

15TH NEDLAC ANNUAL REPORT 2009/2010

SOCIAL DIALOGUE

A CATALYST FOR SOCIAL AND ECONOMIC DEVELOPMENT



National Economic Development and Labour Council



NATIONAL SOCIAL DIALOGUE TO THE RESCUE



National Economic Development and Labour Council

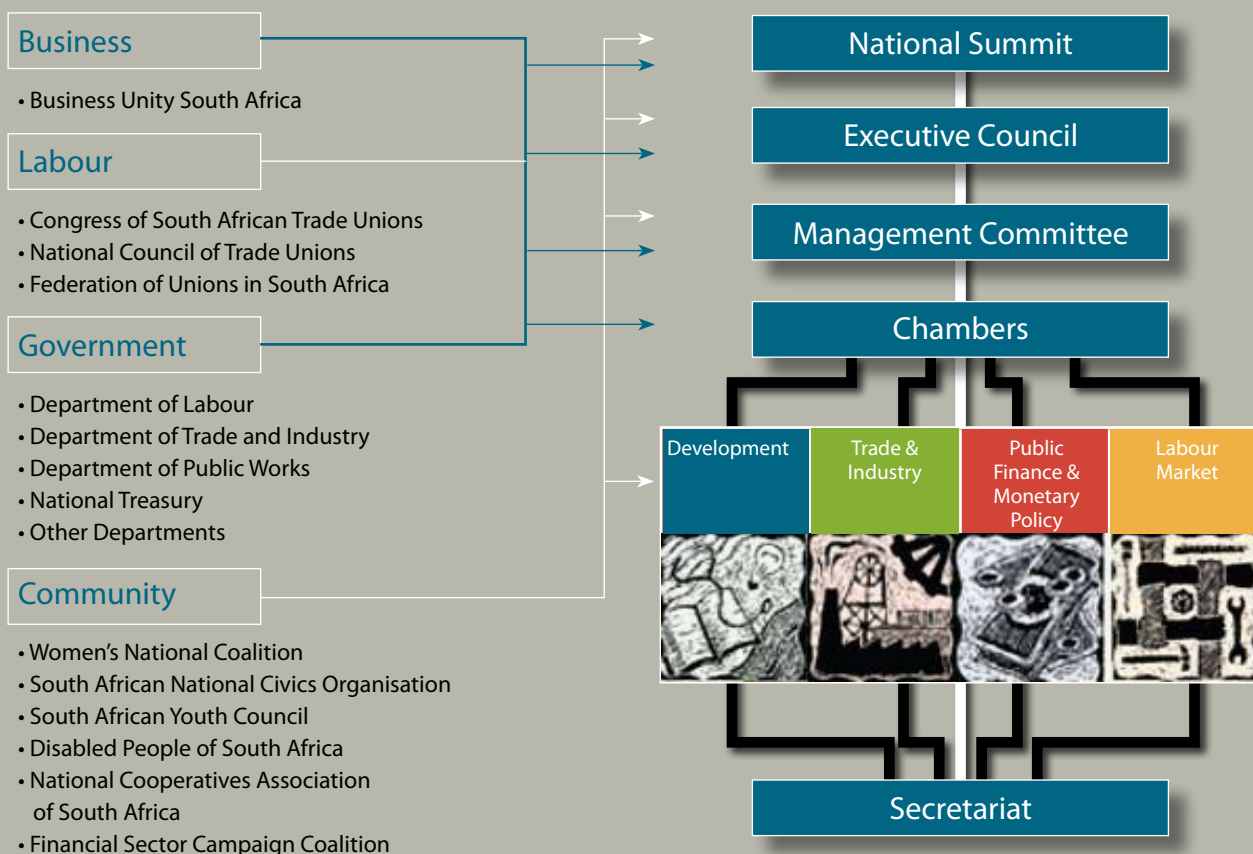
CREATING THE NEW NORMAL

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Structure at a glance

Constituencies



About Social Dialogue

“Over the years Nedlac has succeeded in establishing social dialogue as an accepted and invaluable part of the country’s policy making and national decision-making system. One of the most important features of our system of governance is to ensure consultation and dialogue, in order to build not only a shared national vision, but also in actual practice to attain unity of purpose and action.”

The negotiation of national policies between representatives of government, labour and business organisations sometimes end with an explicit social pact. Other times it is more informal, involving continuous processes of political, social and economic policy exchanges among social partners.

‘There is a growing consensus among leading economists that for globalisation to be fair and deliver its promise for prosperity it needs to be governed differently; in particular there is a need for more participation by stakeholders at international and domestic levels.’ (Stiglitz: 2003) This was also the main conclusion reached by the World Commission on the Social Dimension of Globalization convened by the ILO in 2002 which included prominent leaders from politics, academia, business, and civil society from across the world.

The benefits of robust social dialogue are numerous and they include:

- Firstly, consultation leads to the accommodation of the interests of key social partners which is likely to improve the quality of decisions.
- Secondly, negotiation may build bases of support for the proposed policies. Representatives who act on the basis of proper mandates reach agreements that make the reforms more sustainable.
- Thirdly, when broad consensus exists over particular reforms, policymakers have more leverage with international financial institutions whose influence might lead to reform packages that prioritise speed and efficiency over safety nets and equity considerations.
- Finally, social dialogue helps consolidate democracy in deeply divided societies by channelling discontent through institutions.

- Social dialogue is the only tried and tested medium to enhance broader participation in policy formulation and decision-making.

Nedlac is established in law through the National Economic Development and Labour Council Act, Act 35 of 1994. It was launched in February 1995 by the first democratically elected President of the Republic of South Africa, Dr Rolihlahla Nelson Mandela. The Act requires Nedlac to:

- Promote the goals of economic growth, participation in economic decision-making, and social equity.
- Seek to reach consensus and conclude agreements pertaining to social and economic policy.
- Consider all labour legislation relating to labour market policy before it is introduced in Parliament.
- Consider all significant changes to social and economic policy before they are implemented or introduced in Parliament.
- Encourage and promote the formulation of co-ordinated policy on social and economic matters.
- Consider Socio-economic Disputes in terms of Section 77 of the Labour Relations Act.

