

## **PROGRESS REPORT OF THE LEADERSHIP TEAM ON IMPLEMENTATION OF THE FRAMEWORK AGREEMENT**

The *Framework for South Africa's Response to the International Economic Crisis* ("the Framework Agreement") sets out the collective response of government, organised labour, business and community to the international economic crisis, recognised by all social partners as "the deepest and most serious economic crisis in at least the last 80 years." It provides for a series of action plans. This report summarises progress in a few key areas.

### **SUMMARY OF KEY ACHIEVEMENTS**

The Leadership Team entrusted with coordinating and overseeing implementation of the Framework Agreement is able to report the following key developments:

- § The training layoff scheme, a temporary suspension of work of a worker or group of workers that is used for training purposes, will be launched in September 2009. R2.4 billion will be placed in a National Jobs Fund, drawn from resources in National Skills Fund (NSF) and the Unemployment Insurance Fund (UIF). Agreement has been reached in respect of the principles underpinning the scheme as well as most of the detail regarding its implementation. Ongoing work in respect of outstanding modalities will be finalised by the end of August 2009.
- § Agreement has been reached on a number of steps necessary to strengthen the ability and capacity of the South African Revenue Service (SARS) to address customs fraud that has led to many job losses. In addition, SARS has reported significant progress in respect of investigations and the confiscation of goods.
- § Key areas in respect of distressed sectors have been addressed, including support for distressed companies in the automotive sector, a rescue package for the clothing and textiles industry, increased incentives for the manufacture of capital equipment, transport equipment and fabricated metal products linked to South Africa's infrastructure development programme, and payments by government to small, medium and micro enterprises (SMMEs) and other businesses within 30 days.
- § The Competition Commission's investigations into and prosecution of firms in the food supply chain alleged to have engaged in various forms of prohibited anti-competitive conduct are far advanced.

- § The Industrial Development Corporation (IDC) has made R6 billion available over the next two years to respond directly to the crisis.
- § The National Debt Mediation Association (NDMA), a business initiative to assist indebted consumers, has been established to provide rules, standards and processes to address debt restructuring.

Progress in these and other areas is set out in further detail below.

## **PROCESS**

Following the announcement of a new Cabinet and the reorganisation of government functions, government has worked closely with social partners to speed up implementation of the Framework Agreement. President Zuma highlighted the centrality of this work in his State of the Nation Address on 3 June 2009:

*It is more important now than ever that we work in partnership on a common programme to respond to this crisis.*

*We take as our starting point the Framework for South Africa's response to the international economic crisis, concluded by government, labour and business in February this year. We must act now to minimise the impact of this downturn on those most vulnerable.*

Following the State of the Nation Address, the Task Teams provided for in the Framework Agreement were re-activated. The Leadership Team met on 3 July, 17 July and 31 July 2009. Between meetings, the various task teams continued to meet. To date, the Leadership Team has prioritised the following 13 areas of work:

- § Training layoff scheme – paragraph 4.8 of the Framework Agreement
- § Customs fraud – paragraph 3.9
- § Distressed sectors – paragraph 3.5(b), read together with paragraphs 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.10 and 3.11;
- § Competition in the food supply chain – paragraph 5.6;
- § IDC and its mandate – paragraph 3.5(a), read together with paragraphs 3.4 and 3.5(b);
- § Social grants – paragraph 5.8;
- § Availability and flow of credit – paragraph 3.14;
- § Expanded Public Works Programme (EPWP) – paragraph 4.7;
- § Public procurement – paragraph 3.7;

- § Food relief programme – paragraph 5.3;
- § Public sector employment – paragraph 4.5; and
- § Public grant conditionalities – implicit in paragraph 3.5(a).

## **FOCUS ON KEY AREAS OF SUBSTANTIVE PROGRESS**

To date, significant progress has been achieved in the following priority areas: training layoffs; customs fraud; distressed sectors; and competition in the food supply chain. In this section of the report, key indicators of progress in respect of each of these areas are highlighted. Progress in a number of additional areas of current focus, which has been more somewhat more modest, is described thereafter.

