences of others, must be built on the solid foundation of South African realities. Whilst engaging private capital strategically, our government must be rooted amongst the people and buttressed by a mass-based democratic liberation movement. Whilst determining a clear and consistent path forward, it must also seek to build consensus on a democratic basis that builds national unity. Whilst acting effectively to promote growth, efficiency and productivity, it must be equally effective in addressing the social conditions of the masses of our people and realising economic progress for the poor.

THEREFORE RESOLVES:

- 11 To pursue a programme of economic transformation based on the following pillars:
- 11.1 Accelerating shared economic growth by:
- a) Acting decisively to address the most significant obstacles that limit the pace of economic growth and intervening in favour of a more equitable growth path.
 - b) Continuing to roll out a state-led infrastructure investment programme, and promoting strategic investments in productive activities with the aim of diversifying the economy and building towards an overall investment to GDP ratio of 25%.
- 11.2 Transforming the structures of production and ownership through:
- a) Active industrial and trade policy aimed at diversifying our industrial and services base, pursuing an active beneficiation strategy, creating decent work through expansion of labour absorbing sectors, building sustainable export industries, and expanding production for domestic and regional consumption.
 - b) Broad based BEE aimed at broadening and deracialising the ownership and control of productive assets by black people, women and youth, promoting new black enterprises which are engaged in the production of goods and services, building the skills required by the economy and advancing employment equity in every area of work and economic endeavour.
 - c) Anti-monopoly and anti-concentration policy aimed at creating competitive markets, broadening ownership and participation by our people, addressing monopoly pricing and other forms of rent-seeking, and overcoming

- barriers to entry that inhibit the growth of small enterprises.
 - d) Policies that promote and sustain small business, micro-enterprises, small scale agriculture and cooperative forms of ownership by providing financial and non-financial resources and building institutions that can effectively access and develop these sectors.
- 11.3 A comprehensive and clear rural development strategy, which builds the potential for rural sustainable livelihoods, particularly for African women, as part of an overarching vision of rural development. Strong interventions in the private land market combined with better use of state land for social and economic objectives, must transform the patterns of land ownership and agrarian production, with a view to restructuring and deracialising the agricultural sector. Our aim remains a fundamental redistribution of land ownership, and a thorough transformation of land use patterns in a manner that balances social and economic needs of society. Further interventions must also defend and promote the rights of farm workers and their families.
- 11.4 Overcoming spatial patterns of economic marginalisation and fragmentation and reversing the geography of apartheid in both urban and rural areas.
- 11.5 Expanding the opportunities for sustainable livelihoods and supporting the growth of second economy activities in urban centres through better access to the centres of economic growth and through financial and institutional support for cooperatives and micro-enterprise.
- 11.6 Directly absorbing the unemployed through:
- a) labour intensive production methods and procurement policies.
 - b) a significant expansion of the public works programmes linked to the expansion of economic infrastructure and meeting social needs with home-based care and early childhood development on a massive scale.
 - c) a much larger national youth service.
 - d) programmes that target the employment of women.
- 11.7 Expanding the social wage by:
- a) Ensuring universal and subsidized access to basic services, health care, affordable transport and access to government information.
 - b) Free and compulsory education and ongoing campaigns for adult literacy.
 - c) Maintaining and where appropriate expanding the provision of social grants.

- 11.8 Investing in priority skills and education, improving our performance in maths, science and technology, and significantly expanding the resources devoted to our national capacity for knowledge production, innovation and research, including through an innovation management framework which includes the promotion and development of indigenous knowledge.
- 11.9 The use of natural resources, including our mineral wealth and marine resources, in a manner that promotes the sustainability and development of local communities and also realises the economic and social needs of the whole nation. In this regard, we must continue to strengthen the implementation of the Mineral and Petroleum Resources Development Act (MPRDA), which seeks to realise these goals. Moreover, the state must ensure the proper management and exploitation of strategic mineral and energy resources in a manner that realises our long-term strategic and economic transformation objectives.
- 11.10 Ensuring a security of supply of energy resources, and pursuing an energy mix that includes clean and renewable sources to meet the demands of our fast growing economy without compromising our commitment to sustainable development.
- 11.11 Integration of the South African economy on a fair and equitable basis with the economies in the Southern African region and building stronger economic linkages across the continent of Africa as a whole.
- 11.12 Participating in world trade, pursuing strategic partnerships with countries of the south and agitating for a fairer world trade system.
- 11.13 Macro-economic policies that support and sustain growth, job creation and poverty eradication over the long term.
- 12 To build the strategic, organisational and technical capacities of government with a view to a democratic developmental state, through:
- 12.1 A strengthened role for the central organs of state, including through the creation of an institutional centre for government-wide economic planning with the necessary resources and authority to prepare and implement long and medium term economic and development planning.
- 12.2 The integration, harmonisation and alignment of planning and implementation across all three spheres of government, and with the development finance institutions and state owned enterprises, including through the development of coherent inter-sectoral plans at national level and the alignment of local implementation in terms of the IDP's of metro, district and local municipalities.
- 12.3 Building the human capacity of the state by establishing uniform and high entrance requirements and standards of employment in the public service, emphasising professionalism discipline and a commitment to serve and ensuring adequate numbers of personnel to ensure delivery, particularly in the case of front line staff in areas such as education, health and policing.
- 12.4 Building the technical capacity of the state to engage with, understand and lead the development of dynamic and globally integrated economic sectors.
- 12.5 Strengthening the role of state owned enterprises and ensuring that, whilst remaining financially viable, SOEs, agencies and utilities - as well as companies in which the state has significant shareholding - respond to a clearly defined public mandate and act in terms of our overarching industrial policy and economic transformation objectives.
- 12.6 Building and strengthening development finance institutions, as well as non-financial institutions, which are accessible to the people, and which are able to effectively channel financial and institutional resources towards a variety of economic transformation objectives, including industrial diversification and development, small businesses and cooperatives, small-scale agriculture, micro-enterprises and local and regional economic development, and the empowerment of youth and women.
- 13 To enhance the capacity of the African National Congress to monitor and evaluate the implementation of economic policy, including through:
- 13.1 Establishing dedicated capacity, with the requisite resources, to monitor policy implementation and conduct ongoing assessment and engagement around economic policy issues, at national, provincial and regional level.
- 13.2 A national programme of economic literacy for ANC members.
- 14 To take the lead in mobilising and uniting all South Africans around our common vision of economic transformation.
- ADDITIONAL ISSUES**
- 15 In addition to the resolution, the following important matters will require further discussion in preparation for the 52nd National Conference.
- State owned enterprises and development finance institutions**
- Commissions affirmed the strategic role that SOEs

