



Bua Komanisi

Special Issue: Volume 13, Issue No. 1, April 2020

We can't go back to the crisis before the crisis

Response to coronavirus, economic and social reproduction crises

Draft Working Paper, April 2020

PREFACE

Dear comrades and friends,

- 1) This year, 27th April marks the 26th anniversary of our radical democratic breakthrough on our *Road to South African Freedom*, freedom from all forms of colonial and imperialist oppression, domination and exploitation. We have made commendable achievements since that milestone, benefitting millions of our people. There is however still a lot of work that we need to do to achieve all the goals of our freedom and complete social emancipation. We need to build widest possible working class unity and patriotic front in order to overcome our contemporary development challenges, solve the problems that we face and achieve collective prosperity. We have decided to use the 26th anniversary of our April 1994 radical democratic breakthrough to release this special issue of *Bua Komanisi* and share our proposals.
- 2) In the SACP, in our Alliance structures, workers in the health-care, defence, safety and security sectors, workers in supermarkets and others in the front-line, those who through their social movements and community action networks are organising food for those most destitute, all of us observing lockdown out of solidarity with our fellow South Africans – We are living through a particularly difficult time. President Cyril Ramaphosa has provided outstanding leadership to all of us in this challenging moment, but we all have a responsibility to collectively chart a way out of the present crisis.
- 3) We cannot go back to the crisis of unemployment, poverty and inequality that prevailed before. We have to go forward to a new South Africa, a new society based on the values of solidarity, of social need and not private profit. This special issue of *Bua Komanisi* contains SACP's contribution to the discussion and activism that we now need, more than ever before.
- 4) Coming out of our 4th Special National Congress in December 2019, the SACP emphatically stated: Neither state capture networks nor neoliberalism in its various guises (the Washington Consensus or its newer Paris-based OECD driven versions) will confront the systemic features of our economy. Neither parasitic looting under a false flag of 'radical economic transformation' or contemporary neoliberal capitalism will advance the radical transformation of our country's persisting and deeply oppressive racialised, gendered and class exploitative structures.
- 5) Now, more than ever, in the midst of the global novel coronavirus (Covid-19) pandemic, the SACP's Special National Congress strategic perspective is of critical relevance. More than ever, the pandemic and its dire impact on our society underline the SACP's consistent message: The necessity, in line with our liberation movement's stated strategic

perspective, of pursuing a developmental path, through driving a second, more radical phase of the national democratic revolution.

- 6) This working paper seeks to underline further these strategic perspectives and objectives in the context of the global Covid-19 crisis.
- 7) Even before the Covid-19 pandemic our country and our people, especially the working class and urban and rural poor, were in a state of acute crisis. This crisis was multi-faceted. It was characterised by massive unemployment, under-employment, world-record levels of inequality, grinding poverty including food insecurity, insecure shelter, indebtedness, and endemic violence, particularly gender-based violence, itself a symptom and expression of these multiple crises and their impact on social reproduction – the ability to sustain life itself.
- 8) When, therefore, at our 2019 Special National Congress, the SACP once more advanced an anti-capitalist, and specifically an anti-neoliberal perspective, the SACP was not being merely 'ideological', as some of our detractors liked to say. Over the past 25 years of our democratic dispensation, neoliberal policies pursued since 1996 under the aegis of GEAR¹ have deepened the underlying systemic crises of our society. For their part, the pseudo-opponents of neoliberalism, the state-capture looters, through their parasitic destruction of key state-owned enterprises (SOEs), have further weakened our capacity to advance a transformative development agenda.
- 9) The period of GEAR experienced some relatively high growth rates in the mid-2000s but in the midst of high unemployment combined with job destruction as key outcomes for the working class. The mid-2000s' 'golden age' was exposed as having been significantly underpinned by the global minerals commodity super cycle that was interrupted by the outbreak of the global economic crisis in 2008. This starkly exposed the persisting colonial features of the structurally untransformed economy of South Africa.
- 10) The country's economy post-1994 remained significantly reliant on exports of mineral resources as raw materials and dependent on imports of a wide variety of finished products. The GEAR policy package involved a process of major financial liberalisation, which resulted in the massive draining of domestic resources through legal and illegal capital flight, disinvestment by major South African conglomerates, tax evasion, the abandoning of prescribed asset requirements, and much more. This left the economy increasingly dependent on volatile and speculative investment, which has now, in turn, left us exposed to the credit rating agencies and their gospel of self-destructive austerity. The GEAR-linked growth levels further widened inequalities and took the Gini coefficient, measure of income inequality, to new levels.
- 11) Needless to say, the consequences of all this have magnified our challenges in the face of the Covid-19 pandemic. Fortunately, within the Alliance and within the government there was always opposition to this neoliberal policy drift. In the midst of persisting and often deepening crisis, the main saviour for the overwhelming majority of our people were the many, hard-won progressive and welcome social policy measures, including social grants, educational assistance including one meal a day in 80 per cent of our schools, free houses for the poor, expansion in clean drinking water and electricity connections, and others. These are indeed achievements we must be proud of, but which were taking place on the back of an economy that was increasingly marginalising millions of our people through retrenchment, casualisation, labour brokerage and other forms of employment temporarisation strategies coalescing on deepening economic exploitation. The results included outright or partial exclusion of affected workers from negotiated

¹ Growth, Employment and Redistribution.

benefits, reduction in their wage rates and falling share of labour's share of national income. Indeed at the heart of this economic trajectory was the rapid capitalist accumulation for established monopoly capital, with a small section of black beneficiaries.