### **Training layoff scheme**

Paragraph 4.8 of the Framework Agreement provides as follows:

*Training and skills development need to be prioritised, quality improved and the learnership programmes enhanced. In addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs, financed by the NSF and [Sector Education and Training Authorities (SETAs)], for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn but retrain them as an investment for the future economic recovery.*

The training layoff scheme is thus envisaged as a temporary suspension of work of a worker or group of workers that is used for training purposes. It will be based on an agreement between employers and workers that ensures the continuation of the employment relationship on terms that give financial relief to the employer while enabling the worker to acquire further skills without loss of social benefits and with a training allowance.

### Broad principles

A National Jobs Fund, with an initial allocation of R2.4 billion, will be set up to finance the training layoff scheme. The planned implementation date for the training layoff scheme is 1 September 2009 – government intends full capacity inside the state by the end of October 2009.

The key design elements of the scheme, as agreed to by the Leadership Team, are as follows:

- § A temporary suspension of work used for training;

- § Retention of the employment contract;
- § Training to be flexible, but linked to the skills needs of the company;
- § A training allowance paid to the worker; and
- § Employer carries cost of a basic package of social benefits.<sup>1</sup>

The training layoff scheme is based on the principle that it will be available to vulnerable workers and employers who are affected by the economic recession. In order to ensure its successful implementation, it will rely on the collective efforts of the following state entities:

- § NSF and the UIF – responsible for funding the training allowances;
- § SETAs – responsible for funding and providing training and the application for and payment of training allowances;
- § Commission for Conciliation, Mediation and Arbitration (CCMA) – responsible for supervising all training layoff negotiations and agreements, including agreements between employers and individuals;
- § Department of Labour (DoL) – responsible for co-ordinating and finalising the drafting of an implementation guide in collaboration with the CCMA and the UIF;
- § Department of Trade and Industry (“the dti”) – responsible for ensuring that distressed sector support is coordinated with the training layoff scheme; and
- § Economic Development Department (EDD) – responsible for assessing economic and developmental impact of the training layoff scheme.

Social partners agree that for the training layoff scheme to be a success, it will be necessary for the implementing partners to work in a way that is guided by good communication and cooperation, speedy and efficient treatment of applications and disbursement, effective mechanisms to avoid any unintended consequences and, in particular, abuse of the scheme, and the involvement of social partners in oversight of the scheme.

#### Detail

The Leadership Team has reached agreement on the following areas of detail in respect of the training layoff scheme:

- § Contract variation;

---

<sup>1</sup> Further details on these key design elements are provided below.

- § Social benefit contributions;
- § Training allowance and eligibility for participation;
- § Funding;
- § Nature of training; and
- § Implementation guide and other modalities.

#### *Contract variation*

Collective agreements varying conditions of employment will be negotiated and concluded by the relevant employer and trade union. Importantly, the CCMA will be responsible for facilitating training layoff negotiations and agreements, including agreements between employers and individuals.

An application for access to the training layoff facility may be made either through direct application to the CCMA or it may emerge as an alternative to retrenchment once an employer has made an application to the CCMA in terms of either section 189 or 189A of the Labour Relations Act 66 of 1995.

Where an agreement is entered into independently of the CCMA, the body will have the responsibility to ensure that the agreement complies with the terms of the training layoff scheme.

#### *Social benefit contributions*

While parties are free to negotiate higher levels of social benefit contributions (such as medical scheme membership and housing allowances), the basic package to be covered in full by all employers participating in the scheme – subject to the provisos set out below – will include all social risk (such as death and disability cover), UIF and retirement benefits:

- § Employers will pay social risk benefits in full;
- § In respect of UIF and retirement benefits, the default position is that employers must cover both employer and employee contributions unless exceptional circumstances justify lower contributions for one or both sets of benefits.
- § Lower contributions may only be made on condition that the principle of continued UIF and retirement fund membership is guaranteed, and that the employer and the trade union, as well as a third party (such as a CCMA commissioner), are satisfied that the company is indeed unable to make full contributions to the UIF and/or retirement fund.

