

SOCIAL JUSTICE M-PLAN ECONOMIC DIALOGUE

TOWARDS A SOCIALLY JUST AND SUSTAINABLE ECONOMY: DEEPENING THE DIALOGUE

SUMMARY REPORT ON PROCEEDINGS

This report documents the proceedings of the
one-day dialogue held at the Artscape Theatre,
Cape Town, South Africa

18 March 2019



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1. INTRODUCTION

The Law Faculty Trust Chair in Social Justice at Stellenbosch University, Professor Thuli Madonsela, organised, in partnership with the Sustainability Institute and the Centre for Complex Systems in Transition, a thematic dialogue on social justice and the economy in Cape Town, South Africa.

Co-chaired by Professors Madonsela and Mark Swilling, the dialogue aimed to:

- create a platform for sharing a wide diversity of perspectives on the economy, which surfaces the divergent perspectives in the debate from a social justice and sustainability perspective; and
- describe the underlying economic dynamics that shape the directionality of the economy and what needs to be done to achieve a socially just and sustainable economy.

The dialogue brought together a wide range of participants from academia, civil society, organised labour, government, the private sector, and a range of organised and unorganised groups who shared thoughts on what is required to achieve a socially just and sustainable economy. The dialogue forms part of a series of dialogues aimed at building up towards a master plan that will provide the basis for policy recommendations to government.



Participants at the Social Justice M-Plan Economic Dialogue

The thematic think-tank dialogue was convened under the Musa Plan for Social Justice (Social Justice M-Plan) spearheaded by the Law Faculty Trust Chair in Social Justice and followed up on the inaugural Law Faculty Trust Chair in Social Justice's "Social Justice Experts Round Table" held in Stellenbosch on 27 October 2018. The interdisciplinary gathering brought together 120 social justice experts, academics, research practitioners and advocates. The expert round-table discussions canvassed and explored perspectives as the basis for establishing a collaborative social justice think tank aimed at accelerating government socio-economic inclusion initiatives and "related shared prosperity as part of anchoring democracy and the rule of law".¹

Discussions focused on five broad themes:

1. Pathways Towards a Socially Just and Sustainable Economy
2. Fostering Inclusive Economic Growth and Social Development
3. The Economy and Environmental Sustainability
4. Decent Work and Unemployment
5. The National Budget and a Social Economy

This summary report on proceedings summarises and synthesises the proceedings and outcomes of the Social Justice M-Plan Economic Dialogue. Rapporteur: Suta Kavari.

2. SUMMARY

The dialogue began with opening remarks by Professor Madonsela, followed by commentary which set the scene for proceedings by Professor Mark Swilling, Distinguished Professor of Sustainable Development in the School of Public Leadership at Stellenbosch University, and continued with interactive panel discussions and presentations surfacing the divergent perspectives in the debate on what is required to achieve a socially just and sustainable economy.

Discussions focused on the need for an intentional stewardship of the economy through a clear economic policy. Professor Ben Turok delivered a hard-hitting critique of the lack of a clear economic pathway, which is compounded by what he referred to as the "lost nine years marked by lack of economic direction, state capture and pillaging of public resources". Former Statistician-General Dr Pali Lehohla stressed the importance of evidence-based planning, and demonstrated the various gaps between policy intentions and action in public governance processes using the education sector as a case study.

The dialogue concluded by stressing the need for a clear vision for South Africa's economic direction and progress. The dialogue will be followed up by a small expert group comprising people with diverse points of view who will craft a policy-relevant synthesis paper that defines what needs to be done to achieve a socially just and sustainable economy.

¹ Stellenbosch University *Musa Plan for Social Justice: Social Justice M-Plan* (2018) Summary Report of Expert Round Table hosted by Law Trust Chair of Social Justice at Stellenbosch University, 27-10-2018.

3. OPENING SPEECHES



Professor Thuli Madonsela during opening remarks

Professor Madonsela opened the dialogue by welcoming participants and noted that the day's discussions were the beginning of the process of reviewing South Africa's current economic pathways and political trajectory to assess the likelihood of reaching the South Africa we want in 2030. This South Africa, as envisaged in the Constitution, is one that is peaceful and one where there is shared prosperity. The South Africa that we want is also spelt out in the National Development Goals (NDGs). At the heart of the National Development Plan (NDP) is the eradication of poverty and, by 2030, it aims to make structural inequality a thing of the past so that nobody is trapped in a situation where social mobility is a pipe dream. Contesting the assertion that the country could thrive in the midst of poverty, Professor Madonsela stressed that the fractures in society could be a direct result of the fact that many in society have been left behind.

Professor Madonsela noted the Musa Plan for Social Justice (Social Justice M-Plan) is an ambitious plan that seeks to understand why – despite having one of the most ground-breaking constitutions in the world with equality and employment equity acts and many laws that seek to give meaning to the constitutional promise of alleviating poverty and reducing inequality – the challenges of poverty, unemployment and inequality have persisted. The Social Justice M-Plan was named after activist Palesa Musa who, as Professor Madonsela explained, in 1976, was arrested and then jailed, tortured, and robbed of an education at 13 years old for being an activist for freedom. Professor Madonsela explained that the Musa Plan was named after her to give the project a face since Palesa Musa is a potent symbol of those left behind and a freed potential that should be for everyone.

According to Professor Madonsela, corruption has undermined equality and social justice by creating a field where those who are the least competitive win and those who work hard and tend to be the most marginalised lose out. As such, the Social Justice M-Plan's theory of change was embedded in harnessing the power of data analytics in planning policies that affect real positive change in order to ensure policies that are more targeted and efficient in addressing the challenges of poverty, unemployment and inequality. The Social Justice M-Plan also seeks to source funding beyond what the state can provide to advance social justice with the aim towards ending or reducing poverty.



Professor Mark Swilling setting the scene for discussions

In his remarks, which set the context for the discussions that followed, Professor Swilling noted that social justice and the economy tend to be treated as oxymorons in functional discussions about the economy, which stands in contrast to the Constitution since it assumes that socio-economic rights are underpinned by the economy. Professor Swilling highlighted the various developmental policies adopted by government over the years, from the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution (GEAR) strategy; the Accelerated and Shared Growth Initiative for South Africa (AsgiSA); the New Growth Path (NGP), the NDP; and radical economic transformation. Professor Swilling also noted that there has never been consensus around an overarching economic policy framework.

