



Bua Komanisi

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South African Communist Party
15th National Congress
13–16 July 2022

**TOGETHER,
LET US BUILD A
POWERFUL, SOCIALIST
MOVEMENT OF THE
WORKERS AND POOR**

**ADVANCE, DEEPEN AND DEFEND STRUCTURAL
ECONOMIC TRANSFORMATION**



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OF THE WORKERS AND POOR!**

**MOVE THE NATIONAL DEMOCRATIC REVOLUTION
INTO A SECOND RADICAL PHASE, ADVANCE,
DEEPEN AND DEFEND STRUCTURAL ECONOMIC
TRANSFORMATION**

Contents

1. **Together, let us Build a Powerful, Socialist Movement of the Workers and Poor!”** 4
2. **Navigating the Multiple Crises of Capitalism** 6
3. **Industrial Policy Review:
Turn the Tide Against De-industrialisation** 27
4. **Macroeconomic Policy Support for Industrialisation
and the Necessity for Developmental Public Banking
in South Africa** 39
5. **Strengthen and Expand the Public Economy
as a National Transformation and Development
Imperative** 51
6. **High Radio Frequency Spectrum and the
Digital Economy** 59
7. **The Informal Economy:
Organising informal economy workers and the
role of the Party and trade unions** 73

TOGETHER, LET US BUILD A POWERFUL, SOCIALIST MOVEMENT OF THE WORKERS AND POOR!”

For the Right to Decent Work for All: We call on the unemployed youth in their millions, on mothers stuck at home without child-care facilities, on those recently retrenched, on those in precarious work. Together, let us build a powerful, socialist movement of the workers and the poor!

For environmental justice for all: We call on the working class and poor living in townships in the midst of pollution, on communities soon to become mining ghost towns, on environmental activists, on progressive faith-based networks. Together, let’s build a powerful socialist movement of the workers and the poor!”

To put people before profits: We call on public and private sector workers, on the unionised across federations, we call on the non-unionised, on those in informal work, on South African and foreign national workers. Together, let’s build a powerful socialist movement of the workers and the poor.”

For accelerated land reform: We call on the landless, on farmworkers and labour tenants, on subsistence farmers, on those deprived of their communal land tenure rights, on households forced to live on floodplains and dangerous riverbanks. Together, let’s build a powerful, socialist movement of the workers and the poor!”

For the right to access and mobility: We call on those who are stranded because of poor public transport, on the elderly and disabled, on those living in inaccessible places because of crumbling infrastructure. Together, let us build a powerful, socialist movement of the workers and the poor!”

For a Universal Basic Income Grant: We call on those whose children go hungry at night, on those who can't afford transport to look for work, on all those who want to live in a society in which no one lives in abject poverty. Together, let us build a powerful, socialist movement of the workers and the poor!"

To defeat state capture and to build a democratic developmental state: We call on public sector workers, on patriotic professionals, on progressive journalists. Together, let us build a powerful, socialist movement of the workers and the poor!"

For personal and neighbourhood safety: We call on community activists, on voluntary neighbourhood watches, on gender activists, on honest policemen and women, let's work together, let's strengthen our networks, let's free our townships and villages from the scourge of violence against women and children, against gangsterism, substance abuse, and protection racketeers. Together, let us build a powerful, socialist movement of the workers and the poor!"

NAVIGATING THE MULTIPLE CRISES OF CAPITALISM

Towards a Working Class Oriented Programme for Socio-Economic Recovery and Structural Transformation—Putting People before Profits

For the working class and the poor, the current South African reality has become one of being battered by a succession of crises, often with the latest one striking before any real recovery from the previous one is evident. Over the five years since our last National Congress held in July 2017, we have experienced, first, the recession and job loss blood bath of the period 2017-19, which we dubbed “the crisis before the crisis”. This was followed in 2020 by the COVID-19 pandemic and Great Lockdown recession. Even before exiting that, working people and the poor are seeing their living standards further impacted by sharply rising fuel and food prices, as the world economy is propelled into what could well be a prolonged period of Stagflation (*stagnation coexisting with high inflation*). On top of that, the province of Kwa Zulu Natal has been battered by floods—an extreme weather event that climate science has warned for more than a decade should be expected in the Eastern parts of our country just as the Western areas are faced with the prospect of more frequent and severe droughts.

Each of these crises have their origin in a system that places profits before people and profits above environmental sustainability. As our South African Struggle for Socialism points out, global capitalism is currently enmired in multiple interlinked crises. First, there are the crises arising from capitalism’s destabilisation of humanity’s relationship with the natural world. The consensus of climate scientists is that humanity faces potentially catastrophic climate change on a scale that could render large parts of the

planet uninhabitable. Even if (a big IF) sufficient mitigating action is taken to avoid that, climate science tells us to expect more frequent and more extreme weather events—resulting from global warming already locked in. The same crossing of planetary boundaries has destroyed natural habitats of animal species, to the point where humanity has become more vulnerable to zoonotic diseases—diseases transmitted from animal species to humans.

COVID-19 was one of these and it certainly will not be the last. Then there are the periodic crises arising from the inherent tendencies of capitalism for the rate of profit to fall and for over-accumulation of capital compared to the possibility of realisation of profit. Many Marxist and orthodox economists alike predict that the capitalist world economy is entering a period of prolonged stagnation. On top of all that, is the impact of the imperialist driven proxy war in the Ukraine, taking place as the erstwhile uncontested global hegemon visibly loses power and influence over a more multi-polar world. Rising fuel and food prices across the world are but one of the direct economic consequences of this war—contributing to both growing food insecurity and higher global inflation just as much of the world economy remains trapped in economic stagnation.

A feature of the even partial recoveries from some of these multiple crises is that they have been uneven and unequal—both within and between countries. The COVID-19 Great Lockdown recession hit lower-skilled workers and poor countries in the Global South, particularly hard. It also saw the withholding of supplies and vaccines from the underdeveloped world in what became known as “vaccine apartheid”. This was followed by “recovery separate development” which saw developed countries spending up to 20-25 per cent of their GDPs on recovery programmes even as the poorest countries, constrained by austerity, spent less than 1 per cent of their much smaller GDPs. Finance capital, big pharma, digital platform operators and dollar billionaires have all more than recovered any losses they suffered during lockdowns and indeed many profited handsomely from the conditions created by

the pandemic increasing their wealth just as many working people and the poor have seen their living standards plunging to levels far below those even in the years of the “crisis before the crisis”.

South Africa, as a semi-peripheral economy, has shown itself to be very vulnerable to many of these crises. It was the African country most affected by the COVID-19 health emergency, undergoing as a result one of the hardest lockdowns. Recovery from the lockdown recession has been both tepid and highly uneven and unequal. After a GDP contraction of 6,4 per cent in 2020, GDP growth in 2021 was 5,1 per cent (off a lower base) and was forecast by National Treasury to reach only 1,8 per cent in 2022. This forecast did not, however, anticipate developments like the proxy war in Ukraine or the floods in KwaZulu Natal, meaning it will now need to be revised downwards. But even if these projections were to be realised, the GDP would not reach its pre-pandemic levels until 2024 at the earliest.

With population increasing by 1,8 per cent per annum, restoring average living standards to the level they were in the “crisis before the crisis” would take even longer. Meanwhile, the economic indicators that really matter to working people and the poor—unemployment, poverty and inequality—have all risen to record levels and highlight the extent of the crisis of reproduction facing the vast majority of the working class and the poor of our country. According to recent statistics:

- Unemployment by the narrow definition that excludes discouraged work-seekers reached a record 35,3 per cent (on the narrow definition) in the fourth quarter of 2021 (*when the GDP was supposedly recovering*). Considering “discouraged” work-seekers, the number of unemployed people aged 15 to 64 is over 12,5 million.
- Despite declining fractionally to 46,2 per cent in the fourth quarter of 2021, from its highest in the third quarter of 2021,

46,6, total unemployment represented by the expanded definition that includes discouraged work-seekers remained at a catastrophic level.

- The most affected national groups, regardless of age and gender, are Black African, followed by Coloured, who are followed by Indian/Asian, while, with an official unemployment rate of 4,2 per cent above the national average, Black African women are the most affected in terms of gender—their expanded unemployment rate is 50.8 per cent, which is about the same level as the expanded unemployment rate of Black African, 50,7 per cent.
- Nearly half the population (49,2 per cent), and more than half of women (52,2 per cent), subsist on incomes below the Upper Bound Poverty Level.
- A World Bank study published in March 2022 ranked South Africa as the most unequal of 164 countries surveyed, with an income Gini coefficient of 0,67 and 10 per cent of the population owning over 80 per cent of the wealth.

It is thus imperative that we recognise that whatever “recovery” may take place in GDP growth rates, stock exchange prices, outlooks of rating agencies, or mineral prices, the working class and the poor have decidedly not “recovered” either from the COVID-19 crisis or the “crisis before the crisis”. Moreover, we can anticipate in the foreseeable future at least the following additional pressures on already depressed livelihoods and living standards.

- Further rises in fuel and food prices as the global capitalist economy enters a likely prolonged period of stagflation. Arising initially as a direct result of the impact of the proxy war in Ukraine, these have only begun to be felt and look set to have an even greater impact in the months ahead. Any prolonged removal of Russian oil and Ukrainian grains from

world markets (where the prices of both are set) will raise living costs even more.

- Decisions taken at COP26 have reflected a reality that capital will embrace those measures to mitigate climate change that are profitable and resist those that undermine profitability. Thus, while they have definitely not averted the threat of catastrophic climate change, they will probably accelerate a transition to a lower carbon economy. The agreement to “phase down” coal will increase pressure to decommission coal-based projects, while the “net zero” commitments of several developed countries will, for example, likely lead to different kinds of measures to set lower carbon standards as conditions for accepting imports. This will mean that the impact on a country like South Africa will probably be greater than the national commitments made at COPs and could have major disruptive effects across the economy unless mitigated by a sufficiently ambitious “just transition”.
- The risk of more frequent and more severe extreme weather events (drought as well as floods) destroying lives and livelihoods unless mitigated by sufficiently ambitious proactive programmes to “climate proof” infrastructure and human settlements. The same applies to the risk to coastal communities of anticipated rising sea levels.
- Potential future health emergencies amidst a widespread recognition that COVID-19 will not be the last global pandemic.

Since we have seen no improvement in the indicators that matter to the working class and the poor—unemployment, poverty and inequality—let alone the emergence of any “new” economy that is in any way “better” than the one that existed at the time of “the crisis before the crisis”, the SACP needs to campaign for an expanded, improved and higher impact Socio-Economic Recovery and Reconstruction Plan. Moreover, given the new and

foreseeable challenges lying ahead additional components need to be added in an ambitious state led integrated series of initiatives embracing Socio-Economic Recovery, Adaptation to likely extreme weather events, a “Just Transition” to a Lower Carbon Economy and advancing Structural Transformation. These initiatives will need to operate at scale, target pro-actively existing and likely future challenges and be measured and evaluated by their ability to lead to defined reductions in levels of unemployment, poverty and inequality.

1. Principles to Guide our approach to Such Initiatives

In our inputs into the debates leading to the adoption, during the COVID-19 crisis, of the Economic Recovery and Reconstruction Plan (ERRP), the SACP called for a substantial state-led recovery and development programme and supported the consensus at the time that this should lead to the emergence of a “new economy” that differed significantly from the one that existed previously. When the ERRP was launched in November 2020, we rejected its neoliberal content but welcomed some of the sector-specific, micro-economic or real economy programmes developed through social dialogue in National Economic Development and Labour Council (NEDLAC). An example here was the much better designed public employment programme that we saw as potentially driving a major initiative in this regard.

Other proposals, we argued, were advanced at a high level of abstraction and generalisation, and while it was difficult to disagree with how some were formulated there was little real indication of how they would be taken forward. Yet others, we pointed out, represented a “watering down” of more precise proposals. An example here were a number of comprehensive proposals on “Gender Equality and Economic Inclusion” that got reduced to “The interventions outlined in this plan will be geared towards promoting greater participation by black people, women, youth and persons with disability at all economic levels, as part of transforming

patterns of asset ownership and income distribution in our society. Government will ensure effective gender mainstreaming in all aspects of the plan, including through such mechanisms as the set-aside for women in public procurement, legal remedies to close the gender pay gap, women's participation in key economic sectors, access to assets such as land, and women's financial inclusion and empowerment.”

But our main concern was with, which we have rejected both in engagements within the Alliance and publicly, the pre-COVID neoliberal policy prescriptions taken by the National Treasury in 2019 (see, for example, “Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa”) from the Paris-based Organisation for Economic Co-operation and Development (OECD) (see, for example, the OECD's “Economic Policy Reforms 2017: Going for Growth”).

Besides, the ERRP is expected to operate in a context of neo-liberal austerity. Austerity should not be confused with trimming perks for senior officials or ensuring greater value for money by cutting rent-seeking or tackling corruption. Such measures should all be part of normal, prudent management of public funds which we would support. Neo-liberal austerity involves as its defining characteristics (1) the prioritisation over all else of the achievement of predefined macroeconomic balances and ratios deemed by the neo-liberal playbook to be universally applicable everywhere and under all circumstances and (2) the achievement of these ratios by cutting government expenditure even to the extent of cutting redistributive programmes and withdrawing from any real stimulus. Experience in many jurisdictions has shown that austerity often unleashes a vicious cycle. Cuts made to restore fiscal numbers promote stagnation. Stagnation reduces revenue collection, which leads, in turn, to more cuts. The alternative, we suggested, would recognise that an effective recovery programme—and particularly one targeting greater inclusivity and cutting unemployment and poverty—would generate more resources for the fiscus and that

this rather than austerity should be the preferred route to fiscal sustainability.

Austerity, we anticipated, would lead to the ERRP programmes being underfunded and not operating at scale. This was confirmed when we saw the budget of the public employment programme cut by 10 per cent. The further implication, which now seems to be borne out by the current reality, is that austerity would render the ERRP incapable even of taking us back to the “crisis before the crisis” over next five years—meaning unemployment, poverty and inequality look set on the current trajectory all to remain above their 2019 levels for some time to come.

Our other related concern was a rejection in the ERRP of any heterodox proposal for raising funds for priority economic and social infrastructure. This rejection was in favour of neo-liberal approaches prioritising the creation of profit-seeking opportunities for selective engagement of private capital, particularly through the creation of financialised instruments. Thus, while proposals for primary purchases of bonds in public utilities, prescribed asset requirements, or community reinvestment legislation were all ignored, proposals for “blended finance” and “structural reform” were embraced as “game changers”.

“Blended finance” is a concept originating in World Bank, and its essence, according to a definition by the OECD, is for the state to act to “attract commercial capital towards projects...while [by] providing financial returns to investors”. Emerging in the context of financialisation, its essence is to offer an extensive range of guarantees and subsidies to “de-risk” the entry of profit seeking financial institutions into projects (which are often also ensured a risk premium rate of return). Often this has involved the creation of new “financial products” like securities that are bought, sold and speculated over. Experience suggests this is a high cost, low yield option often involving a significant diversion of public funds, energy and expertise from actual implementation of programmes to “de-

risking” and creating “financial products” hoping this will unlock funds controlled by profit seeking financial institutions.

According to research presented to a United Nations Conference on Trade and Development (UNCTAD) Session on Finance for Development, “blended finance” mobilised to support the attainment of the United Nations Sustainable Development Goals in Least Developed Countries totalled \$1 billion in 2019 compared to a funding gap of \$2,5 trillion. Heralded as a tool to kick start a “massive” infrastructure programme in South Africa, results to date have been underwhelming. According to recent data, 55 projects with a total value of R595 billion have been “presented to the market”, and 4 projects valued at R21 billion have been “given the green light” by Infrastructure Fund. Meanwhile, Stats SA reports a significant fall in infrastructure investment by provincial government entities.

