



YOUTH ECONOMIC INTEGRATION: Rekindling the policy imperatives To accelerate economic absorption

Introduction

1. The ANC's National General Council (NGC) in June 2005, pronounced that, 'the central challenge our movement faces in the Second Decade of Freedom is to defeat poverty and substantially reduce the level of unemployment.' This resolution charged the organization and government implement an integrated development strategy, with its centrality being the sustained integration of the many that find themselves outside the mainstream economy.
2. The Policy Conference of 2007 further underscored that in 2004, as a movement we received a clear mandate to lead the country to lift our economy to a higher growth trajectory, and position it more effectively to create work and push back the frontiers of poverty. The Conference enunciated the fact in 2007, "we must work even harder, together, further to implement this mandate."
3. By the same token, the 22nd Congress of the Youth League resolved that amid loads of socio-economic strides which have significantly ushered a better life for many South Africa, scores of young people still remain outside the province of job market, and the majority of them still lack potable skills to effectively compete on the open labour market system, particularly blacks, young women, people with disabilities and the rural youth. Thus, the fundamental thrust going forward is to ensure that the Youth League as a revolutionary vanguard of youth strategic interests keep the flame burning in pursuit of total eradication of economic marginalization of the youth.
4. The 2007 Polokwane National Conference noted and resolved though substantial progress in the last decade in transforming the economy to benefit the majority, however, serious challenges of unemployment, poverty and inequality remain. At the centre of resolving these challenges is the strong role of the developmental state through a thriving, integrated and sustainable growth that creates descent work and eliminating poverty.
5. Accordingly, in a society such as South Africa which is characterised by **massive inequalities** (as measured by the Gini co-efficiency index – which ranks South African as one of the top countries on the list of countries with skewed economic distribution), **monopoly capital** and **lack of real market competition**, the democratic state should play a pivotal role in reversing these colonial and pseudo-colonial apartheid anomalies. A developmental state will always be charged with a responsibility to be an active actor in advancing and deepening economic transformation and deracilisation.
6. Any credible strategy on sustained growth and development should centrally be characterised by growth in employment. Unless the country's robust fiscal prudence and macroeconomic stability translates into real integration of youth into the economic realm, its sustenance and resolute will be nothing but a proverbial card house. Government needs to fundamentally depart from the contractionist approach to a more controlled expansionist economic policy underscoring increased capital and social investments.
7. It is noted that to date, various policy initiatives have been initiated including, among others, the Industrial Policy Framework and Asgisa. For that reason, it becomes vital that we evaluate their impact against our own policy

- positions, the 2004 manifesto and 2007 policy and national conference resolutions. Put differently, this document will tease out various policy initiatives and their impact on youth economic inclusion and job creation.
8. Correspondingly, the locality of most youth on the margins or periphery of the economy, despite robust economic growth, denotes that government programmes and projects should approach youth economic participation as 'business unusual'. A targeted, focused, time bound, resourced and youth centred economic development policy becomes an epicenter to achieving this fundamental imperative for real economic cohesion and integration. Invariably, binding constraints must be identified and eliminated.
 9. In this regard, fundamental questions have to be asked as we analyse and review these policy impacts on youth economic inclusions and employment:
 - What is the current material state of the youth in this country, both in qualitative and quantitative terms?
 - What are the challenges facing real youth economic integration, and what has been the impact of policy impact designed for this purpose?
 - Is the framework that should inform a systematic and systematic youth development strategy for the next decade, and if so, what is the nature of its construction and constitution, and if not, what are the obstacles and impediments, and how should they be resolved?
 - What is the significance of characterizing the South African economy into two economies with their interrelation and its manifest impact on the youth?
 - Has the prudential macro-economic management achieved in the last 5 years translated into tangible and sustained benefit for the youth?
 - Has government in its policy programmes placed the youth at the centre of delivery as the youth constitutes the majority of the unemployed?
 - What further overarching and concrete interventions are needed, both at policy and institutional level to further catapult the aspirations of the youth?
 - What timelines and benchmarks are needed to track execution?
 10. In sum, this document examines and reviews policies adopted since the ushering of the democratic state, their impact on youth economic absorption and integration. It further analyses the current economic position of the youth; identify fundamental obstacles; propagate an ideological shift to social conscious based discourse; identify strategic policy and institutional measures to enhance youth integration; and map out focused programmatic action plans.
 11. It should be comprehended that at the core of our renewed policy propagation is that there should be a fundamental departure from the caption of "youth Economic Participation" to "Youth Economic Integration" as the latter propagates a totality of absorption of youth into the economy, both as employment creators and employees, and shape the discourse of the economic direction of this country.

Background

12. Since South Africa's first democratic elections in 1994, the country witnessed a large-scale transformation from a racially exclusive apartheid regime to a democratic system premised on constitutionalism, the rule of law, the protection of civil liberties, institutions of accountability, the construction of a new state with both transformative and development agenda. These values and milestones formed the core of the youth struggle in this country, particularly since the inception of the Youth League in 1944.
13. Our First Ten Years of Freedom have been ten years of growing unity in action; ten years of peace and stability; ten years of increasingly making resources in the hands of the state available to uplift disadvantaged South Africans; ten years of expanding opportunities to build a better life for all. But we still have to reach the ideal of a society that truly cares, based on people-centred and people driven development.
14. Today, government is running a low fiscal debt, and is therefore able to introduce real increases in spending on health, education, housing, social grants and other economic stimulating activities.
15. Since 1995, our economy has grown on average of over 3% a year, and going forward, it will touch easily 6% for the