Nedlac respects and recognises the sovereignty of Parliament as the ultimate decision-maker in the law-making processes in South Africa. Nedlac’s role is clearly that of seeking to reach consensus on policy matters before such matters are tabled in Parliament.

The challenge and the concerns on Draft Bills that are tabled in Parliament before being considered in Nedlac is no fault of Parliament and its structures, but the flaw in the sequencing of policy processes by the Executive Authority.

If the Policy/Bill is tabled in Parliament before being tabled in Nedlac for consideration or, the Policy/Bill is tabled simultaneously in Nedlac and Parliament, it becomes difficult to factor-in agreed changes without the consent of Parliament.

Nedlac's founding declaration

Growth, Equity and Participation

1. The democratic election of 1994 opened a new era for South Africa. It was the decisive step in the transition to democracy. Now our country must meet the challenges of social development and economic growth.
2. South Africa is a land rich in resources, with a strong and diversified economy. It has a people eager to make the democracy work. It has a well-developed physical and financial infrastructure, such as transport, telecommunications and the banking system.
3. South Africa is also characterised by severe inequality in incomes, skills, economic power, ownership, and a skewed pattern of social development. This, together with large-scale unemployment and inadequate economic performance, has created major problems in our society.
4. Government, organised labour, organised business and community-based organisations need to develop and strengthen cooperative mechanisms to address the challenges facing our new democracy. Our three defining challenges are:
 - 4.1. Sustainable economic growth – to facilitate wealth creation; as a means of financing social programmes; as a spur to attracting investment; and as the key way of absorbing many more people into well-paying jobs.
 - 4.2. Greater social equity – both at the workplace and in the communities - to ensure that the large-scale inequalities are adequately addressed, and that society provides, at least, for all the basic needs of its people.
 - 4.3. Increased participation – by all major stakeholders, in economic decision-making, at national, company and shop floor level – to foster cooperation in the production of wealth, and its equitable distribution.



- (a) Meeting these challenges is critical to the success of the Reconstruction and Development Programme.
- (b) The National Economic Development and Labour Council (Nedlac) is the vehicle by which government, labour, business and community organisations will seek to cooperate, through problem-solving and negotiation, on economic, labour and development issues, and related challenges facing the country.
- (c) Nedlac will conduct its work in four broad areas, covering:
 - (i) Public finance and monetary policy.
 - (ii) Labour market policy.
 - (iii) Trade and industrial policy.
 - (iv) Development policy.

5. Nedlac is established in law through the National Economic Development and Labour Council Act, Act 35 of 1994, and will operate in terms of its own Constitution.

Signed by:

Minister Tito Mboweni
For and on behalf of
Government

Mr John Gomomo
For and on behalf of
organised Labour

Mr David Brink
For and on behalf of
organised Business

Signed on Saturday, 18 February 1995 in Midrand, Gauteng.

Nedlac Principals

GOVERNMENT



Geoff Doidge
Minister of Public Works



Pravin Gordhan
Minister of Finance



MMS Mdladlana
Minister of Labour



Rob Davies
Minister of Trade and Industry

BUSINESS



Andre Lamprecht
Chairperson of BUSA



Brian Molefe
President of BUSA
(replaced by Futhi Mtoba)



Futhi Mtoba
President of BUSA

LABOUR



Dennis George
General Secretary of FEDUSA



Manene Samela
General Secretary of NACTU



Zwelinzima Vavi
General Secretary of COSATU

COMMUNITY



Ruth Bhengu
Deputy President of SANCO



Laura Kganyago
General Secretary of WNC



Thulani Tshefuta
President of SAYC



Thulani Mabuzza
General Secretary of NCASA



Solly Mapailla
Chairperson of FSCC

DPSA

Andrew Madella
General Secretary of DPSA

OVERALL CONVENORS



Jimmy Manyi
Overall Government
Convenor



Bheki Ntshalintshali
Overall Labour Convenor



Professor Parsons
Overall Business
Convenor (replaced by
Lauraine Lotter)



Lauraine Lotter
Overall Business
Convenor



Lulama Nare
Overall Community
Convenor

Introduction by the Executive Director



Herbert Mkhize

National Social Dialogue has become the main ingredient and almost a pre-requisite of policy-making processes in South Africa. Nedlac's role in policy making has matured to a point where it has, in some instances, gone beyond what the Nedlac Act prescribes as the minimum requirements. The spirit of the Nedlac Act has outstripped the preoccupation by some on text and letter of the Act, allowing social partners to engage even on issues that would otherwise be described as outside of the Nedlac's remit. This indeed is a positive development worthy of praise.

In the past the main challenge was to get all government departments to table issues in Nedlac, which they did albeit kicking and screaming. Although this challenge has not been resolved in its entirety, but the trend today is that more and more government departments, at least at a political level, are willingly seeking the input of the Nedlac structures in the policies that they develop.

What remains to be pursued though, is bringing government policy makers up to speed with the DNA and modus operandi of the institution. For this reason the Nedlac Management Committee has agreed to review the Protocol for tabling issues in Nedlac and to

canvass an unequivocal buy-in on same from all government departments.

Executive Director's observations for the period under review

There is only but one apt phrase that can describe the periods 2008/9 and 2009/10 on Social Dialogue as an indispensable tool to address national challenges; "Social Dialogue Twice Tested, Twice Triumphed".

In the 2008/9 reporting period, the country plunged into the Electricity supply crisis of unprecedented proportions. The prophets of doom were quick to ride on this crisis as one of the reasons why South Africa would not have the capacity to host a successful 2010 Fifa World Cup.

President Kgalema Motlanthe immediately called on Nedlac and the other stakeholders in South Africa to develop a collective response on the crisis. The Nedlac Social partners sprung into action and in no time a National Electricity Response Accord, which enjoyed the support of all stakeholders, was finalised and adopted at a national electricity crisis Summit. It was indeed social dialogue to the rescue.

Towards the end of 2008, it became clear that the Global financial crisis was likely to develop into a global economic crisis not seen in many decades. Again President Motlanthe instructed the Nedlac Social partners to develop a national response to the crisis. It took the Nedlac social partners four weeks to emerge with a National framework to respond to the crisis aptly called "the Framework for South Africa's Response to the Global Economic Crisis." This was another case of Social dialogue through Nedlac, demonstrating beyond doubt that social dialogue is an unassailable instrument through which to address national challenges.