“Structural reform”, likewise, has its origins in World Bank structural adjustment programmes. The European Commission, which has a directorate promoting structural reform, defines it as: “Structural reforms tackle obstacles to fundamental drivers of growth by liberalising labour, product and service markets”. Its entry in the South African economic policy lexicon was via the Paris-based OECD prescribed policy reforms domesticated by the National Treasury through its paper in 2019 where it was seen as the answer to the rehabilitation of “network industries” (energy, transport—rail and road networks and ports, telecommunications, water sectors) devastated by the state capture and corruption affecting state-owned enterprises operating in those sectors. The overall articulation of this agenda contradicts the economic policy clauses of the Freedom Charter by moving in the opposite direction.

In essence, priority is on expanding the fields of private capital accumulation by “opening up” or liberalising the state or the publicly owned economic sector and facilitating related profit maximising competition in the network infrastructure that had been under SOEs

or that had been a field for public investment for developmental purposes. The idea is to facilitate the entry into the liberalised markets in these sectors of profit-seeking private capital in the hope that private entities will supply cheaper and more efficient services. While it is too early in the process to critique a South African track record, experience elsewhere suggests that profit-seeking capital enters those parts of liberalised markets that are profitable (generally the higher paying customer segment) and offers a vastly inferior service than the public utility they displaced to lower income segments. Speculation and monopoly conduct have also all been features of liberalised utility sectors.

2. Elements of a People Centred Recovery and Structural Transformation Programme

As indicated above, the SACP rejects both austerity and problematic neo-liberal machinations like “blended finance” and “structural reform”. We call instead for a working class focused, pro-poor integrated initiative addressing Socio-Economic Recovery, Structural Transformation, Climate change adaptation and a “just transition” to a lower Carbon economy embracing at least following elements:

1. ***A Universal Basic Income Grant*** (UBIG)—The SACP has repeatedly called for the introduction of a BIG set at a level that ensures no South African is left below an agreed basic minimum income threshold and ultimately that no one falls below the Upper Bound Poverty Level. The immediate compelling case for this is the persistent high levels of poverty and the need for an income intervention that would replace the COVID-19 social relief of distress grant.

A UBIG meaning one providing a basic income to all citizens is preferred to a means tested programme for several reasons. One is that a grant made available to all adults rather than to households would be more empowering to women living in patriarchal family

arrangements. Another is that it would cut the extensive “red tape” poor people confront when attempting to access existing means tested grants, including the COVID-19 distress grant.

Many researchers have argued that the payment to higher income people inherent in a universal system can be clawed back through the tax system, or could be financed with additional taxes on higher income earners. Such a grant would, in the first instance, be aimed at counteracting poverty and being a tool of redistribution. But it can also drive economic activity by stimulating demand. More income in the hands of poor people would enable them to buy more goods and services, and indeed the goods and services purchased by lower-income people are more likely to be less import intensive than those bought by higher income people, thereby also contributing to localisation. Unfortunately, even such an evidently needed pro-poor initiative is contested and opposed by neo-liberal forces, highlighting the need for the SACP to become more active in the campaign for its introduction.

2. *Public Employment Programmes linked to infrastructure roll out and maintenance, building environmental resilience, and addressing the crises of social reproduction.* Public works programmes have long been recognised as one of the quickest and most direct means of combatting unemployment. They can also provide a counter-cyclical stimulus in times of recession. In South Africa, many potential economic and social infrastructure projects have long been identified. While several envisage being skill and capital intensive, many others are susceptible to being carried out at the local level by communities through labour intensive public employment programmes. This is particularly true of maintenance projects, where there is a huge backlog. The recent floods in Kwa Zulu Natal have pointed to urgent necessity to add a further consideration.

The likelihood of more frequent extreme weather events, droughts and sea level rises as well as floods, suggests that if we do not respond pro-actively by climate proofing habitats and infrastructure,

we will face more and more costly bills for repairs and emergency support after lives are lost and damage has been done. Climate science can inform the identification of the likely risks in particular communities in different parts of the country, and from these projects to defend those communities against potential extreme weather emergencies can be identified. Nor will they necessarily all require large investments. For example, unblocking drains and water pipes, repairing leaks, building ditches, and strengthening coastal defences.

In addition to infrastructure public employment programmes involved in climate-proofing, there are already other important environmental programmes relevant to climate-proofing that have been successfully operating for over a decade—Working for Water (clearing fire-prone and water depleting invasive alien plants) and Working on Fire. These programmes need to be sustained and scaled up, particularly in the light of the climate science predictions of extreme drought affecting large parts of our country.

Existing EPWP programmes and the 2021-2 Presidential Employment Stimulus programme have also demonstrated the possibilities for significantly scaling-up and sustaining public employment to address the challenges of fraying social cohesion and gender inequalities linked to the broader social reproduction crises affecting working class communities—by providing teacher assistants, community health-care workers, supporting community-based creches, communal food gardens, neighbourhood safety programmes, etc. What is imperative is for public employment programmes to operate at a scale commensurate both with the social need for the projects concerned and the necessity to offer some income earning opportunity to the large number of unemployed persons in our country. The SACP must therefore campaign for the roll out of ambitious and properly funded public employment programmes.

3. Supporting workers in the Informal Economy. The deepening crisis of social reproduction has led many among the working class and the poor to become part of what is termed the “informal economy”, the economy of small-scale trading, service provision and some petty commodity production. The deepening of the crisis of unemployment, indeed, has swelled its ranks to such an extent that intensified competition for scarce resources and markets is fuelling divisions between newer entrants and longer established participants, and between South African citizens and those from other African countries.

A separate discussion paper on this topic argues that “National and local governments need to recognize the existence of workers in the informal economy, particularly women workers, persons with disability, migrants, and to acknowledge their economic and social contributions. In so doing, they need to adopt measures and policies that enable these workers to make this contribution under acceptable conditions, that protect their rights as workers, including their right to social protection and to representation, and that generate decent employment opportunities for them.

Such policies range from institutional recognition to measures protecting workers from harassment by police and local authorities, employers, contractors, protection racketeers and local vigilante groups. In order to uphold the right of workers, in particular women, in informal work to adequate income and secure work, national and local governments should enact and implement laws on fair wages and incomes. They should provide mechanisms by which workers in the IE can be provided access to and control over productive assets and resources, such as land, credit, capital, marketing and technological assistance”.

All of these demands can form the basis of campaigns as the SACP becomes more involved in supporting the organisation of workers in the informal economy, including supporting the building of co-operatives and other collective enterprises which if properly

resourced could contribute both to economic recovery and to meeting real material needs of many of our people. The SACP also needs to strive to overcome divisions among workers in this sector as it seeks to unite them behind campaigns to improve conditions for those in the “informal economy” as a whole.

4. *Combatting the effects of rising prices of consumer goods.*

As indicated earlier, the risk of sharp rises in food and fuel prices threatens the already depressed living standards of working people and the poor. It is important to be clear that these price rises are not the product of neo-classical textbook inflation—“too much money chasing too few goods”. Rather, we are confronting “imported inflation” driven in the first instance by global factors.

Moreover, this is occurring at a time of stagnation—hence is stagflation. As such, it should not in our view be responded to with the conventional tools of inflation targeting—raising interest rates in response to inflation rates moving outside the target band of 3-6 per cent. Any such moves will come at a cost of adding contractionary pressures to an already depressed economy. Rather, the SACP should campaign for an approach which includes more effective monitoring and action against any rent seeking activity or conduct contrary to Competition or Consumer legislation. At the same time, we must insist that as the working class and the poor had no part in creating these conditions, wages and social grants must not be suppressed but allowed to rise even as action is taken to restrain unjustifiable increases in income by high end earners.

5. *Ensuring that a people-centred “just transition” to a lower carbon economy is at scale.*

This, too, is dealt with in more detail in another discussion paper. Here we will simply reiterate the point that decisions at COP26 and forthcoming COPs are likely both to speed up the pace of a transition to a lower carbon economy and ensure that its impact reaches beyond the specific national commitments made by our government in such processes. A paper published in 2019 estimated that South Africa faced a “transition risk” from

the earlier, less ambitious, Paris commitments estimated at R 1,8 trillion in potentially decommissioned assets, an amount equivalent to around 60 per cent of GDP. This calculation refers only to assets decommissioned (and includes, among other things, the potential closure of coal export facilities if trading partners cut coal imports). It does not attempt to calculate job losses or knock-on effects on communities in areas where assets are “decommissioned”.

The point is that a country like South Africa, with its existing coal base, is at risk of experiencing a transition that is both sizeable and disruptive. Notions like “just transition” have a problematic track record in South Africa. Often, they emerge when capital wants to make some change at the expense of the working class and all too frequently, they result in concessions that less than compensate for the negative impacts on workers and communities.

The longer discussion paper refers to the kinds of demands needed to ensure a people centred “just transition”. Here, we make the point that any transition that is genuinely “just” for the working class and the poor will not emerge just from an identification of potential projects and programmes. These will have to be implemented on a scale that is commensurate with the “transition risk” which will need to be assessed and agreed as a matter of urgency. It will also be important that Industrial Policy targets both a broad-based shift to lower carbon technologies in all sectors, and the specific development of locally domiciled manufacturing capacity for the equipment and components required in an anticipated expanded roll out of renewable energy.

6. *Acting more vigorously against Illicit Capital Flows.* The ERRP included a commitment to “crack down” on 5 illicit “tax markets”—including transfer pricing and profit shifting. A recently published book by Leonce Ndikumana and James Boyce, entitled *On the Trail of Capital Flight from Africa*, suggested that the cumulative stock of illicit assets held abroad (US \$ 2,4 trillion in 2018) was more three times the African continent’s stock of external debt—meaning

that had these illicit outflows not occurred the continent would be debt free. The chapter on South Africa indicated that while we have experienced a significant outflow of looted funds from state capture and corruption, the largest part of the US \$185,5 billion that the country lost in illicit outflows between 1995 and 2018 (US \$ 133,5 billion) was actually from mis-invoicing of export earnings and imports. Recent rising mineral commodity prices have made pressure for more visible progress in “cracking down” on such illicit activity more urgent.

7. *Advancing Structural Transformation.* The SACP has argued that the ERRP’s goal of creating a “new economy” that differs from that which existed at the time of the “crisis before the crisis” requires extensive structural transformation. This concept differs decisively from that of “structural reform”, which we argued earlier derived from the neo-liberal playbook and is focussed on liberalisation. Structural transformation, as we understand it, has several dimensions.

First, it means breaking the chains of our colonially defined place in the imperialist division of labour as producer and exporter of primary products, by moving to higher value-added production. This must involve industrialising and re-industrialising in such a way that it supports a broad-based rise in incomes (“modest prosperity”), through the creation of higher income and higher quality livelihoods, as well as greater inclusivity. This does not mean just growing the manufacturing sector in a narrow sense (though it includes this). It would also include promoting mineral beneficiation (adding more value to mineral commodities) rather than exporting them as “dirt out of the ground” as well as “smart agriculture” aiming, inter alia, at capturing more of value chains of exported product. History teaches us that almost all the few countries that have broken out of underdevelopment and poverty have done so by undergoing such structural transformation. History also teaches us that all those who have followed this path, without exception, have implemented state led, high impact Industrial Policies.

In our opinion, there has been insufficient prioritisation of Industrial Policy in South Africa. For many years, it was relegated to a programme of one department instead of something that shaped programmes and interventions across all of the government. We were accordingly encouraged by some of the declaratory statements on Industrial Policy in the ERRP. These good intentions, however, again appear to have been held back by austerity. We have seen incentive programmes cancelled, others having budgets cut and too little by way of visible progress across all of government and social partners on measures like localisation. We are not convinced that promises made in social dialogue with business will be able to substitute for properly resourced state-led programmes.

Accordingly, we call for a strengthened and better resourced Industrial Policy as a central pillar of structural transformation. If the African Continental Free Trade Area (AfCFTA) can be steered towards “development integration” and the emergence of new regional value chains, more opportunities for deeper industrialisation will be created not just in South Africa but across the continent.

Structural transformation, secondly, must involve the explicit promotion of greater inclusivity. We support the broad aspiration to see occupants of positions of leadership, ownership and control in the economy reflect the demographics of our country as well as the objective of promoting gender equality. We are, however, concerned that much of what has passed as “black economic empowerment” has involved some or other placing of “connected” individuals in proportional representation or PR-type positions in companies over which they exercise little real control (in other words has involved some or other form of fronting). Alternatively, it has supported rent seeking based on seeking access to state contracts and tenders, which once achieved are sub-contracted to established white-owned or multi-national companies to actually carry out the work at higher cost to the state.

We therefore call for a comprehensive review and overhaul of

existing BEE policies and programmes with a view to devising a new approach that supports real and substantive empowerment. As Communists aspiring to play a vanguard role within the working class and the poor, we would also be looking to such an overhaul to create opportunities to empower working people and communities to influence both workplace-based decisions and decisions about issues like the terms and conditions applicable to the conduct of profit seeking entities. Guided by our slogan, “socialism is the future build it now”, this could entail seeking among other things representation of workers on boards, or more developmental obligations from consultations with local communities where, for example, mining is carried out. Some such practices are, in fact, already common in more successful industrialising countries.

Achieving structural transformation will, thirdly, depend on taming financialisation. According to Gerald Epstein’s now classical definition, financialisation entails “The increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies”. Extensive financialisation occurred as an integral part of neo-liberal globalisation. It was only partially reflected in the sharp increase in the share of “financial services” in the GDPs of many countries, for example, in from 6 per cent of the South African GDP in 1994 to nearly 25 per cent today. It has also entailed the emergence of extensive trading and speculation in new financial products—securities and derivatives—with this kind of activity becoming the “core business” of much of the sector. It has seen concepts like “shareholder value” coming to trump all other considerations in shaping investment, innovation, product development, health and safety among other decisions by capital in all sectors. It also seen increasing demands and assertions that profit seeking opportunities are created in an ever-increasing range of programmes for financial institutions to participate in and direct.

In South Africa and other developing countries, financialisation has seen a steady shift by financial institutions away from the

provision of risk capital to support industrial activity or small business development. China's development involved what some analysts have called "financial suppression". Its banks were never allowed to become the speculators and traders in paper its western counterparts had become. Instead, the China Development Bank became the apex of a number of institutions focussed on providing resources to support enterprises in the productive sectors.

Achieving structural transformation thus requires a renewed and reinvigorated financial sector campaign. This must, of course, continue to address "consumer issues" of importance to working people and the poor (*like actions of credit bureaux, loan repayment holidays for distressed customers, moratoria on evictions*). But it must also begin to enter the terrain of seeking structural transformation of the financial sector itself. This could begin by revisiting the Financial Sector accords and Charter Commitments to press, inter alia, for more precise obligations on providing resources for developmental investments in infrastructure, the productive economy and township and rural "informal economy". We should also become increasingly vigilant in challenging the proliferation of "financial motives" in the design of programmes like the infrastructure development programme.

3. Resources for Recovery for all, especially the working class and poor: Transforming Macro-Economic Policy

We have repeatedly argued that any adequate Socio-Economic Recovery Programme (necessarily also embracing the additional elements arising from new or likely future challenges confronting us) must operate at a scale commensurate with the challenges confronted. Our assessment of previous "growth" or "stimulus" programmes has been that they have been too small and too unfocussed, and so have had little real impact. We have thus suggested that the kind of programme needed now needs to focus on its actual impact in contributing to meeting agreed targets in reducing unemployment, poverty and inequality. Evidence based

decision-making would suggest that if these are not reached, and a diagnosis leads to a conclusion that this is because of “resource constraints”, the resources deployed should be increased to take such programmes to scale.