The UIF Board and the Financial Services Board (FSB) have been approached to ensure that the principle of continued fund membership is respected in the event of lower contributions being made. In this regard, the following progress has thus far been made:

- § At its meeting held on 29 July 2009, the UIF Board approved, in principle and subject to compliance with the relevant law, continued membership for persons in respect of whom contributions to the fund may be reduced or suspended.
- § The following has emerged following government engagement with the FSB regarding the same issue in respect of retirement fund contributions:
  - A fund's trustees may authorise the reduction and/or suspension of contributions if the rules of the fund make provision for this; and
  - If the rules of a fund do not make such provision, they may be amended upon application to the Registrar of Pension Funds. Discussions will be held with the Registrar to facilitate this.

#### *Training allowance and eligibility for participation*

The training allowance will be set at 50% of an employee's basic salary, subject to an overall cap of the UIF income threshold. This means that the maximum monthly allowance payable to any employee participating in the training layoff scheme will be R6 239. This allowance will be guaranteed for three months, subject to the possibility of an additional three months' coverage.

The training layoff scheme is limited to employees earning up to R180 000 per annum.<sup>2</sup> However, as is mentioned above, no employee shall receive an allowance of more than R6 239 per month. Importantly, training layoff agreements may be sufficiently flexible to allow for arrangements other than full-time training for the full three-month period and will incorporate in their scope both workers on continuous layoff (e.g. for a three-month period) as well as workers on certain forms of short-time arrangements. The modalities that would apply are now being finalised.

#### *Funding*

R2.4 billion has been secured to fund the training allowance component of the scheme. This amount is made up of R1.2 billion secured from the NSF for this

---

<sup>2</sup> This is based on 20% above the UIF threshold of R149 736 per annum.

purpose, as well as a further R1.2 billion from the UIF. The UIF allocation was approved at its recent board meeting held on 29 July 2009.

Training costs will be borne by SETAs, with the intention being to ensure that all sectors have access to the training layoff scheme. SETAs have been requested to obtain board approval to participate in the scheme and to use their funds – in the form of discretionary and/or mandatory grants – to cover the training costs of employees in their respective sectors.

SETAs are now required to decide on the level of funding that will be set aside to finance the training costs (excluding the allowance) for their sectors and to develop guidelines of qualifying training. This should include measures to avoid abuse. These guidelines must be lodged with the DoL and approval of a company request to access the training layoff facility will be subject to this process being completed by the SETA.

#### *Nature of training*

As far as possible, training will be linked to the relevant company's needs but may also include training on generic workplace skills. In this regard, the training layoffs provide an opportunity for ABET courses and training on a basic ICT package that will help to create a strong, advanced skills base for the economy.

#### *Implementation guide and other modalities*

Government has recently tabled a draft implementation guide for the purpose of receiving input from social partners. The document will be finalised in collaboration with the CCMA and the UIF. In addition, constituencies have agreed that the CCMA and the DoL will provide monthly reports to Nedlac, which shall work with government in determining the most appropriate forum for involving constituencies in the consideration of such reports.

### **Customs fraud**

Paragraph 3.9 of the Framework Agreement, which raises concerns regarding the possible increase in illegal imports as a result of the global economic crisis, provides as follows:

*The parties acknowledge the problem of customs fraud and illegal imports and are concerned that as a result of the global economic crisis, the level of illegal imports may increase. They recognise the progress made in building an effective enforcement mechanism. They agree that urgent attention should be given and additional capacity be devoted to official enforcement capacity, including SARS,*

*to further improve their effectiveness and impact. To this end, it is agreed to strengthen risk management and invoice-analysis systems, set up dedicated units for vulnerable sectors (commencing with the clothing sector) and support high-profile arrests and prosecutions of offenders to combat lawlessness within the import regime.*

#### *Agreements already reached*

To date, the social partners at Nedlac have reached agreement on a number of issues. At the Leadership Team's meeting of 17 July 2009, the following recent agreements of the Customs Fraud Task Team were tabled for sign-off:

- § As a matter of standard operating procedure, SARS has agreed that offenders will in future be prosecuted without the option of a fine.<sup>3</sup> The modalities of this will be concluded shortly.
- § SARS has agreed to build a reference pricing system into its customs modernisation project to aid customs officials in identifying undervalued imports.
- § Seized goods will be disposed in a manner that does not undermine local industry.

