

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 1235**

**DATE OF PUBLICATION: 11 SEPTEMBER 2009**

**Dr D T George (DA) to ask the Minister of Finance:**

Whether the National Treasury has coordinated efforts with the Department of Economic Development on its plan to provide credit to the business sector by means of using private sector banks as intermediaries; if not, why not; if so, what are the relevant details?

NW1577E

**REPLY**

The National Treasury is coordinating efforts with the Department of Economic Development, as well as the Presidency and the Department of Trade and Industry, to assist in implementing the Framework Agreement for South Africa's response to the international economic crises reached by the Nedlac constituencies in February 2009 and facilitated by the President.

The main aim of the project on the provision of credit to the business sector is to conclude and implement a collaborative agreement between the Development Finance Institutions and the commercial banks in pooling their resources to assist firms in distress in those sectors identified in the framework agreement. While this exercise is not intended for Government to provide credit through the banks, it seeks ways for commercial banks to utilise guarantees and other financial instruments provided by the Development Finance Institutions to maintain prudent credit extension to credit-worthy clients.

This collaborative agreement is intended to contain the following details:

- (1) an amount of money will be pooled together to assist competent and sustainable companies suffering from short-term liquidity problems due to the current economic conditions.
- (2) sectors that will be included in the Framework Agreement are clothing, textiles and footwear, mining, auto and capital equipment.
- (3) the framework agreement will be guided by a set of principles for the registration process.

Most of the above issues are still work in progress except for the sectors that will be included in the Framework Agreement as agreement has been on this. The negotiation exercise for the issues raised above is of a technical nature requiring agreement on issues such as the correct financing mechanisms from both sides to achieve an optimal mix of risk-sharing and / or risk mitigation, in a manner that leaves neither the Development Finance Institution nor the commercial bank worse off. The ultimate agreement should have both the cost and risk implications for all parties.

For ease of reference a copy of the Framework Agreement is attached herewith as Annexure A.

**ANNEXURE A**

**FRAMEWORK FOR SOUTH AFRICA'S RESPONSE  
TO THE INTERNATIONAL ECONOMIC CRISIS**

**19 February 2009**

## **A. STATEMENT OF JOINT PURPOSE**

- A1 In December 2008 the social partners that comprise the Presidential Economic Joint Working Group, namely organised Labour, Business and Government, met to consider how South Africans should respond collectively to the more difficult economic conditions we now face, largely as a result of the international economic crisis.
- A2. We met subsequently in a forum convened by Nedlac, in partnership with the Presidency, now also including the Nedlac Community constituency, and have agreed on a collective response to the challenge facing us today. We agree that the economic situation requires an effective collective response, and have set out that response here.

## **B. IMPACT OF THE CRISIS ON SOUTH AFRICA**

- B1. All countries across the world are affected by the deepest and most serious economic crisis in at least the last 80 years.
- B2. The crisis - caused by a range of factors including gross imbalances and inequities in the global economic system, the impact of the financialisation of economies, ineffectual regulation in several of the major world economies and poor business practices - has resulted in significant asset depreciation, closures of companies, rising unemployment and a sharp slowing down of economic growth, with most highly industrialised countries entering a recession.
- B3. Like other developing countries which are strongly integrated into the world economy and significantly dependent on its good health, South Africa has been affected by the sharp fall in demand for its export products and the fall in prices of key export commodities. In addition, the international credit crisis has meant that funds have become scarce and expensive and that portfolio investors are wary of emerging markets, including South Africa.
- B4. The result is that our growth expectations had to be sharply revised, downwards. The duration and depth of the downturn cannot be forecast with certainty, but growth is likely to be lower than previously expected at least in 2009, and 2010. This has potential implications for incomes, employment, and investment; and on social programmes partly through the slowdown's effect on tax revenues for government.
- B5. In the difficult circumstances that we face, we can utilise our strengths, in fiscal space, the financial regulatory framework, and the

resourcefulness of our people and institutions, to develop a response to the crisis and to commit to work together in addressing its impact on South Africa.