Such an approach will inevitably increase resource requirements both on and off budget. We have argued that the embrace of austerity and flirtation with neo-liberal ideas of accommodating demands of profit seeking capital to make profits from recovery programmes is holding us back. This does not mean that we imagine we can operate as though there were no resource constraints or trade-offs to be made. But we also believe that we cannot afford any longer to ignore a considerable body of opinion that suggests there are many more resources that could be mobilised in South Africa through different approaches to macro-economic policy.

The figures for illicit capital flows cited earlier, if confirmed, would suggest that a more effective “cracking down” on illicit loopholes could yield significant results. Having the courage to raise taxes on the rich and exempting, from budget cuts, pro-poor programmes of the sort we have outlined above, could also increase available resources. More than that, we have called for a change in mindset that acknowledges in practice, as well as on paper, that the path to greater fiscal sustainability must be the achievement of a higher level of more inclusive economic growth.

More generally, macro-economic policy must be seen in practice as a tool to support **structural transformation** and not something monumentalised as unique and sacrosanct. This will require much greater openness to exploring unorthodox proposals like primary bond purchases by the Reserve Bank, “impact assets”, prescribed asset investment requirements, and community reinvestment legislation.

Where we resort to external borrowing (particularly borrowing from foreign financial institutions) this must be a last resort. Moreover, we must recognise that the rate of interest on loans can never be the only factor to be considered. Nominally low interest foreign

currency denominated loans may in fact become more expensive than alternatives if the rand depreciates. There also needs to be a thorough appraisal of potential conditionality, recognising that these often kick in if a need arises to “roll over” an initially ‘un-conditional’ loan or loan with “minimal conditionality”.

INDUSTRIAL POLICY REVIEW

Turn the Tide Against De-industrialisation

The case for a state-led, properly resourced overarching industrial policy as a key driver of structural transformation and development is a compelling one. An examination of the United Nation Development Programme's (UNDP's) Human Development Index shows that with a few exceptions (of countries with small populations and high oil rents) all countries in the category of "Very High Human Development" are the advanced industrialised countries. China's rise as a significant economic power and its "lifting" of hundreds of millions of its people out of poverty is closely correlated with its industrialisation—driven by an active and overarching industrial policy. These examples point to a central lesson of economic history—almost all countries that have transitioned from "poor" to "rich", or from "under-developed" to "developed" have done so by shifting from low value-added to higher value-added productive activity. Those countries that remain "poor" or "underdeveloped" all have in common the reality that they remain trapped in the global division of labour as producers and exporters of some or other primary commodity or raw material used in manufacturing processes elsewhere. Trends towards more digitised and "knowledge" intensive products has underscored the peril of remaining trapped in this (originally colonially defined) place in value chains. For example, the value of the raw materials in the I Phone 6, which retailed for 649 US dollars, was a mere 1,03 US dollars or 0.16 per cent of the final retail price.

Successful industrialisers have all driven their transition to higher value-added production through active state-led industrial policies. These have, inter alia,

1. Supported, nurtured, incubated and indeed protected nascent industries as they emerged and strived to become competitive.

2. Used tariffs as a tool to shield nascent industries from import competition.
3. Adopted and enforced localisation policies (meaning that public entities, in particular, have been obliged to purchase designated locally produced products rather than imports).
4. Established or adapted the role of public entities to provide key network services of significance to manufacturing and often more than that to become key drivers of industries through the development of supply chains supporting deeper industrialisation.
5. Used development finance institutions as a major channel of investments to support industrialisation.
6. Provided incentive programmes to targeted industries.
7. Extracted reciprocal commitments from beneficiaries of state programmes in this way becoming the major drivers and definers of the industrialisation process.
8. Defended “policy space” to support industrialisation against demands from “trading partners” seeking to curtail this through trade agreements.
9. Identified and taken advantage, nevertheless, of any opportunities to expand exports of value-added products.
10. Did all of this at scale, with a high level of co-ordination of actions across government as a whole, and championing and driving from the top as an apex programme.
11. Ensured that all public institutions wherever located in government ministries were integrated into supporting and delivering programmes or services required to drive industrialisation. This would include programmes of infrastructure development, innovation, skills development and training.

12. Critically ensured that macro-economic policy was subordinated to meet the requirements of industrial policy and that other key players, like finance capital or external agencies, were not able to influence macro-policy in other directions. For example, China ensured that the foreign exchange value of its currency was maintained at a competitive level thus providing both a boost for its exports and an overall defence of its domestic market against undue import penetration. China also never allowed its financial institutions to become the traders in paper western banks became in the era of hyper-globalisation and neo-liberalism. Instead with the China Development Bank at the apex, they provided adequate resources to support industrialisation. Finally, China kept bodies like the IMF at bay and never allowed them to dictate policy direction.

South Africa emerged as a “semi-peripheral” economy on the African continent during the period of colonialism and apartheid. Through struggles within the resident (white) colonial bourgeoisie beginning in the 1920s a manufacturing sector serving mostly domestic upper income (white) consumers emerged. It was supported by tariff protection, the establishment of a state-owned steel making company, Iscor, and a development finance institution (the Industrial Development Corporation). According to Ha Joon Chang, by the 1960s South Africa had become ‘literally the most industrialised nation outside of the “core” capitalist world’, producing 138 US dollars per capita manufacturing value added (MVA)—61 per cent of that of Japan and 15 per cent of that of the US.

However, through a combination of the crisis of apartheid, the onset of hyper-globalisation and neo-liberalism and the internalisation of such policies through programmes like GEAR, we have subsequently undergone significant premature de-industrialisation. Again, according to Ha Joon Chang, by 2018 South Africa had regressed into becoming ‘not a serious manufacturing nation’—with per capita MVA 18 per cent of that of the US, but only 11 per

cent of that of Japan, 13 per cent of South Korea (it once produced six times as much), 45 per cent of China and 80 per cent of Brazil.

South Africa's classification by its apartheid rulers as a "developed" country during the 1986-1993 Uruguay Round multilateral trade negotiations meant being required to take much steeper industrial tariff cuts than countries like Brazil or India. The impact of that historical injustice was compounded by a decision taken as part of the neoliberal policy Growth, Employment and Redistribution (GEAR) imposed by the government in South Africa in 1996. Among others, the 1996 GEAR class project reduced many tariffs even further, ostensibly as a tool to force many local industries to become competitive. The result was actually the reverse, with many shutting down instead.

Meanwhile, in the period after 1994, the economy underwent significant structural transformation as a result of trends associated with hyper-globalisation. One of these was financialisation. Gerald Epstein's now classical definition describes this as "The increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies". Through the adoption of "originate and distribute" business models a vast array of new financial products (securities and derivatives among them) emerged and were traded in an environment of "light touch" regulation. In many western economies, this kind of speculative trading became a major driver of economic activity with a significant transfer of value (and surplus value) moving from productive to finance capital. The extent to which South Africa was affected by this trend is only partly illustrated by the fact that financial services, which accounted for only 6,5 per cent of South Africa's Gross Domestic Product (GDP) in 1994, had by 2009 ballooned to nearly 20 per cent overtaking each of the productive sectors—agriculture, mining and manufacturing.

By the first decade of the present century, it was apparent that there were significant and worrying 'structural imbalances' in the

growth path that South Africa was on. It was evident that this was being driven by unsustainable increases in credit extension and consumption, not sufficiently underpinned by growth in the production sectors of the economy. Thus, while consumption-orientated sectors such as financial intermediation, insurance and real estate, transport, storage and communication, wholesale and retail trade, and catering and accommodation had grown by an average of 107 per cent between 1994 and 2008, or by 7,7 per cent annually, production sectors (agriculture, mining, manufacturing, electricity and water and construction) had grown at half that rate—by 41 per cent between 1994 and 2008, or 2,9 per cent per annum.

One of the casualties of our flirtation with neo-liberalism was the abandonment of any explicit industrial policy (then demonised as incapable governments acting to distort prices by picking winners)—although some specific interventions, for example, in the motor sector did take place to good effect. Another implication was accepting that macro-economic policy should operate on a stand-alone basis and seek to conform to pre-determined ratios based on what Joe Stiglitz called a “ready reckoner” to be applied regardless of the implications for the productive economy.

It was not until 2007 that we first adopted an explicit Industrial Policy—in the form of the National Industrial Policy Framework later developed into successive three year rolling Industrial Policy Action Plans. However, while these can point to some successes, we ended the fifth administration far from the stated goal of placing our economy on a new higher value-added production driven growth path. Several reasons can be identified for this, including:

- Industrial policy never became an over-arching programme for government as a whole, instead it was reduced in practice to a programme of one department.
- Industrial policy did not operate at scale either in terms of funding allocations or becoming a common effort across whole of government.

- Industrial policy operated in a context of many competing agendas, including competing sectoral and inter-departmental agendas, and in an environment where finance capital was undoubted *primus inter pares* within the bourgeoisie.
- Industrial policy never shaped, but rather was shaped (and constrained), by macro-economic policy. Starting with the challenge of an overvalued exchange rate in the immediate aftermath of the 2008 Great Recession and later the steady march towards austerity, macro-policy was driven more by the demands of external creditors and finance than by the needs of productive sectors.
- Industrial policy became overwhelmed by state capture and corruption. As public institutions fell into crisis measures like localisation were ignored as a series of “dodgy” contracts without exception prioritised imports over locally produced inputs. Rising prices and unreliability of services by public utilities corporatised, thus changed from public utilities to corporations in character, also had constraining effects, while “shenanigans” in SARS led to reduced vigilance against under-invoicing and profit shifting.

In identifying requirements for a more effective Industrial policy now, we cannot ignore the circumstances we find ourselves in. South Africa is trying to recover from the biggest contraction experienced at any time since the Great Depression of the 1930s. GDP contracted by 7,2 per cent in 2020 as a result of the global Coronavirus Disease 2019 (COVID-19) pandemic. Even before that, however, we had already entered a technical recession and had for a long-time crisis-high levels of unemployment and poverty combined with a persistently high level of inequality.

The contraction means that all calculations of GDP growth in the immediate future take place on a base reduced by the amounts indicated above—meaning that X per cent growth now is not the same as that number even in 2019 (which was, in any case, a

year of “crisis before the crisis”). The South African Reserve Bank (SARB) in fact estimates that even if we achieve projected GDP growth of 3,6 per cent in 2021 and 2,4 per cent in 2022, we will only restore the GDP to the size it was in 2019 by 2023. Since the population will have risen by 1.3 per cent each year this means we will return to 2019 levels of GDP per capita even later.

Meanwhile, we confront the harsh reality that any “market driven” bounce back will be uneven and unequal. While monopoly capital (particularly in health-related sectors, ICT driven services, on-line entertainment etc) as well as “high net worth” individuals or middle-class professionals able to use technology to “work from home”, have all recovered and indeed in some cases prospered during the pandemic, many others with lower levels of skill continue to suffer.

Thus, unemployment in the fourth quarter of 2020 reached 32,5 per cent (on the narrow definition) and 42,6 per cent on the expanded definition (this includes discouraged work seekers). The unemployment crisis continued to worsen, reaching new highs afterwards, with Africans regardless of gender the hardest hit, followed by Coloureds and Indians/Asians. In this situation, in which the unemployment rates of the youth and women are higher, reflects the continuing legacy of colonial and apartheid oppression, the legacy of colonialism of a special type. Tackling the problem of unemployment should therefore entail measures aimed at achieving redress, towards building a just and equal society.

With black people remaining the worst affected, more than half our population live in poverty, with the UNDP estimating that between 264,000 and 388,000 households fell further into poverty during the COVID-19 pandemic. Recent estimates for inequality suggest that the richest 10 per cent of our population own 86 per cent of the total wealth, with the richest 0,1 per cent (or 3,500 individuals) owning 15 per cent—an amount greater than that owned by the poorest 90 per cent. This points in our view for the absolute imperative not only of recovery (recovery to the crisis before the COVID-19 pandemic crisis would still not solve our pre-existing unemployment, poverty

and inequality problems) but also of active economic reconstruction, transformation and development programme.

While the National Economic Development and Labour Council (NEDLAC) partners have agreed on an Economic Reconstruction and Recovery Plan, we worry that at the heart of the plan lies the neoliberal prescriptions copied by the National Treasury from the Paris-based Organisation for Economic Co-operation and Development (OECD) (see, for example, the OECD's "Economic Policy Reforms 2017: Going for Growth") and pasted in South Africa (see, for example, "Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa") in 2019. Besides, any prospects of real economic reconstruction, recovery and development in South Africa will be held back by the neoliberal agenda of austerity.

While the "developed world" (the core of the capitalist world-economy) has deployed a vast arsenal of programmes to underpin its recovery (amounting to 20-25 per cent of GDP, according to the United Nations Conference on Trade and Development, the UNCTAD estimates), we are cutting by 10 per cent the initial budget indicated for the public employment programme. We worry too that instead of mobilising financial resources through primary bond issues, or the setting of prescribed asset requirements, we are looking to mechanisms like "blended finance" to finance infrastructure development.

Blended finance seeks to fund public programmes by creating financialised products saleable to profit seeking institutions with government acting to "de-risk" the exercise by offering a myriad of guarantees. This is despite evidence that this tool has been a high cost, low yield option delivering much less than punted by its proponents. One immediate proposal that arises from these concerns is that the monitoring of ERRP implementation by NEDLAC should look closely at trends in unemployment, poverty and inequality, set time-bound targets for improvements in these

“triple challenges”, and be willing to adjust programmes if these targets are not being met.

We are also concerned that austerity has affected what is now being called the Re-imagined Industrial Strategy. While we have seen the conclusion of a number of Master Plans, which points to progress, budget lines suggest resources are not being allocated adequately to support them. It is also evident that some pushback is underway seeking to constrict localisation targets.

Industrial master plans and the macroeconomic framework

If South Africa is to industrialise, we must confront the fiscal cuts in industrial development and incentives. For example, the February 2022 budget’s average annual Medium-Term Expenditure Framework (MTEF) allocation for economic development and industrial incentive programmes is **negative** 2.9 per cent, while in agriculture and rural development the average annual MTEF allocation for land reform is a **negative** 2.7 per cent. It is inconceivable that the declines or cuts in growth for economic development, industrial incentive programmes and land reform will yield positive results.

We need review of all the industrial or sectoral master plans, to strengthen their impact and contribution to rolling back the tide of de-industrialisation and high levels of unemployment. This review must advance industrialisation to achieve high impact employment creation and structural economic transformation.

No policy should be left out of analytical scrutiny. We should tackle the conservative notion that we have good policies and what is lacking is implementation. This notion is actually being used to maintain the paradigm that has failed to counter de-industrialisation, to industrialise our economy, to reduce the persistently high levels of unemployment, poverty and inequality. The only time we should stop thinking and critiquing everything there is in search of a better

future is when we have ceased to breathe. In the same vein, the extent to which the macroeconomic framework that has prevailed throughout our democratic dispensation has or has not supported industrial policy and industrialisation and contributed to de-industrialisation and the failure to radically reduce unemployment, poverty and inequality should not be left without analytical scrutiny (this is covered in the SACP 15th National Congress discussion document on the Party's Strategic and Tactical Perspectives).

On many occasions the Alliance has agreed about the need to review our macroeconomic framework. However, that has not happened. It has to happen, to achieve a policy change to support building national production, expansion and diversification as a national transformation and development imperative, to tackle unemployment by creating employment at scale. A comprehensive high employment creating industrial policy has to take a lead in that regard, with clear objectives and targets for each sector and within it for each critical employment driver.