- 12) However, contrary to our ultra-left detractors, together with the main right-wing and demagogic parliamentary opposition political parties, unemployment and inequality cannot be blamed on government policies alone, but also, and mainly, on the exploitative and predatory behaviour of the capitalist class, including divestment by significant sections of South Africa's monopoly capital after 1994.
- 13) The state capture networks both failed to break the neoliberal stranglehold in our economy and destroyed whatever developmental capacity was left in our SOEs through looting, wasteful and fruitless expenditure, and corrupt investments and tenders. One only has to look at our major SOEs like Eskom, Transnet, Prasa and the development finance institution such as the Public Investment Corporation.
- 14) Covid-19 has exposed the vulnerability of our country's economy and its exposure to volatility, its systemic and structural weaknesses, and significantly weakened state capacity. Our challenge can now be characterised as that of triple developmental challenge: (1) Covid-19, (2) the economic crisis that the pandemic found in session, and (3) the multiple crises of social reproduction.
- 15) The key indicators of the economic crisis as well as failure of the macro-economic framework that prevailed include the persistently high level of unemployment, which directly affects a population of approximately 10.4 million active and discouraged work seekers. The, high levels of persisting poverty and inequality, a long period of stagnation characterised by low growth rates, and a technical recession in the first quarter of 2020, are all part of the indicators of the economic crisis and macro-economic framework failure. Some of these may more likely worsen as a result of the impact of Covid-19. We need to unite and work together in order to turn the tide of the crises.
- 16) Globally, the pandemic has seriously exposed the inability of capitalism as a world system to solve the many problems it has plunged humanity into. Amongst the destructions of especially capitalism in its neoliberal iteration has been the privatisation of health-care, with a curtailed or minimal role for the state. In so many ways, the SACP's Hunger Eradication, Quality Health-Care and Housing (HHH) Campaign that was led by Party General Secretary Chris Hani in the early 1990s brought to the fore some of the very key priorities that occupied him before his cold-blooded assassination on 10 April 1993.
- 17) Perhaps an important insight that should guide us in this phase of our revolution is that in dealing with Covid-19 we are constrained by the very same contradictions that our struggle seeks to address – poverty, unemployment and inequality, including uneven development.
- 18) We therefore agree with President Ramaphosa that, going forward, and as an important lesson from the Covid-19 pandemic, we should not rationalise the continuing high levels of unemployment, poverty and inequality in our country. We need to unite ourselves organisationally as a movement to use this Covid-19 crisis as an opportunity to confront and overcome the structural features of our economy.
- 19) A failure to unite ourselves will have as a consequence the final exhaustion of the goodwill of our people. But much more seriously, a failure to decisively confront and overcome our challenges could lead to a serious rupture amongst the bloc of forces constituting our democratic movement and motive forces of the national democratic

revolution. It was because of the dangers currently facing us that our Special National Congress called for the building of a people's economy and the necessity to rebuild our movement.

- 20) It is against this background that the SACP is putting forward the perspectives in this working paper for consideration, not only by SACP cadres but by all cadres of the broader movement and other progressive forces in our country. Many of the ideas contained in this document can also serve a useful purpose in discussing local economic development initiatives.

Dr Blade Nzimande,
SACP General Secretary

CHAPTER 1

GLOBAL SHIFT

- 21) The global public health emergency triggered by the novel coronavirus (Covid-19) pandemic has plunged the global capitalist economy into the worst crisis since the Great Depression of the 1930s. While the pandemic was the immediate catalyst for this crisis, it was already clear at the beginning of 2020 that the global capitalist system was heading towards a major slump. Chinese economic growth was slowing. Growth in the other major economies was stagnant, or in a recession as in Japan, and many key so-called emerging economies. Mexico, Argentina and South Africa, among others, were already effectively in a recession.
- 22) The Covid-19 public health emergency could create a global contraction worse than the 2008 global economic crisis. Analysis suggests it could track the Great Depression of the 1930s. Even the South African Reserve Bank, which tends to come on the 'more optimistic' side of the spectrum, says we could experience contraction of over 6 per cent. We need a response commensurate with the scale of the crisis confronting us.
- 23) The Covid-19 pandemic is often portrayed by neoliberal economists as an 'exogenous' or 'external' shock. However, it is now widely accepted by a broad range of the scientific community that, like other recent global 'novel' epidemics (Swine Flu – H1N1, SARS, Ebola Virus Disease, Zika Virus Disease), its origins in animal to human transmission are intimately connected to a natural world increasingly off-balance and destabilised by rampant monopoly capital-driven land grabs, mono-culture, deforestation, the loss of bio-diversity, and mass-scale factory farming including the wide use of antibiotics on livestock producing new, drug resistant 'superbugs'.
- 24) Indeed, not all of these recent epidemics have had their key transmission vectors in Third World countries – crowded pig factory-farms in the United States (US) and Canada were key breeding grounds for new strains of the H1N1 swine flu. Moreover, a pandemic of this kind, Covid-19 was not unexpected, and has been predicted by epidemiologists including by leading scientists in the US in the Centre for Disease Control – a key institution that had been dismantled by the Trump administration.
- 25) As grave as the threat of Covid-19 is to human civilisation, we need to appreciate that it is, in many respects, a forewarning of the even greater threat facing humanity – the imminent danger of irreversible climate change that will make large parts of, if not the entire globe, uninhabitable. We should also note how the leading political climate-change denialists (Trump in the US, Bolsonaro in Brazil, and other dangerous people who are in

charge elsewhere during this dangerous time) have also been the leading denialists about the dangers of the pandemic, plunging their own countries into devastating mortality rates. The positive lessons we learn from global and national responses (fact-based respect for scientific research, international co-operation versus narrow national-populist responses) to the current pandemic must help to inform also how we approach other strategic and systemic challenges, including climate change and a just transition.

26) Already a number of important global lessons have become apparent in the midst of the crisis – briefly these include:

- The central leadership role of the state in responding both to the health crisis and to co-ordinating, planning and driving responses to the wider economic and social crises has been firmly demonstrated. Countries that have done exceptionally well, in their different ways, in responding to the pandemic like China, and even South Korea, have amply demonstrated this. Here in South Africa, it is important to note how the leadership of President Ramaphosa's government has been appreciated, at least for the moment, by a wide spectrum of South Africans, including many previously anti-government, non-governmental organisations (NGOs) – this is something that must be built upon going into the future.
- Countries or regions with strong traditions of active community participation in development, including in health-care, have also been able to respond very effectively. This effective response includes solidarity and socialist oriented or associated measures – Cuba, but also the Left-governed Kerala state in India, and even the Cuban-influenced community-based structures in Venezuela. As capitalism is ravaging the planet through unleashing deadly viruses and global warming, through economic and social reproduction crisis, and through misery, class inequality, exploitation, poverty, and so on, the importance of socialism as the sustainable solution rises higher and higher.
- Here in South Africa, our much delayed, but now critically important expansion of Community Health Workers, currently 28 000 of a planned 40 000, points to important future responsibilities. These Community Health Workers now constitute the key detachment in conducting critical screening and testing on the ground in high-risk communities. We should also note in South Africa the positive response of many local NGOs and the creative mushrooming of community action networks and the general flowering of various volunteerist initiatives.
- There is now a growing recognition, after years of ruinous neoliberal driven financialisation, of the centrality of the productive economy – and its sustainable, environmentally protective development. What has also been brought into clearer perspective is the critical interconnection between the productive economy AND the reproductive economy, the broad sector producing use-values: education and training, health-care, and other care work, and household and neighbourhood sustainability. Proof, if you like, of the labour theory of value developed by Karl Marx². Breakdowns in the reproductive economy sphere impact massively on the productive economy and *vice versa*.
- The Covid-19 pandemic and the resulting lockdowns and other consequences have produced BOTH major demand AND supply shocks. This means that, while 'neo-Keynesian' demand-side stimulation via, for instance, an expansion of social grants, or the rolling out of a minimum income grant is absolutely critical, it is, nevertheless,

² See *Capital: A Critique of Political Economy* by Karl Marx.

insufficient. It is equally critical to stimulate the productive economy, with a particular but not exclusive prioritisation in the immediate reality, on food security and health-care related requirements, such as health infrastructure, personal protective equipment and pharmaceuticals, *etc.*

- Equally, the resourcing of what is better understood as a reproductive economy in which 'use-values' rather than 'exchange-values', that is socially useful services and products rather than profit-based ones, has now become dramatically visible. Government's budgetary un-strategic, across-the-board intention to cut public sector expenditure is an unfortunate example of deficit reduction or fiscal consolidation austerity trumping social priorities, and needs to be reconsidered. For instance, it has impacted, negatively, on the introduction of the much needed National Health Insurance (NHI). The NHI is an important programme for access to quality health-care for all. Despite its importance, neoliberal austeritisation and opposition to the NHI have postponed it for years – with negative consequences for our people, especially the majority, the working class and poor who are excluded in the profit-based private health-care sector.
- In practice here in South Africa, and internationally, the much-heralded neoliberal strategic goal 'independence' of central banks, and of the related assumption that fiscal and monetary policy must be relatively insulated institutionally from each other has broken down. For instance, even centrist and mainstream economists are talking about the South African Reserve Bank directly funding public development finance institutions (DFIs). As the SACP has consistently argued, this calls not just for temporary measures in the midst of the Covid-19 pandemic – but for a broader policy and legislative re-evaluation of the role of the central bank.

CHAPTER 2

EMERGENCE OF A NATIONAL RESPONSE

Synopsis

- ²⁷⁾ The SACP welcomes the many generally pro-poor and pro-worker measures that the government adopted to flatten the Covid-19 curve and provide support: social welfare measures, including increases in and expansion of social grants to cover the unemployed (albeit announced as temporary in the context of a state of national disaster), food parcels and vouchers, provision of shelter to the homeless, and so on; Covid-19 contact tracking and testing, quarantining, encouraging self-isolation and ensuring treatment; supply of clean drinking water to many areas; and repurposing of the Unemployment Insurance Fund to provide coverage to workers affected by the impact of Covid-19.
- ²⁸⁾ *We should expose and confront corrupt elements from capturing and looting the billions of rand announced by the President as part of a package to fight Covid-19.* Corporate-capture of the state, other forms of corruption and neoliberalism played a significant part in weakening the capacity of our state. This is one of their similarities. The working class should intensify the struggle against the corrupt, deviant, reformist and revisionist tendencies, and rebuild and strengthen the capacity of the state.
- ²⁹⁾ In March 2020 President Ramaphosa declared a national state of disaster and thereafter instituted a national lockdown as part of the measures necessarily required to flatten the Covid-19 curve, paving the way for the interventions that followed.

- 30) As a result of the correct decision to institute the nationwide lockdown, all sectors of the economy, except for vital and critical services and related production, had to stop operating. The inescapable reality, on the other hand, is that the production downtime will significantly reduce national output. This has wider economic, including revenue, and social implications.
- 31) South Africa was already in a technical recession as already stated, building on the long-term stagnation characterised by low levels of growth, the aftermath of the 2008 global economic crisis as well as insufficient or lack of structural economic transformation post-1994 to rid our economy of colonial features. Systemic weaknesses embedded in the structure of our economy and macro-economic framework failure are starkly reflected in the persistently high rates of unemployment, poverty and inequality.
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CHAPTER 3

TACKLING OUR DEVELOPMENTAL CHALLENGES IN THE TERRAIN OF THE WAR AGAINST COVID-19

- 32) In the fourth quarter of 2019, approximately 10.4 million active and discouraged work-seekers in South Africa were unemployed. The youth and women, mostly black people, are the most affected by unemployment, poverty and inequality. Our society is also riddled with high levels of inequality, poverty and the legacy of underdevelopment, particularly prevalent in rural areas, informal settlements and townships. These realities are a cause for serious concern in the fight against Covid-19, which is exacerbating the impact of these pre-existing social and economic challenges.
- 33) It is therefore important to stress that both now and going forward we need to place more emphasis on radical measures to address underdevelopment as we tackle the crises of social reproduction³, Covid-19 pandemic and the economy. The national imperative of systematically eliminating inequality is however broader in scope than addressing uneven spatial development.
- 34) South Africa is a society characterised by high levels of inequalities. Both income and wealth inequalities are considerably high in South Africa. Income Gini coefficient, measure of income inequality, was an estimated 0.67 five years ago in 2015, while wealth Gini coefficient, measure of wealth inequality, was an estimated 0.94 in 2014–15. The Gini coefficient scale has 1 as full inequality and 0 as the desired state of equality, a reflection that South Africa has a long way to go to address inequality. The top 10 per cent of the country's population commanded 56 per cent to 58 per cent share of societal income and controlled approximately 95 per cent of all wealth in the country.⁴
- 35) The share of South Africa's population categorised as poor in 2015 was, respectively, 55.5 per cent in terms of the upper-bound poverty line (UBPL), 40 per cent in terms of the lower-bound poverty line (LBPL) and 25.2 per cent in terms of the food poverty line (FPL).⁵ In lay person's terms, this means that 56 people out of every 100 South Africans had less than R1 183 (in April 2018 prices) per month; that 40 out of every 100 people in

³ The crisis in which many households find themselves in, of an increasing inability to make ends meet, as a result primarily of but not exclusively the systemic economic problems of inequality, unemployment and poverty.

