

NEDLAC ANNUAL SUMMIT 2009

ADDRESS BY BRIAN MOLEFE PRESIDENT, BUSINESS UNITY SOUTH AFRICA,

SATURDAY 12 SEPTEMBER 2009

BOKSBURG

EMBARGO: 13H00 SATURDAY

12 SEPTEMBER 2009

**THEME “THE WORLD ECONOMIC CRISIS AND ITS IMPACT ON GROWTH AND
DEVELOPMENT: THE ROLE FOR SOCIAL DIALOGUE”**

President of the Republic of South Africa

Honourable Ministers

Representatives of Labour and Community

Honourable guests

Comrades and colleagues

Ladies and Gentlemen:

At the outset allow me to emphasise how pleased the business constituency is to be present on the important occasion of the Nedlac Annual Summit – and in particular to be honored with the presence of President Jacob Zuma. You, Mr. President have on several occasions since assuming office referred to the vital role of social dialogue in our society and in particular to the role which Nedlac should play in this regard. It is clear that expectations of Nedlac have risen and we are committed to ensuring that it responds as effectively as possible to the new challenges that have been posed by you and by recent socio-economic circumstances.

I am privileged to stand before you today as we once again reflect on the state of our nation and review the progress we have made as participants in Nedlac since the 2008 Summit. It is appropriate that this gathering is called a Summit. It suggests that we are standing on high looking both back at the road we have followed — and also forward into the future with a clear vision of the path ahead.

Given the dismal news which has permeated the South African economy in recent times it would have been easy to throw up our hands in despair and take a negative view of the future. Yet as the activities within Nedlac and elsewhere have demonstrated, government and the social partners have not been passive in the face of almost unprecedented adverse economic circumstances. We could immediately tap into the reservoir of goodwill and social capital built up over the years to help address the situation.

Indeed, if we look around the world at the responses to the global economic crisis, by various nations, South Africa stands out as the country which has successfully mobilized social dialogue to assist in crafting policies and modalities to mitigate the impact of recession on its economy. I refer, of course, to the ‘Framework Response to the International economic Crisis’ released in February of this year, and which was the outcome of the joint effort between the Presidency and Nedlac.

Was it a perfect document? — no. Did it have all the answers? — no. Was it a tough and protracted process? — yes. Has it all been implemented yet? — no. Was it worthwhile? — absolutely! It represented a collective and pragmatic response to tough economic circumstances not entirely of our own making. And it did unite government and the social partners behind a programme of practical measures, over and beyond normal counter cyclical steps, which could help to offset some of the more serious effects on the recession on the poor, the unemployed and distressed sectors.

In the process business believes that the framework document has helped to reinforce the message that ‘we are all in the same boat’ – retrenchments and company liquidations are two sides of the same coin – and that these difficult economic times require the widest possible degree of cooperation. We were thus able to reap some reward – when the crisis came – for our 14 year investment in social dialogue and help to reinvest in social solidarity. On the global crisis and SA’s response to date we hope as a collective to be giving you a further progress report on action programmes soon.

What is the economic position in South Africa? If, viewing the prospect at large, we look at growth and unemployment figures, the indications remain gloomy. But these things register what is, not what is coming. There exists a possible background for recovery by 2010 which was not in sight six months ago. Infrastructural spending and other counter-cyclical measures taken in SA so far are beginning to show up in sectoral figures - such as the construction industry - and suggest that SA’s recession may be starting to bottom out.

Counter-cyclical policies usually always work with a time-lag, especially monetary policy. Although SA has been more ‘shovel-ready’ than many other countries, the fact remains that it is not possible to expect measures to soften the impact of the recession to be reflected immediately in the overall figures. To those who would like to see more speedy results from counter-cyclical policies the glass always looks half-empty. Yet we must ensure that infrastructural spending and other responses do not become a casualty of ‘delivery problems’. The central challenge remains to ensure the timely implementation of decided policy measures to alleviate economic distress wherever possible.

It is widely recognized that the emphasis must now be on delivery – especially at local government level – in ways which will make a real difference to the

lives of as many South Africans as possible. We welcome government's commitment in this regard. Where appropriate, greater use should be made of public-private sector partnerships to unblock bottlenecks to delivery in various parts of the country. The Presidential 10-year review stresses the role of partnership in service delivery. We need to find innovative ways to strengthen capacity and delivery, particularly in the rolling out of infrastructural spending. One area of investigation is to see whether streamlining provincial and local government — backed by enhancement and redeployment of skills — would facilitate effective delivery.

Although the SA economy will inevitably lag behind global economic developments, we seem to have navigated the situation reasonably well so far in the face of serious policy challenges. The 2010 Soccer World Cup also provides a timely underpinning of our economic performance over the next year or so. 2010 could see a year of modest but positive growth, as compared with negative growth in 2009. We must pin our hopes on a recovery in the world economy, the right domestic policy measures and the impact of the Soccer World Cup to give us better outcomes in 2010.