- B6. We need social solidarity between all South Africans to ensure that the crisis does not damage the fabric of our society. Those with greater means have a responsibility to those without such means. Our collective responsibility is to work together to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from its impact. We must also ensure that the economy is ready to take advantage of the next upturn and that the benefits of such growth are shared by all our people.

## **C. BROAD PRINCIPLES GOVERNING OUR RESPONSE**

- C1. The first principle of our approach to the downturn 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 potential of economic shocks to destabilise the welfare of the vulnerable, including their jobs, health and education, and to increase inequality and poverty, is widely recognised, is our first concern and will require active steps to ensure these outcomes are avoided.
- C2. Our second principle is to ensure that all of our 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. By decent work we mean the need to increase the level of employment as well as improve the quality of jobs. We agree on the need to address the constraints to growth and development through programmes: to increase public investment in economic infrastructure; to deepen the joint stakeholder commitment to skills development; to act urgently on the commitment to introduce effective industrial or sector strategies, or strengthen existing strategies, and to ensure higher levels of private sector investment and entrepreneurship; to pursue the transformation of informal economy activities and its integration into the formal economy; to improve and streamline government delivery and regulation; to improve economic efficiency; and to commit to macroeconomic policies that support decent work and sustainable growth.
- C3. We are also committed to maintaining 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.

C4. Interventions must be timely, tailored and targeted as is appropriate. Actions to counteract the downturn must be reviewed periodically, and removed when they are no longer effective or appropriate. We are conscious of the risk of developing interventions that have short term benefits but that have the potential for detrimental long-term social or economic effects.

C5 In line with the principles outlined above, we are convinced of the need for a bold intervention in the form of a broad stimulus package, as signalled in the recent budget, that has economic and social components, and we set out herein the measures that we commit to implement.

## 1. INVESTMENT IN PUBLIC INFRASTRUCTURE

- 1.1. Significant levels of public investment in infrastructure are one key means of responding to the downturn in the economy. This public investment programme will include expanding and improving the road and rail networks, public transport, and port operations, dams, water and sanitation infrastructure, housing construction including low-income housing and publicly owned rental stock, information and communications technology and energy generation capacity as well as education and health infrastructure, and in the process create additional decent work opportunities whilst meeting the basic needs of the society. Activities will include maintenance of current infrastructure using labour intensive approaches wherever possible. Infrastructure investment should ensure the best possible social, employment and economic return to the society. This programme will be spread across both urban and rural areas. Rural development should include programmes to create employment, alleviate poverty, and improve access to health and education.
- 1.2. SA has announced a major public investments programme of approximately R787bn over the three financial years to March 2012. We believe this programme must be maintained even in the midst of the current challenges, and that it should be implemented on an expedited basis where possible.
- 1.3. At the same time, further efforts will be made by the parties to secure additional resources to expand this programme in the light of current conditions. Social partners, particularly the business and trade union sectors, commit themselves to identify mechanisms of supporting the public investment programme including considering

ways in which the implementation of public infrastructure projects can be fast tracked. A task team will be set up to consider how to give effect to this.

- 1.4. These investments are intended to encourage private job creating investments, from large industrial projects encouraged by more efficient railroads and ports to small rural projects made possible by better rural roads or access to electrical power.
- 1.5. Development Finance Institutions will provide financial and technical support for public sector investment projects taking into account both immediate and long term needs.
- 1.6. We recommend that all projects be evaluated to ensure appropriate prioritisation, and that new ways be found to address financing and capacity constraints.

## **2. MACRO ECONOMIC POLICY RESPONSE**

**2.1.** Against the background of the Budget introduced into Parliament by the Minister of Finance, parties agree that fiscal and monetary measures are necessary and should be used aggressively where required to address the crisis. They should be used in combination and be aligned to each other in order to have the required impact. Significant resources should be provided for industrial policy interventions together with strong, robust use of accepted trade measures, to ensure that the crisis does not cause job losses in the real economy.