⁴ StatsSA (November 2019) *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*. Pretoria.

⁵ StatsSA (November 2019) *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*. Pretoria.

South Africa had under R785 per month, and 25 out of 100 people had less than R547 per month (the amount that a person needed to spend on food meet their daily energy intake).⁶

- 36) In terms of gender, women, especially black women, are the most affected by inequality as a result of the historical contradictions of economic exploitation, gender domination and national oppression. The realities of these inequalities are starkly visible in the war against Covid-19.
- 37) Our fight against the pandemic must be approached in ways that take into account wealth and income inequalities. Interventions directed at assisting those who are the most affected and the areas they live in should be prioritised. Our development policy going forward should rigorously tackle inequalities. All policy instruments that are available should be re-examined and strengthened. This includes macro-economic policy instruments, monetary and fiscal policies, industrial, trade and other production development policies, as well as social protection and other human development policies.
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CHAPTER 4

INTERNATIONAL FUNDS

Safeguarding our democracy – A non-negotiable matter of principle

- 38) Every development process and progressive response to economic and social crisis, including the fight against Covid-19, requires mobilisation and optimal utilisation of resources. This includes resources to ensure adequate provision of social protection and quality health-care for all, personal protective equipment and access to essential services, such as clean drinking water, cleaning services and sanitation infrastructure, energy and food security, as well as other important economic and social infrastructure required in human settlements. Our mobilisation of resources should not undermine the nature and character of our liberation struggle and movement but should seek to advance the national democratic revolution, especially, to move it on to a second radical phase.
- 39) International financial institutions have historically, more so since the 1970s, used conditionalities to undermine democracies or usurp policy sovereignty in many countries. We should not allow any international financial institution to impose or use conditionalities that will take away, subvert or subordinate our hard-won democracy, our democratic national sovereignty, our fundamental right to self-determination, our independence.
- 40) In a society in which the capitalist mode of production prevails, there will always be a class of people who want to use every opportunity, including a crisis, calamity, pandemics and so forth, to entrench their economic dominance or monopoly, and consequently control political direction. Some jurisdictions, for example, the European Union, are anticipating that there could be a wave of 'corporate raiders' seeking to profiteer from a potential 'fireside sale' of assets. The Competition Commission and Tribunal need to up their game on mergers and acquisitions to ensure that we do not see companies in the productive sectors gobbled up and 'restructured' into warehouses for imports. We should

⁶ **Upper-bound poverty line** – refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line; **Lower-bound poverty line** – refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line; **Food poverty line** – refers to the amount of money that an individual will need to afford the minimum required daily energy intake. This is also commonly referred to as the 'extreme' poverty line.

be alert to these realities. Safeguarding our hard-won democratic sovereignty cannot be overemphasised. Pioneering interventions that tackle inequalities is crucial.

- 41) Moreover, as the Alliance Secretariat said in its statement on 6 April 2020, we need to foster more trade and investment relations with fraternal countries. In this regard the SACP has warmly welcomed the request made by our government to the Cuban people and in turn the support offered by the government of Cuba to South Africa in the fight against Covid-19. We should simultaneously seek to strengthen Cuban capacity and learn from its successes in health-care, biotechnology and genetic engineering. Cuba has one of the world's long life expectancy rates as a result of the ways in which it approaches health-care and education.
- 42) In developing our strategies, we should always bear in mind our Southern African region and African continent. We need to develop and advance strategies that will contribute to the region and continent achieving collective victory over the deadly Covid-19 pandemic, overcoming underdevelopment, securing freedom from imperialism and marching forward to greater regional and continental integration. It is crucial to deepen our engagements with our comrades, fraternal ties and solidarity in the region and across the continent.
- 43) We should advance further engagements within the framework of fostering international fraternal relations and solidarity, including state-to-state and party-to-party engagements within the BRICS co-operation. These should include engagements in the areas of financial, trade and investment alternatives, and engagements to secure direct support in the war against Covid-19. In this regard China and Russia have demonstrated capacity and resourcefulness in important areas that we need greater collaboration in.
- 44) The principle to safeguard our democratic national sovereignty is sacrosanct. It is applicable to all international financial and other engagements with equal force. Consistent consultation at the level of the Alliance Political Council on international financial engagements is therefore imperative to ensure that this principle is upheld at all times. Our liberation struggle is not only an anti-colonial and anti-apartheid struggle, but also an anti-imperialist struggle. So we should continue on every international front, including in how we relate to international financial institutions, to fight against imperialist measures and machinations. Our shared Alliance resolutions to push for the reform of multi-lateral bodies should form part of our approach.
- 45) Correctly, and both publicly and internally in the Alliance consultative process, the SACP places emphasis on the protection of our hard-won democracy, our democratic national and policy sovereignty, as non-negotiable matters of principle. We waged our liberation struggle, our struggle for freedom and social emancipation, not in order to hand over control of our country and policy determination to foreign monopoly-finance capital or supposedly multi-lateral international financial institutions whatsoever.
- 46) As part of our continuing anti-colonial and anti-imperialist struggle, the SACP is correctly aligning with the global struggle for the transformation of multi-lateral bodies and international financial institutions. Accordingly, we called for, and reiterate our call for debt relief and the scrapping of the unsustainable debt, interest and penalties that stand in the way of development, employment creation, poverty eradication, and systemic elimination of inequality.
- 47) This just cause includes the necessity to maintain vigilance on international financial institutions, support for mobilisation of interest-free international funding and, to the extent that borrowing is absolutely necessary, the pursuit of low cost, affordable finance not tied to conditionalities. In particular, the SACP is strongly opposed to any conditionality that may take away, undermine, subvert or subordinate our hard-won democratic right to

choose, as a people, our own development path and policies and our democratic national development goals. The SACP calls for approaches that will be sustainable both for our current and future generations in any approach to seeking international finance. Continuing consultation, transparency and accountability remain crucial. This includes collective leadership and ongoing scrutiny of the approaches being followed.