While analysing South Africa's economy from a historical perspective, Professor Swilling highlighted that the country started off from a severe disadvantage – not just from an income inequality point of view, but also from an assets point of view. When looking at historic examples of what social forces have resulted in the eradication of poverty, mass employment through industrialisation programmes is one strategy; a second strategy is massive investment in education and human capital development; a third is the construction of massive welfare states; a fourth is market economics and entrepreneurship with a bit of a social bend; a fifth is massive asset redistribution such as with the redistribution of land in India after independence; and the last strategy is collectivisation. Professor Swilling highlighted these as some of the major interventionist social transformation processes that have fundamentally impacted poverty. Today, discussions around tackling poverty and unemployment through the Fourth Industrial Revolution have gained traction. A study last year by the World Economic Forum (WEF) predicted that “robots will displace 75 million jobs globally by 2022, but create 133 million new ones”. Repairing the future is a source of employment creation. Environmentalism is now also being seen as a new source of employment creation and entrepreneurship, with renewable energy as a vanguard, given that renewable energy is one of the most significant job creators in the world today.

As part of his contextualisation, Professor Swilling described the challenges facing the South African economy. Can South Africa shift towards long-termism? Can the country deal with the over-financialisation of the economy? Can an appropriate role for the nation state be defined when the country has a weak national party? Can the country deal with the consequences of state capture, with Eskom at the centre of the malice? In laying out these challenges, Professor Swilling described the process that would follow the dialogue. A smaller group of experts will meet twice or three times during the course of 2019 to formulate a policy-relevant synthesis paper that can contribute to the evolution of South Africa's economic policy frameworks.

4. PLENARY SESSION: PATHWAYS TOWARDS A SOCIALLY JUST AND SUSTAINABLE ECONOMY

The plenary discussion focused on the core challenges facing the economy, while also describing the underlying economic dynamics that shape the directionality of the economy. The participants deliberated on the pathways needed in order to achieve a socially just and sustainable economy, which set the scene for the rest of the day's discussions. The session featured leading academics, the former Statistician-General, and the National Planning Commission Commissioner, and was moderated by the journalist Ms Karyn Maughan.

Moderator: Ms Karyn Maughan

Panellists:

- Dr Nicky Padayachee, the Presidency
- Dr Pali Lehohla, former Statistician-General
- Dr Miriam Altman, National Planning Commission
- Dr Seeraj Mohamed, Parliamentary Budget Office
- Professor Haroon Borat, Development Policy Research Unit, University of Cape Town

In his introductory note, Dr Nicky Padayachee provided an overview of the challenges of food security and hunger in South Africa as two of the most important indicators and manifestations of the level of poverty, inequality and unemployment. He described the key elements and the human rights definition of food insecurity. Given the dynamic and complex nature of food security, Dr Padayachee highlighted the subjectivity of hunger and how “understandings of hunger and the level of discomfort associated with it varies between different people and sectors of society”.² Despite the policies designed to tackle the poverty trap, the most significant cause of hunger remains. While praising the Freedom Charter’s aspiration of banishing hunger, Dr Padayachee described the policy failures that have perpetuated the unfortunate cycle: it “begins with poverty caus[ing] food insecurity, hunger and malnutrition” which impacts the “physical and cognitive development” of the people affected and contributes to “low productivity levels, ultimately trapping people”.

Dr Pali Lehohla remarked that a socially just economy is clearly outlined in the Constitution, defined as a South Africa that belongs to all who live in it, where there will be no discrimination on the basis of sex, race or creed, and where opportunities, especially the doors of learning, should be open to all. But despite all the progress made in reducing multidimensional headcount poverty, Dr Lehohla noted that poverty depth still remains and is intractable, and requires instruments such as education and employment to alleviate it. However, Dr Lehohla noted that over the period unemployment has been stuck and stubborn, the economy has not been growing and corruption has taken root, and that under those circumstances social justice cannot prevail. Dr Lehohla furthermore added that the Social Justice M-Plan provides pathways in terms of getting the dialogue going, bringing about accountability and getting society to take on the mantle as to what must be done. As Dr Lehohla pointed out, one of the ways in which society can get involved is through citizen satisfaction surveys, which equip society with the knowledge and understanding of how policy decisions and programmes are implemented. In addition, Dr Lehohla stressed that education is the most important asset required to reduce poverty and promote employment and growth: “18% to 36% of quintiles one to three households could potentially be pulled above the upper-bound poverty line (UBPL) by 2030 if two-thirds of higher education targets are met”. Despite its importance, Dr Lehohla was of the opinion that not much attention has been paid to ensuring quality education, and noted that around 500 000 out of the millions of learners in South Africa are lost before they reach matric. Even of those who make it to matric, only 150 000 learners reach universities or Technical and Vocational Education and Training colleges (TVETs). All in all, around 700 000 to 800 000 learners are lost and that is tragic and will contribute to South Africa’s demographic drag.

² K Wilkinson “Are there 13, 14 or 15 million hungry people in South Africa?” (10-05-2016) *Africa Check* <<https://africacheck.org/reports/are-there-13-14-or-15-million-hungry-people-in-south-africa/>> (accessed 28-11-2019).

Dr Miriam Altman provided an overview of the NDP, set out the set of objectives that are to be achieved by 2030, and provided insights into the long-term strategic framework that guided the detailed planning and the choices made with regard to the allocation of limited resources. Dr Altman stressed that the participation of government and civil society was paramount in order to achieve the goals set out in the NDP. Dr Altman highlighted the three most important goals in the NDP as they pertain to achieving a sustainable economy: firstly, achieving full employment, which is defined as official unemployment falling to 6.5%; secondly, equity; and, thirdly, the eradication of poverty, which is defined as no one falling below the lower-bound poverty line (LBPL). Dr Altman noted that while ten priorities were identified in the NDP, these three are positioned as being the most important based on the Amartya Sen theory of change that human capabilities will be key lever to: raising employment through faster economic growth; developing human capabilities through education, skills, innovation and social protection; and building a capable state to play a developmental and transformative role.