- 2.2.** It is agreed that appropriate counter-cyclical measures should be used to stave off a recession and job losses and that the specific fiscal measures to do so should as far as possible be coordinated with the other measures set out in this framework and be sustainable over the longer-term.
- 2.3.** The parties recognise the role and constitutional mandate of the SARB in the conduct of monetary policy. The social partners will use the mechanism of Nedlac to interact with the monetary authorities, to discuss the interest rate regime as well as ways of lowering the cost of capital and significantly reducing the real interest rate gap between SA and key trading partners as part of responding to the global economic crisis.
- 2.4.** The parties recognise the value of a competitive exchange rate. In current circumstances where the Rand has depreciated, there are opportunities to increase employment-generating exports as well as to decrease the level of imports of light-consumer goods that can be produced locally. This can assist with addressing the trade deficit and have a positive impact on employment and local economic activity. The parties will use appropriate sector-level forums to develop concrete proposals on an expedited basis. These proposals will include consideration of industrial policy and incentive measures to create and increase local manufacturing capacity to utilise the opportunities of a more competitive exchange rate.
- 2.5.** Labour, Business and Community have tabled various proposals in regard to tax relief targeted at low-income workers, the poor and companies in distress. Parties acknowledge that certain of these areas are addressed in the National Budget tabled on 11

February 2009 in Parliament. The parties will facilitate discussions on an urgent basis to consider these proposals and their implications for the package as a whole.

### **3. INDUSTRIAL AND TRADE POLICY MEASURES**

- 3.1.** A significant part of the national response to the global economic slowdown should be to rebuild local industrial capacity and avoid de-industrialisation during the period ahead. Critical to such a strategy is the need to improve the competitiveness and performance of key local industries, particularly vulnerable sectors and of small businesses.
  
- 3.2.** Vulnerable sectors are those sectors with significant employment and labour intensity and where there are currently large planned or actual job losses and company closures as a result of the crisis. The parties have identified the sectors referred to below as an initial list of vulnerable sectors. Parties recognise that this list does not constitute a full list of affected sectors and sectors may need to be added or subtracted based on developments in the real economy. Sector specific strategies to address vulnerable sectors, such as clothing, textiles and footwear, mining and the auto and capital equipment sectors, will be set up, with the urgent and focussed use of a combination of trade, industrial and social policy measures to prevent job losses and regain jobs and productive capacity lost in the recent past, and to promote employment creation. In addition to these sectors, other parts of the economy with high levels of employment are also affected by the slowdown, such as retail, housing construction, and private services. Government will develop proposals together with Labour and Business in these sectors within four

weeks to provide a rescue package to the affected industries. Such packages will include reciprocal commitments by companies of what they will contribute to turnaround strategies. Attention will also be given to those sectors where there are early signs of job losses and distress, such as the electrical and electronics sectors, engineering and the building materials industry.

- 3.3.** The parties agree that special consideration must be given to measures to address the specific needs of SMME's in this crisis.
- 3.4.** A special National Jobs Initiative, led by the Presidency that brings together a range of new and revamped separately administered programmes will be launched. The value of the new and revamped schemes is estimated at about R10 billion over the three year Medium Term Expenditure Framework. This will draw on resources in the IDC, the Department of Public Works, Department of Labour, the dti, the Department of Minerals and Energy and other departments. We agree to identify the extent of resources required as well as additional sources of funding that can be made available to increase the impact of the National Jobs Initiative in response to the crisis. The National Jobs Initiative will have as its mandate the coordinated and accelerated financing of industrial and special employment measures as well as social measures to avoid job losses and to actively increase the number of employed persons.
- 3.5.** To these ends, the following additional measures are currently agreed;