- 48) Furthermore, capital flight recently seen in developing countries such as South Africa has led to massive currency depreciations. We need specific measures to deal with this outside of the narrow and selfish prescriptions of neoliberalism. Also, it is important to take the impact of currency differences into account when considering international finance. What looks affordable at face value or in appearance could actually be very expensive and unsustainable on a long-term basis when deeply scrutinised.
 - 49) Our concern about the International Monetary Fund (IMF) and World Bank loans was and still is not based on some ill-informed visceral dislike of the abbreviation 'IMF' or name World Bank, but on the reality that from the late 1970s these institutions rejigged their earlier, post-World War II role of helping to rebuild war-torn economies, principally in Western Europe. The two Washington-based international financial institutions were now redeployed to squeeze the last drop of debt repayment out of Third World countries that had become enmeshed in debt crises to private Western banks. In the mid-1970s, these private banks, awash with petro-dollars following oil price hikes induced by the Organisation of the Petroleum Exporting Countries, had lent lavishly and unwisely to many countries, including newly independent countries in Africa. The debt on these loans was simply unsupportable.
 - 50) The IMF and World Bank, dominated by the US and working on behalf of monopoly-finance capital from the US and Western Europe, provided 'debt servicing' loans to the Third World countries but on absolutely suffocating structural adjustment conditionalities or reforms underpinned by neoliberalism. Hard-won, however limited, 'post-colonial' national sovereignty was simply eroded by the Washington Consensus. The continued crisis of underdevelopment throughout much of the Third World (but not in countries that did not get loans from these institutions – China being the most obvious case) owes a great deal to the extortionist role played by the IMF and World Bank – which were not bailing out poor Third World countries, but in effect bailing out monopoly-finance capital in the global North.
 - 51) While there are some indications that the IMF and World Bank are offering low interest Covid-19 loans, we need to appreciate two things. First, the fight against Covid-19 will not likely be out of charitable concern from these quarters but a strategic imperative to support their interests. In a highly globalised world economy the impact of the pandemic in the periphery and semi-periphery threatens the whole system. Secondly, an IMF loan, however low the interest rate and however minimal the conditionalities at first glance, will be dollar denominated. One of the current relative strengths of the South African economy, amidst our many challenges, is that, compared to many peer group countries, the great majority of our public debt has been rand-denominated. With the rand-dollar exchange rate volatile and sliding unfavourably for us as a result of the macro-economic framework being followed thus far, the importance of funding our emergency response and economic turnaround from domestic resources as much as possible needs emphasising.
 - 52) Otherwise any major, potential foreign loans – *provided such borrowing is absolutely necessary*, and particularly those denominated in foreign currency, should be tabled for transparent scrutiny in the interest of safeguarding our hard-won democracy, democratic national and policy sovereignty, fundamental right to self-determination.
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CHAPTER 5

STATE CAPACITY

National Health Insurance

Innovation, research and development imperatives

- 53) Covid-19 is not the first (flu-like) global pandemic. It was entirely predictable. However, when it did occur it showed that health-care systems were manifestly under-prepared. Indeed, the reasons why we saw lockdowns, with huge economic and wider social implications, rather than more targeted measures earlier, include the fact that governments across the world had to build the capacity of health-care systems that should have been built before the Covid-19 global public health emergency. Covid-19 will not be the last public health emergency. Advancing the NHI is therefore a critical imperative. It is also a programme that will redistribute health resources. Moreover, Covid-19 has shown that public capacity, for example, the National Institute of Communicable Diseases (NICD) and the Centre for Scientific and Industrial Research (CSIR), is critical in leading health-care and other development responses.
- 54) Successful introduction of the NHI is an urgent imperative which must be accelerated at all levels without any further delays or hesitations. The outbreak and global spread of Covid-19 underlines the importance of the NHI to ensure access to quality health-care for all, especially the poor and workers who are excluded by the profit-based private health-care sector.
- 55) Perhaps much more significantly, the one overwhelming lesson from Covid-19 is to build a health system that is more based on and therefore emphasises a preventative paradigm but is also capable in terms of its curative capacity. This is the type of an NHI system that we must seek to build.
- 56) Our proposal is by no means suggesting that the private health-care sector should be left out of the resources and facilities required to win the war against Covid-19. We propose that the private health-care sector should, either voluntarily or through national state of disaster regulation and directives, form part of the fight against Covid-19 on humanitarian grounds, rather than on the basis of private profiteering. It is important in this regard to pay attention to the weaknesses of the private health-care sector and areas where its capacity has been exaggerated. For example, one private hospital in KwaZulu-Natal Province became an epicentre of the spread of Covid-19.

CHAPTER 6

SOCIAL PROTECTION

- 57) The Covid-19 pandemic has also elevated the importance of social policies in eradicating inequality, including in providing adequate social protection geared towards a fully-fledged comprehensive and developmental social security system. We emphasise the necessity of interventions that will directly assist the unemployed, poor, workers and lower strata of the middle class in the face of Covid-19 as part of the measures required to win the war against the pandemic. We also emphasises the importance of a sustainable developmental programme.
- 58) An often underplayed issue in many public disasters is that of mental health, anxiety and depression. We must admit that our system is weak on this score. We must decisively build organic, that is internal, state capacity to enhance our public health-care system to

adequately take care of mental health. In addition, we have many credible and capable NGOs (for example, the South African Depression and Anxiety Group) that are struggling financially and therefore need government assistance to adequately cater for the mental health-care needs of our people.

