



strategy
project

Wrap Up Session

The 2nd Economy Strategy project is an initiative of the Presidency,
hosted by Trade & Industrial Policy Strategies (TIPS)

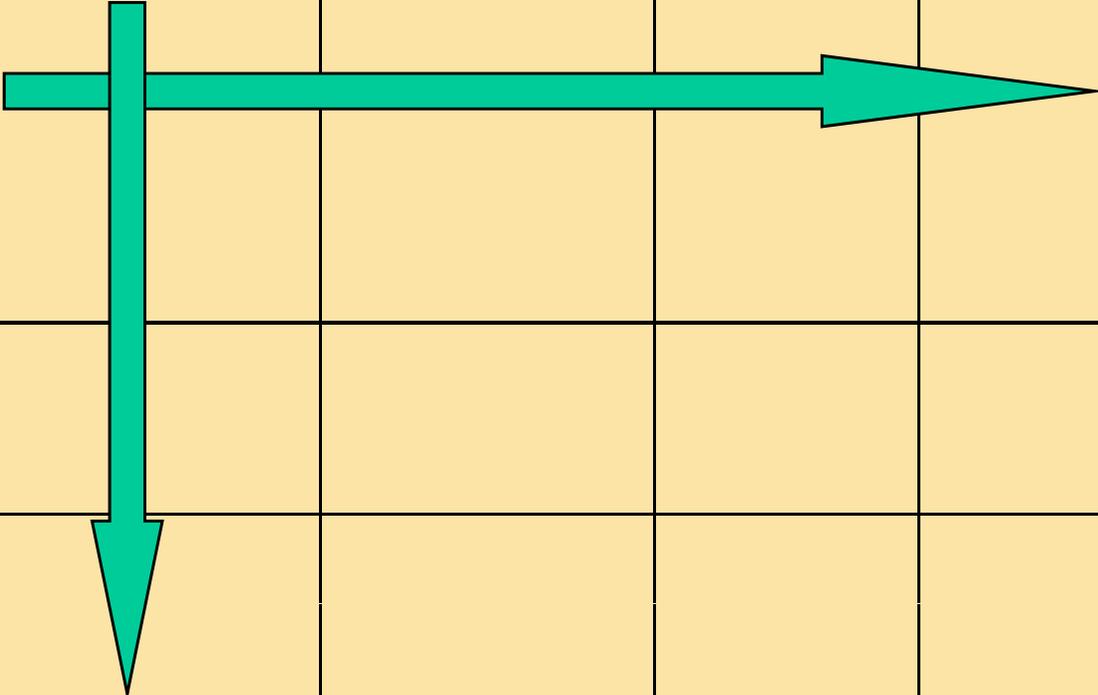
Back to the initial framework to address inequality and economic marginalisation

Inequality

Strategies to address economic marginalisation



Second Economy Strategy	More employment, better employment (including self employment)	Better access to and returns from economic activity	Ability to gain and secure assets	Access to affordable basic goods and services
Structure of the economy Ownership Centralisation Power and value Labour market legacies Access for sme's Production structure Public.private				
Spatial Dimensions Urban Rural				
Human capital HRD Access to health Access to basic needs Social capital/ inclusion				



A social compact on employment

- Place employment at the heart of economic policy
 - Of macro policy
 - Of industrial policy
 - OF trade policy
 - OF SOE's
- Recognise that the poor will not 'self-employ' their way out of poverty
- Cannot displace responsibility for employment onto the informal sector and self-employment: important as it is to support those currently trying to get a foothold in the economy from these margins.
- A social compact to do so: clear political will to do so.

An agenda on Inequality

- Inequality session: Distribution matters as well as growth if we're going to impact on poverty.
- **Structural inequality**
 - The structure of the economy
 - The spatial issues:
 - Human capital:
- It matters because its a huge binding constraint on transformation
- And it matters because inequality constrains growth'
- And because growth in highly unequal contexts tends not be pro poor
- And because of issues of social inclusion
- Strategies that target poverty involve political choices, that include choices about distribution. (cap top end salaries – thank you Edgar!)

The spatial issues

- Most employment will be urban. (Whether we like it or not.)
- This doesn't mean abandoning rural areas.
- Recognise that people move between the two, households straddle both.
 - Biggest 'shock' to rural local economies areas was mine job loss in the '80's.
- But it means serious differentiation in approach and expectations.

We need new wiring

How government is structured

- Across the workshop:
- Dysfunction in state structure
- In state organisation, co-ordination
- In the state's ability to engage economically, shape economic outcomes;

On restructuring the economy

- The need to restructure the economy for employment and equity is clear:
- The problems with the current structure are clear
- The desired outcomes of restructuring the economy are clear:
- But there's quite a bit still missing in the middle:

- What kind of economic change will yield the desired results?
- Why have we been so bad at achieving even those changes on which a consensus exists eg in AsgiSA?
- How do we need to restructure the state to do what needs' to be done?
- What instruments does the state have available to it to effect change in the structure of the economy?
- What kinds of partnerships and relationships with other stakeholders – business and labour in particular – does this require?