- coming years. Despite the concentration of capital (monopoly capital) and lack of real diversification, the economy has become relatively competitive, with increasing volume, diversity and destinations of exports, and has created about 2 million net new jobs between 1996 and 2003. Is this enough to absorb the supply to the labour market? What kind of jobs are these? Are they sustainable? Do they manifest in poverty wage or living wage?
16. Accordingly, the number of people seeking work has sharply increased; many workers have lost their jobs; and many have been negatively affected by casualisation and outsourcing. As a result, many South Africans do not have jobs or decent self-employment; poverty is still a reality for millions as many do not have appropriate skills, while many cannot get credit to start or improve their own businesses.
 17. The latest mid-term economic review denotes that between 1996 and 2006, on year-on-year, the economy has grown at 3.6% (overall GDP). Between 1996 and 2006, the primary sector has grown at 0.9%, the secondary sector at 3.1%, while the tertiary sector has seen growth at 4.1%. On the back of the above, answers have to be provided on the extent and the level of youth benefit in tandem with the robust growth.
 18. Thus, to date, the statistical analysis based on the data conducted by Statistic South Africa, indicates that:
 - ❑ Of the over 45 million people living in the country, just over 16.1 million or 40% were youth (14 to 35 years). This denotes that the South Africa's population is relatively youthful, a feature of the population of many developing countries.
 - ❑ About 21% of all youth in South Africa live in KwaZulu-Natal, followed by Gauteng (20%) and Eastern Cape (14%).
 - ❑ The overall unemployment rate i.t.o of the expanded definition for youth in SA according to Census 96 was 40.9%.
 - ❑ Of all the economically active population, over 70% are young people between the ages of 14 to 35.
 19. On the back of these numbers, it could be adduced that, notwithstanding the healthy economic growth, many young people are at an unhealthy economic state, and are by and large at the receiving end of this horrid reality of unemployment and economic exclusion.
 20. On the back of the above, and as we review the mid-term of the current government tenure, key questions remain pertinent:
 - Has government become overinfatuated with growth (a numbers game) and neglected economic development which combines economic growth and clear social development strategies such as social capital and sustainable livelihood?
 - Has government failed to put the youth at the centre of development?
 - Does government have a youth centred and youth driven youth development strategy?
 - Does government take to heart the various policy propositions that the Youth League has championed and discussed with government?
 - Why it has taken so long for government to adopt the Integrated Youth Development Strategy and rationalizing the institutional mechanisms dealing with youth issues?
 - Does the private sector play its role to ensure that many young people are integrated into the economy?
- ❑ The rural and black youth are at the worse end of this grinding unemployment reality. Put differently, the problem of lack of jobs is more intense in non-urban areas where the unemployment rate hovers at 51.3% compared to 35.7% in urban areas.
 - ❑ The unemployment rate for economically active youth was higher for females (49.6%) than for males (33%).
 - ❑ The unemployment rates for male youth and female youth without any formal education was 33.8% and 52.3% respectively.
 - ❑ More than two in every five employed male African youth (45%) worked as artisans and operators, while about half (49.7%) of employed female African youth held elementary jobs.
 - ❑ Fifty-five percent (55%) of employed male African youth and 70.6% of employed female African youth earned R1 000 and less per month in 1996.

- Are promises made by both the private sector and government carried through, and/or whether they take the priority?
21. In sum, it is clear that the widening income gaps and inequalities, the low saving rates of populase, debt trap (with over 70% of South Africans income being debt), the lack of competition, lack of clear anti-poverty strategy, rising unemployment, youth majority outside the mainstream economy, macroeconomic mis-articulation. The review in this mid-term must be predicated on a view of accelerating and fast tracking strategic goals to half poverty and unemployment by 2014. As things stands, it is unlikely that the targets could be achieved, thus a need for a fundamental shift of paradigm.

Strategic outlay for the second decade of freedom

22. Our 2004 election manifesto recommitted our movement to the objectives of a better life for all and outlined a concrete set of economic policy objectives for the Second Decade of Freedom. The manifesto identified a number of important targets and objectives making up a vision for 2014, including:
- Reduce unemployment by half through new jobs, skills development, assistance to small businesses, opportunities for self-employment and sustainable community livelihoods.
 - Reduce poverty by half through economic development, comprehensive social security, land reform and improved household and community assets.
 - Provide the skills required by the economy, build capacity and provide resources across society to encourage self-employment with an education system that is geared for productive work, good citizenship and a caring society.
 - Ensure that all South Africans, including especially the poor and those at risk - children, youth, women, the aged, and people with disabilities - are fully able to exercise their constitutional rights and enjoy the full dignity of freedom...
 - Position South Africa strategically as an effective force in global relations, with vibrant and balanced trade and other relations with countries of the South and the North, and in Africa continent.
23. In 2006, government announced the Accelerated and Shared Growth Initiative (Asgi-SA), which constituted a programmatic response to part of the Manifesto's objectives. Asgi-SA consists of a limited set of interventions that are intended to serve as catalysts to accelerated and shared growth. The programme states that:
- “Government’s investigations, supported by some independent research, indicate that the growth rate needed for us to achieve our social objectives is around 5% on average between 2004 and 2014. Realistically assessing the capabilities of the economy and the international environment, we have set a two-phase target. In the first phase, between 2005 and 2009, we seek an annual growth rate that averages 4,5% or higher. In the second phase, between 2010 and 2014, we seek an average growth rate of +- 6% of GDP.
- “In addition to these growth rates, our social objectives require us to improve the environment and opportunities for more labour-absorbing economic activities. We need to ensure that the fruits of growth are shared in such a way that poverty comes as close as possible to being eliminated, and that the severe inequalities that still plague our country are further reduced.”
24. It is these myriad of benefits presented by our second decade that a robust youth economic strategy need to be persued in line with the ethos of our national democratic revolution (NDR).
25. In sum, it is crucial that as we review policy implements and providing strategic forward looking interventions, detail programmes with budgetary spending and timelines. These interventions would include Asgisa and NIPF, second economy interventions, promoting African and developing countries agenda (on the back of a hostile international financial architecture), development of anti-poverty strategy and comprehensive social security, targeted actions to improve capacity of the state, and monitoring and evaluation.