African continental integration

On a more positive level driving continental integration, including building a common economic community (among others through the roll-out of the “African Continental Free Trade Area” (AfCFTA)) could serve as a policy instrument aimed at building African continental economic integration. This could potentially provide a context and framework to drive a continent-wide deeper and wider industrialisation if it is guided by a properly thoughtout, informed and well guided content, direction, objectives and strategic tasks.

In the period since the 2008 Great Recession both China and India have turned to their domestic markets to drive the latest phases of their industrialisation efforts. This was, in part, because their earlier strategies that relied on increasing exports of finished products to the core came up against stagnating demand and a growing resistance to accepting more manufactured imports as the core

rediscovered its own need for industrial policy, and/or demanded huge reciprocal access for its products as well as policy convergence on Intellectual Property and rules for State Owned Companies that would seriously curtail policy space required to support further development. Underpinning this shift was the fact that both China and India have large populations underpinning significant internal markets whose expansion was therefore capable of supporting “deep” industrialisation. No single African country has anything approaching the size either of domestic market or population of these countries, but with its 1,2 billion people the continent as a whole does offer a potential base for this depending on other factors as well. The AfCFTA was initially conceived as a rather orthodox trade integration arrangement, but it has the potential to be re-conceived as a potential tool of industrialisation.

While there is a near consensus that if reconceived the AfCFTA has the potential to increase intra-African trade (by as much as 30-40 billion US dollars per annum according to some calculations), achieving its potential as a tool of industrialisation requires recognising that its “real prize” would be that it contributed to the emergence of regional production development (“value chains”). This would see inputs produced in several territories on the continent being assembled in Africa into final products sold to consumers across the continent and also exported elsewhere. If this were to materialise, it would bring about not just a quantitative change in intra-regional trade (an increase in its value) but also a qualitative change with more trade in intermediate products and components (which is already the largest and fastest growing part of international trade). Such a development would facilitate a broad-based move towards higher value-added production, and industrialisation.

For this to occur, the AfCFTA needs to be re-conceived as part of a broader developmental integration project. This would require the development of plans and strategies to develop specific regional value chains—including pharmaceuticals, autos, agro-processing, clothing and textiles and inputs into infrastructure.

There would then need to be a willingness to adjust and adapt the AfCFTA trade arrangement to meet the particular needs of these emerging regional value chains. An absolute imperative would be to ensure that AfCFTA ensures a real margin of preference for products produced on the continent against those imported from outside. It will also depend on a willingness to act in concert on, for example, developing strategies insisting on greater levels of local beneficiation of raw materials before export.

If this opportunity is not seized, Africa will find itself again confined to its colonially-defined place as a mere producer and exporter of raw materials—just as two mega-trends unfold that will reshape all productive activity worldwide. The first is the transition to a lower Carbon economy as some adjustment is made to the looming threat of catastrophic climate change. The second is the development of “big data” mining, management and application through the digital industrial revolution, or the so-called 4th Industrial Revolution. Both will likely bring about “disruptive” change in productive activity in all sectors and in all parts of the world. Failure to confront these mega-challenges as a producer of higher value-added products will relegate the continent to the roll of being mere consumers of products from elsewhere, just as a long-term structural shift in the terms of trade against raw materials unfolds.

MACROECONOMIC POLICY SUPPORT FOR INDUSTRIALISATION AND THE NECESSITY FOR DEVELOPMENTAL PUBLIC BANKING IN SOUTH AFRICA

After abandoning the post-World War 2-John Maynard Keynes inspired commitment to full employment as a policy objective in the mid-1980s, the countries forming the core of the capitalist world-economy shifted to taming inflation through their focus on fiscal and monetary “discipline”. They also advocated extensive deregulation, including full capital account liberalisation, which, according to them, would lead to higher investment, consumption, growth, and thus employment. So, the Global North’s macroeconomic framework said investment, consumption, growth and therefore employment would come about, they postulated, through boosting investor confidence created by the so-called fiscal and monetary discipline that came with “price stability”. This became the main anchor around which macroeconomic policy would contribute to macroeconomic stability and sustained prosperity.

As a result, the neoliberal macroeconomic frameworks which became universalised without regard to the historical conditions of Global South countries advocated a restricted role for public policy, focusing on narrow inflation targeting, which implies adjusting the rates of interest, while curtailing the developmental role of fiscal policy. To further limit discretionary interventions in the economy, some countries opted for fiscal rules, including debt ceilings through, among others, the so-called “fiscal anchors”, tying the hands of authorities from exercising full fiscal discretion.

While the macroeconomic framework prescribed by the imperialist powers of the Global North became common, there were developing country governments, especially in the Asia Pacific, which rejected it. These governments continued to use what had proven to work for many years prior to the 1980s, prioritising

formulating development policy from the standpoint of the historical conditions obtaining on their shores. However, many developing countries, including South Africa, went along with the neoliberal framework prescribed by the imperialist powers of the Global North, disregarding the reality of the East Asian countries that showed relatively successful industrialisation as a key indicator of national production development prior to the 1980s.

The neoliberal framework not only led to the outbreak of the 2008 global economic crisis but also failed to prevent it. Needless to mention that neoliberalism could not support adequate recovery from the crisis, as it is clear in South Africa's long-term stagnation characterised by low levels of growth, frequent recessions, and high rates of unemployment, poverty, inequality and the crisis of social reproduction. Like many countries that followed the neoliberal framework, South Africa failed to recover from the crisis until the outbreak of yet another crisis twelve years later, in 2020, the Coronavirus Disease 2019 (COVID-19) pandemic.

Leading voices from within the establishment agree that the neoliberal framework failed. Needless to mention the failure of the entire capitalist system as reflected in global inequality, poverty, unemployment, which are concentrated in the Global South because of imperialist relations, and, similarly, uneven development. Mark Carney, Governor of the United Kingdom Reserve Bank (2013–2020) was compelled, in a Lambda speech given at the London School of Economics on 6 January 2017, to concede, albeit moderately, that:

“It is now clear that, although it secured fifteen years of inflation control and steady economic growth, price stability, narrowly defined, morphed from healthy focus to a dangerous distraction. The financial crisis that exploded the Great Moderation was a powerful reminder that price stability is not sufficient to maintain macroeconomic stability and that the evolution of credit and indebtedness can build up major macro problems for the future”.

A dangerous distraction that does not maintain macroeconomic stability is exactly what South Africa and many developing countries continue to reap from following the failed neoliberal macroeconomic framework. Economic and financial fragility (instability) are the norm and will continue to be the macroeconomic context in which peripheral countries operate. That industrialisation, employment and prosperity are hard to show because of following this framework is not in dispute, as the following assessment shows.

How the macroeconomic framework followed by South Africa has failed to industrialisation

South Africa is Africa's most integrated economy into the global financial system. However, its insertion in the global financial system, like that of most peripheral and semi-peripheral economies, is not only unequal but asymmetric. And given the pro-cyclical profile of international financial flows upon which South Africa is dependent for both investment and deficit financing, financial instability is the typical macroeconomic context that defines the country's economic atmosphere.

Dependence on foreign flows of capital, including hot money, is justified on the ground that countries like South Africa do not have sufficient savings from where to finance investment. Therefore, it has to depend on the flows of the fickle, nomadic yield searching international finance. This is a source of significant instability, which is inconsistent with the desire for stable trade and industrial development. The fiscal, monetary and exchange rate policies, upon which industrial, trade and infrastructural development depend, are always held hostage by the swings in capital flows (currency volatility) and tend to be pro-cyclical as well. In this way, fiscal and monetary frameworks can hardly be supportive of both trade and industrial policies.

That the volatility of the rand is one of the major impediments to South Africa's macroeconomic stability has been known for a

while “(for example, the rand crises of 1998 and 2001)”. This was formally and forcefully flagged by the Accelerated and Shared Growth Initiative of South Africa (ASGISA, 2005) and subsequent government policy documents.

As we can see from our own reality, the market does not promote stability, and financial market insecurity should be confronted with an active interventionist and efficient government capable of acting promptly to prevent and minimise economic costs or crises. South Africa has failed to intervene decisively in the face of destabilising flows.

Even with the devastation of the 2008 economic crisis still unresolved, South Africa failed to respond commensurately against the until now once-in-a-century global pandemic crisis. The country remains wedded to the failed neoliberal framework that places markets at the centre, with the interest rate as a key tool. Here, the neoliberal framework operates to the detriment of the economy and broader social transformation and development.

With the destruction of industry through de-industrialisation and commerce wrought by both crises, high rising debts and low exclusionary growth were inevitable. Deficits are themselves necessary if fiscal policy is strategically designed to help achieve industrialisation, which is critical in building national production and creating employment. By supporting inclusive growth, a deficit can contribute to tackling debt.

It is also necessary to reduce domestic interest rates to issue new debt at lower rates. However, a financially integrated peripheral or semi-peripheral economy such as South African's cannot easily do so because the interest rate differential is an important tool for attracting foreign capital, deemed so important for growth. Yet, for industrialisation purposes, economies do not need high rates and unstable swings in currency. **We need a low and stable interest rates.**

What is more, if the economy is in an inflation targeting regime, as South Africa's is, the interest rate is used virtually as the only instrument for controlling inflation. Furthermore, the interest rate differential (elevated interest rates) in turn appreciates the exchange rate, contributing to controlling inflation and fuelling hot money inflows. The continued speculative money inflows overvalue the rand, which is not good for exports.

Keeping interest rates high, as the South African Reserve Bank does, undermines the balance of payments accounts in various ways. It also contributes to condemning the country to low and volatile growth rates as the fiscal space narrows, just as a narrow fiscal space cannot allow for mass industrialisation. Hence, structural transformation becomes an indefinitely deferred hope, held hostage by the type of macroeconomic framework in place.

As it is clear, monetary policy (interest rate policy) is the primary macroeconomic tool charged with the task of dealing with short-term business cycle variations, whereas fiscal policy, due to its lagged effects, is not. It is also feared that its use (government spending) can only crowd out private investment and fuel inflation, hence the curtailment of discretionary spending by the governments influenced the neoliberal policy regime.

As can be seen, the rate of interest (also known as bank rate elsewhere) is used as the primary tool to control inflation in the macroeconomic framework thus far followed by South Africa and, therefore, as the principal macroeconomic device in the management of the economy. It is in the context of this classical and neoclassical notion of price (interest rate) as an equilibrating mechanism that scholars agree that high interest rates were responsible for unemployment and low levels of investment.

How can macroeconomic framework support industrial policy?

It is clear that neoliberalism has failed South Africa's efforts to industrialise and create employment, reduce poverty and inequality, and tackle the crisis of social reproduction. It is the same policy framework that simultaneously narrowed the policy space to intervene in the economy, while at the same time increasing economic fragility.

It is equally clear that the credibility of the macroeconomic orthodoxy was thrown out first by the 2008 global economic crisis and later by the 2020–2021 COVID-19 crisis. As many researchers now agree, macroeconomic stability lies in the application of what is characterised as “unconventional” policies which were, after all, normal and conventional in the decades prior, and have been in use in East Asia for much of their development phase.

As a starting point, if dear money (high rate of interest) results in low but unstable investment, then a monetary policy regime that focuses on cheap money (accommodative monetary policy) must be the norm, if we are to witness increased investment in the productive sector (industrialisation) and increased employment. However, while necessary, low rates (cheap money) are not on their own a sufficient condition for national production development through manufacturing expansion and diversification, through industrialisation. A more comprehensive macroeconomic framework that supports increased investment in the productive sector, increased employment creation, inclusive and shared growth, radical reduction of poverty and inequality, and tackles the crisis of social reproduction, must be one that strengthens the capacity of the economy to be resilient and to achieve national transformation and development imperatives.

In this, it is critical to control credit, to control and guide investment. Credit must not be ruled out if we are to increase investment in

industrialisation, infrastructure development and other related productive sectors to chart a new course. For this to happen, credit must be controlled. Therefore, regulating the rates of interests, guiding monetary policy transmission channels towards the right course, including by building developmental presence and participation of the state in monetary policy transmission channels as a sector (the financial sector), and regulating the flow of credit, is crucial to achieve the desired outcomes, such as investment in the productive sector, inclusive growth and employment creation to radically reduce unemployment.

Controlling credit and interest rates across the entire credit chain, also called the yield curve, must not be ruled out but must be considered. Controlling interest rates as a key policy instrument cannot fall outside the sphere of democracy, for example, outside the consultation that the constitution says the Reserve Bank in exercising its independence (operational) and carrying out its functions should engage in with the Minister of Finance. In turn, the Minister of Finance should exercise their powers and functions within the collective framework of the executive branch of the state, which must be guided by a popular electoral mandate.

How does the control of credit relate to domestic industrialisation and low interest rate policy? Credit can create locally, cheaply by the financial sector (with the banks playing a key role) and can be controlled and directed towards productive activities. In this, the role of the central bank (the reserve bank) as the pivot of the credit system, as Karl Marx says in *Capital* (Vol. 3) is critical if we are to achieve the desired outcomes. ***This is one reason the SACP has argued for, among others, a differentiated interest rate policy, besides long-term moderate interest rate, with investment in the productive sector a low interest rate priority, and for the mandate of and public accountability by the central bank to include employment growth explicitly.***

The control of the long-term rate by the authorities is today a practice the Indian Department of Finance engages in, just as is the case in many other countries, including the United States itself. Our country's monetary system can and must be brought under public, rather than unelected private authority, under the control of democratic forces, rather than "vested interests" as it appears to be the case in many economies.

There is another troubling macroeconomic problem with what is traditionally known as "loanable funds" theory or doctrine presupposes that banks are mere intermediaries of saved funds from where businesspeople and households (investors) borrow money for their enterprises and other purposes. In other words, "it is argued that since South Africa has "low savings", even banks do not have enough money to lend individuals, co-operatives, SMMEs, and big companies. The argument goes on to assert that foreign savings must be imported to augment low savings. However, as shown already, foreign finance capital wants high interest rates as compensation for lending the "savings". The high rate must compensate for a return on the money as well as the "risk premium", in the case of South Africa and others, of being a semi-peripheral ("risky") country. This is a problem and not a solution.

The loanable funds theory which undergirds the macroeconomic framework that South Africa has thus far followed has actually been long discredited by non-neoclassical economists before being recently rejected by an avalanche of reserve banks. Notwithstanding the surrounding factors that limit the extent to which it can do so., any bank, no matter how small, creates money by lending money. A policy framework that recognises this reality and harnesses and guides it can be supportive of industrialisation. Financing can therefore be sourced from within the country given its strengths, instead of the path that plunges the country into a dollar denominated debt from the International Monetary Fund, for example, that can increase national debt merely by vulnerability to exchange rate fluctuations.

Public banking

Banks hold the key position from lower industrial levels to higher industrial activity only to the extent that they can be directed to do so, not by their profitability instincts. The argument that private banks are simply concerned with their profits, perhaps playing their own political role, has become sharply relevant during the recent COVID-19 crisis. For example, the state intervention in the form of the state guaranteed loan scheme failed to shift the banks' position on lending to businesses (after repeated failed attempts by the Minister of Finance, who guaranteed private sector bank losses). This should be a chilling reminder that the key to industrial development (higher scale of activity) and support in South Africa lies with banks and not the state, which is highly problematic. How can the state achieve industrialisation when banks that hold the key to industrial development support are this unresponsive to such calamities as the once-in-a-century pandemic crisis? That a state organ, the Reserve Bank, has reportedly sided or encouraged banks to lend as usual in a moment of this calamity should shake the entire society.