CHAPTER 7

ALIGNMENT OF THE MACRO-ECONOMIC FRAMEWORK

- 59) Our country's macro-economic framework must be aligned to support our development objectives, the objectives of the second radical phase of the national democratic revolution – our democratic transition. We collectively made the commitment to effect macro-economic framework alignment in the May 2019 ANC election manifesto. The manifesto was drafted together with the Alliance, and also endorsed by the decisive majority of the electorate through a democratic vote. We must act decisively to implement the commitments made in the manifesto, as they would go a long way in addressing our developmental challenges, including in dealing with Covid-19.
- 60) Our proposals for a new macro-economic framework alignment include a consideration of strict cross-border capital flow regulations, thus tighter management of the capital account, and more work to combat illicit capital flows as well as encourage investment in productive sectors to create employment and on a decent work basis.
- 61) While the monetary policy decisions made, especially interest rate reduction and other monetary instruments exercised by the South African Reserve Bank (SARB) in March and April 2020 are noted, more measures are needed on a sustained basis to build an adequately accommodative, and more particularly supportive, monetary and fiscal policy stances and pursue interventions that will turn our economy around. This should be based on asserting a robust developmental mandate for the central bank.
- 62) The developmental role that the SARB should play beyond the monetary policy measures it announced in March and April 2020 needs to be assessed. Clarity should be given about the full extent to which, taking into account its limitations as enacted in the SARB Act, the central bank can make further interventions. The evaluation should cover an assessment not only of the full extent of direct but also indirect interventions. This must include effective alignment and collaboration with development finance institutions (DFIs) to assist the state financially, as well as the economy more robustly, through monetary policy instruments and transmission channels.⁷
- 63) Financial assistance to the state in terms of section 10 of the SARB Act should therefore be considered. The Act states that the central bank may grant loans and advances, provided that unsecured loans and advances may be granted only in the case of an unsecured loan to the Government of the Republic...
- 64) Legislative review should be considered to release the full potential of the central bank and remove impediments that prevent it from intervening responsibly and in a more robust way to assist the state and national development in an adequate and more effective manner.
- 65) A consideration should be made to establish a 'Special Ways and Means' government account with the Reserve Bank allowing the government to overdraw the account to a

⁷ The DFIs can purchase national treasury bonds and the Reserve Bank can purchase the bonds held by the DFIs to boost liquidity in the economy and support the DFIs to play a developmental role.

level justifiable by emergency, crisis or budgetary conditions. The 'Special Ways and Means' account facility that is of long-term nature is usually issued against National Treasury's issuance of its long dated securities, otherwise a normal 'Ways and Means' account overdraft can expire after three months, depending on legislative provisions.

- 66) In 2019, the SACP proposed that a consideration should be made, as part of its developmental role, for the central bank to direct concessional credit to finance productive investment and economic and social infrastructure development. The approach can be implemented directly by the SARB, and/or while working together with the National Treasury and the Department of Trade and Industry, or through public DFIs such as the Industrial Development Corporation (PIC).⁸
- 67) The DFIs, in turn, should place a premium on high impact employment-creating investment and support for co-operatives, through favourable terms. The DFIs should actively support procurement in strategic, investment facilitating, public infrastructure development projects. As the United Nations Conference on Trade and Development (UNCTAD) proposes, central banks could, for instance '...use credit allocation and interest rate policies to facilitate industrial upgrading and provide strong support to development banks [in our case DFIs] and fiscal policy, as has been done by central banks in many of the rapidly industrializing economies.'⁹
- 68) A consideration should, likewise, be made for the central bank to engage in debt swaps assisting major public investment institutions, for example, the PIC, by, for instance, 'monetising it' – that is, by purchasing the public debt – on condition that the institutions direct the new cash in key productive/developmental investments. There is no reason in principle why SOEs cannot benefit directly from this approach. All these require very strict governance, management and administration framework to combat irregular, wasteful and fruitless expenditure as well as corruption, in the interest of turning around the SOEs as part of building capacity for the developmental state that we seek to build.¹⁰
- 69) There are massive reserves of liquid cash in our economy. In this regard we advance the following four proposals for consideration:
- 69.1) A review of the income tax regime to consider additional, progressive or graduated income tax focusing on the top echelons. In other words, additional differentiated taxation, for instance, focusing on the top-one-percenters, top two income earners, top three income earners, and so on, up to top 10 income earners or so – based on an assessment of the positive impact desired, should be considered.
- 69.2) Progressive and graduated taxation of the massive amounts of liquid cash held in our economy, and therefore which is not being actively invested in productive activity.
- 69.3) A similar consideration for an annual wealth tax and tax of inheritance or estate.
- 69.4) Adoption of more decisive measures to deal with tax avoidance or evasion.

⁸ SACP (2019) Response to the National Treasury.

⁹ UNCTAD (2017) *Trade and Development Report 2017*, subtitled *Beyond Austerity: Towards a Global New Deal* (p. 154).

¹⁰ SACP (2019) Response to the National Treasury.

CHAPTER 8

MOBILISATION OF INVESTMENT FROM DOMESTIC FINANCIAL RESOURCES

- 70) We should sharpen and deploy existing, and if necessary, create new policy instruments to mobilise domestic funds and investment. As a matter of emphasis, this should be done in a way that will strengthen national capacity to turn the tide against Covid-19, resolve the social reproduction crisis and turn around our economy in the interest of all the people, the majority of whom comprises the working class, employed and unemployed, and the poor in general.
- 71) Our proposals in this regard include a consideration for prescribed, that is, developmental and productive asset requirements and the necessity for the trade union movement, on behalf of workers, to ensure that their funds are invested in developmental areas that will benefit the workers, their dependents and communities. This includes investment in the fight against Covid-19, in the expansion of the social security networks through provision of affordable housing, in the provision of higher education and training including innovation, research and development assistance, and in especially the productive sectors of our economy.
- 72) Turning around South Africa from the impact of Covid-19, the burden of the social reproduction crisis, and the recession and long-term economic stagnation will require enormous investment in public infrastructure, including water, sanitation and basic amenities, and in properly planned human settlements.
- 73) As part of our wider human development effort, it is important to strive for adequate social infrastructure development and facilities in our communities, including reviewing the nature of housing and access to urban land in a manner that encourages individual and co-operative food gardening and subsistence agriculture.

CHAPTER 9

BUILDING NATIONAL PRODUCTION

A public revenue and broader social transformation and development imperative

- 74) **Building national production** and therefore domestic productive capacity must be a central pillar of our national development and our new macro-economic framework. This should enhance our national revenue base, expand and diversify as well as raise the levels of investment in the productive sectors of our economy. In this regard, there are a number of areas that need both emphasis and greater attention.
- 74.1) **Linking social protection to development oriented productive activity to support poverty alleviation and eradication.** For example, linking a particular category of grants to productive activity, therefore considering an introduction of production subsidies destined for the poor and unemployed workers as part of poverty alleviation and eradication strategies, and thereby fostering co-operatives development could go a long way in supporting local economic development. Fostering a thriving co-operatives sector, small, medium and micro enterprises could go a long way in producing a positive contribution to local economic development. Activities such as, but not limited to, urban and rural agriculture, household subsistence farming, food gardens and processing, should be considered as priority areas to support. In the face of Covid-19, co-operative production of masks,

protective clothing, government uniforms, and school wear are important areas that can be developed.