These two recent cases of social dialogue to the rescue are not the only ones, there have been such cases in the past and Nedlac triumphed.

'With the formation of Nedlac in 1995, success could not be assumed but there was hope that it could weave the fabric of democracy. Nedlac has managed its differences and confounded the critics who wanted

chaos.’ President Nelson Mandela, Nedlac Annual Summit, 1998.

When the Social partners were called to action during these difficult times and when they were asked to shift focus and deal with issues that were not in their original work programme, they responded with unwavering commitment, enthusiasm, dedication and creativity and we salute them for demonstrating once again that there is no substitute for Social dialogue in Action as a means to address national challenges.

The 2009/10 period can be described as the period of reflection, tooling and retooling for the challenges that lay ahead. It has been a year where all the Nedlac social partners had to take stock of where the country comes from after 16 years of democracy and to come to terms with how the Global Economic crisis has changed the landscape in which we operate. Some argue that as a result of the Global economic recession, the economic policy environment will never be the same and likewise the way of dealing with policy.

The President has called for the new way of doing things and partnerships through the “Working together we can do more” war cry. The Minister of Finance has called for a ‘New Normal’ where all social partners place on the table what they are prepared to do for the country.

On the other hand the new government administration was also identifying the national agenda and redefining what is to be done.

The work of Nedlac is inextricably linked to the programme and the strategic plans of various government departments. The General Elections in 2009 had an impact on the work-programme as most government leaders were engaged in the election campaign.

For these reasons the work of Nedlac slowed down remarkably compounded by the fact that the new Government Administration was also redefining key national priorities and mapping out its strategic plans for the years ahead. At best what Nedlac focused on during this period was mainly policy issues left over by the previous administration.

It shouldn’t therefore come as a surprise that not many policies could be finalised during this period and some

planned meetings had to make space for reflection and retooling. Nedlac also used this period to finalise the Nedlac review.

Progress on the key strategic objectives of Nedlac was negatively impacted on by the recent global economic recession. Economic growth suffered severely, job losses increased and the citizens generally became restless, the poor even resorting to protests actions last seen in the mid eighties.

The recent global economic recession has been a serious setback for the National transformation project.

The beginning of the 2010/11 financial year has witnessed the trickle-in albeit gradual, of policy proposals in Nedlac.

What follows is a snap-shot of economic trends in numbers:

Economic trends at a glance

Growth in the South African economy for the period under review and before went through a few harsh stages, with contractions of 6.4% and 3% in the first two quarters of 2009; this subdued economic activity was a stark contrast to the strong growth experienced in recent years, particularly from 2004-2007.

From the third quarter of 2009 to the first quarter of 2010 growth gained some momentum with 0.9%, 3.2% and 4.6% respectively; with particular reference to the noticeable growth in the first quarter of 2010, the South African Reserve Bank (SARB) attributed the enhanced performance to firmer increases observed in real output of the primary and tertiary sectors, alongside a further solid, although somewhat slower rate of increase in the real value added by the secondary sector; taking into consideration that for 2009, the primary and secondary sectors contracted by 6.0% and 7.2% respectively, with the tertiary sector registering a growth rate of 1.1%.

The real output of the *mining sector*, which reverted to positive growth of 4.6% in the fourth quarter of 2009, increased at a brisk annualised rate of 15.4% in the first quarter of 2010. This faster growth stemmed primarily

from increased production in the subsectors for diamonds, coal, nickel and non-metallic mineral mining as global markets recovered further. Subdued production conditions, however, continued to prevail in the gold mining sector where the temporary shutdown of shafts for safety reasons and ongoing industrial action adversely affected gold production during the first quarter of 2010. Over the same period, platinum production was curtailed somewhat by furnace related problems. An appreciation of the exchange rate of the rand probably eroded some of the benefits of the favourable international commodity prices over the period.

Growth in the real value added by the *secondary sector* moderated to 7.0% in the first quarter of 2010, having increased at an annualised rate of 8.1% in the fourth quarter of 2009. This moderation resulted primarily from a somewhat slower rate of increase in the manufacturing and construction sectors, while growth in real value added by the sector supplying electricity, gas and, water broadly maintained its momentum.

Growth in the real value added by the *tertiary sector* accelerated from 2.2% in the fourth quarter of 2009 to 2.7% in the first quarter of 2010. The higher growth rate reflected increased activity in the trade, the transport and communication, and the finance, insurance, real-estate and business services sectors.

Growth in aggregate *real gross domestic expenditure*, outpaced growth in real gross domestic production by a substantial margin in the first quarter of 2010 – growth in real gross domestic expenditure accelerated from an annualised rate of 4.9% in the fourth quarter of 2009 to 12.1% in the first quarter of 2010, as all major expenditure components registered improvements. Following an increase of 1.6% in the fourth quarter of 2009, growth in real *final consumption expenditure by households* accelerated markedly to an annualised rate of 5.7% in the first quarter of 2010. The brisk expansion in real outlays by households was evident in all the spending categories, except for spending on services.

Household expenditure appeared to have been positively influenced by several factors, including acceleration in the growth rate of real disposable

income, the reduced cost of credit as a result of lower interest rates, relatively low inflation, rising confidence levels, and an improvement in households' net wealth as the prices of real estate and other assets continued to rise.

Growth in real expenditure on *durable goods* surged at annualised rates of 15.2% in the fourth quarter of 2009 and 16.8% in the first quarter of 2010.

Following three successive quarters of decline in real spending on *semi-durable goods*, this household expenditure component rebounded, rising at an annualised rate of 28.4% in first quarter of 2010. The increase in real spending resulted primarily from increased outlays on clothing and footwear, and semi-durable recreational and entertainment goods. These increased outlays, although rising strongly, were from a low base. Year-on-year growth in spending on semi-durable goods amounted to 2.9% in the first quarter of 2010.

Final consumption expenditure by households on *non-durable goods* increased at an annualised rate of 9.5% in the first quarter of 2010 following six quarters of uninterrupted contraction.