The ceding of credit policy to private institutions has systematically stymied fiscal and monetary mechanisms for stimulating and industrialising the economy, not just in ordinary times, but particularly in the moments of crisis in which much of the world was engulfed. The problematic lending practises of banks are well known and documented, especially to co-operatives, SMMEs and the majority, the historically oppressed population. Given that the government cannot wield authority over licenced institutions of such macroeconomic significance, it is unlikely that things will turn around any time soon. And if credit must be controlled in its connections, expansions and directions, and if the control of investment requires the control of credit, it is highly unlikely that such control can be exercised by authorities and that industrialisation can be deferred as fiscal policy alone cannot rise to be the sole vehicle for industrial development. Needless to mention that fiscal policy support for

industrial development and incentives, as the SACP noted in its response to the 2022 national budget, channelled into a negative growth trajectory, for example,

“...the average annual MTEF “(Medium-Term Expenditure Framework)” allocation for economic development and industrial incentive programmes is negative 2.9 per cent, while in agriculture and rural development the average annual MTEF allocation for land reform is negative 2.7 per cent (Budget Review, page 65). It is inconceivable that the declines in growth for economic development, industrial incentive programmes and land reform will yield positive results, in this case industrialisation to radically reduce unemployment and an increase in the pace of land redistribution to drive redress and inclusion in agriculture and integration in other land dependent economic activities” (SACP, SACP Initial response to the 2022 Budget, 23 February 2022).

The problem of lack of proper exercise of authority and wrong policy choices by the authority must be addressed. Policy must be returned from the banking monopolies, the handful of the oligopolies that make up the banking sector in our country. The state must build and be exercise discipline, else the country will not achieve its transformation and development imperatives.

In addition, building and using a public developmental banking model different from the private commercial banks—developmental public banks cannot operate under the same model as private commercial banks—along similar lines as in China and Germany but suited to South Africa’s historical conditions, South Africa should create a network of public banks across all spheres of government. This should include banks dedicated to strategic sectors of the economy guided by a comprehensive, high impact industrialisation and employment-creating industrial policy.

Public banks are a policy imperative that can be used with much more precision than fiscal and monetary policy. Their social and economic utility is more dependent on who wields them, which is why the SACP should build maximum working-class unity, power and hegemony to both achieve a developmental public banking sector and optimise the utility of the public banks. While public banking is not a panacea for all our ills, it is an additional policy instrument of any government that is committed to a national democratic revolution. This point is aptly addressed in the Freedom Charter. The post-apartheid government has gone nowhere in that direction—not a single state bank has been built 28 years since our April 1994 democratic breakthrough, which is deeply concerning.

This policy option—the building of a developmental public banking sector—has been deliberately stymied by some authorities in conjunction with private banks. If the control of credit which is critical for an inclusive growth path and industrialisation is to be reclaimed from private banks, to whom it has been ceded by neoliberal authorities, this issue must rise to the topmost agenda for all political and social forces interested in social justice.

To be clear, the German industrial machine was birthed, fuelled and held together by a myriad of local (municipal), regional/provincial and central government public/state banks that not long ago numbered 1 500, which number has come down due to mergers among these banks (and in some respect due to a shift to neoliberalism). Beyond the well known big four policy banks, China has a massive number of public banks that chug the world conquering Chinese industrial machine today. Of the ten biggest banks in the world in 2022, number one is the state-owned Industrial and Commercial Bank of China. There are other state-owned Chinese banks in the top ten biggest banks in the world, namely the Construction Bank of China, the Agricultural Bank of China and the Bank of China. In South Africa, neoliberals and neoliberal documents tell us that China has a large private sector but are silent about the massive presence of Chinese state participation all in levels of the government in China's

banking sector and the fact that what is called the private sector in China includes a massive thriving co-operatives movement.

In much of Europe, state banks were swept away by the privatisation wave that occurred some two decades or so ago.

While regulating the commercial banks and transformation the financial sector to serve the people, this in our historical context must include the development of public banks, which have a key role of play as a public policy arm, to give effect to the financial system through targeted credit policies. This approach would enhance fiscal and monetary policies and build the presence of the state in monetary policy transmission as a sector. Well managed state banks would thus form part of the monetary policy transmission mechanism to the entire economy, hence the need to have these banks across all spheres of the government as is the case in countries such as China and Germany. Furthermore, our view here of directing credit policy through state banks broadens the argument that the role of such banks is for a countercyclical purpose. Public banks would thus be a permanent toolkit of macroeconomic policy management.

This approach further ensures that productive investment is not held hostage by the private banks or their liquidity preferences, as evidenced by the COVID-19 state guaranteed loan scheme fiasco. The effectiveness of state banks will be assured if the aspects of monetary policy, especially the high interest rate regime, is understood to be contrary to economic and industrial advancement. This must find expression in the changes required in our macroeconomic framework. Public banks can be a key development policy instruments in the hands of the state and have a potentially huge transformative role in fulfilling South Africa's goals elaborated in the Freedom Charter.

STRENGTHEN AND EXPAND THE PUBLIC ECONOMY AS A NATIONAL TRANSFORMATION AND DEVELOPMENT IMPERATIVE

In articulating our “Socialism is the Future: Build it Now” Strategic Perspectives in April 1995, we asserted socialisation of the predominant part of the economy as a fundamental tenet of our Programme. We stressed that socialisation is an essential condition to achieve thoroughgoing democracy, substantial equality, and to expand freedom. “This conviction, and its centrality in our strategic outlook”, we said, “distinguishes us from most contemporary social democratic parties, whose horizons have become increasingly limited to social reform within the bounds of capitalism”.

We underlined that “Socialisation of the economy is a much broader and qualitatively richer concept”:

“It shifts the emphasis away from a simplistic concentration only on the legal forms of ownership, towards emphasising the real empowerment of working people. This empowerment of workers must include increasing control over the powers of possession.”

We agreed that this could be achieved by, among others, expanding workers’ real ability to impact on workplace decisions, for example, on the organisation and management of the production process, product development, and so on. As part of this, we resolved it is essential to increase worker control over the social powers of economic ownership. Included in this is the need to increase workers’ power over decisions around the allocation of social surplus investment policies, national budgetary priorities, and so on.

We underlined that socialisation of the economy needs to embrace

a wide range of social ownership, taking legal ownership as just one, and therefore not the only, factor. Public ownership through the state and democratic control is key, as part of these forms of ownership, governance and management. We therefore resolved that we need to advance the development of ***a predominant and varied public sector***, with entities owned and managed by the state at the national, provincial and municipal levels. It was important for the public entities to be subject to various forms of democratic control, including the scrutiny of trade unions, workplace forums, parliamentary committees and consumer councils, to name but a few, we resolved.

Two things happened, however. The role we envisaged the democratically elected government would play, that of exercising the ultimate power of ensuring investment in and expanding public entities to grow the publicly owned economy, was compromised by both neoliberalism and corporate, corrupt and criminal capture of certain state authorities, boards of public entities and public officials.

Neoliberalism and corporate, corrupt and criminal capture of certain state authorities and boards of public entities

In search of a way out from the endemic crisis of capitalism and to expand capitalist growth, neoliberalism advanced its agenda to convert the state and the publicly owned economy into a field of private wealth accumulation by profit-seeking interests. To this end, neoliberalism pushed privatisation and liberalisation of the publicly owned economy and infrastructure networks belonging to state-owned entities. This is exactly what the post-2008 global economic crisis neoliberal policy reforms, also called structural reforms, prescribed by the Paris-based Organisation for Economic Co-operation and Development (OECD)¹ backed by the International

¹ See, for example, the OECD's 2017 Going for Growth which entails the neoliberal measures that the National Treasury unveiled as its own research.

Monetary Fund (IMF), the World Bank and credit rating agencies, among other imperialist controlled institutions, seek to expand across the entire publicly owned network infrastructure. It is this agenda that the National Treasury advanced at the heart of its paper subtitled “Towards an Economic Strategy for South Africa” in 2019. This threw under the bus the 2019 African National Congress (ANC) general election manifesto, drafted in consultation with the Alliance and endorsed by the majority of the electorate through a vote.

After the outbreak of the Coronavirus Diseases 2019 (COVID-19) pandemic, the pre-COVID-19 neoliberal structural reforms were asserted through the government and outside the Alliance framework as “economic reconstruction and recovery” measures. This occurred after the Alliance Political Council had agreed to produce a unifying economic strategy, and therefore went against the agreement, collapsing the Alliance Political Council mechanism that produced the Alliance’s COVID-19 Response Framework in 2020.

Going back to the mid-1990s, neoliberalism attacked the role that we wanted to see the state play in the economy. For instance, instead of building and investing in expanding public utilities to deliver public goods and services, such as electricity, gas, water, communication, telecommunication, and infrastructure development and maintenance, neoliberalism advanced commodification, liberalisation and deprived the affected public entities of adequate recapitalisation and support. After imposing the neoliberal economic policy called Growth, Employment and Redistribution (GEAR) in 1996, the government corporatised and unbundled some public entities. Some subsidiaries of the unbundled public entities that were corporatised and thus became standalone state-owned corporations (SOCs) were deprived of the adequate support they needed from the state. A reactionary stance against using monetary policy as part of the policy instruments to support public entities prevailed.

The affected public entities were increasingly pushed into a debt trap. Hand in hand with corporatisation, they were forced to rely on profit-seeking capital markets, including monopoly-finance capital and the imperialist dominated Washington-based Bretton Woods financial institutions. As a result, they were locked into neoliberal lending conditionalities imposed by those institutions. Some public entities, Eskom, for example, were no longer regarded as public utilities. Thus, they were forced to shift away from a developmental mandate to the imperatives of the character of corporations. This led, in situations such as that of Eskom to rapid increases in electricity tariffs. Thenceforth, electricity was produced as a commodity instead of a use-value or a public good. In situations such as that of the so-called Gauteng Freeway Improvement Project under the South African National Roads Agency (SANRAL), the agenda introduced the erection of e-tolls. All this was part of cost recovery measures to repay primary loans, their interest and other costs of profit-seeking finance capital. This, besides the neoliberal fiscal policy stance adopted by the government through the National Treasury, is a direct result of the financialisation of public infrastructure development and maintenance.

In the wider scheme of things, a new version of a mixed economy defining a mixed economy, as combining public participation and—just listen to this—a significant private sector (playing a decisive role), was advanced into the ranks of our broader movement. Others bought into this neoliberal revisionism of what a mixed economy is and have been seeking to articulate it as thus within the Alliance. **It is against this background that we need to reassert our correct articulation of a mixed economy as an economy that comprises a predominant and varied public economy with thriving forms of collective ownership, such as worker and community-controlled co-operatives, playing an increasingly key role.**

The capture of certain state authorities, boards of public entities and public officials by private profit-seeking interests worsened the

situation, started by neoliberalism, affecting public entities through governance decay, mismanagement and looting. Some structures we identified would play a key role in ensuring democratic control and accountability were themselves compromised. Others, including certain trade unions, became weak and fragmented because of infighting, internal divisions and the rise of business unionism in the post-1994 period. As a result, they could not fight the private profit-driven capture. Needless to mention that they could not defend and fight for the expansion and diversification of public entities as key establishments in the publicly owned economy.

Our strategic tasks should include building our strength and broader working-class unity, power and hegemony against both the neoliberal and state capture agendas. In advancing this direction, we need to guard against neoliberalism being advanced as a solution to state capture. Vice versa, we need to be vigilant in our strategy against the so-called “radical economic transformation” (“RET”) by the state capture agenda and its patronage and factional networks. State capture in all its manifestation can never solve the problem of neoliberalism or any economic, social, political and policy challenge society, especially the working-class, faces.

Conversely, in our strategy to fight corporate, corrupt and criminal capture of state authorities, boards of public entities and public officials, our new cadres, as with the experienced cadres, need to appreciate that corruption is not absent in neoliberalism. For example, there was corruption and highly questionable decisions taken under the neoliberal restructuring that affected some of our public entities and in public procurement. In the early 2000s, for instance, Coleman Andrews was paid over 220 million rands, including performance bonuses in just less than two years’ stay at the South African Airways (SAA) as a reward for a “profit” of 350 million rands. If the problematic sale of SAA aircraft which took place under his stewardship as the SAA CEO was struck off SAA’s report, SAA experienced a loss. There are other examples of corruption which occurred outside what is now widely considered to

be a state capture era. These include the corruption that occurred under the so-called Strategic Defence Procurement Package (what was strategic about it?) widely known as the “Arms Deal”.

We need to build and deepen our vanguard leadership capacity to achieve a predominant and varied public economy as a national transformation and development imperative towards building a new economy, while deepening the struggle to dislodge neoliberalism and dismantle state capture networks. As part of this imperative, we need to strengthen our efforts to build the widest possible working-class unity, power and hegemony, to enforce and achieve the much-needed turnaround of public entities. This should form part of the wider effort to expand and diversify public participation through the state on behalf of the people as a whole, the majority of whom are the working-class and poor in the economy.

State participation and public investment in the economy, including in capital accumulation in the productive sector, to support national economic and broader social transformation and development, is a developmental imperative. The economy is too important to leave to the monopoly of the profit-seeking, private wealth accumulation interests that reproduce the high levels of inequality, unemployment, poverty and the crisis of social reproduction in our country.

State participation in the economy and the publicly owned economy should not be narrowed to a narrow pursuit of surplus, however. We need public utilities, in which case there has to be a shift away from corporatisation, as a key part of the publicly owned economy. Therefore, the character of public entities, such as Eskom, for example, should be that of public utilities instead of that of corporations in the profit-seeking sense of the character of the corporation. In the same vein, we need to consolidate a strong portfolio of public utilities, which should receive adequate state support from the fiscus, monetary policy, and the regulatory ecosystem/framework.

As things stand, we need massive public investment in network infrastructure areas, such as, **but not limited to, the following:**

- New and modern-day energy generation, sensitive to the environment but including research and development for clean coal energy solutions.
- A reliable, safe, integrated and affordable public transport system, to support working-class needs, industrialisation and the economy at large, with an intermodal approach including walkways, bike paths, rail and air transport, to mention but a few.
- High-frequency digital connectivity, including free Wi-Fi access, with working-class and rural areas prioritised to roll back uneven development.
- Bulk water, sewage and sanitation infrastructure networks.

Besides the critical network infrastructure areas, we need to build, not just a lone state-owned bank, but a thriving public developmental banking sector. This should be a key part of advancing our broader financial sector transformation campaign and the transformation of both monetary and fiscal policy spaces.

Building a thriving co-operative banking sector is an essential part of our broader financial sector transformation campaign. We must deepen our efforts to tackle the barriers against the emergence and growth of the co-operative banking sector, including legislative and regulatory barriers.

In conclusion, we need to guard against neoliberal rationalisation of public entities and the neoliberal agenda to deprive public entities of the adequate financial support and recapitalisation they need to turnaround and thrive. Advancing this strategy should go hand in hand with protecting the resources and ensuring developmental outcomes, however. For example, campaigning for the state to

meet funding requests by the SABC, the public broadcaster, but allowing any part of the funds to be used to source content from imperialist propaganda (“news”, film, etc.) networks, as its biased reportage in the North Atlantic Treaty Organisation-provoked war in Ukraine suggests, is against the principle of independent public broadcasting as a national development imperative. We need to be very strict about the developmental mandate of the public entities.

HIGH RADIO FREQUENCY SPECTRUM AND THE DIGITAL ECONOMY

In 2019, the SACP produced a discussion document towards its 4th Special National Congress titled the “Digital Industrial Revolution and the Nascent Quantum Computing Development”. Based on a Marxist analysis, the document discusses the SACP’s perspective regarding the industrial revolution, which began in the 18th century, developed and advanced through various phases up to the present.