Drs Pali Lehohla and Seeraj Mohamed in conversation

Touching on the slow progress in poverty eradication and equity, Dr Altman noted that while poverty rates improved significantly up to 2011, they stalled thereafter. Those living below the poverty line fell from 51% of the population in 2006 to 36.4% in 2011, but increased to 40% in 2016. Social wage played an important role, but also a diminishing one. This will be addressed with rising employment, stronger service delivery and reduced cost of living. Asset poverty is deep. Land redistribution, low-income housing, the deeds registry system, limited pension contributions and high indebtedness are central concerns. In addition, South Africa continues to have the highest inequality level in the world. 90% to 95% of wealth is concentrated in top decile, as compared to the global average of 55% to 60%. 5% of wealth is in the bottom 40% of the population. The most significant difference in South Africa, as Dr Altman highlighted, is that the middle class (deciles five to nine) has a small asset base, which has a significant impact on and constrains intergenerational class mobility.

Dr Seeraj Mohamed identified financialisation as a critical barrier to addressing social justice. Dr Mohamed emphasised the central role finance should play in the analysis for improving economic and social justice, and highlighted the over-financialisation of the South African economy as especially important since the wealth, ownership and markets are so incredibly concentrated. Dr Mohamed described how finance has increased inequalities, while “pervading into economic and social reproduction areas” and constraining the capacity of the economy to invest in initiatives geared towards long-term employment opportunities. He furthermore detailed the rise of neoliberalism and the death of serious discussions around welfarism and Keynesian macroeconomic policies to reduce unemployment. Dr Mohamed stressed that, to a great extent, the state had abdicated its role in directing long-term economic and industrial policies and left it over to institutional investors governed by value movements rather than the long-term prosperity of the country, as is evident in the flow of capital and illicit financial flows.

As part of his interpretation of the notions of a socially just and sustainable society, Professor Haroon Borat elucidated the importance of structural transformation and how growth impacts on poverty and inequality. Professor Borat stressed that without economic growth there would be no social justice and, as such, one must think of the determinants and shapers of economic growth in order to imagine a capacious and socially just South African economy. When analysing structural transformation in South Africa, there has been no evidence of manufacturing-led structural transformation, or a shift from low-productivity agriculture to services (particularly, a shift to wholesale and retail trade services and community, social and personal services). However, Professor Borat highlighted evidence of a shift to high-productivity financial, transport and communication services. Since 1994, South Africa has been a service economy driven by transport, storage and communication; financial and business services; construction; and wholesale and retail trade, with all other sectors steadily declining in their share of GDP. The most marked decline has been mining, which was 15.5% of GDP in 1994, and is now only 8.1%. Agriculture has gone down by 28% and manufacturing by 13%.

Although there has been little evidence of manufacturing-led structural transformation, the manufacturing sector's ability to generate a large number of low-wage jobs is still relevant despite declining in importance.



Professor Haroon Borat

Side Bar	
South Africa's Product Space: Evidence of Structural Transformation?	
Cluster	Evidence of Diversification and Growth
Agro-processing	Diversification e.g. Pickled fruit and vegetables; Sauces and seasonings; Yeasts; Cereal foods; Soups and broths; Confectionary sugars
Horticulture	Growth and diversification e.g. Citrus fruit; Wine; Apples, pears and quinces; Grapes
Machinery	Growth of Centrifuges, Filtering and Purifying machinery and Mining machinery (machinery for working earth, stone and other minerals)
Transport vehicles	Growth of automotive sector driven by subsidisation
Chemicals and plastics	Evidence of diversification

From a manufacturing perspective, apart from some growth and diversification in machinery, chemicals and agro-processing, South Africa remains rooted in commodities. This has impacted negatively on the South African economy's ability to generate employment for a growing labour force, particularly for women and the youth. Professor Borhat highlighted the steady trend towards deindustrialisation in the global economy, which gives way to South Africa as a services-dominant economy.

Summary

South Africa has been walking a macroeconomic tightrope with low savings rates, poor export diversification and growth, and a small base of tax payers. Macro policies are needed to stabilise the economic environment to enable long-term decision making and protect smaller players, while leveraging the fiscus for much needed service delivery and redistribution. Structural improvements that lead to a virtuous circle of growth should address the three challenges and enable more space to use macro policy as a stimulus. While the economy is not yet on a footing that would respond sufficiently to macro stimuli, such actions would have inflationary impact. In addition, the National Treasury has indicated that macro projections are uncertain, mainly due to domestic risks. As such, policy uncertainty should urgently be looked at in order to ensure that uncertainty in the economy does not affect sustained spending for service delivery and the social protection needed for structural change. Securing a financially sustainable pathway should be the top priority as public finances are critical to the significant redistribution and transformation agenda over the decades to come.

5. MORNING PARALLEL SESSION 1: FOSTERING INCLUSIVE ECONOMIC GROWTH AND SOCIAL DEVELOPMENT

The theme of a sustainable economy was continued as the session aimed to examine how, despite post-1994 policy commitments to build an inclusive economy capable of supporting livelihoods for all, high levels of unemployment, poverty and inequality have persisted. To mitigate this, social welfare grants are now allocated to 17 million people. The session addressed the reasons for this contradiction between policy and practice. Is it because inappropriate policies were adopted? Or are there economic challenges that government policy cannot address? Is it because appropriate policies were adopted but never implemented? What needs to happen now? What economic policies would reduce unemployment, poverty and inequality?

Moderator: Ms Karyn Maughan

Panellists:

- Professor Ben Turok, Institute for African Alternatives (IFAA)
- Dr Amiena Bayat, University of the Western Cape

The first key theme of the parallel session was focused on identifying the structural barriers to inclusive economic growth and ways to effectively tackle social determinants and equity issues. Professor Turok deliberated on the intentional stewardship of the economy in the absence of a clear economic policy, and delivered a hard-hitting critique of the lack of a clear economic pathway, which is compounded by what he referred to as the “lost nine years marked by lack of economic direction, state capture and pillaging of public resources”. This, he added, was a deviation from the ANC’s initial aspiration, at the end of apartheid, of dismantling a system of internal colonial economy and creating a developmental society and a single and participatory economy that would benefit everyone. It was this aspiration that formed the basis for the RDP.