In adopting these proposals, the Leadership Team noted that SARS has been allocated an additional R20 million to give effect to paragraph 3.9 of the Framework Agreement. A strengthened inspection system has been put into place and steps are being taken to address concerns regarding illegal imports emanating from neighbouring countries. In the clothing and textiles sector, some immediate outcomes of the anti-fraud campaign are as follows:

- § Smuggling: Four companies are being investigated and the intention is to initiate criminal proceedings;
- § Round-tripping: Fifteen companies are being investigated and the support of the BLNS Customs is required to finalise these investigations;
- § DCC abuse: Fourteen companies are being investigated and some duties have already been recovered;
- § Counterfeits: During raids a number of goods have been seized;
- § Quota fraud: Four companies are being investigated and will be criminally charged;
- § Rebate item abuse: Three companies are under investigation to recover duties; and

---

<sup>3</sup> This means that instead of an admission of guilt followed by an administrative fine, alleged offenders will be prosecuted as a matter of standard operating procedure.

§ Under declaration: Five companies are under investigation and will be criminally charged.

### **Distressed sectors**

Paragraph 3.5(b) of the Framework Agreement provide as follows:

*Government will convene urgent meetings with representatives of business and labour in distressed sectors to develop appropriate support measures, drawing on resources in the National Jobs Initiative as well as in the IDC.*

The National Jobs Initiative is described in paragraph 3.4 refers as follows:

*A special National Jobs Initiative, led by the Presidency that brings together a range of new and revamped separately administered programmes will be launched. The value of the new and revamped schemes is estimated at about R10 billion over the three year Medium Term Expenditure Framework. ... We agree to identify the extent of resources required as well as additional sources of funding that can be made available to increase the impact of the National Jobs Initiative in response to the crisis. The National Jobs Initiative will have as its mandate the coordinated and accelerated financing of industrial and special employment measures as well as social measures to avoid job losses and to actively increase the number of employed persons.*

The dti was asked to convene meetings with distressed sectors to give effect to paragraphs 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.10 and 3.11 of the Framework Agreement. Collectively, these paragraphs address industrial and trade policy measures necessary to rebuild local industrial capacity and avoid deindustrialisation during the current crisis, identifying the need to improve the competitiveness and performance of key local industries, particularly vulnerable sectors and small businesses. The Framework Agreement recognises vulnerable sectors as “those sectors with significant employment and labour intensity and where there are currently large planned or actual job losses and company closures as a result of the crisis.”<sup>4</sup>

To date, the following key areas of progress have been made in respect of distressed sectors:

---

<sup>4</sup> Paragraph 3.2 of the Framework Agreement identifies the following vulnerable sectors: clothing, textiles and footwear; mining; automotive; and capital equipment sectors. Importantly, it recognises that this list “does not constitute a full list of affected sectors and sectors may need to be added or subtracted based on developments in the real economy. In addition, it recognises that “other parts of the economy with high levels of employment are also affected by the slowdown, such as retail, housing construction, and private services.”

### Automotive sector

A meeting of Nedlac's Automotive Sector Task Team and the Minister of Trade and Industry, which was held on 20 July 2009, resulted in an agreement dealing with a number of key issues. In recognising that there needs to be a substantial and rapid response to limit the loss of strategic industrial capacity and employment in the automotive sector in South Africa, the meeting reached agreement in relation to conditionalities for accessing state support. In particular, the parties agreed that all firms receiving state support should provide –

- § Reasonable sustainability strategies;
- § Commitments to do everything possible to save jobs;
- § Commitments to promote affordability of motor vehicles relative to other developing countries;
- § Commitments to environmental protection; and
- § A commitment to maintaining modest executive remuneration and shareholder returns.