The exchange value of the rand remained remarkably resilient in the opening months of 2010 and increased by 3.9% on balance in the first quarter of 2010 against a basket of fifteen currencies of South Africa's most important trading-partner countries. Small declines in January and February 2010 were followed by a notable increase in March. The increase in the first quarter of 2010 reflected, among other factors, a sustained increase in international commodity prices and a generally more positive outlook for economic growth in emerging-market economies. The sovereign debt problems in Greece and their potential effect on peripheral economies negatively affected the euro, while the political uncertainty regarding the outcome of the elections in the United Kingdom had put strain on the pound. The exchange rate of the rand appreciated, by 7.8% and 7.5% against the euro and pound respectively in the first quarter of 2010.

According to SARB a further increase in economic activity in most of South Africa's main trading partner countries, resulted in the balance on the trade account

of the balance of payments turning around from a surplus in the final quarter of 2009 to a deficit in the first quarter of 2010. Consistent with the improvement in business and consumer confidence in the country, expenditure on foreign-produced goods advanced further in the opening months of 2010 following a marked increase in the final quarter of 2009. At the same time, however, merchandise exports receded somewhat in both value and volume terms following an exceptionally strong increase in exports of vehicles and transport equipment in the final quarter of 2009. Consequently, the country's trade balance reverted to a deficit of R12,9 billion in the first quarter of 2010 from a surplus of R24,9 billion in the fourth quarter of 2009.

The deficit on the services, income and current transfer account with the rest of the world remained broadly unchanged in the last three quarters of 2009, but widened somewhat in the first quarter of 2010, raising the current-account deficit to 4.6% of gross domestic product compared with a ratio of 2.9 % in the fourth quarter of 2009.

The value of *merchandise exports*, which had increased markedly in the fourth quarter of 2009, receded by 1.9 % in the first quarter of 2010. The lower export earnings emanated from a decrease in the volume of exported goods. Owing to a sustained increase in international commodity prices, which more than neutralised the adverse effect of the steady appreciation in the exchange value of the rand, export prices in rand terms increased by 1.5 % over the period.

After increasing by one index point between April and March 2010, the **SACCI's** Business Confidence Index (BCI) registered 84.2 in April 2010. The April 2010 BCI is 2.3 points higher than in April 2009 and it is the second successive year on-year increase since September 2007. The average of 82.9 for the BCI during the first four months of 2010 is one index point higher than the average for the corresponding period in 2009. An upward trend in the BCI is evident since the beginning of 2010.

After the BCI reached 85.5 in September 2009, it moved laterally for a few months then dipped to 81.2 in January 2010 but, then increased gradually to 84.2 in April 2010. Although the 2010 readings of the BCI

remain relatively subdued, the positive trend is expected to gain momentum mainly as a result of export led demand and improving global economic circumstances.

On the employment front statistics showed that the number of employed persons increased between the third and fourth quarters of 2008 and 2009. Employment peaked at 13.8 million in Q4:2008, after which it declined to 12.9 million in Q3:2009. After three quarters of successive decline in the employment rate, there was a slight increase in the fourth quarter of 2009. However, in the first quarter of 2010 employment once again declined, but not at the rate observed in the first three quarters of 2009; the formal sector lost 140 000 jobs between Q4:2009 and Q1:2010 with most of the jobs being in Finance (111 000). The Community and social services industry gained 70 000 formal sector jobs in the same period. The year-on-year comparisons show a net loss of 475 000 jobs in the formal sector, with Manufacturing and Trade being the hardest hit with the loss of 153 000 and 131 000 jobs respectively.

Almost all industries in the Informal sector had shed informal sector jobs except Manufacturing and Transport, where there was virtually no change between Q4:2009 and Q1:2010. The informal sector lost 100 000 jobs across all industries over a quarter, of which 40 000 were in Community and social services and 27 000 were in Trade. Compared to Q1:2009, the informal sector lost 141 000 jobs in Q1:2010 with most of them being in Trade (65 000), Construction (31 000) and Manufacturing (21 000).

During 2009 employment losses in the private sector were concentrated in the manufacturing, construction, non-gold mining, trade, catering and accommodation services, as well as finance, insurance and real-estate sectors. The pace of employment losses in the private sector decelerated to an annualised rate of 1.2 % in the fourth quarter of 2009 from a rate of decrease of 8.2 % in the third quarter. Only the electricity-supply sector and the finance, insurance, real-estate and business services, as well as the private transport services sectors registered employment gains in the fourth quarter of 2009. Despite these increases, private-sector employment still decreased by 5.9% in the year to the fourth quarter of 2009.

The continuing downward trend that had characterised the past decade indicated that employment in the manufacturing sector decreased by 7.2 % in the year to the fourth quarter of 2009. Relatively subdued domestic and global demand conditions adversely affected manufacturing output over this period.

The unemployment rate in some provinces increased while there was a slight decrease in others in Q1:2010 compared to the unemployment rate of Q4:2009. The biggest increase in the unemployment rate was observed in Northern Cape (2.9 percentage points), Eastern Cape (2.8 percentage points) and Mpumalanga (2.7 percentage points). For the Western Cape and North West there was a decline in the unemployment rate (down by 1,2 percentage points and 0,7 of a percentage point respectively) between the two quarters, while it remained unchanged in KwaZulu-Natal and Limpopo. KwaZulu-Natal had the lowest unemployment rate (19.2%) recorded for Q1:2010, as was the case in the previous quarter (19.2%).

The comparisons between Q1:2009 and Q1:2010 indicate that there was a substantial increase in the unemployment rate in Gauteng (5.4 percentage points) and Mpumalanga (4,6 percentage points). Only KwaZulu-Natal, Limpopo and North West experienced declines in the unemployment rate in the same period.

Between Q4:2009 and Q1:2010, the unemployment rate increased among the White, Black African and Coloured populations (up by 1.2, 1.1 and 1.0 percentage points respectively), but decreased by 1.9 percentage points among the Indian/Asian population.

Liquidations for 2009 were 1 889 000, 8 000 less than the recorded number in 2007. Insolvencies were the highest ever seen when the progression is tracked since 2004, with a number of 5 171 000 in 2009, 584 000 higher than in 2008.