Pillars of the Integrated Economic Policy: A Fundamental shift

26. The future economic policy which will deal with strategic challenges including unemployment, poverty and inequality must be based on the following tents:
- (a) thriving and integrated economy;
 - (b) increasing social equality and a growing economy rising productivity – innovation and cutting edge technology, labour-absorbing industrial growth, competitive markets and a thriving small business and cooperative sector and the utilisation of ICT with efficient forms of production and management;
 - (c) promote fair labour practices, social security for the poor, universal access to basic services;
 - (d) based on mixed economy, where the state, private capital, cooperative and other forms of social ownership complement each other in an integrated way to eliminate poverty and foster shared economic growth;
 - (e) economy that is connected to the world, and which benefits from vibrant and balanced trade with the rest of the world; and
 - (f) sustainable growth and development.

Policy and youth impact

27. This section deals with clinical analysis of the fundamental economic policy initiatives by government such as the recent industrial policy, and our policy positions that have been championed together with other by progressive youth forces which are aimed at ensuring real economic integration of the youth through systematic and systemic programmes such as employment creation, entrepreneurship and human capital development.
28. The 22nd Congress resolved that for economic transformation to be meaningful and deepened, it is imperative that the state make strategic intervention in the economy through social and physical infrastructure investment, regulate the economy and offer financial and material support to the historically deprived. Our biggest challenges are to ensure that many of these initiatives translate into concrete programmes which will benefit the youth.

Industrial policy

29. The move towards an industrial policy – National Industrial Policy Framework (NIPF) – recently adopted by the Cabinet Lekgotla should be welcomed. However, it is not clear whether the framework constitute the policy proposition or it's a framework within which the policy will be developed.
30. It has been our proposition as an organization that an industrial strategy is very pertinent to focused, targeted and sustained growth in our country. The market failures, and the sluggish and ambiguous responses by corporate South Africa to be a real partner in the economic development agenda denoted that the developmental state must fill void and lead in the economic direction of the country.
31. Growth and development would not be sustained if we are only focused on commodity-driven growth, exports based growth and consumer spending. Diversification of economic stream coupled with precise targeted sectors is key. Sustainable and real absorptive growth must be driven by value-added manufacturing and robust tertiary sector – a strong industrial policy is essential to facilitate this structural change.
32. The framework identifies four lead sectors, namely,
- ❑ the capital, transport equipment and metal fabrication sector;
 - ❑ the automotive and components sector;
 - ❑ the chemicals, plastic fabrication and pharmaceutical sector; and the forestry, pulp and paper and furniture sectors.
33. However, there are fundamental questions and limitation that the framework presents, including the lack of specification and targets to achieve some of these policy intervention. The Framework falls short of many fundamental imperatives such as the empowerment plans around these industries, the re-enforcement of Charters' targets to ensure the broad based thesis, the pronouncement on youth and economic integration, funding assistance models for emerging businesses, and identification of strategic industries such as the mining and mineral beneficiation, agro-processing, creative industries, manufacturing and ICT.

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34. The Framework is very ambiguous on projected economic spin-offs (cost and benefits), employment creation, downstream beneficiation and strengthening competition policy. It is not clear how the plan will be 'synergised' with the Asgisa initiatives such as bio-fuels, tourism and business process outsourcing – as this asymmetry may create a confusion of actual policy direction and their biasness. The industrial framework is too low on measurable outcomes, and glaringly excludes the fundamental goals of halving unemployment by 2014.
35. It is not clear whether the framework constitutes the actual policy measure of its just a framework within which policy will be developed. This is vital for effective engagement.
36. While the trade and industry department's economic development plans are seen as key to the government's triple growth and jobs policies – the Joint Initiative on Priority Skills Acquisition (Jipsa), Asgi-SA and the Industrial framework – it is known that the treasury is opposed to some of the proposed interventions, such as tax breaks and using import tariffs as an instrument to tweak industrial development. The tension with the treasury will have to be resolved, of course taking into account the cost and benefit analysis.
37. The key questions:
- Is the National Industrial Policy Framework, a framework or a policy position in a true sense of a wholesale policy position, if not, when will the country's industrial policy be adopted?
 - What are the time lines to implement this framework?
 - What are the benchmarks to track its progress and monitor its application?
 - Has government identified capacity to implement this strategic policy initiative?
 - What is the relationship of the NIPF with Asgisa initiatives? Should the NIPF and Asgisa operate in parallel or should Asgisa be collapsed into NIPF or vice versa?

Monopoly capital and market abuse

38. South Africa is a monopolised economy, typified by dominant monopoly capital and monopoly pricing which is hostile to revolutionary development, economic transformation and economic integration. The plan by government to finance another state-owned steel plant is an implied admission that the privatisation of strategic state assets had not had the desired outcome, and had rather helped to entrench monopolies, which were now using their dominant positions to maximise profits.
39. Our preoccupation of the past with macro-economic stability demands of us to shift gears to a more micro-economic focus with a close industry behaviours and their impact to the economy and its absorptive capacity. For example, the banking industry, car manufacturing, steel and carbonated steel and telecommunication are naked monopoly capitals with severe and adverse effect to fundamental socio-economic goals, including social cohesion and economic justice.
40. The recent scandals in the bread industry and milk industry are a serious indictment of the callousness and heartlessness to the needs of the poor masses, and contemptuousness of the general programme of government to halving poverty of the monopoly capital and. It is befitting to assert that monopoly capital is the enemy of the NDR, the country and its people.
41. The bread scandal involves the collusion by bread companies such as Tiger brand, the producers of Albany bread. The Competition Commission found them guilty of collusion and were fined R99 million rands. Hardly days after the fine, the dominant bread companies raised the bread price by over 40 cents a loaf.
42. The milk scandal involves the collusion of milk companies such as Clover Industries, Clover, Parmalat, Ladysmith dairy and Nestle. The Competition Commission will be pronouncing its penalty to these companies, and the jury is still out.
43. What is very disturbing is that these companies are fixing prices and make the basic food stuff that the majority of the poor depends on very expensive.

