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BUSINESS WILL BE CALLED TO ACCOUNT - IPAP2

Only recently, President Zuma's cabinet revealed their new economic growth plan which envisages the much needed creation of new and decent jobs; in fact 5 million *new* jobs by 2020. This ambitious target can only be achieved through the commitment and support of both government and business and, if it is successful, the country should see a 15% reduction in our current unemployment levels.

Naturally, much needed change will also have to occur within government itself, and the (2010/11 - 2012/13) *Industrial Policy Action Plan 2 (IPAP2)*, which was released on 18 February 2010, goes a long way to respond to the various economic and industrial imperatives that addresses the many weaknesses in South Africa's economy.

Whilst IPAP2 draws upon the theory and practices of other developing peer group countries, it also builds on the policy perspectives of the National Industrial Policy Framework (NIPF) which was adopted by cabinet in January 2007. Both the NIPF and IPAP2 -- read in conjunction -- provide greater clarity to the private sector and its public social partners with respect to the strategic processes and changes which are required for South Africa to become more 'normalised' after decades of social and economic oppression.

And so IPAP2, which is guided by the NIPF, is a radical shift that seeks to grow our developmental economy through, amongst other, deliberate steps to create sustainable employment for 2,5 million people, initially within the *automotive* and *clothing and textile* sectors.

Of course there are many challenges; some of these include the high cost of capital, insufficient skills, transport and energy costs, a retarded BBBEE system and a widening poverty gap.

Whilst IPAP1 (2007/8) concentrated mainly on more basic actions, such as strengthening the Competitions Act and providing support programmes in the automotive and textiles and clothing industries, IPAP2 will provide more practical and focused steps to alleviate some of the previous challenges (of the R8.2 bn financial support programme pledged over the next three years, R2.6 bn and R1.7 bn have been respectively allocated for these two industries).

IPAP2 sees a more focused, labour intensive plan which essentially resides within seven key initiatives; these being:

- i) aligning macro and micro economic polices
- ii) ensuring greater concessional financing through the Industrial Development Corporation
- iii) overhauling existing public procurement processes to leverage local procurement
- iv) adopting a strategic approach to trade policy
- v) targeting anti-competitive practices
- vi) increasing skills levels
- vii) boosting production in newly targeted sectors

On the flip side of this ambitious plan (IPAP2) there are naturally some critics who are concerned that the plan may in fact be too broad in its approach and that fewer sectors should initially be targeted, as opposed to the current 12 which have been earmarked. Allied to this, whilst South Africa is also a member of the South African Customs Union (SACU) which also has a goal to develop a SACU Industrial policy, there is seemingly no concrete steps of action which aligns the IPAP2 with the 2002 SACU Agreement under its provisions of Article 38.

Unemployment in South Africa is not an unfamiliar theme; other parts of the world are also being challenged and are grappling with ways to deal with the rising problem. Whilst many developed countries may now be showing some signs of a slow economic recovery, the unemployment crisis is still set for some time to come. According to the Organisation for Economic Co-Operation and Development (OECD), experts believe that countries will need to create at least 15 million new jobs to get the employment levels back to where they were prior to the world economic crisis. To this end, perhaps South Africa may be seen to be overly ambitious with its 5 million new jobs by 2020? Or maybe not...considering that South Africa has been known to be a country that somehow creates miracles in the face of adversity. In support of this argument is the fact that South Africa was able to host one of the greatest World Cup Soccer events ever, as well as the fact that South Africa's annual GDP per capita growth rate exceeds that of many higher income OECD countries.

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Being part of the BRICS constituency, South Africa is considered (South Africa being the 'S' in BRICS) -- similar to that of Brazil, Russia, India and China -- a thriving emerging market (since the abolishment of Apartheid in 1994). Considering that South Africa also participates in the G20 and OECD, there is good reason to believe that IPAP2 can be realistically achieved; but this will take considerable effort, commitment and belief in the country, its leadership and its governance practises, which currently are not that desirable.

Upon past reflection, in 1996 only 3 million people in South Africa had access to social grants and today over 14 million people receive these benefits. Similarly, only 58% of the population had access to electricity -- today the figures stands at 80%. In 1996, only 62% of the population had access to running water -- today over 80% of the population have access to running water. Most of these achievements have been made possible due to the commitment of our government, who have been supported by business.

Considering the state of South Africa's rising unemployment levels, including the recent announcements of even further wide-scale retrenchments in the banking and mining sectors, South Africa is going to need a miracle to reverse the destruction which continues to loom over every South African. According to Ebrahim Patel, the Economic Development Minister, he is quoted saying that SA's employment situation has become desperate, and in this regard he speaks of "absolutely enormous challenges" and that government can't create 5m jobs alone: business and labour also have to make a contribution."

So, could IPAP2 be the plan that South Africa has needed for all these years gone by? And what are the "great sacrifices" Minister Patel is referring to, including the role to be undertaken by business?

It's obvious our country needs a plan that will equate to the wonderful successes South Africa enjoyed in the recent 2010 World Cup Soccer event. The winning plan of course must be actionable, fair and transparent whereby all South Africans can truly become sustainable and united once and for all.

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About CGF Research Institute (Pty) Ltd

CGF specialises in conducting desktop research on Governance, Risk and Compliance (GRC) related topics. The company has developed numerous products that cover GRC reports designed to create a high-level awareness and understanding of issues impacting a CEO through to all employees of the organisation.

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