BUSA is confident about our capacity to host the spectacular World Cup — we have admirably demonstrated our ability to host large scale international events such as World Summit on Sustainable Development and the rugby and cricket world cups. In addition to the economic opportunities that the World Cup will offer to South African business and entrepreneurs, it will also present us with a unique opportunity to project a positive image of our country and continent to the rest of the world and to brand South Africa as an attractive investment and tourism destination. We must also not lose sight of the fact that 2010 can serve as a catalyst for nation-building and cohesion amongst all South Africans.

All these positive economic developments to date nonetheless remain partial and incomplete, relative and not absolute. There is no silver bullet. The experts anticipate it will be a slow economic recovery. It is our business to make sure that no opportunities are missed to facilitate an economic turnaround. We need to rebuild business and consumer confidence. Leaving aside the prospects for the world economy, 2010 will be much what SA chooses to make it based on what is successfully implemented this year.

What is equally important now is to look beyond the recession. The challenges outlined by Asgisa and other authoritative studies identified the constraints that need to be addressed if SA is to reach 6% growth and halve unemployment and poverty by 2014. These challenges remain. Business must be able to expand its vision of a prosperous and inclusive economy, one which is able to meaningfully reduce unemployment and poverty on a sustainable basis.

Business would like to see an enterprise-driven economy which is globally competitive making its maximum contribution to growth and employment in the years ahead. This is especially applicable to the role of small businesses, which are important for job creation and employment. Forty-five percent of all employed people in SA work in firms with less than 10 employees. Business also welcomes the ILO initiative on the development of social enterprise. We should also be looking at new alliances. The demarcation between the public and private sectors must be driven by practical tools to promote delivery.

Broadly speaking, research by organizations such as the International Business Leaders Forum, World Bank and others has singled out three major levels at which responsible business actions can contribute to economic development and poverty reduction – namely, through:

- Core business activities

- _ Corporate social investment and strategic philanthropy
- _ On-going engagement in public dialogue, advocacy and institution/capacity building.

Business sees its involvement in Nedlac as crucial to the last-mentioned level of influence in promoting effective social dialogue.

As the National Economic Development and Labour Council (Nedlac) represents the apex of national social dialogue, its role needs to be strengthened in the years ahead by enhancing by enhancing its capacity and ability to deal with nation's "unfinished business". We need to build more consensus around the vision of shared economic growth in the future. Effective social dialogue is necessary to underpin socio-political stability and business will continue to strongly support it. If Nedlac did not exist in South Africa, it would be necessary to invent it.

Yet after 14 years of existence it is generally accepted that Nedlac needs to be more effective. A recent International Labour Organisation report commissioned by Nedlac has made various recommendations for strengthening and improving the efficacy of Nedlac. Business is therefore keen to finalise and implement agreed recommendations arising from this Nedlac Review. This needs to be supplemented by examining the extent to which the Nedlac process can play an even more assertive role in promoting coordination and consultation in socio-economic policy simply by having the key stakeholders under one roof. Nedlac must be an active driver of social dialogue, not just its passive custodian, especially at a time when there is such an emphasis on the need for better coordination and delivery.

Another issue that has generated a great deal of heated debate so far is the issue of labour broking. Business believes this is this precisely the kind of

subject that should lend itself to effective social dialogue – and hence examine how we can reform the labour-broking sector without losing the advantages of flexibility. Business believes that the proposals around labour broking should also serve as a case study for the emerging regulatory impact assessment system in South Africa (RIA). This twin approach would contribute considerably towards the best decisions on this complex issue in the national economic interest

At this stage the business constituency would like to make a special appeal to you and your cabinet about the funding of Nedlac. There is agreement that Nedlac is considerably underfunded. Although Nedlac is in the process of finalizing its new strategic positioning, there is the risk that it may already have missed the budgetary cycle for 2009. This would mean that additional resources for Nedlac would not be available for at least another 18 months. This is very late – given what Nedlac is expected to do sooner rather than later. If this is a risk, then we hope that some way can still be found to provide additional funding for Nedlac in the 2010 Budget, rather than wait until 2011.

In conclusion, you, Mr. President, are engaged on a double task, recovery and transformation – recovery from the recession, and the implementation of those additional reforms for which the government under your leadership has a broad political mandate. For the first, speed and quick results are essential. The second may be urgent, too, but this is where the interplay of social dialogue becomes imperative for successful implementation and shared outcomes in managing change. We therefore welcome documents such as the recent ‘green paper’ on national strategic planning, as well as the official discussion paper on performance monitoring and evaluation in the public sector.

We all need to dedicate ourselves to working together as we continue to chart our country’s course towards greater growth, development and transformation. If we do not do this, then we stand in danger of failing those in this country

who most need the benefits that a vibrant economy will bring. As government and leaders of the social partners we must ensure that we work in partnership to build our economy so that we can create jobs and alleviate poverty in our country. Nothing else will be good enough and, indeed, we will be failing our fellow citizens if we do not dedicate our collective efforts to this end.

There is an African proverb that says “if you want to travel fast, travel alone. If you want to travel far, travel together”. We need to travel far to reach our goals and we must continue on this journey together. But there is not reason why we should not — with Nedlac’s help — make all haste to get to our destination as quickly as possible.

EMBARGO: 13H00 SATURDAY

12 SEPTEMBER 2009