- 74.2) **The right to work, community work and public infrastructure employment programmes:** Related to the above, we need more, better ways to give practical effect to 'the right and duty of all to work', which the Freedom Charter says 'The state shall recognise'. To this end, too, developmental state interventions and programmes are needed. We need to massively upscale and resource South Africa's internationally acclaimed public employment programmes – the Expanded Public Works Programme (EPWP) and Community Work Programme (CWP) while reviewing their possible departmental location, funding and their efficacy towards enacting an overarching work guarantee scheme that will give effect to the right of every person to work. In this regard, immediate steps need to be taken to rollout a massive expansion of the CWP as originally envisaged – with the objective of having a CWP project in every township, informal settlement and rural ward.
- 74.3) In the same way, we need a review of the Community Development Workers (CDW) model to make it reach all communities and serve them adequately. Community development workers have an important role to play in the fight against Covid-19 and future pandemics and other public disasters provided they are well trained professionally in accordance with community development needs.
- 74.4) The Covid-19 pandemic underlines the important need to expand the Community Health Workers Programme. The expansion should be advanced as a matter of urgency, both within the framework of our national response to Covid-19, and as part of our wider health-care policy of ensuring access to quality health-care for all.
- 74.5) **Re-industrialisation** and mobilisation of more investment to support high impact employment creation productive activity and co-operatives are crucial to building national production, economic inclusion and promoting the decent work agenda.
- a) Localisation of manufacturing, including in areas such as agro-processing as part of building national food security, is important for us to pursue.
 - b) The Covid-19 crisis has brought to the fore the potential of sectors such as the automotive components manufacturing sector to innovate and adapt their productive processes to produce other products other than automotive components. This has to be supported in terms of innovation, research and development, and as part of our national productive capacity development. In particular, the sector became one of those that put in place a project to produce the much sought-after hospital ventilators.
 - c) This has also underlined the importance of linking our health-care strategies to re-industrialisation. The pursuit of health-care equipment and personal protective equipment manufacturing and medicine development is crucial – both as part of our health-care strategy and broader industrial development.
 - d) Our commitment to building a state pharmaceutical sector should therefore also be pioneered more rigorously.
 - e) Support and resources for innovation, research and development should, likewise, be increased.
 - f) The various industrial master plans and the Industrial Policy Action Plan (IPAP) should have their employment creation impact re-appraised and consequently strengthened. These re-industrialisation strategies should be adequately supported towards realising maximum sustainable employment.
 - g) In the New Growth Path we identified what we called 'Jobs Drivers', namely:

- i) **substantial public investment in infrastructure**, both to directly create employment, in construction, operation and maintenance, as well as in the production of inputs, and indirectly by improving efficiency across the economy;
 - ii) **Targeting more labour-absorbing activities across the main economic sectors** – agro-processing and mining value chains, manufacturing and services.
 - iii) **Taking advantage of new opportunities in the knowledge and green economies.**
 - iv) **Leveraging 'social capital' in the social economy and the public services.**
 - v) **Fostering rural development and regional integration.**
- h) The New Growth Path Jobs Drivers should be revisited and re-invigorated as part of the wider effort we need in order to build national production, create employment and advance the decent work agenda.
- i) It is important, at this stage, to briefly draw attention to the significance of public infrastructure beyond just what is highlighted above. We need large-scale public infrastructure build programme to address the many of our vulnerabilities exposed by Covid-19, for example, dense human settlements, poor sanitation, and informal settlements. Public infrastructure build programmes have repeatedly been demonstrated as one of the main ways through which governments can reverse economic contraction. These programmes must target employment creation on a decent work basis and drive manufacturing through localisation. Furthermore, this has an important community development dimension, that of expanding EPWP and CWP and other public employment programmes, including by targeting municipal infrastructure development and maintenance.
- j) The Covid-19 crisis and other emergencies have shown the imperative of building food security, including improving distribution channels, to unemployed and low income workers, and enhancing social security programmes. This should go beyond, and ideally replace, the problematic 'model' of the handing out of food parcels and the real or potential corruption associated with it. Related to this, subsistence household farming and food gardens highlighted already are better alternatives to fostering food security at household level but require a human settlement strategy and bylaws that provide an enabling environment for these activities to thrive.
- k) Equally important, our May 2019 general election manifesto identified industries, sectors and production activities, such as manufacturing, agro-processing, mining beneficiation, renewable energy and digital technologies, that need to be supported as part of our national imperative to create employment and advance decent work.
- l) Another key important commitment we make in the manifesto that merits underlining both with regard to building national production and tackling inequality is the commitment to foster worker-ownership, including but not limited to, building a thriving co-operatives sector.
- 74.6) **Adoption of measures to develop and upgrade informal sector:** By this we do not mean inserting and subordinating the informal sector into networks of exploitation by big capital or foreign controlled global value chains. Rather, we mean adequate support and developmental protection of the sector to thrive in the form of sustainable and vibrant co-operatives, small, medium and micro enterprises. Set-asides specifically directed at benefiting co-operatives should be implemented and furthermore enacted to prevent erosion. Without such set-asides from government programmes and services, co-operatives will find it difficult to emerge and thrive.

- 74.7) **Implementation of skills development interventions:** It is anticipated that the combined impact of Covid-19 and the economic crisis on employment will more likely be dire. To address this and to prepare for the digital revolution which has been significantly accelerated through the Covid-19 pandemic lockdowns, the resources of Sector Education and Training Authorities will have to be used optimally:
- a) To intensify skills development for both employed workers and unemployed workers, including retraining of workers who may find themselves affected by job losses and equipping them with skills that they can use both in the same and other sectors.
 - b) The Training Layoff Scheme that we initiated in response to the global economic crisis that broke out in 2008 is a model we could emulate and strengthen.
 - c) As part of the development of a comprehensive social security system, the capacity of the Unemployment Insurance Fund (UIF) and its resource base should be strengthened to offset wage loss as a result of a crisis occasioned by temporary layoffs and short-time.
 - d) In addition, and in the context of the phenomenon of long-term unemployment, we should consider a basic minimum income guarantee system covering workers who might not find employment after exiting UIF coverage and, similarly, also providing coverage for unemployed workers.