Professor Turok described the imperatives that change policies into much lesser practice, and alluded to the policy choices adopted at the dawn of democracy in 1994 favouring fiscal discipline rather than an expansionary budget, the latter of which would have led to a revolutionary transformation into a developmental economy. Professor Turok described the succession of economic policy stances that favoured fiscal restraint as one of the leading contributors to the persistent economic challenges that government has struggled to address.

Dr Amiena Bayat highlighted the progress in reducing poverty and post-fiscal inequality, as well as the progress made in terms of the social wage. But Dr Bayat also emphasised the enduring spatial legacy of apartheid, which still has an impact on social and economic inclusion in South Africa and hampers efforts aimed at reducing poverty and unemployment. This legacy has not been sufficiently addressed and has continued to reproduce the levels of poverty and employment that are prevalent. Given the spatial dimension to poverty and employment, which is generally concentrated in previously disadvantaged areas, Dr Bayat raised the concern about the failure of policies to impact space and develop an integrated society. The clear failure of the current economic models provides an opportunity to rethink spatial policies and offers a window of opportunity for changing the spatial patterns of apartheid, in light of the fact that most of the land in urban settings belongs to either local, provincial or national government. Dr Bayat emphasised this claim by comparing initiatives in rapidly developing countries where there are concerted efforts at bringing poor people into inner cities and centres of economic opportunities.

The panellists agreed that if South Africa is to build an inclusive economy, it first must build an economy that is productive, creates decent work, and that looks after the poor, the unemployed and the millions excluded.

6. MORNING PARALLEL SESSION 2: THE ECONOMY AND ENVIRONMENTAL SUSTAINABILITY

The overarching objective of the session was to foster a broad and meaningful discussion regarding South Africa's carbon- and resource-intensive economy as well as how the many well-developed environmental policies and significant renewable energy programmes have been fundamental elements in the transition to a low-carbon economy. At the same time, the session covered how the global transition to low-carbon economies will increase the risk for carbon-intensive investments, and touched on how climate change and sustainability were referred to in the State of the Nation Address and the Budget Speech.

Moderator: Mr Aman Baboolal

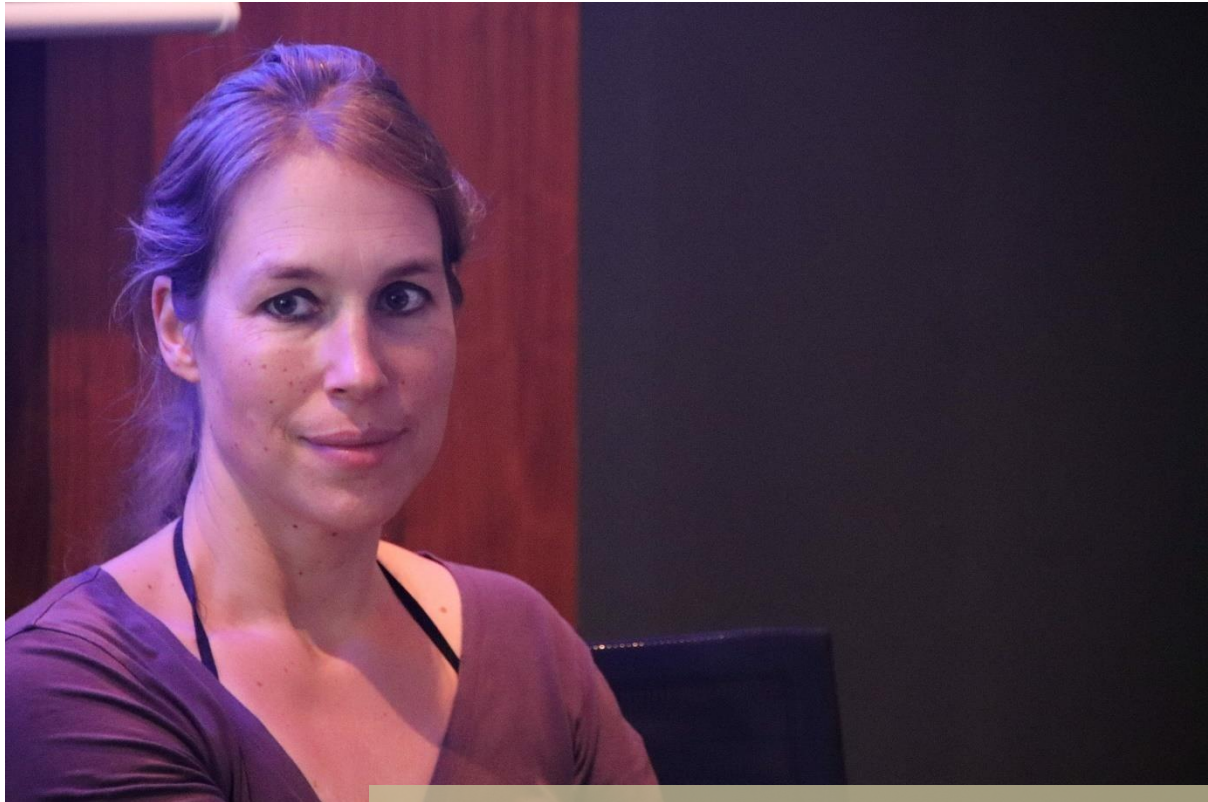
Panellists:

- Dr Mao Angua Amis, African Centre for a Green Economy (AfriCGE)
- Dr Britta Rennkamp, African Climate & Development Institute
- Professor Mark Swilling, Centre for Complex Systems in Transition (CST)



Mr Aman Baboolal moderated the session and started by posing a series of questions centred on what kinds of investments will stimulate economic growth, reduce negative environmental impacts and promote decarbonisation, as well as how best to address the call for a 'just transition' with respect to jobs dependent on high-carbon economic sectors.

Dr Mao Angua Amis described the carbon-intensive nature of the South African economy, in which coal accounts for around 65% of primary energy. Eskom and Sasol alone consume roughly 90% of domestic coal and contribute to 55% of South Africa's emissions, which are within range of an industrialised country like Germany. Dr Amis added that Eskom generates 95% the country's electricity, of which 90% is from coal, while Sasol's energy- and emissions-intensive coal-to-liquids process accounts for 25% of liquid fuels consumption.