But although gaps: some messages are clear

- ‘Micro-Project approaches,’ when driven by the state leave structures and systems unchanged and reach very small numbers of beneficiaries: as government, we need to raise our game.
- Time to grasp the nettle of state power, and focus on how to achieve societal-level, systemic and structural changes:
- Understand how markets work, in what ways they are socially constructed (the state is key, but so are agents in markets – including forms of organisation such as eg Amahlati) and the scope to impact on outcomes – and how.
- If we look back at the purpose of second economy strategy: almost all targeted outcomes are market outcomes.

The purpose of a second economy strategy

- To increase levels of participation in the economy, with employment (including self-employment) and decent work the main targets;
- To improve the terms of - and returns from – economic activity to levels that lift people out of poverty
- To increase the ability of the poor to gain and secure assets
- To ensure basic needs are accessible and affordable;
- To improve the distribution of returns from economic activity across the society.

In a mixed economy – the state has a huge role in shaping markets, in setting the conditions under which markets operate

.....so a developmental state also has to be a market development state, if we're to achieve the desired market outcomes....

It's about getting the public/private mix right

Strategies at the market interface

- Achieving different market outcomes: more jobs, better jobs, better returns from entrepreneurs, lower prices, better distribution:
- Not easy and not direct: the government interface with markets often handled in a ham-handed way: the following often unclear:
 - whether the state’s aim is to substitute for the market where it fails,
 - or to find ways to make the market work better ie fix the failure by strengthening market players, facilitation to bridge the gap;
 - how to make markets work better for poor people – by impacting on power, distribution and access within value chains
 - and when the problem is indeed ‘beyond the market access frontier’ and does require the state to play a more direct role;
- Debate took place on the instruments to achieve systemic impacts: both at a high level (tax incentives to shape demand structure in retail); market intermediation and facilitation (CCDI), labour market intermediation, the role of ‘agency’ within value chains (Amahlati) but much more to be done here.
- Intermediation, market co-ordination: key issues for further work

Translation into Headline Strategies

Headline strategies need to achieve several outcomes at once;
 Taken together, they need to address all the elements below
 But it's not a linear (modular) process

Second Economy Strategy	More employment, better employment (including self employment)	Better access to and returns from economic activity	Ability to gain and secure assets	Basic needs are affordable + accessible
Structure of the economy Ownership Centralisation Power and value Labour market legacies Access for sme's Public.private				
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Focus Focus Focus

And policy/strategy consensus has to come before programming

And build on what exists

1: Tackle Inequality

A wider agenda than 2E: vital to 2E

1. **Requires a wider strategy beyond 2E:** but key areas of structural inequality are cross-cutting concerns in strategies to follow.
In addition:
2. **Prioritise Human Capital Development: to break the cycle**
 - HRD, literacy, skills are well established priorities;
Areas for additional focus:
 - Child nutrition;
 - Early Childhood Development
 - Improve access to (and use of) treatment for HIV/Aids:
 - Building participation and social solidarity.
3. **Increase the social wage: focus on economic and social services:**
 - So far, cross-subsidisation in access to services has had the greatest impacts on patterns of distribution in SA;
 - It reduces the cost burden of spatial inequality for the poor;
Prioritise affordable public transport.

2. Target the most vulnerable

women, youth, marginal areas,
informal settlements, the social protection gap

Proposal for three linked national programmes:

1. Significantly expand public employment: EPWP 2
 - Including: the Community Work Programme
 - **As an anchor Strategy**
2. Transform informal settlements into sustainable neighborhoods
And secure well-located urban land for planned new settlement.

We need to discuss whether the RDP housing model should be abandoned.

- Support a national household food-security programme:
 - Let's get Growing 😊

And focus on subsistence agriculture as subsistence agriculture: and livelihoods: water harvesting etc

These programmes are not dependant on markets to achieve their intended outcomes:
but:

- They all stimulate local demand and scope for local enterprise activity: ie help to 'thicken' local markets:
- They all engage people in economic activity that builds assets and/or incomes, networks and social capital;
- All three are enabled by existing policy frameworks and can start with little delay.

3. Create Employment, decent work

First prize for poverty, inequality and 2E: and hardest to do

- Place employment (including self-employment) and decent work at the core of economic policy
- Sector Strategies
 - Operationalise a methodology that gives priority to employment, access issues: first steps in forestry
 - Develop instruments to respond to ‘self discovery’
 - Create mechanisms to support association, organisation;
 - Explore and innovate in the use of instruments ‘at the market interface’:
 - how to achieve systemic shifts eg in structure of demand, spread of power and value in value chains;
- Focus on rural employment
 - Human capital development and associated services
 - Smallholder development
 - **Environmental goods and services**
- Target the working poor
 - In formal employment
 - In self-employment: street traders, micro enterprise, **micro credit**

4. Strengthening livelihoods and assets

Addressed directly and also in a cross cutting way:

- Asset building strategies (eg child savings accounts)
- Build community assets through community work programme
- Boosting returns to street traders
- Informal settlement upgrading
- Household food security, subsistence
- Household effects of environmental services
- Access to finance: savings, banking, insurance, and micro-finance.

Can we navigate the choppy seas identified so eloquently by Edgar through policy process to implementation?

It will certainly need all your help!

Thank you!