The Key Highlights for the period under review

Nedlac held a record 280 meetings, excluding the Annual Summit, Executive Council, Management Committee, Decent Work Country Programme, WTO, Trade Policy sessions with the Minister of Trade and

Industry Rob Davies, Leadership meetings with the Minister of Economic Development, Ebrahim Patel, Anti-poverty Strategy Framework, Electricity crisis, climate change, 2010 FIFA World Cup Framework Agreement and the Nedlac Review.

The Trade and Industry Chamber remains the busiest of all the Nedlac Chambers put together. The output of the Chamber accounts for over 60% of the total work of Nedlac in the period under review.

The Development Chamber was the second busiest Chamber accounting for 14% of the total output, with the Labour Market Chamber close behind with 13%. The decline in the volume of work can be attributed to the fact that most, if not all, Labour Market Policies are in place.

The Public Finance and Monetary Policy Chamber accounted for 3% of the total output with the remaining 10% by Manco Task Teams.

Some of the key issues that occupied the centre stage in the period under review include:

Item	Output
Electricity Crisis	National Stakeholders Advisory Council, NERT and the Electricity Task Team
Leadership on how to deal with the energy crisis	National Stakeholder Advisory Council on Electricity
Decent Work Country Programme for South Africa (DWCP)	Framework Agreement
Common South African Technical Regulatory Framework	National Technical Regulatory Framework (NTRF)
SACU – EFTA	SACU – EFTA signed off
SACU Mercosur	SACU Mercosur signed off
Global Economic Crisis	Framework for South Africa's Response to the Global Economic Crisis
Cooperatives Strategy	Signed off
Superior Courts Bill	Agreement on how to address Nedlac concerns on the Bill
WTO - meeting with Pascal Lamy and NAMA Chair	Dealing with DOHA Round and canvassing the country's position on NAMA

Electricity crisis

The electricity crisis of 2008 had resulted in massive blackouts never seen before which impacted on industry and on jobs and prompted swift action from all Social partners. The Nedlac Accord, which was a result of the Electricity Summit, held in 2008, proved to be the first of many steps that were to be taken in order to come up with creative and sustainable solutions to remedy the power supply shortage experienced by the Country.

The second step was the creation of the National Stakeholder Advisory Council on Electricity (NSACE), which is Chaired by the Deputy President of the Republic of South Africa, attended by Cabinet Ministers whose portfolios are related to matters of Electricity and Energy, National Electricity Regulator of South Africa (NERSA) and the Nedlac Social partners; which aimed to bring together Leaders of all Constituencies in a forum where all can share concerns, ideas and solutions to the crisis. The Council has met twice in the period under review and some of key focus areas and work in progress are the following:

- National Electricity Response Team (NERT) – which has been integrated in the work of the Nedlac Energy/Electricity task team
- Energy Champions
- Integrated Resources Plan

The above are just a few solutions whose action plans are in the process of being finalised and we will report on them in the 2010/11 reporting period.

Framework for South Africa's Response to the International Economic Crisis

The President of the Republic of South Africa convened a special Presidential Joint Economic Working Group (PJEWG) meeting on 04 December 2008 to discuss the implications of the Global economic crisis for South Africa. The PJEWG dealt with issues ranging from the analysis of the global economic crisis, the impact of the international environment on South Africa, examined various economic scenarios and posed a question of what was to be done.

It was agreed that a Presidential and Nedlac Task Team be set up to commence work on developing a response package for South Africa. The proposed package was to seek to respond to the global economic crisis that had, since September 2008, seriously impacted on growth and social cohesion in a number of countries and which had started to affect employment and growth prospects in SA.

The development of the Framework for South Africa's response to the international economic crisis has to be by far one of the biggest projects the Institution has had to grapple with within very tight timeframes. The international economic crisis plunged the country into a recession not seen and experienced in 18 years. This crisis demanded the Institution and the Presidency to respond swiftly, creatively and decisively. The long nights spent by the drafting team, which was mandated by the President of the Republic to develop a response package for South Africa resulted in the Framework for South Africa's response to the international economic crisis, which contained a number of interventions, recommendations and concrete proposals on how to respond to the economic crisis. The following task teams were then established to give effect to the South African response:

- Leadership Team
- Finance and Investment Task Team
- Social Interventions Task Team
- Employment Measures Task Team
- Distressed Sectors Task Team

During the period under review the various Task Teams met to deal with the Terms of Reference as mandated by the Leadership Team. In the course of the deliberations action plans and proposals were formulated to give effect to the implementation of the agreements contained in the Framework. There have been difficulties, such as those proposals which carry cost implications which are often linked to Government budgetary processes. In these instances the task team can only signal an agreement in principle subject to the outcome of the Government budgetary processes. Child Support Grant, Extension of the Social Relief of Distress Fund, Emergency Food Relief Programme were some of the cases in point. Difficulties associated with the fact that some interventions required not just tinkering with policy, but substantial overhaul of

existing policies, or prescribed lengthy preliminary processes that must be undertaken before a decision can be implemented. Preferential Procurement, Customs, EPWP, Insolvency, Retirement funds, SETAs, etc. were some examples. These difficulties and challenges were met with resolve.

Two reports were tabled to the President of the Republic of South Africa, in order to give him and the Nation a sense of how far the Social partners had gone in implementing the Framework and the achievements thus far. (The latest report is captured under the Special projects section).

The implementation phase has continuously gained momentum and the finalisation of action plans which are meant not only to deal with the economic crisis, but also to be sustainable long after the crisis has passed is nearing completion.

Message from the Overall Government Convenor



Jimmy Manyi

The global economic crisis and the response by all social partners to it, dominated the Nedlac social dialogue agenda and processes during the 2009/10 period, and mapped out the work of Government at Nedlac. All the social partners remained dedicated and committed to find effective solutions to challenges facing the South African society as a result of the global crisis. Creative solutions such as the bridging finance for companies in distress and the Training Layoff Scheme (through which Government allocated R2,4 billion to prevent job losses by offering workers who risk retrenchment, skills training while earning up to 50% of their income and protecting their social security benefits), are prime examples of how a joint goal amongst social partners can be developed implemented effectively by social dialogue facilitated by Nedlac. Through Nedlac, Government played a leading role in the response to the economic crisis. Initiatives which were supported by the social partners and which involved commitments by Government, included private sector procurement, food relief, social grants, inclusion of small businesses in relief projects, job creation under the Expanded Public Works Programme (EPWP), competition in the food supply chain, public sector employment, measures to address customs

fraud, retrenchments and unemployment benefits.