Dr Britta Rennkamp

In her introductory remarks, Dr Britta Rennkamp spoke to the "broader questions on how to address public policy problems that affect the two objectives of mitigating climate change and simultaneously boosting socio-economic development", while highlighting the challenge that South Africa has in "accommodating simultaneous efforts for emissions and poverty reduction". In addition, Dr Rennkamp explained how the "unbalanced power relations between coalitions of support in government and civil society and opposition mainly from the affected industry have resulted in very fragile institutional change".³

³ B Rennkamp "Power, coalitions and institutional change in South African climate policy" (2019) 19 *Climate Policy* 756–770.



Professor Mark Swilling

Professor Swilling pointed out that since the global economic crisis there has been a move towards the reconceptualisation of the relationship between development and sustainability. Professor Swilling agreed with Dr Rennkamp's assertion that power relations will either drive or hinder institutional change towards a just transition, and added that there needs to be a better understanding of South Africa's socio-political regime and political dynamics. A sustainable transition requires structural transformation of a long-term nature "that results in socio-technical transitions to more sustainable modes of production and consumption, with special reference to decarbonisation, resource efficiency and ecosystem restoration". Professor Swilling explained that a just transition could only take place if the "overall goal is human well-being within a decarbonisation, resource efficiency and ecosystem restoration world".⁴

⁴ M Swilling, J Musango & J Wakeford "Developmental States and Sustainability Transitions: Prospects of a Just Transition in South Africa" (2015) 18 *Journal of Environmental Policy & Planning* 650–672.

Key policy insights⁵

- Powerful coalitions of coal-related industries and their lobbies have constrained institutional change and managed to delay the implementation of carbon-pricing measures.
- A successfully managed renewable energy programme has started to transform a coal- and nuclear-powered electricity sector towards integrating sustainable energy technologies. The programme is vulnerable to intergovernmental opposition and requires management at the highest political levels.
- Potential conflict with poverty reduction measures is not a major concern that actively hinders institutional change towards climate objectives. Predominantly non-poor actors frequently use poverty-related discourse to elevate their interests to issues of public concern.

7. AFTERNOON PARALLEL SESSION 3: DECENT WORK AND UNEMPLOYMENT

The afternoon session shared the overarching objectives of the morning session, but focused on defining what constitutes decent work in the South African context.

Moderator: Ms Karyn Maughan

Panellists:

- Mr Matthew Parks, Congress of South African Trade Unions (COSATU)
- Professor Vimal Ranchhod, Southern Africa Labour and Development Research Unit (SALDRU), University of Cape Town
- Professor Dieter von Fintel, Research on Socio-Economic Policy (ReSEP), Stellenbosch University

In setting out the context for discussions, Ms Maughan noted that there is no disagreement with the proposition that persistent poverty and unemployment are our greatest challenges. The panellists reflected on the many strategies that have been pursued, including formal sector job creation, entrepreneurship development, skills training, and public works and analysed strategies that worked and those that did not work. In addition, the panellists expanded on the actual dynamics and modalities of unemployment and the most effective strategies for creating decent work.

During the discussion, a number of pivotal issues relating to the session's overall objectives were broadly addressed, especially with regard to the actual dynamics and modalities of unemployment and the most effective strategies for creating decent work. Panellists identified and discussed the broad range of strategies for job creation and what decent work entails, particularly in policy-making, from a multitude of contexts across the globe. Finally, panellists explored which sectors held the greatest potential for creating jobs, the potentiality of an expanded manufacturing sector and the appropriate ecosystem for promoting entrepreneurship.

⁵ B Rennkamp (2019) *Climate Policy* 756–770.



Professor Vimal Ranchhod in discussion

8. AFTERNOON PARALLEL SESSION 4: THE NATIONAL BUDGET AND A SOCIAL ECONOMY

This session was related to the role the National Budget could play in promoting a social economy. The objective of the session was to discuss the rationale for reorienting the National Budget to reflect what a developmental and participatory economy that would benefit everyone could look like.

Moderator: Ms Zipho Majova

Panellists:

- Professor Fiona Tregenna, University of Johannesburg
- Mr Craig Lemboe, Bureau for Economic Research (BER), Stellenbosch University
- Dr Nic Spaul, Research on Socio-Economic Policy (ReSEP), Stellenbosch University

It is now well-acknowledged that South Africa has been navigating a fiscal tightrope the last few years. The country has been confronted with slowing economic growth, dwindling tax revenues and mounting risks from state-owned enterprises (SOEs). The moderator of this session, Ms Zipho Majova, contended that under normal conditions, when a country is faced with low growth and high unemployment, stimulus measures usually entail increased spending and lower interest rates. Interpretations of the National Budget have ranged from 'just more austerity economics' and 'good balancing act', to 'positively addressing our challenges without upsetting the rating agencies'. Ms Majova added that what is indisputable is that the costs of rescuing state-owned enterprises are undermining what is available for social spending.



Ms Zipho Majova moderating a panel discussion

Professor Fiona Tregenna described the fundamental issues that arise from choosing between a growth path that focuses on making the basic productive structure more inclusive, such that more people earn more income from work, and a more redistributive growth path. Put more simplistically, the first approach transforms the productive structure of the economy and its main channels, which increases the employment weight in the economy. This is contrasted with a more redistributive strategy for the economy, which is implemented through the tax system and other avenues. Professor Tregenna noted that these two pathways are not mutually exclusive; instead, the choice between the two paths becomes a question of emphasising the type of economic decision made in order to achieve the ideal of a socially justice economy. Prof Tregenna also stated that South Africa's pro-poor developmental policy choices prioritise redistributive economic pathways, which impacts social security, despite the redistributive aspect having been limited.

Mr Craig Lemboe elaborated on the impact of the National Budget on 'fixed investment' as a creator of jobs and a solution to unemployment. He highlighted concerns that the public and private sector are not investing in infrastructure, thereby constraining the construction industry's ability to create jobs that could contribute to a socially just economy. Mr Lemboe noted that the current fiscal pressures the economy faces have put severe strain on the ability of government to contribute to social infrastructure, which is falling apart in parts of the country.