- a) The IDC will increase the level of its equity exposure in these sectors where possible and will make increased working capital available to firms in large, labour-intensive sectors.
  - b) Government will convene urgent meetings with representatives of business and labour in distressed sectors to develop appropriate support measures, drawing on resources in the National Jobs Initiative as well as in the IDC.
  - c) Skills development and the promotion of Learnerships and high-level skills will be an essential part of all sector recovery programmes.
- 3.6.** The parties recognise the opportunities in industries that combat the negative effects of climate change and believe that South Africa should develop strong capacity in these green technologies and industries. Accordingly it is agreed to develop incentives for investment in a programme to create large numbers of 'green jobs', namely employment in industries and facilities that are designed to mitigate the effects of climate change. Government will be asked to develop a proposal for consideration by the parties. This proposal will, where appropriate, build on current initiatives of greening existing manufacturing and service activities.
- 3.7.** All the social partners, including parastatals, will encourage local procurement of supplies, services and other requirements wherever possible in order to maintain and increase local output and employment levels. This applies particularly to the large procurement programmes attached to major public and private investment projects where cooperation amongst social partners

can be employed to promote local suppliers. This will also include procurement of pharmaceuticals and medical supplies, clothing and textile products, food and perishables, stationary, computers, office equipment and consumables, automobiles and transport services, consulting services and printing. The review of preferential procurement legislation should be undertaken with urgency.

- 3.8.** The parties recognise existing commitments in respect of international sporting events. They commit to interact with the sport authorities to ensure that a buy local policy be followed for the Confederation Cup and the 2010 Fifa World Cup. We undertake to intensify the Proudly South African campaign so that the message to 'buy local' reaches more consumers.
- 3.9.** The parties acknowledge the problem of customs fraud and illegal imports and are concerned that as a result of the global economic crisis, the level of illegal imports may increase. They recognise the progress made in building an effective enforcement mechanism. They agree that urgent attention should be given and additional capacity be devoted to official enforcement capacity, including SARS, to further improve their effectiveness and impact. To this end, it is agreed to strengthen risk management and invoice-analysis systems, set up dedicated units for vulnerable sectors (commencing with the clothing sector) and support high-profile arrests and prosecutions of offenders to combat lawlessness within the import regime.
- 3.10.** Trade measures will be used to address import surges, dumping and to address the short-term crisis of vulnerable sectors. These will include fast-tracking of investigations and

recommendations by ITAC, and that ITAC initiates more investigations.

**3.11.** Development finance institutions need to place the promotion of productive employment and decent work opportunities at the centre of their investment mandates and to mobilise their available funds for the retention of employment and the creation of the largest number of jobs per unit of capital invested. They will be asked to place rescue package proposals to government and the Task team within 4 weeks, to give effect to the proposals contained herein. DFIs could provide preferential funding to firms under distress to offset short-term funding pressures that are the result of the global economic context- for instance through working-capital solutions.

**3.12.** The parties recognise that the proposed mandatory rationing of electricity may have a negative impact on employment and therefore agree that the proposed approach be revisited in a way that addresses any negative impact on job retention.

**3.13.** The parties recognise the need for adequate infrastructure to lay the basis for growth and development. At the same time, the parties agree that excessive increases in administered prices may exacerbate the negative impacts of the current situation and agree that increases in administered prices should carefully balance these different considerations.

**3.14.** The parties agree that the availability and flow of credit are vital to the functioning of a modern economy. To this end they agree that Nedlac should urgently engage with the financial sector to discuss ways to promote a continued flow of investment finance to the real economy.

#### **4. EMPLOYMENT MEASURES**

- 4.1. Retaining and increasing employment will be at the centre of our coordination and efforts in the period ahead. We believe that a combination of measures on public employment, private sector initiatives as well as training can complement the other elements of this joint commitment and can ensure that we avoid massive job losses in the period ahead. These measures include the R10 billion National Employment Initiative mentioned previously.
- 4.2. Organised business and its affiliates undertake to urge and encourage CEOs of companies to do everything in their power to avoid retrenchments as a result of the global economic crisis, and to instead invest in their people and modernise their productive capacity in order to avoid job losses and in anticipation of the opportunities that will emerge after the global economic recovery. At the same time we expect that policies on executive remuneration will show appropriate restraint.
- 4.3. The parties commit to a jobs strategy that seeks to respond to any contemplated large retrenchment in the economy, i.e. affecting more than 50 workers or those in vulnerable sectors, through a mix of support offered by the DTI and other government agencies as envisaged in different parts of this document.