In particular, companies receiving crisis-related assistance “must commit to a moratorium on retrenchments for the duration of the assistance period”:

*In the event of retrenchments being necessary for firm survival at the commencement of assistance, an agreement must be struck between management and labour at the specific firm on the level of such retrenchments. In order to facilitate such agreement, firms proposing such retrenchments, must provide independently verifiable financial and other relevant information .... Similarly in the event of a material change in conditions during the assistance period where retrenchments become necessary for firm survival, an agreement between management and labour in a specific firm must be reached.*

In addition, the dti has agreed in-principle to include certain locally manufactured heavy industrial vehicles – which are both relatively labour intensive and generate high levels of local value addition – in the Motor Industry Development Programme (MIDP) and the Automotive Production and Development Programme (APDP). The scope of eligible products as well as the exact nature of their re-inclusion in the incentive is still to be determined.

### Clothing and textiles

Stakeholders and the dti reached agreement on 25 March 2009 on the broad terms of an industry and trade rescue package for clothing and textiles that covers 12 proposals. Some of these areas – such as customs fraud and local procurement – are the subject of other processes of the Framework Agreement.

*On trade:* labour and business have submitted an application to the International Trade Administration Commission (ITAC) on 19 May 2009 to increase tariffs to the bound level on 35 articles of clothing.<sup>5</sup> A joint labour/business submission to decrease tariffs on three articles of textiles through a duty rebate was submitted to and has been accepted by ITAC.<sup>6</sup>

*On industrial support:* a proposal on a production-based incentive has been developed by the dti and submitted to the social partners for their comment. Funding requests will be submitted through the government budget processes.

#### Capital equipment, transport equipment and metal fabrication

The dti has agreed in principle to set aside at least R37.5m and R150m from its 2009/10 and 2010/11 budget allocations respectively as a dedicated incentive to promote the manufacturing of capital equipment, transport equipment and fabricated metal products linked to South Africa's infrastructure development programme. This fund will be administered on behalf of the dti by the IDC.

The work that will be done now will be on the following issues:

- § Producing a concept document that will set out the scope and rules applicable to the funds to be administered by the IDC;
- § Determining mechanisms to ensure an employment-intensity to the programme and to identify ways of maximising the jobs impact of the scheme, including the type of manufacturing activities that have the largest employment outcome per unit of incentive offered;
- § Determining a starting date for the programme;<sup>7</sup> and
- § Calculating the level of additional resources that will be available over the period of the Medium Term Expenditure Framework (MTEF).

#### SMMEs

President Zuma announced on Thursday, 23 July 2009 the commitment to support SMMEs as follows:

---

<sup>5</sup> The application was published for public comment on 26 June 2009. ITAC will formally consider the request shortly and it is expected that the matter will be concluded thereafter.

<sup>6</sup> Concerns have been raised by labour however regarding the addition of three further items by ITAC. This issue will be addressed further by government.

<sup>7</sup> While an initial date of 1 January 2010 is under discussion, attempts will be made to see whether this can be brought forward.

*We noted [the] concern ... that many black businesses and SMMEs are crippled by having to wait for 90 days for government to pay for services rendered.*

*Government regulations require that departments should pay service providers within the prescribed period of 30 days from receipt of an invoice.*

*Treasury Regulations 8.2.3 on "Approval of expenditure" state that unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment.*

The call centre put into place to give effect to this commitment is currently operational, albeit at a small scale. It will be fully functional in August 2009.

### **Competition in the food supply chain**

Paragraph 5.6 of the Framework Agreement provides as follows:

*Strengthened enforcement of competition measures will be used to act against food cartels and collusion, which inflate food prices. It is agreed that government will encourage and support food production schemes in rural and peri-urban areas for households to grow their own food and that support in the form of seeds, fertilizers and pesticides will be provided.*

The Competition Commission is currently engaged in the following food and food-related investigations and prosecutions:

- § Bread: Commission is already prosecuting the case;
- § Milling (Maize): Commission is referring the case to the Competition Tribunal for prosecution;
- § Dairy: case is already before the Tribunal;
- § Poultry: one case is before the Tribunal, with the wider conduct being investigated by the Commission;
- § Fats and oils: already under investigation by the Commission;
- § Supermarkets: Commission's investigation is beginning; and
- § Fertilizer: settlement with Sasol, with others being prosecuted.