To further address and mitigate the impact of job losses in an effective way, the social partners agreed to the Social Plan Review interventions regarding retrenchments.

Another major milestone in social dialogue was the agreements reached regarding the four key objectives of the Decent Work Country Programme (DWCP) for South Africa, namely (1) promotion of employment, (2) strengthening and broadening social protection, (3) strengthening tri-partism and social dialogue, and (4) promoting fundamental principles and worker rights. In phase 2 social partners will implement key action plans or interventions to give effect to the four key objectives of the DWCP, for example by addressing gender inequality at the work place.

Effective policy development and implementation is only possible through the key principles of openness, participation, accountability, effectiveness and coherence, on the basis of broad participation and support of the key stakeholders at Nedlac.

The impact of social dialogue on the work of Government Departments became visible through task team meetings such as on Electricity, Atypical Forms of Employment task team and the labour market review – which lead to proposed amendments to the Labour Relations Act, Basic Conditions of Employment Act and Employment Equity Act to address a number of issues, including the controversial issue of labour brokers. Other results include the proposed establishment of a National Education and Training Council, the well-attended Employment Equity road shows, conclusion of the EPWP Phase 2 Ministerial determination, incorporation of various FRIDGE studies' results, aligning the HIV and AIDS in the World of Work with the International Labour Organisation standards, establishing the Human Resource Development Council, drafting regulations in terms of the 2009 National Land Transport Act and Department of Transport adjusting implementation strategies after meeting social partners about public transport matters.

An indirect and indispensable extension of the social dialogue at Nedlac, is the delegation of Nedlac social partners to various statutory forums such as the Advisory Council on Occupational Health and Safety, the Commission for Employment Equity, the Compensation Fund Technical Committee of Occupational Diseases, Cooperatives Banks Development Agency, Employment Conditions Commission (ECC), Essential Services Committee, Housing Developing Agency, National Productivity Institute's Social Plan and Productivity Advisory Council, National Skills Fund and the Board of the Unemployment Insurance Fund. Agreements reached at these Bodies feed into and strengthen the Nedlac social dialogue process. Government is grateful for the committed participation by Nedlac social partners in these Bodies.

The expansion of Cabinet and renewed public commitment by the President of the Republic of South Africa to support social dialogue, had a noticeable impact on participation of Government at Nedlac. In the next year, this will be built on. For example, Government participation in the Development Chamber – which is lead by the Department of Public Works and supported by the Department of Housing – will be broadened by involving relevant Government Departments delegates from the Departments of Cooperative Governance and Traditional Affairs, Economic Development, Rural Development and Land Reforms, Social Development and Women, Children & People with Disabilities.

Government remains fully committed to the social dialogue through Nedlac, and is confident that the strong cooperation by all social partners experienced in 2009/10 will continue in the new Nedlac year. The Government focus will remain on programmes aimed at addressing poverty alleviation, job creation, equity and economic growth. The progress made at Nedlac is our encouragement to continue relentlessly with this goal.

Message from the Overall Business Convenor



Laurraine Lotter

2009/2010 was a year in which the impetus for a more significant role for Nedlac, which began after the new administration took office after the elections. The strong view among many business people that the new administration would find Nedlac even more necessary than ever before has been borne out by the increase in high level engagements. The challenge remains for Nedlac to build on these high level engagements to ensure that engagements in the chambers result on concrete outcomes.

Business looks forward to the implementation of the recommendations of the Nedlac review and in particular the revision of the Nedlac Protocol. In the early years of Nedlac the legislative agenda focussed on new Bills and amendments to Bills. More recently implementation of legislation requires a greater emphasis on regulations. As in many cases regulations form the backbone of a regulatory regime, Business believes that consideration must be given to regulations being considered in Nedlac under some circumstances.

With the global economic crisis hopefully behind us, work must now focus on how to reverse the trend of job loss and build on policies and strategies that can

contribute to meaningful job creation. Engagement on the Industrial Policy Action Plan is one of the key areas of work that should address this objective. At the same time consideration of strategies to alleviate poverty have also formed part of the work plan.

2010 also saw the start of engagements on amendments to a range of labour laws. Work which is likely to continue into 2011 as the amendment bills themselves are tabled for consideration. The ILO's Decent Work Country Programme on which discussions commenced last year is now being implemented.

South Africa continues to face significant challenges not the least of which is how to grow the economy in a manner that creates jobs and at the same time pursue a lower carbon growth trajectory. This is an area on which it is anticipated Nedlac will be engaging in the near future. This and other challenges will require robust dialogue amongst social partners that leads to implementable policies and strategies that will make a real difference to the lives of all.

The success of the 2010 FIFA World Cup provides an example to us of what can be done if all work together towards a common goal. Nedlac has an important role to play in engaging on ways to accelerate achievement of common goals like elimination of poverty, economic growth and job creation, universal access to basic services, an effective and efficient public service and smart regulation.

Message from the Overall Labour Convenor



Bheki Ntshalintshali

For many, the 2009/10 NEDLAC report is shadowed by many crises that they endured during this period among others the energy and unemployment crisis but more significantly the economic crisis. The signs at the looming economic crisis were always there for all to see. The international community largely succeeded in avoiding a financial meltdown but failed to implement any of the lessons it learned from the crisis. The economic paradigm of the last 30 years resulted in a decline of worker's income, huge global trade and financial imbalances, growing inequalities, unsustainable consumer debt, declining real investment and oversized financial sector divorced from the real economy.

The consequences of this crisis on labour market have been visible since 2008. At the global level after four years of conservative declines, the number of unemployment increased in 2008, by 14 million people. As the crisis continued to spread and job losses mounted, world-wide unemployment increased by at least 38 million by the end of 2009.

So, when the economic crisis fell upon us, it was not a surprise it correctly dismissed the myth that the market has to self regulate, that government intervention was

necessary, but by contrast strengthen the belief that strong governance of globalisation, a more equitable, balanced model of global economic corporation, bold changes to the global financial and social architecture to respond to crisis and avoid future crisis caused by inadequate regulation of critical markets and economic activity as well as insufficient global collaboration with respect to balanced development and to ensure fair, just and equitable outcomes to all, particularly the poor in the less developed world.