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44. To add the cherry on the top, the Competition Commission has recently referred a case of collusion and price fixing against Adcock Ingram Critical Care (Pty) Ltd, Dismed Criticare (Pty) Ltd and Thusanong Health Care (Pty) Ltd for prosecution. Tiger Brands, the owner of Adcock Ingram Critical Care, is alleged that certain of its directors were aware of the collusion. During 2005, the Competition Commission initiated an investigation into allegations of a cartel between these firms, as well as Fresenius Kabi South Africa (Pty) Ltd. The Commission's investigation found that the parties were engaged in collusive tendering and market allocation, both of which are contraventions of section 4 of the Competition Act. The conduct was designed to avoid competition between the colluding firms and manipulate prices for pharmaceutical and hospital products.
45. According to the Competition Commission, Fresenius Kabi South Africa has confessed its involvement in the cartel and had agreed to co-operate with the Commission's investigation. It was therefore granted immunity from prosecutions in terms of the Commission's Corporate Leniency Policy.
46. Noticeable, is that Tiger Brand is also involved in this collusive and exploitative behavior of making the prices of medicine high, another basic need for the many and the poor for their survival and livelihood.
47. Accordingly, it is submitted that the Corporate Leniency Policy and penalty provisions are not working. As the organization we further submit that the penalty provision must be amended to include in addition to fines stiff imprisonment of the directors of the guilty companies or the parties so implicated.
48. Key questions:
- What campaigns should the organization be embarking upon to demonstrate its discontent and disgust to the exploitation of poor masses by these cartel and monopolies?
 - What tactical measures should be employed, which among others should include boycotts of these companies and their products?
 - What nature of penalties and sentences would be effective to deter such conducts?
 - What changes should be made in the

Competition Act, which is proving to be less effective?

- What kind of institutional measures do we need and the kind of leadership that is critical to ensure that these corrective measures are fully implemented?

Motor industry

49. The Motor Industry Development Plan (MIDP) was designed to help an inefficient, high cost and uncompetitive motor industry adjust to South African trade liberalization that began in 1995. It has done so with very generous subsidies of tax and duty-free incentives. It was intended to encourage firms to orient themselves to global markets and in particular to enjoy the economies of scale and specialization that could occur only by taking advantage of opportunities for international trade. The adjustment period was set initially at seven years. The programme has now been extended twice, and is currently scheduled to run until 2012, for a total of 17 years.
50. Clearly, the cost to the country to continue with this programme far outweighs the benefits (cost and benefits ratio). Following complaints about the failure of prices to respond as expected to the appreciation of the Rand, the Competition Commission conducted an investigation of domestic motor vehicle pricing. The Commission has pointed to the possible role of the **MIDP in restricting consumer choice and maintaining prices at higher levels than in other markets.**
51. Moreover, the recent study on the 'Economics of MIDP and the South African Motor Industry' led by Frank Flatters of Queen's University, Canada concluded that the MIDP provides very large subsidies to the automotive sector, that these have substantial economic costs, and that some of the **programme's alleged benefits, especially in terms of consumer interests and employment, have been overstated.**
52. The study further concluded that large subsidies such as those given by the MIDP distort production and investment decisions. They make **socially wasteful activities and privately profitable.** Losses from activities whose costs far exceed their revenues can be made financially sustainable by offsetting MIDP subsidies.
53. In essence, despite a duty free incentive

under the MIDP which should be passed on to the South African consumer, evidence shows that South African consumers pay a duty-inclusive price, and at times even higher than that in which the car are exported to. Each R100,000 of export earnings would actually use R160,000 of South African resources. Rather than saving foreign exchange, each R100,000 of exports was actually wasting R60,000 of domestic resources.

54. In the first five years of the programme, **employment in the manufacture of both vehicles and components declined by 17 percent**. Since 2000, employment in vehicle production has more or less stabilized, but has not grown. **Investments in excess of R12 billion since 2000 have resulted in virtually no job growth in vehicle assembly**. Employment in components production (including tires) has grown by a modest 6 percent, or barely over 1 percent per year, over the same five-year period. The industry **lost 1 096 jobs in the second quarter**, according to the latest quarterly review released in July 2007 by the National Association of Automobile Manufacturers of SA (Naamsa). This was almost a **3 percent decline in employment by the industry**.
55. The National Treasury has come out strongly opposed this continued programme in its current form as many resources used to bankroll this monopolistic practice are not benefiting the South African public.
56. Key questions:
- Should the programme be maintained and do the cost of maintaining this programme justifiable its current form?
 - In view of the cost outweighing the benefits, should the programme be radically overhauled to ensure societal favourable cost benefit ratio?
 - Should there be targets on employment creation, growth and BEE plans together with clear benefits to youth entrepreneurs?
 - Are there alternatives to this plans, if so what are they?

Banking and access to capital

57. The 22nd Congress, the organization resolved that "lack of access to capital and business development for youth entrepreneurs must be resolved accordingly. Thus, benchmarks should be introduced to access their impact on entrepreneurship, and in particularly

youth entrepreneurship. Legislation should be promulgated to ensure those commercial banks avails funding to SMME development. This criterion could be part of the licensing of bank which would require amendments to the Bank Act or be part of the proposed Community Reinvestment legislation. Banks should visibly and practically demonstrate their departure and practically do away with their continued racist practice of "red-linng". Government should seriously investigate possibilities and necessities to establishing a state financing house which will be part of the broad empowerment strategy. This financing house should be set to compete with commercial banks (at competitive rates), and aimed at empowering blacks, youth women and people with disabilities".

58. However, as the situation stand, nothing has changed in the lending practices by the commercial banks and the monopoly of the big four banks remains unscathed. Banks in their monopolistic practices, as the Competition Commission has found do not price their services based on cost, but on envisaged margins and profit. Therefore, what is means is that in their collusive practice they charge any prices based on their envisaged profit margins.
59. The reluctance of the Reserve Bank and Treasury to break this monopolistic practice is worrisome, moreso when it is analysed against access to capital by the poor, banking the unbanked (which many are the second economy) and protection of the purchasing power of the poor.
60. Key questions:
- Has our campaigns on engaging with the banks with the view of concessional pricing and more favourable lending rates to youth entrepreneurs bore any results? If not, as the evidence suggests, what are radical measures to ensure that the practice is reversed?
 - Is there any reason why the competition authorities have been sluggish in turning the tide in this sector and other sectors such as steel?
 - Is there a need for a more responsive legislation on competition in this country, as the current competition regime is a dismal failure?
 - Is the lead department(s) including the Reserve Bank in this regard failing the South African public?