At its meeting of 17 July 2009, the Leadership Team agreed on the need for the Social Policy Task Team to request the Commission to brief it on current investigations and prosecutions so as to enable it to determine whether there are any other areas that require the Commission's attention. The Competition

Commissioner, who thereafter briefed the task team, recommended a range of methods that could be adopted by social partners to address high food prices.

Amongst others, these include consumer and business education, improving corporate governance of companies involved in the food supply chain, the monitoring of market conditions, and reporting anti-competitive conduct to the Commission. All four constituencies represented on the task team endorsed the work of the Commission and agreed that all necessary areas were being addressed by the Commission.

## **PROGRESS IN OTHER AREAS**

While the Leadership Team and its various task teams have prioritised a range of other areas for attention, as already indicated, this report only considers progress in the following two additional areas: the IDC and its mandate; and the availability and flow of credit. In respect of these and other identified areas, work is ongoing.

### **IDC and its mandate**

As already mentioned, paragraph 3.5(a) of the Framework Agreement notes that the IDC will – where possible – increase the level of its equity exposure in distressed sectors and will make increased working capital available to firms in large, labour-intensive sectors.

In response to a request by government for an update on the level of activity experienced by the IDC in relation to such funding, this development finance institution has provided information on its allocations to companies in distressed sectors. In its report, which is summarised below, the IDC addresses the following issues: received applications, approved applications, value of disbursements and applications in the pipeline, and an initial assessment of the capacity of the IDC's balance sheet to meet the demand from distressed firms.

#### Received applications

The IDC has 47 funding applications in the pipeline, 23 of which (worth R1.2 billion) are from existing IDC clients while the remaining 24 (worth about R2.6 billion) are from new or potential IDC clients.

#### Approved applications

From 1 April 2009 to date, nine financing applications from distressed companies totalling R644 million have been approved. The bulk of that money – R550 million – went to mining and beneficiation firms.

### Value of disbursements and applications in the pipeline

The total value of financing applications in the pipeline by distressed firms, including both existing and potential IDC clients, comes to R3.8 billion. Together with the already approved applications totalling R644 million this financial year, this amount adds up to a total financing requirement of R4.4 billion.

### Initial assessment of capacity of IDC's balance sheet to meet demand

In financial year 2008/9 (1 April 2008 – 31 March 2009), the IDC approved total funding of R10.8 billion of which R7.9 billion was destined for the South African economy. Of this amount, a relatively small amount (R685 million) was channelled towards companies in distress.

For the current financial year, the IDC has readjusted its capital allocation to respond to the financial crisis, and has allocated R2.9 billion towards companies in distress. Over the next two years, a total of R6 billion has been allocated for this purpose.

The IDC has committed to honour its growth in planned funding, and has therefore committed R11.4 billion in financial year 2009/10 (of which R9.9 billion is destined for the South African economy, representing an increase of 25%). As described above, R2.9 billion has been set aside for companies in distress, meaning that R7 billion remains for growth opportunities.

### **Availability and flow of credit**

Paragraph 3.14 of the Framework Agreement provides as follows:

*The parties agree that the availability and flow of credit are vital to the functioning of a modern economy. To this end they agree that Nedlac should urgently engage with the financial sector to discuss ways to promote a continued flow of investment finance to the real economy.*

On 13 July 2009, the Leadership Team met the chief executive officers of the four major banks in South Africa to discuss what can be done to promote continued availability and flow of credit to the real economy and households. Constituents set out their concerns regarding the impact of credit reduction on people and companies. The banks reported on their initiatives to date to address these concerns.