The bleak labour market picture affects certain groups disproportionately notably women, migrant workers and youth. Those suffering most from its effects were the least responsible for its creation. It carries on top of a general increase in equality, a shift from wages to profit over the past 15 years across the globe and transfer of market risk from employers and Governments onto workers and their families as seen in the wave of privatisation of pensions, health care and public services.

South Africa saw this crisis coming and the social partners that comprised the Presidential Economic Joint Working Group, namely Organised Labour, Business, Government and Nedlac Community Constituency crafted a response. It is through this collective response that one could attribute to strong social dialogue in South Africa and the role of Nedlac.

Through the Framework, we managed to mitigate the worst effects of the economic crisis. The South African economy is recovering extremely slow and is continuing to shed rather than create jobs. Lessons from past financial crises show that the labour market tends to recover only after four to five years after economic recovery. A view we strongly reject, any economic recovery that does not create jobs is not an economic recovery at all.

We lost a colossal 1,1 million jobs since the beginning of 2009 to date. Considering that every worker supports about five dependents, using the multiplier factor means that over 5,5 million additional people have been plunged into a life of poverty and misery in

just 18 months. Such a level of unemployment is not just a personal and family disaster but a national catastrophe. As well as the devastating effect that such a level of unemployment and poverty has on individual workers who have lost their jobs and their families, the crisis reaches into every aspect of life. It is a time bomb waiting to explode.

While more and more workers sink into deep poverty and inequalities, they see a small minority earning millions and living in luxurious mansions. Such levels of unemployment, poverty and inequality underlie all the anti-social consequences which we see more and more such as, violent community protests, crime, xenophobia and the collapse of social and moral values.

Another key issue facing NEDLAC and the country is the continuing decline in the inequality of employment, with the persistent casualisation of labour, driven particularly by labour brokers. The changing organisation of business is used to avoid legal responsibilities of the employer and is having the effect of reducing wages, worsening working conditions, removing or reducing social protection and making rights unrealisable. In this regard Legislation is urgently required to end this abuse and exploitation of workers.

In addition to the issue of Labour brokers, is the question of the energy crisis which we hope all Nedlac Social partners would work hard to find a lasting solution that would guarantee the securing of energy supply with expansion funding from the fiscus and cushioning the poor household.

Workers should be happy to know that Nedlac is strong and working very hard to carry its mandate. In its recent strategic session it has adopted its Organisational Renewal, Decent Work Country Programme etc. We are confident that it will play its central role in getting all stakeholders especially Government to create decent jobs. The key challenges that face Nedlac are amongst others, job creation, poverty alleviation, ending casualisation of labour, saving labour courts which are threatened by the

Superior Court Bill, finding lasting solution on the energy crisis. These are the litmus tests on which Nedlac and Social dialogue will be judged.

Message from the Overall Community Convenor



Lulama Nare

Community Constituency's participation in social dialogue is one of the underlying principles of democratic societies. The social dialogue process is not about coming to the negotiating table with a list of problems, but rather meeting to discuss a political agenda for implementing solutions with measurable goals and indicators.

Social dialogue has been a key means for addressing sectoral issues during the current economic, financial and social crisis, as some sectors and to a large extent communities were dramatically affected by the Global Economic Crisis. Social dialogue strengthen the country's democratic institutions and foster socioeconomic development in all areas, as such, a top priority should be to eradicate poverty, hunger and systemic social exclusion. Structural unemployment, deepening social and economic inequalities, a vulnerable society and lack of access to opportunities remain "sore" points for Development and a Developmental State.

Segments of our communities remain desperate for energy sources, access to life savings and responsive primary health care, functional early childhood education for millions of children in rural and urban

townships, income subsidies to augment available household disposable income and the ever elusive creation of decent work opportunities. Sadly key drivers of unemployment remain race, gender location and education. Youth, women and people with disabilities especially those identified decades ago who fundamentally oiled the struggle for emancipation of black majority, women, youth and people with disabilities continue to remain vulnerable and throttled by poverty.

An RDP house without sustainable energy source to cook a basic meal for a family remain just that; a house and not a home. An income grant without consorted effort of ultimate self sustainance especially for individuals who are able to be skilled and empowered to "Vuka Uzenzele" remain that question vexing all State led intervention strategies ARE WE A WELFARE STATE? IS IT SUSTAINABLE?...but does it have a built-in integrated empowerment plan or will it remain a vicious generational cycle of poverty for the millions of able-bodied South Africans on welfare? Is it a plan to keep the disabled- abled man, women and youth out of the workforce? and to remain on state welfare? What long-term plan is there for the orphaned or vulnerable children in no fee schools?

Crises, despair and distress remains in communities where poverty has shown its harshest nature. While poverty is ravaging our poor communities; the critical question for us has been: what is the role of private business in assisting communities in distress? Private sector remains the top scorer keeping conditions conducive for business and profits. The Community Constituency implores the STATE to use moral persuasion to enforce the responsibility of the private sector in a developmental state to citizens. This sector continues to hire and fire, and so far 900 000 jobs have been lost. The job opportunities in top management for this sector remain largely what it has always been. Large percentage of youth remains without access to workplace for learnerships, mentorship and couching programmes for youth to critically address the skills shortage in SA.

Has the private sector adopted any of the communities

in distress? Are there any good practice cases of deeper connection with the masses and majority poor and vulnerable societies? South African tax payers and to a large extent the poor communities in distress carry the burden of “looking after themselves”, they have organized themselves into caregivers looking after the infirm and sick in the communities, stokvels to maintain liquidity and extra income for economic survival as most of our people are in the informal sector i.e. Buy taxi, more stock for the spaza shop or hawking stands, groceries to survive the long holidays with extended families etc. Throngs of youth are volunteers for years, instead this is used as a cost cutting measure, and nothing flows to the incumbent to illustrate the transference of skills to the credit of the individual.

The commitment of Social Partners is necessary at all levels in all policy priorities. The current economic situation shows more than ever the need to reinforce the role of social partners and strengthen social dialogue in South Africa. The Financial Crises and the Social partners in dialogue have highlighted the openness to different paradigms, and that options through dialogue can foster a common vision for promoting equity, growth, creation of jobs, skilling and reskilling of workforce and improve the quality of life through people-centred development for all South Africans.