Asgisa

61. The Asgisa initiative is conceptualized on identifying binding constraints in the economy and identification of sets of intervention, among other the second economy. It is not an overarching economic strategy, though it identifies medium and long-term goals. Its Key Focus or Performance Measures: growth of 4.5% (2005-2009); and 6% (2010-2014), and reduction of poverty and unemployment by 50% by 2014.
62. The programmes of the initiative are:
- ❑ **Balanced and sustained growth** (targets, gross fixed capital formation 10% pa, macro-economic issues, sector investments, skills and education, 2nd economy intervention, public administration).
 - ❑ **Macro-economic issues** (currency value and volatility, inflation targeting, spending trade-offs and efficiency, budgeting and lower taxes).
 - ❑ **Infrastructure programmes** (R370bn budgeted on current MTEF, core national programmes of SOE, direct government capital expenditure, special provincial projects, gearing up for increased investment).
 - ❑ **Sector investment strategies** – priority sectors (agri-processing e.g. biofuel), immediate priority sectors (business process outsourcing and tourism); medium term priority sectors (chemicals; and clothing and textile; down stream beneficiation; agriculture and agrarian reform; creative industries and furniture and markets white goods; cutting-edge technologies).
 - ❑ Education and skills (improve quality of education received by majority; ensure effectiveness of national skills development strategy)
 - ❑ Second economy interventions (need to deal with challenges faced by youth, women and people with disabilities); sector investment strategies (fresh produce; waste collection; street trading; sub-contracting clothing and textile; and traditional medicine); SMME and micro-credit; and massification of EPWP
 - ❑ Public governance and administration.
63. As an organization we proposed certain key intervention such as National Youth Service Programme, Extended Public Works Programme (30% targeted to youth), Economic Development Initiatives (on the back of lack of benefit by the youth on SDIs and IDZs initiative, and that IDZs should be linked certain national youth service projects and effectively implemented) rural water supply and sanitation, and clean and Green Living Campaign.
64. We further proposed sectors proposed targeting which were:
- ❑ **Agriculture and Agro** – Processing At least 100 Youth Owned Enterprises and at least 100 000 youth should benefit from Specific Strategic Agriculture and Agro-Processing initiatives formed by 2008/9
 - ❑ **Business Process Outsourcing** – Creation of at least 5 Youth Business Process Outsourcing per province by 2007 with special focus in the rural areas and 200 000 Youth should be employed in the sector by 2007
 - ❑ **Mineral Beneficiation** – At least 1000 Youth-Owned Enterprises and 50000 youth should benefit directly and indirectly from Strategic Mineral Beneficiation initiative of the state
 - ❑ **Energy Crops and Bio-Fuel** – Value Chain Creation of 100 Youth Owned Strategic firms in Energy Crops and Bio-Fuel Chain and 150000 Youth should be employed in the sector by 2008
 - ❑ **2010 Soccer World Cup** – At least 20% of all small contractors in 2010 should be Youth Owned and Managed Enterprises.
 - ❑ **BEE and Employment Equity** – BEE and Employment Equity Legislation should be transformed to target youth as a deliberate beneficiary
65. Despite scanty strides registered under this initiative, there is little evidence to suggest that our policy propositions as articulated above and targets are integral in the initiative. The jobs impact created as a result of Asgisa remains mysterious. The initiative hasn't reached the marginalized poor who are sits outside the labour market. The momentum on key areas like skills programmes has been slow. The provincialisation of the programme hasn't taken place.
66. The role that the private sector plays in support of Asgisa programme offering remains shallow and needs to be reinvigorated. There is a need to ramp up

the momentum on the development of the SMME and co-operatives.

67. Delivery of the programmes remains the Achilles heel for government. Hence, government must be able to plan systematically to deal with the capacity challenges at national, provincial and local level. Government must ensure Section 57 managers in municipalities and SMS in provincial government sign performance agreements which will include the achievement of the Asgisa goals, given the potential risk on service delivery. In addition, an aggressive recruitment and training of scarce skills is pivotal, and there are numerous unemployed graduates that could be trained and retrained to deal with this skills deficit.
68. The Presidency has targeted 55 000 target (structured training and community service 20 000, 30 000 volunteers, and 5 000 maintenance of public buildings) for the NYSP for the financial year 2007/8. The fundamental problem in this regard is that there is a poor co-ordination and poor champions from government functionaries. The role of non-governmental is crucial in this regard to ensure that the NYS really benefit the youth. As it stand now, the impact of the programme to the youth remain a pipedream.
69. Asgisa projects must be linked to the Local Economic Development Plans (LEDs), and equally be aligned to the DTI and Public Works programmes.
70. The intergovernmental misalignment, poor co-ordination and turn around times have a huge impact on the delivery of programmes.
71. Key questions:
 - Why there is a glaring absence of targets set on youth to benefit on the initiatives, save for the NYSP which has been done recently?
 - What is the relationship of Asgisa to the industrial policy framework, and which one takes precedent?
 - Are the lines of communication and engagement clearly defined?

Second economy interventions

72. As part of our revolutionary paradigm to transformation in our country, we should ensure that our economic contradictions in

social relations of production which manifest themselves in race, gender and demography are eliminated. These include the engineering of a single South African economy away from the twin racial economy.