- 4.4. Employers and Labour will be encouraged to explore all possible alternatives to retrenchments. They will be encouraged to utilize facilitation by the CCMA as provided for in section 189 and 189A of the LRA. The parties agree to explore ways to strengthen the CCMA in regard to its role in avoiding retrenchments.
- 4.5. Public sector employment: it is agreed there is scope for improving the employment intake by the public sector in the process of strengthening the education, health and social work sectors and criminal-justice system in SA and filling departmental vacancies at national, provincial and municipal levels.
- 4.6. In addition, there are opportunities to create stable employment through the public service employing people for certain tasks that are currently outsourced or casual. Government will do a review of its outsourcing practices to improve the conditions of work.
- 4.7. The expanded public works programme (EPWP) is an important part of government's capacity to provide employment to those who are not absorbed into the labour market. While the first generation Expanded Public Works Programme exceeded its target of 1 million work opportunities in 5 years, many of the jobs were short term and had limited positive impact on the lives of the targeted unemployed people. This will now be scaled up and improved so that the total number of jobs days offered will be ten times higher than the EPWP Phase 1, at 2 million one year full time equivalents. The work days will be distributed amongst 4.5 million recipients over the five year period between 2009 and 2014. We agree to the following commitments regarding the next phase of the expanded public works programme (EPWP II):

- a) EPWP phase 2 will create a cumulative total of 2 million full time equivalent (FTE) jobs for poor and unemployed people in South Africa so as to contribute to halving unemployment by 2014, through the delivery of public and community services. One FTE is equal to one full time job per year. This will scale up from 210,000 FTEs per year in 2009/10 to 610 000 FTE jobs in 2013/14, averaging about 400 000 FTEs per year. The 2 million full time equivalents will be created through the creation of a cumulative total of 4.5 million work opportunities from 2009/10 to 2013/14 financial year.
- b) More efforts will be undertaken to mobilise all spheres of government and public bodies to contribute to the EPWP outputs.
- c) Training will be offered in appropriate forms in the different areas of public sector work and the training programmes will be accredited by the relevant authorities.
- d) The EPWP Phase II will be implemented with urgency in light of current conditions;
- e) The average duration of the jobs be considerably longer than in EPWP I;
- f) A central fund in government be used to stimulate a greater take-up and impact;
- g) The role of communities in developing their own local employment schemes and the role of NGOs, trade unions and CBOs in offering advice on priorities and in administering

resources for and in running them will be promoted through Community Work Programmes;

- h) Partnerships with the Business Trust and organised labour's Job Creation Trust will be strengthened and expanded.
- i) One million unemployed youths, women and disabled people will be targeted in public employment programmes directed at socially useful activities, including home-based care, crèches, school cleaning and renovation, community gardens, removal of alien vegetation, tree planting and school feeding.
- j) Government will increase its contribution beyond the new R4.1bn commitment to the first three years of EPWP II if the programmes exceed expectations, and
- k) The social partners agree to update the public works framework agreement achieved after the Jobs Summit in 1998/99, cognisant of the critical importance of public works programmes in combating poverty.

4.8 Training and skills development need to be prioritised, quality improved and the learnership programmes enhanced. In addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs, financed by the NSF and SETAs, for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn but re-skill them as an investment for the future economic recovery.

The parties agree that the NSF and SETA grant disbursement administration will be streamlined to increase efficiencies.

- 4.9. SETAs that are connected to the same supply-chain will be encouraged to work together and where feasible, to merge, to ensure that funds are utilised in the most labour-absorbing parts of a supply-chain and to reduce administration costs.
- 4.10. All parties will use their best endeavours to encourage additional funding for the National Jobs Initiative, to enable it to increase the spending on special projects that are aimed at absorbing unemployed persons into gainful employment.
- 4.11. We agree to ensure full respect for and observance of fair labour standards and national legislation, in responding to the economic crisis.

We have taken note of the concern by organised labour that there is an increasing trend in the use of outsourcing and labour brokers and a rise in non-compliant practices in labour broking and agree that Nedlac should on an expedited basis, discuss outsourcing and labour broking with a view to addressing labour's concerns.