Mr Craig Lemboe and Dr Nic Spaul

Dr Nic Spaul provided an overview of educational outcomes in South Africa and explained school drop-out rates and mathematics learning deficits: “[the information] shows the links between the education system and the labour market and illustrates how low-quality education becomes a poverty trap for the majority of learners in South Africa”.⁶ He suggested policy options that can be spearheaded through the budget to improve not only the competencies and quality of teachers, but also to ‘increase teacher content knowledge and teaching skill’, conduct a countrywide audit of district officials and curriculum advisors’, and assess ‘accountability with respect to education’.

⁶ N Spaul “Schooling in South Africa: How low-quality education becomes a poverty trap” (2015) 12 *South African Child Gauge* 34.

The panellists agreed that expenditure on education and health should be seen as investment in building the productive capabilities of the economy and are needed to transform the basic structure of the economy. It was also noted that discussions on the National Budget need to be more nuanced rather than simply presenting the dichotomy between current and capital spending. Framing the National Budget between different types of expenditure is limiting, and the economy will not grow without significant emphasis on economic scaling.

9. KEY AGENDA MOVING FORWARD



Professor Thuli Madonsela during closing remarks

Key themes:

- Policy and regulatory environments should be clear and stable, and implementation should be done in a way that enables market actors to respond as intended.
- The state should seek to reduce the cost of living and the cost of doing business, especially where there are cost drivers, such as administered pricing, infrastructure, regulations and social wage programmes, under its control.
- Economic progress requires greater social cohesion and common purpose in the context of a highly divided society. There must be a sense of ownership and responsibility across sections of society. A clear hierarchy of interests and non-negotiables will underpin institutional transformation.

- Planning and policy continuity should avoid risk and self-inflicted crises that throw us off course. Matters under domestic control, especially those delivered through the state, should not be a source of instability, uncertainty and growth strangulation.
- A commitment to driving performance, excellence and accountability should be demonstrated and consistency in the state and public service should be ensured. Leadership requires commitment to the highest standards, not just the minimum application of rules.
- Property distribution, assets and opportunities that promote equity and economic competitiveness should be promoted instead of rent-seeking. The processes need to be consistent, fair, just and transparent.
- All of society should be committed to high ethical standards. It must be noted that “the state sets the ethical bar for society as a whole”.

Policy stances needed to achieve full employment, poverty eradication and equity:⁷

- A decent standard of living that is accessible to low-income and working-class households, and is enabling of economic and social participation
- A labour market that is responsive to the challenge of simultaneously expanding employment opportunities in a growing, diversifying and modernising economy, while raising living standards and reducing inequality
- A space economy that integrates living and work critical to inclusive growth
- A higher rate of investment, achieving 30% of GDP annually
- An industrial base that is diversifying, reducing resource-curse dynamics and encouraging more labour-absorbing activities
- “Binding constraints” that are addressed with priority and timeously
- Infrastructure that enables traditional and non-traditional activities to thrive
- Macroeconomic policy that creates a stable environment for investors and consumers
- Public sector employment that is arranged appropriately for service delivery

⁷ M Altman “Pathways to a socially just and sustainable economy” (2019) *Miriam Altman*
<<http://miriamaltman.com/>>.

ANNEX A. SPEAKERS' BIOGRAPHIES

Professor Thuli Madonsela

Thuli Madonsela, an advocate of the High Court of South Africa, is the Law Faculty Trust Chair in Social Justice and a law professor at Stellenbosch University where she conducts and coordinates social justice research and teaches constitutional and administrative law. She is the founder of the Thuma Foundation, an independent democracy leadership and literacy social enterprise. Professor Madonsela has been a lifelong activist for social justice, constitutionalism, human rights, good governance and the rule of law. She was named one of the Time 100 Most Influential People in the World in 2014 and Forbes Africa Person of the Year 2016, and is one of the drafters of South Africa's Constitution and co-architect of several laws that have sought to anchor South Africa's democracy. Among the laws she helped draft are the Promotion of Equality and Prevention of Unfair Discrimination Act, the Employment Equity Act and the Recognition of Customary Marriages Act.

Professor Madonsela recently completed a seven-year term as South Africa's Public Protector. Before she became the Public Protector, Professor Madonsela served in various leadership capacities in civil society and government, including, as a full-time commissioner in the South African Law Reform Commission (SALRC). She was co-architect and Founding Chairperson of the African Ombudsman Research Centre (AORC). She is also a co-founder and one of the inaugural leaders of the South African Women Lawyers Association (SAWLA). She has a global reputation for integrity and fearlessness in enforcing accountability and justice in the exercise of public power and use of public resources. She also has a history of highlighting the importance of social justice and general inclusive enjoyment of the fruits of democracy in the pursuit of peace. Professor Madonsela is a recipient of Transparency International's Integrity Award, the German Africa Prize and the African Anti-Corruption Crusader Award, among innumerable other accolades. She is a Paul Harris Fellow, a Tällberg/Eliasson Global Leader and spent a year at Harvard in 2017 as an Advanced Leadership Fellow.

Professor Mark Swilling

Mark Swilling is Distinguished Professor of Sustainable Development in the School of Public Leadership, Stellenbosch University, Visiting Professor at the Universities of Sheffield and Utrecht, and the 2018 Edward P. Bass Distinguished Visiting Environmental Scholar at Yale University. He is Academic Director of the Sustainability Institute and Co-Director of the Centre for Complex Systems in Transition (CST). The primary research focus of his career can be defined as 'societal transitions' within the wider discipline of sustainability science and governance with a particular contextual focus on urban sustainability. His published research was coupled to major institution-building collaborations – an achievement that was recognized in 2010 when he was awarded the Aspen Faculty Pioneer Award for success in introducing sustainability into leadership education. He was the lead author of the report *Betrayal of the Promise: How South Africa is being stolen* (Stellenbosch University and University of the Witwatersrand, 2017). He is a member of UN's International Resource Panel acting as Coordinator of the Cities Working Group and Chairperson of the Development Bank of Southern Africa Board. He is co-lead author of *Weight of Cities: Resource Requirements of Future Urbanization* published in 2018 by the International Resource Panel.