73. Hence, the current economic antithesis can only be effectively eradicated through concrete and material reform of capital, landed property, wage labour and profits, state, foreign trade, and world markets (current international financial architecture).
74. It is our view that the South African society is characterised by two economies, the first economy and the secondary economy which is racially skewed. It is our view that real economic transformation would be delivered if the racial disposition of these economies is radically overhauled through targeted, focus and systematic strategy by the government. It is incumbent to any developmental state that government should play a central role in bridging the economic gaps between the few opulent and the millions indigent. Whilst government succeeded in achieving macro-economic stability which has delivered thrive in the first economy, the biggest of the second democracy is to intervene in the second economy.
75. The balances of forces document of the ANC correctly charge the movement to strengthening the ANC as an "Agent of Change". Targeted intervention is required in the second economy to overcome poverty and unemployment, and to create opportunities from which all economic citizens can benefit, thus building a single economy.
76. Correspondingly, government needs to recognize to overcome the challenges of the second economy and transform its underdevelopment and marginalization. There is a need to cultivate a shared norms and common understanding of the challenges facing the second economy in order to assist government to adopt a collective and integrated approach, and design relevant policies and interventions.
77. In the main, the second economy is characterized by or its characteristic include:
 - a. Geographic demography
 - b. People
 - c. Enterprises

78. In the foremost, we need a common comprehension (definition) of poverty, that is, what is poverty, and what are its peculiar characteristics and its manifestation. Is it income based, lifestyle based or locality based? Whence, a holistic and integrated approach becomes pivotal and crucial in this regard. This strategic approach must integrate the following considerations:

- ❑ State intervention must be at the core of the approach to dealing with the second economy,
- ❑ The current government supply interventions are too small and require a scaling up,
- ❑ Boosting demand in the second economy through shifting public investment must be key in dealing second economy, and
- ❑ Attract private sector investment through shifting public sector investment to second economy.

79. As noted above, the second economy must be about addressing depressed and marginalized place, people and enterprises. It is submitted that the core instruments must include:

- ❑ Prioritise labour absorptive sectors,
- ❑ Spatial industrial development,
- ❑ Enterprises development,
- ❑ Human development, and
- ❑ Innovation and Technology transfer.

80. Furthermore, the integrated approach to the second economy must focus on massive up-scaling supply and boost demand in the second economy in order to achieve sustained growth and development. The supply-side intervention should include, among others, finance support to SMME, micro-finance support, business support, incentive schemes, improving skills base, and technology transfer.

81. On the other hand, boosting the demand-side intervention should include leveraging on private and public procurement, target priority sectors – multiplier effect and contribute to massive job creation, build more industrial nodes/parks, build rural development nodes, EPWP and infrastructure development, and a shift huge investment to marginal areas.

82. The strategic approach requires involvement of all tiers of government, with an intensive involvement of social partners in a form of a social compact.

Anti-poverty strategy

83. Our 2004 Elections Manifesto unpacking strategic objectives of Vision 2014 to bringing down **poverty by half** through economic development, comprehensive social security, land reform and improved household and community assets.

84. However, to date, save for various programmes dealing with poverty, South Africa has no integrated and comprehensive Anti-Poverty Strategy with a horizontal width and vertical depth to crash frontiers of poverty.

85. The envisaged strategy must pronounce itself on the multi-faced nature of poverty, the basic income security, human capital development, full economic participation/ entrepreneurship, basic services and other non-financial transfers, social inclusion, access to assets, and economic initiatives (growing the economy, creating jobs and developing micro-enterprises).

86. More importantly, a consensus must be reached at national level on the baseline poverty line and developing poverty maps or information of special distribution of poverty.

87. Consistently, the strategy must be inclusive of all social partners, business, labour and civil society.

88. In sum, the poverty strategy must be destiny changing in order to eradicate the spiral or cycle of poverty. Jobs for growth, customised house hold programmes targeting youth and women, exit strategy for the EPWP or NYSP, and training must be accompanied by relevant skills deficit.

89. Key questions:

- What determines and defines poverty?
- What are the manifestations of poverty in our society?
- What intervention measures pertinent o the Anti-poverty strategy?
- Who are the key role players?

Balance of payment and monetary policy

(a) Balance of payment

90. The deficit in the South African current account is worrisome. South Africa in the main attracts portfolio investment and not foreign direct investments despite various

government tax and duties concessions and incentives. However, the South African economy has been known that when growth is accelerates, the current account will move towards a deficit on the back of capital goods imports.

91. The SA economy is characterized by an unusually reliant on portfolio equity inflows to finance its deficit". In contrast, "a larger proportion of the deficits of countries such as Hungary and Turkey is covered by foreign direct investment".
92. Therefore, does it mean that to offset this practice, the monetary authorities should intervene in the foreign exchange market to shore up the current account and push up the export flows. Evidence suggests otherwise. The export growth strategy has proved to be a failure, and a more wholesale strategy on economic performance is crucial.
93. The Reserve Bank cannot be expected to intervene in the forex market with a view of depreciating the rand exchange rate. During the 1998 financial markets crisis the bank attempted to shore up the Rand and it failed dismally at the cost of billions of dollars which strain had to be felt by the South African public. It is unwise for the country to target the levels of the Rand. A strong Rand is not desirable, equally so a weak Rand is undesirable as it import inflation into our economy and pushed up the interest rates to the disadvantage of many in the second economy and youth through eroding their purchasing power.
94. In sum, the current account deficit cannot be resolved through a weaker Rand. More value added goods should be exported from South Africa as they present higher earnings. South Africa should move towards production of capital goods and related goods so as to limit huge importation of these goods
95. Key questions:
 - Are there other measures that government should introduce to reduce the current account deficit?
 - Are the current measures sufficient or needs to be improved?
 - Should the Reserve Bank intervene in forex market to weaken the Rand?
 - What synergies should be fostered with other policy initiatives?

(b) Monetary policy

96. The South Africa Reserve Bank pursuit of monetary policy and the inflation targeting policy as anchor to the policy is worrisome on the back of empirical evidence on the application of the policy. This relates to the utilization of the policy as a blunt instrument to wade off inflation, regardless. The consequences of such are that the poor are the one that are hit hard by the increase of interest rate and the consequential inaccessibility to capital, goods and property.
97. Thus inflation targeting policy must be revisited with a view of scrapping it off and adopt a broader approach like the Federal Reserve Bank of the United States which includes employment creation and economic growth. The other option may include upwards revision of the inflation targeting ceiling to say 9% (maintain a single digit regime).
98. On the back of the economic realities facing our country, a single instrument approach is scandalous. The monetary policy must ensure that the Reserve Bank looks at inflation, employment creation and economic growth, as opposed to the current singular regime.
99. Key questions:
 - To what extent should the current monetary policy regime be overhauled?
 - Why the Reserve Bank has not triggered the escape clause despite over-running inflation which in the main is exogenous?
 - What are the preferred options?