Following an extensive process of research, guided by the materialist conception of history and dialectics, in his book *Capital* (Vol. 1) Karl Marx shows that the industrial revolution started with the invention of the working tool or the machine. “The steam-engine itself”, writes Marx, “such as it was at its invention, during the manufacturing period at the close of the 17th century, and such as it continued to be down to 1780, did not give rise to any industrial revolution. It was, on the contrary, the invention of machines that made a revolution in the form of steam-engines necessary”, he found and documented the fact in Chapter 15, titled “Machinery and Modern Industry”.

Changes in the machine powering energy from steam to electricity deepened and widened the industrial revolution. New electric powered machines, appliances, modes of transport, devices and so on emerged, replacing the old steam powered ones (coal played a key role in the production of steam, from heating water). This massively improved the productivity of the labour process. As Marx shows in the same chapter, and in the two preceding chapters, new machine inventions—production technology, work methods and organisation of production on a technical basis, and advanced application of chemical reaction processes, supersede the old ones by increasing the productiveness or the productivity of the labour process.

The development and application of the electricity powered digital

systems or digital electronics, including advances such as the transition from analogue computers to digital computers, took the process of the industrial revolution further, deepening and widening it. All this deepened automation in production, which Marx documented based on the machine development of his time. For example, he writes that “A system of machinery, whether it reposes on the mere co-operation of similar machines, as in weaving, or on a combination of different machines, as in spinning, constitutes in itself a huge automaton, whenever it is driven by a self-acting prime mover” (*Capital*, Vol. 1, Chapter 15). The development of the automaton, of the automation of production, Marx writes, “is the most developed form of production by machinery”. The same process is today carried out with robots, collaborative robot (“cobots”), drones, digital applications, 3D printing, and other digital mega trends. This same process is developing further through quantum computing development.

Within our movement merged the notion of the “second transition” in 2012. After debating this notion, at least from within our ranks informed by the analysis of class struggle by Karl Marx and Frederick Engels in the “Manifesto of the Communist Party” as an uninterrupted process but which is not always open but is at times hidden, we supported the intervention we today call the second radical phase of the transition, the national democratic revolution.

In the same manner, considering technology and technological advances as the products of human labour produced under a given historical set of the social relations of production, since its inception the process of the industrial revolution went through different phases and is to this day still advancing, deepening and widening, giving rise to new production technology and products replacing the old ones based on the superiority of their productiveness. This is not one process after another but is a single process in which the new replaces the old based on the superiority of its productiveness. The social relations in which this process takes place, including, in particular, class struggle, influence it. This contributes to its

revolutionisation, which in turn influences those social relations, introducing alterations to their characteristics.

For example, as Marx says in *Capital* (Chapter 15), the aim of the capitalistic application of machinery (production technology, technological advances) is to produce surplus-value which is appropriated by the capitalist bosses. This remains true to this day, from Google to Amazon, from Meta Platforms, Inc (the company that owns Facebook, WhatsApp, and so on) to Tesla and Microsoft, from Uber to Bold and Take a Lot, from Airbnb to digital banking applications, and so on. It is exactly the social relation of production we must tackle in our analysis of the technological revolution.

Which is our concern in this document, focusing on the privatisation of the high radio frequency spectrum in South Africa, a process we disagreed with, considering the reason given above and for the other interrelated reasons that follow. In short, in economic terms, the auctioning off of the high radio frequency spectrum will most benefit the private monopolies that dominate the information and communication technology network. The monopolies have captured the national resource as a means to extract surplus-value, profits, their maximisation, to advance unending capital accumulation.

Our counterhegemonic view as the SACP was that for South Africa to use new technological advances effectively, to meet its development goals, policy interventions, including on the high radio frequency broadband spectrum, must contribute to the national imperative to address inequality, poverty, unemployment, the crisis of social reproduction, and uneven development, including the skewed distribution of resources and infrastructure. A failure will lead to the legacy of colonialism of a special type persisting. What follows is a review of the auctioning off of the high radio frequency spectrum in 2022, a process the SACP disagreed with in both Alliance engagements and by open public statements and campaigning.

Instead of structural transformation, the high radio frequency spectrum structural reform is deepening monopoly domination, has locked out the working-class and poor

On Thursday 10 March 2022, the Cabinet announced in a statement that it has approved amendment of the policy on high-demand radio frequency spectrum and the policy direction on the licensing of a Wireless Open Access Network (WOAN) and that this was to be published for public comment. In the statement, the Cabinet said it “had in 2019 approved this policy on high-demand spectrum and the policy direction on the licensing of a WOAN to give effect to the Electronic Communications Act, 2005 (Act 36 of 2005)”. The proposed amendments removed the requirements to license the WOAN.

The decision was clearly taken to fast-track the process by the Independent Communications Authority of South Africa (ICASA), which, a week later, on Thursday 17 March 2022, announced it subsequently concluded the high-demand radio frequency spectrum auction. There was no consensus in the Alliance on the privatisation of the high radio frequency spectrum as the SACP, in particular, disagreed in the Alliance and opposed the privatisation agenda publicly.

The SACP’s stance was underpinned by our assessment of the Information and Communications Technology (ICT) network sector and developments in the digital economy, which is increasingly gaining important significance. In particular, we see the high radio frequency spectrum and related mobile data (which are used as a key to gain access to use the high radio frequency spectrum) in the unfolding and future economy like what water is to life. We therefore stressed the necessity of handling the governance of the high-demand radio frequency spectrum as a national asset that belongs to the people as a whole. This, we said, must lead to the de-monopolisation and transformation of the ICT network sector.

However, we stressed that should not be an end in itself but a means to an end. Through the approach, the state must serve the people, the majority of whom are the working-class and poor, towards socially uplifting them from the misery of mass unemployment, poverty, inequality, the crisis of social reproduction, and capitalist exploitation both at work and in the market.

We anchored our proposal in the need to build a capable developmental state that serves the people diligently, without regard to their geographic location. Among others, this requires bridging the digital divide and reducing the cost to communicate, and of access to the Internet and mobile communication, including through free access interventions. The factors we considered include the necessity to roll back uneven development and ensure digital and mobile communication connectivity across the length and breadth of the country, with an increased focus on rural and township development and upgrading.

Our alternatives included using the high-demand radio frequency spectrum as the basis for building countrywide digital and mobile communication connectivity, emphasising public infrastructure. We also referred to considerations for leasing the high-demand frequency spectrum on a licencing basis underpinned by transformation conditions and serving as a source for continuous state revenue from the license fees, while the state was also building public capacity in the space.

Interventions granting access to the high radio frequency spectrum infrastructure to mobile communication and internet service providers that put people first, putting people before profits, would benefit the masses, as opposed to forging private monopoly, we argued. And by mobile communication and internet service providers we considered the national transformation and development imperative to build and give community-and worker-controlled co-operatives a priority and small, medium and micro enterprises (SMMEs), as opposed to private monopolies, access to the network as mobile

communication and internet service providers.

Our literature review pointed to access to broadband networks along the same principle as having produced economic gains in countries such as Sweden, France, and Japan. The weakness in these cases was a lack of co-operative development. Our proposal sought to address it by attaching great importance to community- and worker-controlled co-operatives development as a transformation and development imperative in our national situation, towards overcoming the legacy of colonialism of a special type, inequality, unemployment, poverty and the crisis of social reproduction.

The literature review showed that publicly owned high radio frequency wireless spectrum infrastructure, to which mobile communication and internet service providers that serve the people can create a vibrant and innovative telecommunications services. In some countries, municipalities, as part of the state, were involved in the high radio frequency infrastructure ownership and control as well. They built the physical infrastructure, fibre-optic lines, wireless access points, and so on, and allowed mobile communication and internet service providers access to use the infrastructure to service end-users in ways that reduced the cost of communication and mobile communication data.

Thus, besides the imperative to foster co-operative development and grant both the community and worker-controlled co-operatives and SMMEs access to the high radio frequency spectrum infrastructure, as the SACP we called for democratic state control. We called for sufficient high radio frequency spectrum set asides for the state, as a priority, to fulfil its constitutional obligations and advance transformation and development imperatives.

The imperatives include ensuring national security, provision of health-care services and awareness, expanding access to education and training, learning and teaching, improved disaster management, and facilitating access to information and freedom

of expression. This includes building an enabling environment for people to exchange ideas by, among others, pioneering the transformation of the communication and media space. All this not only differed from but also contradicted shoving the ICT network sector deeper into private monopoly dominance.

The likes of the Paris-based Organisation for Economic Co-operation and Development (OECD) and the Washington-based International Monetary Fund (IMF) promoted the privatisation of the high radio frequency spectrum, to facilitate private capital accumulation as a priority above all else, putting profit-driven interests before people. The National Treasury, through its document sub-titled “Towards an Economic Strategy for South Africa” first published in August 2019, played a key role in pushing the OECD and IMF neo-liberal policy prescriptions, also called policy reforms or structural reforms. In part, the National Treasury was also motivated by the short-term gain of the revenue injection from the auctioning off of the high radio frequency spectrum.

In countries where monopolies in the ICT network sector exercise influence on policy direction, they reject license fees altogether. Alternatively, they push the fees significantly down, if possible next to nothing, arguing that they would have bought the high radio frequency spectrum, for whatever applicable period, and they pay corporate income tax. Whether this will be the case in South Africa remains to be seen, but it is not so hard to work out as the high radio frequency spectrum auctioning off to the monopolies shows.

In South Africa, profit-driven interests and most epically the monopolies have been pressing down corporate income tax in the policy space. Instead of a differentiated approach based on the principle of a heavy progressive or graduated income tax, governments under the sway of neo-liberalism have adopted a blanket approach involving cuts in corporate income tax, seeing it as a problem in the same way as monopoly capital interests see it as an enemy to their profit-maximisation agenda. As they do so,

the monopolies, including oligopolies, compete to deepen their dominance.

Whether the approach followed regarding the high-demand radio frequency spectrum is de-monopolising the ICT network sector must be judged against what ICASA announced to be the outcomes of its auction. The duopoly made up of Vodacom and MTN captured the largest share of the high radio frequency spectrum. In value terms, Vodacom captured 5,4 and MTN 5,2 billion rands of the high radio frequency spectrum. At 2,1 billion rands, Telkom, which is partly owned by the state, came out at number three. At 1,4 billion rands, Rain came out at number four, while, at 288 million rands, Cell C came out at number five. Liquid Intelligent Technologies came out at number six, capturing 111 million rands of the spectrum in value terms. The entire working-class and poor who did not have any capital of their own were locked completely out of access to the control the spectrum, as the monopolies were entrenched. They did not matter in the design of this process, where the total revenue collected is over 14,4 billion rands.

ICASA licensed the above bidders, with the conditions to empower 51 per cent black-owned Mobile Virtual Network Operators (MVNO) (How many must be community-and worker-owned co-operatives?). ICASA says absolutely nothing whatsoever about the collective ownership imperative. Worker control is therefore just not a priority in what is called empowerment. The model, if we do not contest it to change its direction, will be nothing but capitalist. It will leave the masses, who are promised quality pictures in television broadcasting and other quality services, exploited, impoverished, unemployed, poor and living under conditions of inequality.

ICASA has considered some license obligations to the bidders, such as the obligation to connect public schools and clinics, as “enough” balance between the injection to the fiscus from the privatisation of the high radio frequency spectrum. Further, it noted that the spectrum is still reserved for WOAN. However, the details

were yet to be communicated.

The SACP is concerned, however, about the historically poor ICASA capacity to impose progressive license conditions decisively and successfully, for example, those imposed when 3G was licensed. As we speak, for instance, few, if any at all, schools were connected or remain connected. The SACP is not convinced at all that the ICASA approach will enhance structural transformation. In the first place, it has deepened the stranglehold of the duopoly that dominates the ICT network sector. We also know that the operators will look for the cheapest ways to meet the obligations and therefore hit-and-run through interventions that will not last long. Even the requirement to work with 51 per cent MVNOs requires a strong regulatory hand. Without that, it will be another failed policy intention, like the Under-Service Area Licenses (USALs).

The SACP believes the fast-tracked high radio frequency spectrum auctioning off process has taken back the regulatory stick to the duopoly and oligopolies that dominate the ICT network sector. The established monopolies will grow their markets further and are more likely to invest in the 5G network infrastructure in urban areas and leave behind rural and township areas. This approach, while “enhancing” the government’s structural reforms, does not transform the structure of the sector but fosters the deepening of private monopoly domination in the sector.

What else is to be done?

Having regard to the review, identifying gaps and challenges, the SACP must chart the course for an enabling environment that positions South Africa for the digital industrial revolution and the digital economy at large.

The digital economy must benefit the working-class through the development of collective forms of ownership, such as community- and worker-controlled co-operatives as well as SMMEs. Without developing collective forms of ownership and democratic control, it

will be very difficult to impossible to foster an inclusive growth path in the ICT network sector.

The ownership, control, governance and management of digital technology, including the mobile communication ecosystem, must be of interest in policy development and the regulatory framework. Policy objectives must support redress to eliminate the historical imbalances of colonialism of a special type continuously reproduced and sustained by the capitalist market. In this regard, redistribution of the means of production, including control of the high radio frequency spectrum and data, as a new productive force, with the working-class and poor as a priority, is essential in our historical context. We need to more decisively assert and campaign for measures that directly lead to the realisation of the economic goals of the Freedom Charter. To this end, we need to forge a popular left front movement around the revolutionary thrust of our Alliance's shared strategy of struggle, the NDR, as summarised in the first Strategy and Tactics adopted by the ANC, in 1969, in Morogoro, Tanzania, thus:

“Our drive towards national emancipation is therefore in a very real way bound up with economic emancipation. We have suffered more than just national humiliation. Our people are deprived of their due in the country's wealth; their skills have been suppressed and poverty and starvation has been their life experience. The correction of these centuries-old economic injustices lies at the very core of our national aspirations... one thing is certain—in our land this cannot be effectively tackled unless the basic wealth and the basic resources are at the disposal of the people as a whole and are not manipulated by sections or individuals be they White or Black.”

Policy and regulatory approach must create an enabling environment to reverse the legacy of colonialism of a special type by foster community-and worker-controlled co-operatives, other collective forms of ownership and democratic control, and SMMEs,

and granting them access to the high radio frequency spectrum infrastructure to tackle unemployment, poverty, inequality and the crisis of social reproduction.

Broadband rollout, countrywide digital connectivity and access to the high radio frequency spectrum infrastructure should contribute to building an advance to universal internet access. Policy and regulatory interventions must bridge the digital divide and eliminate uneven development regarding digital communication infrastructure, content, and information gap.

The government can provide public services with digital technology, for example, through an e-government programme that connects government to citizens and enables the faster and cheaper delivery of services. Related to this, the national cyber-security strategy must be enhanced to deal with emerging threats and crimes in the online space. The state must co-ordinate more effective efforts to protect citizens' data, deal decisively with criminality and fraud in the digital space, and tax transactions conducted in the digital space, as is the case with the transactions conducted in the physical space.

The ICT skills development framework must prioritise lifelong learning and offer opportunities and structured ways for workers to upgrade their skills to take advantage of digital technologies. A nationally co-ordinated digital awareness and training programme should be one priority to enable our people to take part in the digital economy, in economic terms, meaningfully. Linked with this, we should campaign for steps to be taken to tackle economic and other forms of exploitation in the digital space.