Dr Miriam Altman

Miriam Altman is recognised as a leading economist, strategist and thought leader. She is a commissioner on the National Planning Commission and was a significant contributor to the National Development Plan (NDP). Amongst other responsibilities, Dr Altman leads work on economic revitalisation and restoring the path towards the NDP's Vision 2030 for employment, poverty eradication and equity. Most recently, she led the team that developed the Tourism Business Council of SA's sector growth strategy announced by President Cyril Ramaphosa during SONA 2019. From 2013 to 2016, Dr Altman was Head of Strategy and Regulatory Affairs for the Telkom Group. Dr Altman was Executive Director at the Human Sciences Research Council (HSRC) in South Africa from 2002 to 2012. The "Employment Scenarios" was her flagship project at the HSRC. She is an Adjunct Professor at the Graduate School of Development Policy and Practice at the University of Cape Town, a non-resident Fellow at the Centre for Emerging Markets at China Europe International Business School (CEIBS) in Shanghai, and a visiting lecturer at Tsinghua University's School of Public Policy and Management and Fudan University's Economics Department. Dr Altman was commissioning editor of approximately 400 policy papers and publications and was guest editor of four special edition journals. These publications can be found at www.miriamaltman.com.

Dr Seeraj Mohamed

Seeraj Mohamed has worked on economic development and policy to transform South Africa's economic and industrial structure to reduce unemployment, poverty and inequality since the 1990s. Central to his research has been the important role of finance and who gets to make choices about the allocation of finance. Dr Mohamed advocates integration of macroeconomics and finance with economic and industrial restructuring in policymaking. He is Deputy Director for Economics in the Parliamentary Budget Office. He was Associate Professor in the Department of Economics at the University of the Western Cape from 2015 to 2016. Dr Mohamed was Director of the Corporate Strategy and Industrial Development Research Programme at the University of the Witwatersrand from 2006 to 2014. He was Special Advisor to the Minister of Trade and Industry from 2009 to 2014. Dr Mohamed has a BA and BA Honours in Economic History from UCT; a BCom Honours in Economics and a Graduate Diploma in Engineering from the University of the Witwatersrand; a Master of Arts in Development Economics from Williams College, Williamstown, MA; and a Master of Arts in Economics and a PhD in Economics from the University of Massachusetts, Amherst.

Professor Haroon Borat

Haroon Borat is Professor of Economics and Director of the Development Policy Research Unit (DPRU) at the University of Cape Town. His research interests cover labour economics, poverty and income distribution. He was recently appointed to the editorial advisory board of the World Bank Economic Review. He holds the highly prestigious National Research Chair under the theme of Economic Growth, Poverty and Inequality: Exploring the Interactions for South Africa. Professor Borat is a Non-resident Senior Fellow at the Brookings Institution affiliated to the Global Economy and Development Program, and the Africa Growth Initiative (AGI), a Research Fellow at IZA, the Institute for the Study of Labour in Bonn, and an Honorary Research Fellow at the Human Sciences Research Council (HSRC). He sits on the HSRC Board and is also a Board Member of the National Research Foundation (NRF) and UNU World Institute for Development Economics Research (UNU-WIDER). Professor Borat sits on the Advisory Committee of the joint United Nations and World Bank Policy Study on the role of Development in the Prevention of Violent Conflict. He served as an economic advisor to two past Ministers of Finance, and previous Presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel. Professor Borat has a PhD in Economics from Stellenbosch University in South Africa. He studied at the Massachusetts Institute of Technology and was a Cornell University research fellow.

Dr Pali Lehohla

Pali Lehohla is the former Statistician-General of South Africa and former head of Statistics South Africa from 2000 to 2017. He served the organisation from 1982. In addition, he served as co-chair of PARIS21 and as Chair of the United Nations Statistics Commission. Dr Lehohla was the founding chair of the Statistical Commission for Africa (StatCom-Africa) and chaired the Africa Symposium on Statistical Development (ASSD) up until his retirement in 2017. He was the Vice President of the International Statistics Institute (ISI) and a sponsor of the Young African Statistician (YAS) movement. He was one of the 25-person team of Independent Expert Advisory Group advising United Nations Secretary General Ban Ki Moon on Data Revolution. Dr Lehohla was one of the ten-member Independent Accountability Panel (IAP) to the UN Secretary General on the health of mothers, adolescents and children. In 2018, he joined 22 ON SLOANE as a Research Resident Advisor.

Professor Ben Turok

Ben Turok is director of the Institute for African Alternatives (IFAA) and editor of New Agenda. Professor Turok is a former anti-apartheid activist, economics professor and former South African Member of Parliament and a member of the African National Congress. In the 1994 democratic government, he was first Head of the Commission on the Reconstruction and Development Programme (RDP) in the Gauteng Provincial Cabinet and then moved to Parliament in 1995. He co-chaired the Joint Ethics Committee on Members' Interests in Parliament. Professor Turok was one of the accused at the 1956 Treason Trial, served three years in prison and was in exile for 25 years before returning to South Africa in 1990. He has degrees in engineering, philosophy and political science. He is the author of 20 books on African development economics and politics. Professor Turok was a lecturer at the Open University in London and has taught at many universities across Africa. He has worked closely with the United Nations and the European Parliamentary Assembly. Professor Turok has published extensively and authored several books on South Africa's political economy and development.

Dr Amiena Bayat

Amiena Bayat is a Senior Lecturer at the Department of Economics at the University of the Western Cape. Her research has focused on issues related to the provision of basic services, social capital, education and skills development, and poverty and inequality. Over the past few years she has undertaken research for the South African Presidency, UNDP, VLIR and the European Union. Her research also uncovered important information regarding the education system in the Western Cape, which led to wide-spread national news coverage in South Africa. Dr Bayat has fifteen years of lecturing and research experience. She has taught Development Economics at both undergraduate and graduate levels and has also trained Members of Parliament in the discipline. In addition to her experience in Development Economics, she has taught Econometrics, Public Economics as well as Micro- and Macroeconomics. She holds a PhD in Economics from UWC, and an MA in Development Economics from Williams College (USA), which she obtained as a former Nelson Mandela Economic Scholar.