## **5. SOCIAL MEASURES**

- 5.1. We recognise the need to scale up the social interventions to address the jobs challenge. One means of doing so is through developing effective social plans at industry and company level in order to ensure that job losses are avoided, workers are retrained and communities are cushioned from the effects of the economic crisis. This requires additional resources as well as other mechanisms to improve the

development and utilisation of social plans. These issues are currently the subject of a review of the social plan policy framework and the parties will finalise their proposals through NEDLAC on an expedited basis.

- 5.2. The parties commit to improving benefits through the Unemployment Insurance Fund, subject to regular review and annual actuarial valuation of the fund, and will review its policies to ensure that it is providing an effective response to the prevailing conditions.
- 5.3. The Parties agree to a targeted Emergency Food Relief Programme that will enhance food accessibility and affordability to the poorest communities experiencing difficulty as a result of the economic crisis, targeting families in distress. The programme will be underpinned by a food distribution strategy. The programme will be supported through partnership with the private sector, NGO's and community based organisations. It will be aligned to existing initiatives such as Social Relief of Distress Fund and other food security strategies.
- 5.4. The parties agree on the need for special measures to ensure that the global economic crisis does not lead to increases in the level of hunger in SA. It is agreed to work on an implementation plan, including timeframes and institutional arrangements, for a Food For All programme to procure and distribute basic foods at affordable prices to poor households and communities.
- 5.5. The Parties agree to investigate the cost drivers in the food value 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.

- 5.6. Strengthened enforcement of competition measures will be used to act against food cartels and collusion, which inflate food prices. It is agreed that government will encourage and support food production schemes in rural and peri-urban areas for households to grow their own food and that support in the form of seeds, fertilizers and pesticides will be provided.
- 5.7. Other government measures will support existing community schemes, which utilise land for food production in schools, health facilities, religious institutions and urban and traditional authority areas.
- 5.8. In spite of fiscal pressures currently faced because of lower than expected revenues, Government will maintain social transfers and other key social expenditures, including increasing access to free basic services such as water and electricity, to the poor. Government will also progressively and steadily, starting in 2009, extend the Child Support Grant to age 18 and reduce the men's age requirement for the social old age pension to 60 years.
- 5.9. The parties recognise the important role that cooperatives can play in absorbing the unemployed and the poor into employment as well as in providing services in poor communities. Accordingly the parties agree to promote the establishment and funding of cooperatives including housing cooperatives and to ensure proper support for and regulation of the cooperative sector.

## **6. GLOBAL COORDINATION**

- 6.1. The parties recognise that the global economic crisis has shown deep weaknesses in the governance of globalisation and that, in an era of

connected economies, all countries pay a high price when systemic weaknesses manifest themselves. They agree that it is necessary to respond to the crisis at a global level, in collaboration with other economies, with immediate initiatives and also with measures that address the underlying weaknesses.

- 6.2. One common objective that the parties will pursue in different global forums, including the G20, is to have a more equitable, balanced model of global economic cooperation. This includes the need for bold changes to the global financial and social architecture to respond to the current crisis and avoid future crises caused by inadequate regulation of critical markets and economic activity as well as insufficient global collaboration with respect to balanced development and to ensure fair, just and equitable outcomes to all, particularly the poor in the developing world.
- 6.3. Effective capital markets are critical to the performance of all economies. The parties support the prudent regulation of SA capital markets and the retention of appropriate capital controls.
- 6.4. Parties agree that SA should introduce further discussions at the G20 level on measures to enhance stability in financial markets, and discourage and penalise predatory and risky behaviour. Measures to be considered include discouraging short-term, speculative investment behaviour and other practices which contributed to the recent economic shocks.
- 6.5. As part of the need for comprehensive reform of International Financial Institutions (the World Bank and the International Monetary Funds families of institutions) to meet the challenges of the 21<sup>st</sup>

century, we will seek to ensure that developing countries in general and those in Africa in particular, are better represented in the international financial institutions. The revision of the mandates of IFIs should better reflect developmental objectives, including decent work.