The SACP acknowledges that there are much fewer multilateral rules formation but more of bloc formation (e.g., the Chinese are developing their own digital products, operating system and applications galleries, apart from the United States' monopolies (Android, Apple, etc.)). In this sense, the United States' hegemony is not uncontested, which is why the imperialist regime has

reacted through sanctions against China and other forms of state interventions in favour of its monopolies. South Africa cannot continue to be a consumer as opposed to a producer of digital technology, applications and platforms, and to taking part in quantum computing development, which will be more radical than previous technological advances.

Therefore, public policy direction on the digital economy should not exclude digital systems, components and devices manufacturing localisation and digital technologies innovation, research and development, to turn the tide against colonial patterns of economic underdevelopment and build data sovereignty. Related to this, South Africa must enhance its ICT skills development framework to reposition South Africans for the unfolding digital industrial revolution, the digital economy, and the quantum future.

Big data is the new “gold”. The SACP must push for a probe into global monopoly capital in the data revolution, mining of data, and fight for data sovereignty.

In this age of the digital revolution, a capable democratic developmental state, buttressed by working-class power and putting people before profit, must ensure that citizens have access to basic rights, including communication and information, which is in line with our country’s constitution, including by bridging the digital divide and information gap. The state must also develop its capacity to manage disasters, national wealth and resources better, and to fight crime and corruption, secure the nation, eliminate uneven development, and drive transformation and development of our country, using digital technological advances but not as a sheer procurer/consumer state but as a producer state through the people.

Conclusion

Democratic state control of the high radio frequency spectrum and its developmental governance could play a key role to bridge the digital divide and to spread connectivity infrastructure across

the length and breadth of our country, ensuring that key public institutions in human development sectors, such as education and training, healthcare and disaster management, are connected to deliver on their mandates. As part of this imperative, South Africa must strive to universalise access to the internet and digital connectivity, including mobile communication, and unlock access to related opportunities.

It is therefore important to lower access to the high radio frequency broadband infrastructure-based communication data, including through a roll-out of free Wi-Fi hotspots in a nationally co-ordinated development effort. In doing this, we must place a premium on high radio frequency broadband spectrum access services by the working-class and poor communities across the country. These are some perspectives and campaigns that the SACP has to consider intensifying, engaging both within our Alliance and publicly.

We cannot overemphasise the absolute necessity to de-monopolise the ICT network sector, mobile communication and internet service providers' spaces.

The rollout of integrated digital television (IDTV) or decoders/set-top-boxes (STBs) for working-class and poor families must be completed countrywide as a matter of urgency. The switch-off of the analogue broadcasting signal to the digital broadcasting signal without first ensuring that all working-class and poor families are covered in the rollout of the STB will leave the affected families without access to free-to-air television broadcasting. This will also amount to depriving the affected families of access to public, and community, broadcasting services, information and the right to communicate.

Also, digital migration must bridge the digital divide, bridge the content divide, promote progressive local content development, enhance the growth of progressive television production industry, promote local manufacturing, diversify the television landscape

and strengthen free-to-air television, all in the public interest.

The sector regulator, ICASA, must be fit-for-purpose, proactive, vigilant and strengthened to serve public interest and safeguard the principles of diversity. It must provide certainty and have appropriate and dynamic regulatory interventions for services. To protect ICASA from the consequences of the revolving door, including corporate capture, the state must adopt revolving door prohibitive regulations and restraints and enforce them decisively. This will go a long way in helping to deal with corruption and regulatory timidity.

All this and other measures needed to achieve structural economic transformation and deepen the advance towards socialism, the NDR proper, require the SACP to strengthen its programme to build maximum unity of the working-class, including through a popular left front movement. A mass base and mass mobilisation remain essential in advancing and defending working-class interests.

THE INFORMAL ECONOMY

Organising informal economy workers and the role of the Party and trade unions

Workers in the informal economy (IE) are no different from any other workers except that they perform their work in unregulated and unprotected conditions.

A majority of all workers in the world are in this situation: they work in informal enterprises as well as in informal jobs (jobs that pay no benefits or provide no social protection) thus including own-account workers (e.g. home-based workers, street vendors, or small farmers) and paid workers in informal jobs (e.g. casual workers without fixed employers, most domestic workers, as well as workers in unregulated and unprotected work in various enterprises ranging from agriculture to manufacturing to services, often with a final employer in the “formal” economy).

The International Labour Organisation (ILO) has set decent work as the goal for its own work. The four pillars of decent work, according to the ILO, are employment opportunities, workers’ rights, social protection and representation. The working poor in the informal economy experience the greatest deficits in decent work. They are the least likely to benefit from full-time employment and social protection and most likely to suffer from lack of workers’ rights and of organisation and representation. The net result is that the majority of workers in the informal economy are caught in a poverty trap: in a “decent living standards deficit”. To reduce poverty, we need to reduce the decent work deficits of those who work in the informal economy.

National and local governments need to recognise the existence of workers in the informal economy, particularly women workers, persons with disability, migrants, and to acknowledge their economic

and social contributions. In so doing, they need to adopt measures and policies that enable these workers to make this contribution under acceptable conditions, that protect their rights as workers including their right to social protection and to representation, and that generate decent employment opportunities for them. Such policies range from institutional recognition to measures protecting workers from harassment by police and local authorities, employers, contractors, protection racketeers and local vigilante groups.

What is needed is, in the first place, the recognition that workers in the IE should have the same rights as any other workers covered by ILO standards; secondly, recognition that the implementation of these standards is particularly difficult in the IE, therefore requiring a special effort by governments. As a first step, governments should remove all legal obstacles to the organisation of workers in the IE into “organisations of their choice without prior authorisation”.

Labour legislation is usually framed to apply to “employees” rather than “workers”, which assumes a formal employment relationship. The ILO should encourage governments, and governments should accept, that labour legislation should apply to all workers, regardless of an employment relationship or of the form it may take.

Further, workers in the IE have very little social protection and access to social services, in most cases none at all. In many cases, their work is insecure, with low and irregular income. They need support in education and training, through appropriate programmes that should be carried out with their participation at very stage, from planning to implementation.

The following spells out specifically what needs to be done, principally by governments and employers, to address the challenge of the “decent work and life deficit”.

Workers' Rights

Through the ILO, a system of international labour standards and labour conventions was developed during the last century. Workers' rights include core labour standards around which there is widespread international agreement and other basic rights. The core rights, encompassed in international conventions, include freedom of association and the right of collective bargaining; elimination of all forms of forced or compulsory labour; elimination of discrimination in respect of employment and occupation, and the effective abolition of child labour.

Other areas of basic rights include safe and healthy working conditions, reasonable working hours, severance notice and pay, paid sick leave and vacations, and retirement compensation. Some of these are incorporated in existing international standards and conventions and should, in principle, be extended to informal workers. Most ILO standards apply to all workers or, if targeted at workers in the formal economy, have explicit provisions for extension to other categories of workers. ILO Convention 177 on Home Workers focuses on a specific category of workers in the IE: home-based workers or industrial outworkers who work from their homes. ILO Convention 189 on Domestic Work equally focuses on the specific category of workers in the IE: domestic workers. Two other ILO conventions—C141 on rural workers, and C169 on indigenous and tribal people—focus on groups of workers who are often in the IE.

The longstanding commitment of the ILO to protecting the rights of all workers irrespective of where they work was reinforced in 1998 when the International Labour Conference (ILC) of the ILO unanimously adopted a Declaration of Fundamental Principles and Rights at Work that applies to all those who work, regardless of their employment relationship. This was followed by the adoption of a very clear framework Resolution at the ILC in 2002 on “Decent Work and the Informal Economy”.

Social Protection

Most informal work is not covered by sufficient, if any, legal protection regarding occupational safety and health. National Governments should conduct surveys of work hazards and of unhealthy and unsafe conditions of work in the IE. They should then strengthen their labour inspection services with particular regard to occupational safety and health problems in the IE.

Sexual harassment is a hazard women workers frequently encounter, also in informal work, particularly in domestic employment. Street vendors, when commuting home, face the usual threat of violence and sexual harassment common to low-income women living in marginal settlements around the world. Workers in the IE are particularly vulnerable to natural and man-made disasters (earthquakes, floods, wars, civil violence, etc.) as they have little institutional protection and no personal reserves to fall back on. They require insurance schemes providing adequate protection and, through their organisations, should participate in the management of such schemes.

Education

Workers in the IE, in particular women workers, have educational needs at various levels: trade union and co-operative management training, vocational training, training in occupational safety and health issues, marketing, etc. Educational services meeting these needs can be delivered by a number of institutions: workers' education associations, trade unions, public authorities at all levels, academic institutions and others. Educational programmes should be promoted and developed for workers in the informal economy, particularly women workers, in the following fields:

- Organisation and management of workers' organisations (in particular trade unions and co-operatives) occupational safety and health;
- Vocational training;

- Global economics (production chains and marketing)

A fund with contributions from governments and employers should be set up to enable the implementation of these provisions as they apply to the IE.

Economic Support

In order to uphold the right of workers, in particular women, in informal work to adequate income and secure work, national and local governments should enact and implement laws on fair wages and incomes. They should provide mechanisms by which workers in the IE can be provided access to and control over productive assets and resources, such as land, credit, capital, marketing and technological assistance.

Voice and Representation

Workers in the IE should be represented through their organisations in all institutions where decisions are made that affect their conditions of life and work. It is important to understand that what is required here is not a representation by proxy but direct representation through their own representative organisations.

At international level, such workers' organisations are represented at the ILO by their inclusion in the Workers' Group. Where employers in the IE form their own associations, they should be included in the Employers' Group.

At national level, tripartite bodies should be established which deal with the problems of the IE where workers and employers in the IE are represented in a workers' group through workers' organisations and in an employers' group through business associations. Where tripartite structures already exist, they should include the IE in their existing organisation and activities.

Local governments should establish structures where discussion and negotiation with the local authorities can be conducted on such

or harassment of waste pickers, street and market vendors in urban areas, etc.

Statistics

The ILO should assist all governments to produce proper statistics on the IE in their countries.

The foregoing is what was presented to participants at the 90th session of the International Labour Conference of the ILO (***International Labour Organisation***) in 2002 by the GLI (*Global Labour Institute*) in a booklet which was distributed in preparation for a discussion on Decent Work and the Informal Economy. The message remains as appropriate 20 years later in 2022, as it was in 2002.

The informal economy consists of basic livelihoods strategies that support many vulnerable households, who draw their livelihoods from informal work. It is not a single sector, but consists of different sectors, including, but not confined to, informal traders (including street traders, market traders, spaza shops and informal cross-border traders); waste pickers (*including street collectors, those who collect on landfill sites and recyclers*); taxi workers (*including drivers, conductors and washers*); home-based workers (*including care workers and community health workers*); domestic workers; agricultural producers and subsistence fisherpeople.

We use the concept of the informal economy as described in Clause 3 of the 2002 Resolution of the International Labour Organisation (ILO) on Decent Work and the Informal Economy², i.e.

The term “informal economy” refers to all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice,

² Workers in the Informal Economy: Platform of Issues. GLI June 2002. Geneva.

*which means that—although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.*³

The “economic units” referred to in the description above include co-operatives, micro-enterprises, social enterprises, social & solidarity economy units, and other informal entities providing products and/or services.

Since 2002 we have seen the emergence of new forms of work, such as “platform” work based on internet platforms and easily-accessible popular Apps—which is increasingly common in the services sector—often called “the new informal” these days. This is due to the fact that these new forms of work are being informalised as soon as they appear, in the context of the description of the informal economy in Clause 3 of the ILO’s 2002 Resolution on Decent Work and the Informal Economy: *“The term “informal economy” refers to all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements”*—and the fact that governments seem to be generally very slow to integrate the emerging new forms of work into their regulatory systems (and where they do, it is often to criminalise them).

One of the consequences of this is that many of the workers engaged in these new forms of work have become own-account workers, and the work they do has become own-account work undertaken at the initiative of currently officially unemployed or under-employed workers who cannot find employers to sell their labour power to, nor can they succeed as entrepreneurs in small enterprises. They are joining the growing reservoir of de facto own-account workers (irrespective of what the system labels them as).

³ <https://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf>⁵

The role of trade unions

The reality at the moment is that most new employment in Africa is taking place in the IE. The challenge for the trade union movement is to ensure—if economic growth is to lead to the eradication of poverty in Africa—that increased employment is decent work, whether it be in the formal or informal economy. However, unless trade unions are active in the informal economy, they are not in a position to ensure that increased employment in the informal economy is decent work. Some unions are painfully aware of this, and what it means for them as representative working-class organisations. Those who are not are nevertheless still losing membership as employment in the formal economy continues to drop as a result of de-regulation, privatisation, structural adjustment and other neo-liberal programmes designed to boost economic growth without due regard for their employment implications.

This carries major implications for trade unions and their representivity. As their traditional base of full-time permanent employees shrinks, the section of the labour force which they represent becomes increasingly more marginal. In countries whose economies are held up by market women, street vendors and mobile hawkers, small-scale agricultural producers, waste pickers and recyclers, home-based producers of goods and services, own-account workers, casual and sub-contracted workers, and what is euphemistically referred to as “family labour”, and none of these sectors are unionised in any significant numbers, the trade unions often find themselves representing a numerically miniscule group of workers in the labour market who have better wages and working conditions (*even where these are bad relative to workers in other countries*) than the rest of the working population. Such a marginal group cannot in all seriousness hope to properly represent the entire workforce, no matter how strong they have been in the past and no matter what proud history of their struggles remains in the memory of workers and civil society. However, trade unions usually have systems of direct democracy (*either working or lapsed*

in practice) which provides a stronger basis for democratic and representative civil society actions, than do many other kinds of civil society organisations. For this reason, the rest of civil society often looks to trade unions for leadership in broad civil society actions and campaigns.

Trade unions world-wide face the challenge of either finding and applying strategies for effectively organising workers in the informal economy or remaining helpless to prevent the slow attrition of being reduced to very small weak organisations as their traditional membership base dwindles to little or nothing.

How can trade unions know what are the right issues and demands to put forward in order to create decent work in the informal economy, if they have not yet organised workers in the IE? With the best will in the world, all they can do is guess what they think may be the interests and demands of workers in the informal economy and put these forward. But this is no better than those Heads of State who formulate policies after guessing what their people need, instead of engaging in proper consultation with civil society.

Trade unions can confront these challenges by tackling the following practical issues:

Decisive action: getting trade union leadership to prioritise the organisation of workers in the IE, and to make human and financial resources available to implement this.

Legal changes: if a country's laws are an obstacle to organising workers in the IE, unions need to lobby for the necessary changes to the laws.

Constitutional changes: changing trade union constitutions where this is the obstacle to organising workers in the IE.

New organising strategies: learning new organising strategies which are more appropriate for workers in the IE. This could mean identifying new negotiating partners (e.g. municipalities in the case

of street vendors and waste pickers, rather than employers) and new collective bargaining strategies and demands.

Women leadership: overcoming the traditional male bias in formal sector trade unions in order to have significant leadership by women (who are in the majority in many sectors of the IE, especially in the lowest income-earning work) in the IE.

Learning from those doing it already: by means of exchange visits or other engagement, unions can learn from the experiences of those who are already organising in the IE, avoid some of the mistakes and replicate the more successful strategies—rather than re-invent the wheel. There are many different models operating in different African countries—so sometimes a combination of different models can be applied where no single one fits exactly.

Organising workers in the IE as workers and as equals: because of the greater marginalisation of workers in the IE, and their often lower levels of formal education, there is often a tendency for formal workers to want to do things on their behalf instead of organising for them to represent themselves and set their own organisational agenda. Formal workers need to be conscious to avoid this tendency—remembering the struggles they previously have had to wage to represent themselves instead of being represented by others.