Dr Mao Angua Amis

Mao Angua Amis is the Founder and Executive Director of the African Centre for a Green Economy (AfriCGE) and Adjunct Associate Professor at the Graduate School of Business, University of Cape Town. AfriCGE is a non-profit think tank championing the ideals of a well-being economy in Africa. Prior to founding AfriCGE, Dr Amis worked as a programme manager for a leading global environmental NGO and for a management consultancy firm, both based in South Africa. Dr Amis has extensive experience on green growth and well-being issues in Africa and regularly consults and advises on the same issues to development agencies, government and the private sector across Africa and further afield. His specific research interests are in understanding the nexus between global change (environment) and building community resilience against climate change. Dr Amis holds an MSc and PhD in Natural Resources from the University of Cape Town.

Dr Britta Rennkamp

Britta Rennkamp is a Senior Researcher in the Energy, Environment and Climate Change Group, and Senior Fellow at the African Climate and Development Initiative (ACDI) at the University of Cape Town. Dr Rennkamp leads the Energy Research Centre climate change research group. Dr Rennkamp's research focuses on climate policy and technology in developing countries and the links between poverty, inequality, energy and mitigation of climate change. Her previous work analysed renewable energy and nuclear programmes, carbon taxation, and green industrial and innovation policies. Dr Rennkamp has published various papers and book chapters on the overall question on integrating policies on emissions reductions, energy supply and development in Africa and Latin America. Dr Rennkamp holds a PhD in Political Science, and a Diplom/MSc in Regional Sciences – Political Sciences, Economics, Latin American History, Spanish and Portuguese language and literature.

Mr. Matthew Parks

Matthew Parks has been Parliamentary Coordinator for COSATU for the past eight years. Mr Parks coordinates COSATU's engagements with Parliament, government and the ANC on bills, policies, regulations and taxes, amongst others, at Parliament. In addition to coordinating COSATU's bilateral engagements with business and industry bodies and companies at the National Economic Development and Labour Council (Nedlac), Mr Parks is involved in a wide range of other policy engagements with government ranging from labour to finance, budget, taxes, agriculture and land reform, transport, police, home affairs, justice, basic and higher education, health, and trade and industry. He has been involved in the parliamentary sector for the past two decades, in both Parliament and the Western Cape provincial legislature after previously working in the NGO sector. Mr Parks has been involved in the ANC and its various formations and structures, including having previously served as the regional deputy secretary of the ANC in Cape Town and on its Regional Executive Committee. Mr Parks holds a Bachelor of Social Science from the University of Cape Town and a Post-Graduate Diploma in Governance from the University of the Western Cape.

Professor Vimal Ranchhod

Vimal Ranchhod is an applied empirical economist who works on socio-economic issues in South Africa. He is Chief Research Officer at the Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town. He has extensive training in both econometrics and economic theory. Professor Ranchhod's expertise is in the application of these methods to large datasets, with a focus on labour economics, the economics of education and the economics of inequality.

Professor Dieter von Fintel

Dieter von Fintel is an associate Professor in the Department of Economics at Stellenbosch University where he conducts research within the Research on Socio-Economic Policy (ReSEP) and Laboratory for the Economics of Africa's Past (LEAP) groups. He is also a research affiliate of the Institute of Labour Economics (IZA) in Bonn and the Global Labour Organisation (GLO). His research focuses on microeconomic applications in the fields of labour, agriculture, poverty and inequality (both historically and in the present day). His publications include work on generational change in the labour market and survey design, as well as historical work on inequality. Professor Von Fintel has consulted for the Presidency and Department of Trade and Industry (dti), Statistics South Africa and UNICEF. He has been a visiting student at the Centre for the Study of African Economies at the University of Oxford and a visiting lecturer at Georg-August University of Göttingen.

Professor Fiona Tregenna

Fiona Tregenna holds the South African Research Chair (SARChI Chair) in Industrial Development and is a Professor in the Department of Economics and Econometrics at the University of Johannesburg. Her primary research interest is in issues of structural change, deindustrialisation and industrial development. She has also published on poverty, inequality and unemployment. Professor Tregenna has received a number of awards and grants for her research and holds a B rating from the NRF. She is an elected member of the Academy of Science of South Africa (ASSAf) a part-time Member of the Competition Tribunal where she adjudicates competition cases. Professor Tregenna also serves on a number of boards and advisory panels and councils. In the past she has worked for, among others, the National Labour and Economic Development Institute (NALEDI), the Congress of South African Trade Unions (COSATU) and several universities. As a consultant, she advised various research institutes and international organisations such as UNIDO, UNCTAD and the ILO. Professor Tregenna has a PhD in Economics from the University of Cambridge, a Master's degree in Economics from the University of Massachusetts, Amherst, and earlier degrees from the Universities of the Witwatersrand and Natal (now KwaZulu-Natal).

Mr Craig Lemboe

Craig Lemboe is a Senior Economist at the Bureau for Economic Research (BER) at Stellenbosch University. His main research focus is on the construction sector and he is the editor of the quarterly Building and Construction report as well as co-editor of the Building Cost report. Mr Lemboe analyses and forecasts trends in fixed investment and has extensive knowledge of the Western Cape economy. Mr Lemboe also serves as a trustee of the Cape Town Carnival Trust. He holds Masters of Economics and Business Administration degrees, both from Stellenbosch University.

Dr Nic Spaul

Nic Spaul is a Senior Research Fellow at the Research on Socio-Economic Policy (ReSEP) group at Stellenbosch University. He was a Visiting Scholar in the Graduate School of Education at Stanford University in the United States and a Thomas J Alexander Fellow at the Organisation for Economic Co-operation and Development (OECD) in Paris. Dr Spaul has a PhD in economics and has published numerous journal articles on education focusing on assessment, accountability, literacy and education policy in South Africa. Dr Spaul is currently working on the Funda Wande project, which is developing a certificate to teach Foundation Phase teachers how to teach early grade reading in African languages. He advises numerous NGOs, policy-makers and grant-making bodies, and also regularly updates his website (nicspaul.com) with new research and articles he finds interesting.