CHAPTER 10

FINANCIAL SECTOR TRANSFORMATION

- 75) We must advance financial sector transformation as we committed in our May 2019 general election manifesto.
- 75.1) Building a financial sector that is responsive to the priorities of building sustainable a productive sector, co-operatives, small, medium and micro enterprises, and building a developmental state banking sector, not just one state bank, are an urgent imperative. A post-Covid-19 South Africa must seek to build such a development financial sector. Set-asides should be implemented and other enabling policies should be fostered to achieve financial sector diversification and transformation. The steps announced in the State of the Nation Address in February 2020 towards establishing a state bank should therefore be seen as one step forward in the right direction, and should vigorously and immediately be implemented.
- 75.2) Given the impact of Covid-19, the state should further engage with the banking sector, having also exempted the sector from competition law in the face of the pandemic, to grant customers repayment holidays without any negative effect on possible defaults resulting from the impact of the crisis.
- 75.3) The engagement for payment holidays should be extended to include the insurance sector.

CHAPTER 11

BUILDING CAPACITY TOWARDS A CAPABLE DEVELOPMENTAL STATE

- 76) The state in a national democratic revolution requires organic, that is an internal, capacity to fulfil its developmental mandate. The Covid-19 crisis has globally elevated the

importance of decisive state participation and intervention in the economy and broader social transformation and development. Covid-19 has also exposed the weaknesses in the South African state, but at the same time we have also seen flashes of the possibility of improved co-ordination in government work, for example, from the Covid-19 Command Council, resulting in positive impact. We need to build upon the positives as we seek to strengthen the capacity of the state.

- 77) The state in a national democratic revolution requires political will and decisiveness; requires integration and coherence to a single development programme and plan; requires technical implementation expertise; requires integration across the tiers of government; requires decisive democratic control of the implementation of development programmes – directly involving participation by the people (communities and workers). Therefore, the re-organisation of our state to function in an integrated manner that the Covid-19 Command Council has demonstrated is crucial. This should be combined with advancing the District Development Model.
- 78) Well managed and adequately supported state-owned enterprises (SOEs) are very important to rebuilding our state capacity and to the imperative of national development.
- 78.1) Our strategic approach to SOEs, and as a general principle, should be to turn them around both elaborating their developmental role and supporting them with adequate capitalisation and developmental finance. It is inconceivable that SOEs will succeed to deliver on a developmental mandate without developmental finance.
- 78.2) In order to avoid the problems that many of our SOEs were exposed to, and learning from the undesirable lessons of having SOEs placed under business rescue and administration, we should consider enacting a single overarching law, a 'State-Owned Entities Act', governing all state-owned entities. This recommendation was actually made by the Presidential Review Committee on State-Owned Entities in the past decade. Implementation of the recommendations of this commission would have gone a long way in underpinning much of the turnaround challenges in the public entities sector.
- 78.3) In addition, and based on new legislation to strengthen SOEs, in order to improve the governance of state entities, and learning from the development and content of the King codes of good governance, a consideration should be made to adopt, keep up to date and enforce a State-Owned Entities Code of Good Governance.
- 79) **Public infrastructure networks** – namely but not limited to the railroads for passengers and goods transportation, roads, water infrastructure, energy infrastructure, communications infrastructure – are crucial in driving a developmental agenda. The role of the state in these sectors and public participation through well managed SOEs remains crucial. In particular, it is important in this regard, as we should do in other areas, to *firmly take our cue from the Freedom Charter*. Instead of starting from scratch, our approach to this infrastructure development campaign should be linked to the implementation of national infrastructure plan and the strategic infrastructure programmes (SIPs) adopted in the last decade. To the extent that those need to be revised and strengthened that should be done. Moreover,
- 79.1) Eskom should make use of the nationwide lockdown occasioned by Covid-19 and the associated decline in electricity demand to robustly ramp up maintenance in order to avoid maintenance-related load shedding after the end of the lockdown period.
- 79.2) Prasa and Transnet, likewise, should make use of the lockdown period to ensure that the rail network is ready for uninterrupted post-lockdown operations. This should include fixing the rail network, refurbishing coaches and putting them back on tracks, securing rail corridors with appropriate fencing and improving and expediting implementation of a well functioning signalling system.
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CHAPTER 12

ADDITIONAL MEASURES AND OTHER PROPOSALS

⁸⁰⁾ The SACP also wishes to draw attention to the declaration and resolutions it adopted at its 4th Special National Congress on gender and broader social transformation, on turning our economy and SOEs around, and to at least three of the statements it issued on Covid-19:

- ['Declaration and resolutions of the SACP 4th Special National Congress'](#).¹¹
- ['SACP calls for measures focusing on assisting the unemployed, poor, workers and lower sections of the middle class during the Covid-19 nationwide lockdown'](#).¹²
- ['The state should assert decisive control of all health care facilities, including private health care facilities, needed to win the war against the Covid-19 pandemic.'](#)¹³
- ['Human solidarity and value of life: Statement by SACP General Secretary Dr Blade Nzimande'](#).¹⁴
- ['The Coronavirus Pandemic - Decisive leadership needed on all social fronts.'](#)¹⁵

¹¹ <https://www.sacp.org.za/sites/default/files/documents/Political-Report-Book-combined.pdf>.

¹² <https://www.sacp.org.za/content/sacp-calls-measures-focusing-assisting-unemployed-poor-and-lower-sections-middle-class>.

¹³ <https://www.sacp.org.za/content/state-should-assert-decisive-control-all-health-care-facilities-including-private-health>.

¹⁴ <https://www.sacp.org.za/content/state-should-assert-decisive-control-all-health-care-facilities-including-private-health>.

¹⁵ <https://www.sacp.org.za/content/coronavirus-pandemic-decisive-leadership-needed-all-social-fronts>.