Joint campaigns: for successful joint campaigns, there must be demands set by the workers in the IE as well as the demands of the formal workers. If the formal workers set all the demands and the agenda, and expect the support of workers in the IE when there is nothing in it for them, it will not work.

Tackling globalisation: workers need to confront the negative consequences of globalisation in a unified way (i.e., formal and informal workers should identify their common ground and organise around that) in order to find ways of influencing or acting on the way in which they are affected by globalisation.

Taking a lead in civil society: if trade unions are sufficiently representative of the working people in any society, they are the natural leaders of any civil society or social movement. They become much more representative of the wider working class if they genuinely represent the workers in the IE and are then much better equipped to take up a leading civil society role.

The strength of trade unions lies in their ability to represent the interests of members to whom they are directly accountable and from whom they get a direct mandate. It is not good enough for formal sector trade unions to claim the right to represent workers in the IE who are not their members and who have not given them a direct mandate, just because they define themselves as working class organisations. The only way to genuinely represent workers in the IE and put forward their demands for decent work, is by organising them, and enabling their elected representatives to participate directly in negotiations and policy dialogue.

The challenges of representation in the IE and new forms of work

One of the main obstacles to the organisation of workers in the informal economy and in new forms of non-standard work is the fact that they are usually not part of the labour force recognised by law—especially “own-account” or self-employed workers. Contrary to popular belief that such workers cannot be organised, there are real possibilities for workers in the IE and new forms of work to organise themselves (whether or not the laws recognise them as workers) and fight for their legal recognition as workers, and for new laws and policies which eventually grant them all the basic rights and core labour standards to which other workers are entitled. This is already happening extensively, throughout Africa and in South Africa.

Workers in the formal economy and their trade unions are not the most suitable representatives for workers in the IE and non-standard

work. In the words of an informal worker at a seminar held in Lusaka, Zambia, in 2001 to determine the representational needs of workers in the IE, *“If you want to know what a crocodile eats, you don’t ask a monkey.”* The most acceptable “voice regulation”⁴ mechanisms for workers in the IE, including new forms of non-standard work, are trade unions and workers’ organisations which have organised these workers as their members, and in which IE and non-standard workers regularly elect their own representatives. Formal sector unions can genuinely represent informal and non-standard workers only when they too start actually organising them and having them elect their own leadership in their unions.

Unless workers in the IE and new forms of non-standard work are brought into the system of voice regulation, labour market inequalities between workers in the formal and informal economy, and between workers in increasingly varied forms of work, would deepen. In all likelihood, the relatively privileged situation of workers in the formal economy will eventually undermine their own employment security unless they form alliances with organised workers in the IE and new forms of work and engage jointly with them in new inclusive and integrated voice regulation systems.

New forms of organisation of workers in the gig economy are emerging, most notably in the transport and food delivery sectors. Innovative systems of collective bargaining are also emerging for the negotiation of contracts establishing agreed wages and working conditions in these sectors⁵.

Historically, struggles for trade union rights and representation in any system of voice regulation have lasted many decades. It has been

⁴ “Voice regulation” is characterised by Guy Standing (1999) in *Global Labour Flexibility: Seeking Distributive Justice*, MacMillan Press, Great Britain, and St. Martin’s Press, USA, as one of three forms of labour regulation, the other two forms being statutory regulation and market regulation. The term “voice regulation” derived by Albert Hirschman, “implies that labour relations, practices and changes are managed through bargaining between representatives of potentially conflicting interests”

⁵ Johnson H. & Land-Kazlauskas C. (2019) “Organising On-Demand: Representation, Voice and Collective Bargaining in the Gig Economy”, International Labour Office, Geneva
http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_624286.pdf

through independent, democratic worker-controlled organisations that current systems of voice regulation have been achieved. For workers in new forms of work and the IE to be able to participate in—and sustain—an appropriate system of voice regulation, they also need to be organised in independent, democratic organisations controlled by and accountable to themselves. These workers’ organisations may need to have different characteristics from traditional trade unions, and different organising strategies—and they need to be democratically run by and accountable to the workers in the IE and new forms of non-standard work who are their members, who elect their own spokespeople to represent them in collective bargaining and social dialogue.

Workers often find themselves having to organise outside of existing legal frameworks, and their struggles include demands for the establishment of a legal framework which would include them. However, during the years leading up to this, many other gains are won on the way, bringing about short-term improvements in their wages and working conditions. The short-term victories are also important for helping to continue to strengthen their organisation and build alliances to fight for their rights to be properly represented in national (and eventually international) voice regulation systems.

Workers worldwide in the IE and in new forms of non-standard work are normally not recognised as workers in terms of labour legislation. Some trade unions perpetuate the myth that “they are not defined as workers in law—therefore we cannot organise them”. These trade unions feel that they can only organise workers who have been defined as workers in labour legislation. On the contrary, however, as has been amply demonstrated in many African countries, workers can organise themselves whether or not they have been recognised as workers in the labour legislation—as long as they recognise themselves as workers. When they organise, they therefore need to organise not only for improvements in their working and living conditions, but also to shape new laws which will recognise and protect workers in the IE and new forms of work.

They will also need to develop laws ushering in an appropriate voice regulation framework within which workers in the IE and new forms of work can be represented through their own directly elected representatives.

Where governments make policies and legislation to deal with the challenges of promoting decent work in the IE and in new labour markets, there is invariably a strong organisation which has been putting pressure on government and policymakers. For example, a government which had a lot of living examples and new initiatives (*especially in the area of social security*) they were able to bring into the discussion on Decent Work in the Informal Economy at the 90th session of the International Labour Conference in June 2002, was the government of India—who have had the Self-Employed Women’s Association (SEWA) in their country since 1972, actively lobbying for policies and measures to address the needs of workers in the IE. For workers in the IE and new forms of non-standard work in other countries, there is a clear message—do not wait for legislators and policymakers but get organised and start pressurising them to introduce appropriate laws and policies.

Struggles to win small victories also help organisations to strengthen their capacity to work together and develop their organisational and collective bargaining skills. Workers in the IE and new forms of non-standard work need to be engaging in alliances with traditional formal sector workers and their trade unions. Learning how to effectively work together and run joint campaigns for small victories has proved to be an important step on the way to building towards the longer-term vision of full organisational and representational rights for all workers, including those in new forms of work and the IE—as was seen in the successful general strike action in Guinea early in 2007 for the removal of the Prime Minister as well as reforms in formal labour laws and informal trade regulation, a success generally attributable to the full participation of both formal and informal economy workers, and the leading role taken up by women street vendors.

The Role of the Party

Policy interventions—What are the areas of policy intervention that need to be undertaken in the interests of decent work in the informal economy?

Labour legislation

Labour legislation needs to take into account the “*realities of modern organisation of work*” (Clause 16 of the ILO Conclusions in Decent Work and the Informal Economy)⁶. According to Clause 4, “*workers in the informal economy include both wage workers and own-account workers. Most own-account workers are as insecure and vulnerable as wage workers and move from one situation to the other. Because they lack protection, rights and representation, these workers often remain trapped in poverty.*”

This means that labour legislation needs to focus distinctly on the situation of both vulnerable wage workers and own account workers in the informal economy, in order to address the realities on the ground with a greater degree of precision.

- (a) **Wage workers**—the South African government has introduced labour law reforms to address the situation of informal ‘a-typical’ wage workers. An ILO Recommendation concerning the employment relationship was adopted at the 95th session of the International Labour Conference on 15 June 2006⁷. This ILO Recommendation provides guidelines for the protection of workers in an employment relationship in situations of disguised employment, ambiguous employment and to some extent triangular employment relationships. Since informal workers are often found in sectors and occupations where these types of employment relationships prevail, our labour legislation could become more applicable

⁶ www.ilo.org/public/english/standards/realm/ilc/ilc90/pdf/pr-25res.pdf

⁷ www.ilo.org/public/english/standards/realm/ilc/ilc95/pdf/pr-21res.pdf

and enforceable for most informal wage workers by introducing a package of further labour law and policy reforms in accordance with the new ILO Recommendation concerning the employment relationship.

- (b) **Own account workers**—this category of workers presents a conceptual challenge to legislators because of the absence of an employment relationship in their case. Our government has tried to tackle this problem by introducing a “deeming” provision into our legislation—in terms of which certain classes of workers could be “deemed” to be employees. While this may be a way of getting some limited relief for certain workers who have managed to get the Minister to deem them to be employees (which is itself may be complicated and cumbersome) it fails to squarely face the situation of the masses of genuine own account workers working in our economy, who may be economically dependent on some economic actor—but not on an employer. New ground needs to be broken regarding the protection and legal rights of own account workers—whose status as workers was officially recognised by the ILO for the first time in 2002 in Clause 4 of the Conclusions on Decent Work and the Informal Economy.

Other laws and policies for decent work creation for informal workers

A major achievement of the 2002 Conclusions on decent work and the informal economy was that it enabled the international debate to move away from a polarised 20-year-old impasse between the employers’ project to “grow the informal economy” and the workers’ project to “formalise the informal economy”—to a consensual framework focusing on the situation of workers who find themselves working in informality, rather than the “size” of the informal economy and whether it could be made to increase or decrease. Clause 27 of the Conclusions encourages the adoption of a policy and legal environment which “*increases the benefits of*

legal registration, facilitating access to commercial buyers, more favourable credit terms, legal protection, contract enforcement, access to technology, subsidies, foreign exchange and local and international markets” in order to “discourage businesses in the formal economy from shifting into the informal economy”, to help “new businesses to start and smaller businesses to enter the formal economy and to create new jobs, without lowering labour standards (which) also increases state revenues.”

In line with this framework, the following practical measures are needed:

- establish a simple one-stop registration system for all informal workers to register and get ID cards identifying them as a worker in a simply defined trade (e.g. street vendor, market vendor, waste collector, minibus taxi conductor, etc.) which could provide the administrative basis for benefits such as social security schemes, social insurance schemes, etc. which would be an incentive for compliance;
- develop an appropriate taxation system (*based on the principles of progressive taxation*) suitable to the particular conditions of wage workers and own-account workers in the informal economy. Employers in the informal economy (*including intermediaries, in accordance with the principle of joint and several liability*) would also need to be taxed in line with their particular reality. A study of functioning tax systems in some of the market-places in West Africa would provide good ideas for simple and effective methods of tax-collection in the informal economy;
- the extension of trade policies to remove unnecessary obstacles including NTBs (*non-tariff barriers*) faced by informal cross-border traders, could increase the access of informal workers to foreign markets, and reduce their dependence on intermediaries whose trade in large volumes of certain

products (*relying on availability of many vulnerable informal workers willing to sell anything which is supplied to them*) produces distortionary effects on sectors of our economy (*such as the trade in foreign donated second-hand clothing*);

- financial and non-financial support measures for informal workers are an obvious way, if accurately targeted, for informal workers to formalise and regularise their work situation. This should include legal services and skills training.

Representation

Clauses 31 to 34 of the Conclusions on decent work and the informal economy⁸ focus on the importance of extending representation, both of employers and workers, throughout the informal economy. These clauses provide extensive guidelines for employers' and workers' organisations, including trade unions, on how to do this. The NEDLAC Community Constituency has extensive information on efforts by trade unions and other informal workers' organisations who have been increasingly joining a growing movement to organise workers in the IE, particularly in Africa, Asia and Latin America, since the 1970s (*in the case of the pioneers in India and Ghana*) but gaining substantial momentum in other countries in these regions in the past five years. We know less about the organisation of employers in the informal economy—we have been hoping that the employers' organisations are taking care of that, but frankly it does not look like this is happening much outside of West Africa.

However, even where workers in the IE are becoming organised, they find themselves in a situation, unlike workers in the formal economy, of having no statutory labour market institutions by means of which they can engage the relevant authorities in collective negotiation. They have to set up ad hoc negotiating arrangements, which means that none of their negotiated agreements or contracts

⁹ <https://www.ilo.org/public/english/standards/relm/ilc/ilc95/pdf/pr-21res.pdf>

are secure—and continuity of any negotiated arrangement is a major problem. Even in an institution like NEDLAC, the Labour Caucus does not even represent all the workers in the formal sector, let alone the MBOs (*membership-based organisations*) of workers in the IE. The Community Constituency (*many of whose members are among the most vulnerable workers in the informal economy*) is still not properly integrated, with no rights to represent its own interests in three of the four Chambers, i.e. the Labour Market Chamber, Trade and Industry Chamber, and Finance and Fiscal Chamber.

Implementation at local government level

In 2015, an ILO Recommendation (R204) on transitions from the informal to formal economy⁹ was adopted, based on the 2002 Resolution on Decent Work and the IE. It is a rights-based instrument reflecting a consensual approach between social partners on formalisation—this means that for workers in the IE, it reflects “the formalisation we want”. Clause 10 states that governments “*should ensure that an integrated policy framework to facilitate the transition to the formal economy is included in national development strategies or plans as well as in poverty reduction strategies and budgets, taking into account, where appropriate, the role of different levels of government.*” And in fact, it is clear that much of the implementation has to happen at local government level, with the full participation of workers and economic units in the informal economy, in line with the motto “Nothing For Us Without Us”.

Accordingly, in South Africa two excellent sets of guidelines have been produced with the active participation of workers in two sectors of the informal economy, i.e.

1. Waste Picker Integration Guideline for South Africa: Building the recycling economy and improving livelihoods of the informal sector—Department of Forestry, Fisheries and

⁹ https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204

the Environment (DFFE) and Department of Science and Innovation (DSI), August 2020

2. Public Space Trading Guidelines for local government 2021 – 2026, SALGA in collaboration with other government departments co-ordinated by GTAC (Government Technical Advisory Centre) in CBPEP (Community-Based Programme for Employment Promotion) August 2021.

Hence the policy work has been done, to the satisfaction of organised waste pickers and informal traders. Now it is for the municipalities to implement these guidelines.

These guidelines have been distributed to municipalities, but uptake is uneven. This is an area where Party activists on the ground could be of enormous assistance, in enhancing the efforts from below of MBOs (membership-based organisations) of organised waste pickers and informal traders to persuade their local government authorities to apply these guidelines in their solid waste management strategies and regulation of public space in the interests of decent work and productive livelihoods.

Turning the Digital Industrial Revolution into a socialist feminist one

In the transport industry in Africa, the dominance of Uber, the multinational pioneer which has been shaking the foundations of this industry, is reportedly losing ground to *“local techies (who) are tailoring products and services to suit customers in cities For example, the Kenya-based Little Cab, an app-based ride-sharing service launched in 2016 by the mobile phone operator Safaricom, operates just like Uber, except that it accepts the local cashless mobile payment system, MPesa, unlike Uber. According to Safaricom’s 2016 annual report, Little Cab has been able to slow Uber’s attempt at grabbing a huge chunk of the market”*.¹⁰

¹⁰ Mourdourkoutas, Eleni (2017) “Africa’s app-based taxis battle Uber over local market share” in Africa Renewal, August-November, p.20 www.un.org/africarenewal

This seems to suggest that there is potential for “local techies” who are part of the proletariat of own account workers, to take control of new technologies for the benefit of working-class communities, even to the extent of breaking the stranglehold of the multinationals in such sectors.

This implies the following two revolutionary tasks which we need to consider:

- (a) apply the same analytical method to this new class of own-account workers, as we engage in deepening our class analysis of the contemporary labour market;
- (b) analyse and identify the spaces where new technologies can be placed and maintained in the hands of the proletariat, as identified, in identified sectors.

These measures necessitate re-orientating and aligning the skills strategy to be more demand-led and responsive to the changing nature of work, including prioritising the upskilling of women and girls with due regard to reversing the deterioration of the gender division of labour with digitalisation.



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