have to play in developmental state, but further discussions are required around the exact nature of that strategic role

- The ANC must play a stronger role in monitoring the response of SOEs to the needs of economic transformation and social development.
- Towns dependent on SOE activities should be consulted prior to restructuring
- Ensure that DFIs do not reproduce urban bias
- Commissions proposed the establishment of a State Bank to fast track development and that we establish a bank to provide start-up capital to small and micro enterprises and co-operatives.
- Retain and expand state ownership of strategic assets in sectors of the economy that are critical for the success of our economic transformation agenda, such as mining, steel, energy, ICT and land.

Industrial and Trade Policy

- In addition to identified sectors, we must consider sport and creative industries as critical sectors for growth and job creation.
- Industrial Policy should be aligned with trade policy and BBBEE.
- Further discussion is required on our approach to trade policy.

Monopolies & mineral resources

- The proposal that the state establish a mining company to exploit our mineral resources and direct the proceeds towards social needs should be discussed.
- Strategic reasons for introducing 10 % target for sale to State Diamond Trader - gauge extent of demand and capacity for local beneficiation. If high enough; will increase percentage.
- Identify strategic minerals and energy resources and develop specific strategies for local beneficiation.

The Second Economy

- The challenges of the second economy, including inter-generational poverty and marginalisation require sustained interventions by the developmental state to improve the quality of life of people, and increase the capacity of people to generate incomes and sustainable livelihoods.

Rural development, land/ agrarian reform.

- Based on recent experience, it is unlikely that we will achieve the 30% target by 2014. With a view to ensure these targets are met, there is a need for a

detailed strategy re-formulation, major institutional reform and significant budget adjustments.

- Land and agrarian reform programmes should capacitate people prior to giving them land, and ensure ongoing assistance after redistribution.
- Land reform strategies should include questions about the types of ownership that is pursued by government.

Targeted Groups

- Need to ensure that disabled people are properly addressed in economic transformation agenda; The draft resolution says nothing about disabled people.
- Commissions proposed the establishment of a Women's Empowerment Fund to fast-track the economic development of women.
- Further consideration must be given to the linkages between economic transformation and the Integrated Youth Development Strategy.

Skills development

- It is important that skills development programmes form part of a broader national human development strategy.
- Review the role of SOEs in developing skills and capacity of the youth.
- There also needs to be a comprehensive review of exit programmes from skills development initiatives.

Welfare and development

- There is a need to expand the social wage.
- Targeted interventions in this regard should include measures aimed at unemployed adults.
- Design specific interventions, including grants and subsidies, for youth.
- Social grants should be linked to economic development.

Fiscal and monetary policy

- Current strategies have opened up extensive space and this space should be used for further development and poverty eradication.

Small business, cooperatives and procurement

- Small business development strategies should include programmes that promote peri-urban farming
- The ANC should investigate further measures to integrate black enterprises into economy.
- Commissions highlighted the need for better monitoring of BEE implementation to avoid abuse

and opportunism in the implementation of policy.

- BEE remains relevant and must be strengthened, with greater emphasis on collective benefit and ownership, including support to community business formations, micro-enterprises and cooperatives.

Issues that require further discussion and elaboration

- Need for more work to clarify our vision of rural development, land and agrarian reform. In conducting this work, the ANC should draw on the experience of civil society and interact extensively with rural communities.

- Energy and the environment: What is the appropriate energy mix? Should we commit ourselves to nuclear energy? Will biofuels strategy risk undermining food security? How do we respond to the challenges posed by climate change?
- There is considerable overlap with issues raised in the Social Transformation Commissions and there is a need for a joint process of addressing these issues as we prepare for the 52nd National Conference.