Procurement

100. The 22nd Congress resolved that "the current policy on government procurement falls short of clear mechanisms to promote youth empowerment. One way to promote direct youth absorption into the labour market is through the government's procurement policy. When government awards its tenders, it should takes into account various criteria, such as the racial and gender composition of the companies tendering.
101. Accordingly, other criteria that should be introduced to access the proportion of young people on the companies' payroll. The state procurement process should also ensure

that the current criteria set specific measures for empowering young people in terms of the stake in the procurement process. The same principle should be applied to the private sector. In the next 10 years, over 15 per cent of the state procurement should be by youth companies or organisations.”

102. Government conducted a Study on state procurements. It was established that the SMME have not benefited as desired. Certain industries were identified in which government procurement the bulk of its services, and particular departments such as the GCIS, SAPS, Social development, Department of Land Affairs, Department of Transport and the Department of Justice and Constitutional Development.
103. Accordingly, our proposition is that these industries must be targeted and real binding rules be promulgated with clear targets to youth. As identified, these industries include Adverts, Media and Communication (R100m); Clothing (R160m); Computer Equipments (R300m); Consultancy (R300m); Vehicle purchase (70m); Printing and publishing (80m); Conferencing (25m); Office furniture (40m); Stationary, toners and cartridges (65m); maintenance and repairs, as well as training and development (25m); food perishable supplies.
104. As stated, it is submitted that compulsory policy should be adopted that these goods and services shall be procured strictly through BEE SMME and youth corporates. A system must be development to track compliance. The state funding institutions must provide funding with less stringent requirement and conditionalities to these industries. Compulsory payment measures to SMMEs must be institutionalized with a turn-over payment days not exceeding 30 days.
105. Key questions:
- Are the industries identified strategic enough to catapult youth self-employment?
 - What targets should be set for youth benefit?
 - How soon should government promulgate this policy measure, and how will it monitored?

Black economic empowerment

106. While we fully support the targeted empowerment through the global and sectoral charter approach to readdress the existing economic inequities as well as the allocation of R10 billion for Black Economic Empowerment (BEE) processes, these initiatives fall short of clear benefit and empowerment of youth.
107. Therefore, both youth and government should agree on how the BEE process would benefit the youth including setting of targets or percentages. Sectoral charters and the global charter should also include a particular percentage of youth ownership. Our submission to the information communication and technology (ICT) chapter was that 10% of equity ownership in this sector should be reserved for youth, with the 50% to young women. Our submission also included the 5% management, 30% employment equity, 30% skills development, and 10% preferred procurement.
108. Youth should be represented on the BEE structures and office(s), including the Black Economic Council. A clear policy guidelines should be agreed upon the billions allocated for Advisory Council on the Black Economic Empowerment, in terms of how its will be spent, and what percentage or what resources will be directed to youth empowerment.
109. The Empowerment Act still has various shortcomings. While it has provided assisted to elucidate BEE strategy within the broad ambit of economic transformation, but the lack of 'national guidance targets' provides little benchmarking or synergy in terms of national targets. Thus, other charters are bound to attract vicious attacks as there is an absence of a national guide book on targets.
110. Key questions:
- Why has taken so long to integrate the youth in the BEE legislation?
 - Why the youth was excluded in the revised Codes?
 - Why there are no targets dedicated to young people?

Integrated Youth Strategy

111. In our proposition at Policy Conference we put forward a need for an Integrated Youth Development Strategy (IYDS). This strategy should address the perennial challenge of

institutional and programmatic capacity to meet the various development challenges faced by the youth of our country. Hence, the adoption of the IYDS itself as the main strategic mechanism towards youth development in South Africa will constitute an important milestone in our strategic mission to place the issues facing young people firm on the agenda.

112. The IYDS, as a long term programme, must be two pronged with regards to actual implementation. First, there must be programmes that directly impact on youth development: direct impact programmes. Second, there must be programmes which the IYDS works in conjunction with other development institutions, both youth oriented and non-youth oriented.
113. The bulk of the work that is required to drastically turn around the fortune on youth development resides on issues that would be dealt with indirectly and in conjunction with other institutions as the aim after all is to integrate youth development throughout all spheres of government, private sector and NGO's development. Youth development is conceptualized as a cross-cutting issue that must be integral to all developmental initiatives nationally, provincially and at the local level.
114. The IYDS will seek to clarify the capability and capacity of programmatic and institutional mechanisms to respond effectively, efficiently and comprehensively to the broad challenges of youth development. The IYDS will enable youth policy makers and policy monitors to be able to initiate concrete interventions around a single vision that would be a point of reference for all stakeholders around the question of youth development.
115. There are two critical policy options on the institutionalization of the arrangement to pursue youth development. These are (a) maintain the status quo or (b) amalgamate youth institutions, and create a National Youth Development Agency. The latter approach is favoured as it ensures rationalization and leveraging of resources and circumvent duplication and competition.
116. Key questions:
- What needs to be done to ensure that the IYDS is finally adopted at the ANC Conference in December?

- What measures are we suppose to put in place to ensure that the adoption is followed by immediate implementation?
- What time frames are we working on to ensure that the both policy thrusts and institutional mechanisms are rolled out without undue delays?