- 6.7. The parties recognise that the WTO Doha Round outcomes should be developmental in character. The parties agree to pursue a country position that maximises South Africa's developmental objectives. We will seek to positively influence the outcome so that it leaves SA with policy space for new industrial development; supports employment in vulnerable sectors and expands decent work opportunities in the local economy.
- 6.8. The ILO should be strengthened at global and field structure level, including through modalities to ensure full and universal observance by all countries of the core labour standards on freedom of association, the right to collective bargaining, non-discrimination, no forced labour and no child labour. We will call on all member-states to fully implement the Declaration on Social Justice for a fair globalisation.
- 6.9. South Africa's approach in engaging in the G20 summit process is driven by the desire to ensure that the trajectory of global growth and development that emerges from the current crisis is not subject to the instability brought about by the large global macro-economic imbalances that characterised growth in the last decade. This will require greater efforts at macro-economic collaboration and coordination. Of critical importance in the current environment is to sustain growth in developing countries where access to capital markets for financing counter cyclical policies has effectively been closed. This will require the extensive use of the balance sheets of

IFI's as well as measures to improve sustained growth in domestic demand in developing countries. We agree that the stimulus packages of developed countries should reflect the commitment to ensure that vulnerable people in developing countries with weak balance sheets are not unfairly penalised by the crisis. At the same time, we need to ensure that development assistance to developing countries is not scaled down.

- 6.10. The South African government will ensure full consultation and collaboration with its social partners on the positions it takes in future G-20 Summits and meetings of Finance Ministers, including through briefings and updates to Nedlac and the circulation of position papers. We will ensure that social partners are enabled to participate in the G20 process in whatever ways are practicable. South Africa will also call on the G-20 to ensure much stronger consultation with social partners in its future processes. South Africans also recognise their responsibilities as the only Africans at the G-20 table to ensure much greater collaboration with institutions such as the AU.

## **7. SOCIAL PARTNERSHIP IN RESPONSE TO THE CRISIS**

- 7.1. South Africa faces very significant challenges in the period ahead, as do countries across the world. There are a number of positives that we can build on. We have regulation in place on banking and credit that can be of help in the turmoil in financial markets. We have the capacity to use counter-cyclical fiscal policy to counteract the slowdown in the economy. We have a well-developed and advanced system of social dialogue, a strong institution in the form of Nedlac and a tradition of working together as constituents to address the social challenges. These strengths will be drawn on as we continue to develop and adjust

our response to the global economic crisis and in the implementation of the various commitments.

- 7.2. We are particularly concerned about the impact of the slowdown on the poor and the most vulnerable. It is for this reason that we have agreed to the measures outlined in this statement. The measures embrace elements that seek to promote economic growth and sustainable businesses, assist and protect workers and the vulnerable and help our country to meet its developmental objectives.
- 7.3. Protecting and expanding decent work is at the core of our programmes. For this reason we are committed to various measures to reduce the possibility of retrenchments. Nevertheless, with existing high levels of unemployment and poverty, though they have reduced in recent years, the condition of the poor and the vulnerable have to be addressed directly and in the shorter run, through employment creation programmes, promoting sustainable livelihoods, public investment, and effective social relief and support.
- 7.4. Increasing levels of investment and ensuring that we develop a strong and competitive economy are key imperatives in addressing the challenge of the global economic crisis and therefore remain important objectives in this period, as we prepare for takeoff beyond the economic crisis.
- 7.5. The measures that have been developed are intended to be an immediate and urgent intervention to ensure that South Africa responds before the local economic and social situation deteriorates. The implementation of the commitments will be monitored in follow up engagements of Nedlac and with the Presidency.

7.6. The parties agree to develop Action Plans to ensure timely implementation of the above actions and monitoring and evaluation thereof.

7.7. The following Task Teams have been established to give effect to this:

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

7.8. We are all committed to the programmes contained in the document, and we will articulate this commitment and ensure that our constituencies understand and implement the actions in the plans that are relevant to them.