Amongst these initiatives is the establishment of the NDMA, a business initiative to assist indebted consumers by providing rules, standards and processes to address debt restructuring. Amongst other things, they address issues such as term extension, reduction of interest rates and payment holidays. Whilst the credit industry is still to provide a full report to Nedlac constituencies, it has indicated that its pilot project has achieved a 57% success rate.

All parties agreed that the continued flow of investment finance and credit is vital to the recovery and that special care should be taken to avoid damage to the country's productive capacity. The banking sector noted that it was in their interest to attempt to avoid foreclosures. Concerns were expressed whether new business and new venture credit had been restricted and whether small businesses were unduly affected by credit restrictions. These matters would be clarified by reference to the data and the feedback from companies and households.

It was agreed to have a focussed discussion in regular meetings of the Investment and Finance Task Team over the following few weeks to consider measures that can be utilised to address the concerns expressed. These include consideration of the following:

- § Increasing bridging loans, debt rescheduling, debt factoring, write downs in collaboration with government, deposit guarantees, term lending guarantees, converting debt to equity, and interbank lending guarantees;
- § Risk sharing between commercial banks and development finance institutions (DFIs) to maintain levels of credit;
- § Possible fund with a job creation and job preservation mandate and large labour intensity focus;
- § Special arrangements and facilities for participants in the training layoff scheme, including measures such as debt rescheduling;
- § Consideration of situation of workers who are retrenched; and
- § Consideration of a national communications programme to raise awareness of the special arrangements that banks have put in place to assist companies and households in distress.

It was further agreed that government would make available data on credit flows, based on information supplied by the banks, and broken down by sector, size of business and geographic area. At a task team meeting on 30 July 2009, National Treasury tabled a report on credit extension. This report was thereafter

supplemented by a briefing note dealing with sectoral and geographical lending. Constituencies were thereafter given a reasonable period to consider the reports before the task team would be reconvened to continue its deliberations.

### **LIST OF ANNEXURES**

The following annexures are attached to this report:

- § Annexure A: Background;
- § Annexure B: List of members of the Leadership Team;
- § Annexure C: List of members of the task teams;
- § Annexure D: Terms of reference for each task team; and
- § Annexure E: Framework Agreement.

## **ANNEXURE A: BACKGROUND**

Adopted on 19 February 2009, the Framework Agreement – which provides the basis for a wide range of actions needed to mitigate the impact of the crisis on the country and its people – is based on the following broad principles:

- § The risk of unfairly placing the burden of the economic downturn on the poor and the vulnerable must be avoided;
- § Activities aimed at strengthening the capacity of the economy to grow and create decent jobs in the future must be protected and supported as far as possible;
- § Planned high levels of investment in public sector infrastructure must be maintained and the private sector must be encouraged to maintain and improve wherever possible their levels of fixed direct investment and continue with corporate social investment programmes; and
- § Interventions must be timely, tailored and targeted as is appropriate.

The Framework Agreement recognises the social partners' collective responsibility "to work together to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from [the] impact [of the crisis]." Noting the country's "well-developed and advanced system of social dialogue, a strong institution in the form of [the National Economic Development and Labour Council (Nedlac)] and a tradition of working together as constituents to address the social challenges", it seeks to draw on these strengths in developing and adjusting South Africa's response to the crisis and implementing its various commitments.

In addition, the Framework Agreement recognises the importance of ensuring "that the economy is ready to take advantage of the next upturn and that the benefits of such growth are shared by all our people." It therefore notes the crucial imperatives of "[i]ncreasing levels of investment and ensuring that we develop a strong and competitive economy ... in addressing the challenge of the global economic crisis ... as we prepare for takeoff beyond the economic crisis." Put simply, the response focuses both on the present and the future.

The Framework Agreement has its genesis in a meeting of the social partners that comprise the Presidential Economic Joint Working Group – namely government, organised labour and business – that took place in December 2008. Subsequently, the social partners met in a forum convened by Nedlac – by then

also including the Nedlac community constituency – to formulate a collective response to the challenge.