Infrastructure investments

117. The 22 Congress further pronounced that clear guidelines (construction and post-construction phases) should be developed to provide for a particular focus on young people in terms of skills transfer, job creation, SMME development and maintenance.
118. The absence of deliberate and conscious pronouncement on the benefits of this youth in this booming industry leaves a lot to be desired. The organization must reaffirm its original proposition that youth benefits in this regard must be quantified.
119. The soccer world cup and the events around should create jobs and fast-track some of the country's biggest projects. The over R21-billion investment that this event will attract should surely benefit young people.
120. Furtheron, it was concluded that in the next ten years, the **youth unemployment should be halved to less than 35% of the unemployed economically active citizens**. This effort will need an integrated approach which should display a full implementation of the current initiatives and other strategic programmes.

Land reform

121. The land restitution programme and land reform should sped up with 30% of agricultural land redistributed by 2014, combined with comprehensive assistance to emergent youth farmers. There can never be a legitimate and credible land reform if it does not benefit young people.
122. Amid land ownership remaining our strategic objective of our revolutionary agenda, there are no clear policy guidelines from the Department of Land Affairs to ensure that land reform is sensitive to youth aspiration in this country.
123. Key questions:
- What revolutionary measures are necessary to ensure the land issue is

effectively resolved.

- Is the cut off date of 1913 depicting the realistic back date to launch land claims?
- What is our position on foreign ownership of land/ Should there be restrictions? What about absent landlordism?

Entrepreneurship

124. The 22 Congress resolved that these agencies, including the National Development Agency (NDA) should explore at creating a Youth Bank, Credit Union and Food Bank, and lend financial and advisory support to youth in enterprise development.

125. The promotion of youth entrepreneurs should primarily engender a reform to the current regulatory environment, promotion of entrepreneurship, **entrepreneurship education**, small business support infrastructure, and **access to financing** and seed capital. Mineral development is one of the fundamental areas of focus that we should engage government in, and campaign around as a key measure to ensure youth integration in the economy. A delineation of critical industries should be identified such as finance, mining, manufacturing, tourism information communication and technology as well the agriculture.

126. Evidence suggests that the above congress resolutions in this regard are still to be promulgated as government policies, thus making the pronouncement of the Congress unimplemented. The regulatory environment remains little different, thus systematically antagonistic to youth aspirations to self employment and entrepreneurship.

127. In sum, nothing to date suggests that the above policy measures have been incorporated in the country economic initiatives, including Asgisa or the new National Industrial Policy Framework etc.

128. Key questions:

- As a country, do we have a youth entrepreneurship strategy?
- How do we deal with the weaknesses of the government youth structures?
- What strategy and tactics should be employed to ensure that the issue of youth development is placed at the centre stage of youth economic inclusion?

Promotion of co-operative enterprises

129. The legislative framework on co-operatives should be rigorously implemented and linked to local economic development strategies. In addition, resources should be allocated for appropriate training and support. Co-operatives, especially in the agricultural and tourism industry, can be used to address unemployment among rural youth, and ICT in urban areas. Agriculture and tourism for example, have a huge potential for employment growth in the South Africa. This has the potential to generate food security for the nation, while generating wealth for the economically depressed rural communities. Accordingly, each Municipality across the country should at least have one youth co-operative.

130. To date, despite the inauguration of the Co-operative legislation, there are no benchmarking mechanisms and measuring tools to track progress on youth entrepreneurship in this regard. An annual review on the progress should be integrated as but one of such critical measures.

Conclusion

131. From the foregoing, it's clear that the road towards youth economic integration, labour markets absorption and self employment is going to be onerous. Hereunder is the summary of the pertinent impressions and current reality faced by the youth of this country which will need to be radically addressed.

- Unequal access to opportunities especially financial, labour market and technological access which becomes an impediment for sustained livelihood of the youth.
- Youth particularly in the rural areas continue to be disadvantaged in terms of access to resources and opportunities
- Unemployment levels remain very high amongst the youth; this also includes graduates and diploma students. Although the number of youths having access to tertiary education has increased, the economy is expanding fast enough to cater for the graduates being produced by the universities and institutions of higher learning.
- There is growing moral decadence among the youth, high levels of HIV infection, crime as a result of unemployment.

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- Somewhat reluctance on the political will, particularly is government to put issues of youth development in the centre of economic development, despite statistical evidence demonstrating that the youth unemployment stands over 70%, and in the main they also lack portable skills and stands at the receiving of grinding poverty.
 - The lack of school and industry synergies and the production of youth in specialized or priority skills.
132. There is an appreciation that youth development is beginning to assumed centre stage in South Africa since the dawn of democracy in 1994. However, there is an acknowledgment that despite such general commitment towards youth development, the absence of institutional and programmatic capacity to address youth development has meant that the historic backlogs created by apartheid persist.
133. The general premise in analysing the challenges faced by young people, the convention noted that considering that of the approximately 30% unemployed people, 70% of these are young people and this therefore means that South Africa's socio-economic problems and challenges are essentially pertaining the development of the youth of our country.
134. Accordingly, fundamental policy revisits or review in the following areas becomes pertinent:
- Industrial strategy
 - Land reform
 - Mineral beneficiary
 - Energy security
 - Competition law (penal and imprisonment) – Albany case, fined R99million – raise the bread price by over 40c per loaf
 - EPWP
- BEE
 - Skills development and SETA system
 - Inflation targeting
 - 2010 and youth economic integration and benefits.
135. To deal with these fundamental challenges facing youth:
- Unemployment
 - Inequality
 - Poverty
 - Human capital development
 - Self employment.
136. Thus, the analysis put us in the position to ponder on the following:
- What have been the key trends on Youth development in South Africa over the last decade?
 - What has been the impact of institutions, policies and programmes established to expedite youth development?
 - What achievements, setbacks and lessons that have characterize youth development since 1994?
 - Are the current challenges permit institutional reform, if no why, and if yes, what form should this assume?
137. In sum, a national democratic society requires a state that is able to use a variety of strategic capacities to shape the development of the economy. The NDR seeks to build on the best traditions of a developmental state, represented by an efficient state that guides national economic development by mobilising the resources of society and directing them toward the realisation of common goals. It also seeks to build on the best traditions of social democracy, represented by popular democracy which places the needs of the poor and social issues such as decent work, social solidarity, health care, education and a social safety net at the top of the national agenda.