PART ONE

GENERAL INFORMATION



Address key challenges of promoting sustainable economic growth, social equity and increased participation.



The workings of Nedlac

Nedlac is the seat of National social dialogue in South Africa and it is, in many respects, a uniquely South African model.

It was set up through an Act of Parliament – The National Economic Development and Labour Council Act, Act 35 of 1994.

Nedlac is about securing the commitment and active participation of all social partners in those areas identified for prioritised action in ways that build on lessons learnt from development programmes.

Nedlac remains a contested terrain of ideas and recognises that no social partner has the monopoly of solutions.

Inherent in real social dialogue is that it takes time for it to produce meaningful consensus that ultimately leads to real partnership.

Our Vision

The Nedlac constituencies, Business, Labour, Government and the Nedlac Community constituency commit themselves to social dialogue and working together to address the economic and development challenges our country faces underpinned by a common vision for promoting rising levels of growth, equity, investment, job creation, and people-centered development.

Our Mission

Building an enduring partnership – Promoting a shared vision of South Africa's growth and development strategy to frame sector and developmental agreements and lay the basis for partnership in action.

Addressing urgent challenges – Selecting from many possible interventions those which hold the promise of the greatest possible impact in the shortest possible time for accelerated investment, job creation, improved efficiency and productivity, greater social equity and a fairer distribution of economic opportunities and rewards, while undertaking serious social dialogue on broad policy frameworks.

Lending a hand – Securing the commitment and active participation of all constituencies in those areas identified for prioritized action in ways that build on lessons learnt from development programmes.

Nedlac's founding declaration sets out the institution's vision: to address the new democracy's key challenges of promoting sustainable economic growth, social equity and increased participation. The document says that Nedlac is the "vehicle by which Government, Labour, Business and Community organisations will seek to cooperate, through problem-solving and negotiations, on economic, labour and development issues and related challenges facing the country".

The Nedlac Act requires the institution to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- Encourage and promote the formulation of coordinated policy on social and economic matters;
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament.
- Consider Socio-economic Disputes in terms of Section 77 of the Labour Relations Act.

Composition

Nedlac is made up of representatives from:

Organised Business

Business Unity SA (BUSA) represents this sector.
The Overall Convenor of the Business Constituency is Laurraine Lotter.

Organised Labour

Cosatu, Fedusa and Nactu represent the interests of Organised Labour. The Overall Convenor of the Labour Constituency is Bheki Ntshalintshali.

Government

Government delegates are drawn from the key economic departments, namely, Labour, Trade and Industry, Treasury and Public Works. Representatives from other Government departments participate on an ad hoc basis. The Overall Convenor of the Government Constituency is Les Kettledas (replaced by Jimmy Manyi).

Community Constituency

A number of organisations make up the Community representation, including the Women's National Coalition; the South African National Civics Organisation; the South African Youth Council; Disabled People of South Africa; the National Cooperatives Association of South Africa and the Financial Sector Campaign Coalition. The Overall Convenor of the Community Constituency is Lulama Nare.

Nedlac World of Work

Nedlac business is conducted under nine (9) distinct policy work streams; namely Annual Summit; Executive Council; Management Committee; Public Finance and Monetary Policy Chamber; Trade and Industry Chamber; Labour Market Chamber; Development Chamber, Section 77 and Special Projects.

Annual Summit

The Council convenes an annual summit each year and is Chaired by the President or Executive Deputy President or such equivalent person as the Constitution of the Republic of South Africa may provide for.

While the summit does not form part of the Council itself, it involves as many relevant groups and forums as possible in order to give feedback on Council activities and to obtain inputs from organisations or persons not normally involved in the day to day activities of the Council. The summit brings together no more than 300 delegates.

Executive Council

The Executive Council is Nedlac's highest decision-making body. It consists of no more than 18 members of each of the four Nedlac Constituencies – Government, Business, Labour and Community.

The Executive Council meets at least four times every financial year to receive report-backs from Nedlac's four Chambers and Management Committee review progress, reach consensus and ratify agreements.

Management Committee

Nedlac's Management Committee consists of 18 members made up as follows:

- 4 Overall Convenors
- 13 Chamber Convenors
- The Executive Director

The Management Committee oversees and coordinates all Nedlac's work, subject to the authority of the Executive Council.

Negotiations are conducted under four distinct policy work streams; namely Public Finance and Monetary Policy Chamber; Trade and Industry Chamber; Labour Market Chamber; and the Development Chamber.



Labour Market Chamber

The Labour Market Chamber considers all proposed labour legislation relating to the Labour market policy before it is introduced in Parliament. The Labour Market Chamber seeks to reach consensus and make arrangements for placing before the Executive Council on all matters pertaining to the world of work and the associated institutions of delivery.

Trade and Industry Chamber

The Trade and Industry Chamber seeks to reach consensus and make agreements on matters pertaining to the economic and social dimensions of trade, as well as industrial, mining, agricultural and services policies, and the associated institutions of delivery.

Development Chamber

The Development Chamber seeks to reach consensus and make agreements on all matters pertaining to development, both urban and rural; implementation strategies; financing of development programmes; campaigns to mobilise the nation behind development and the associated institutions of delivery.

Public Finance and Monetary Policy Chamber

The Public Finance and Monetary Policy Chamber seeks to develop and reach consensus as well as arrive at agreements on all matters pertaining to the framework within which financial, fiscal, monetary and exchange-rate policies are formulated. It also seeks to enhance the coordination of fiscal and monetary policy related elements of macro-economic policy as well as the institution of delivery.

Protocol for tabling and considering issues at Nedlac

(as at 31 March 2010)

1. Background

- 1.1. The National Economic Development and Labour Council (NEDLAC) was established by statute in 1995. The founding declaration is attached as Annexure A.
- 1.2. The Council is governed by an Executive Council, a Management Committee, and consists of four chambers namely
 - Public Finance and Monetary Policy Chamber;
 - Trade and Industry Chamber;
 - Labour Market Chamber; and
 - Development Chamber.
- 1.3. The objects, powers and functions of Nedlac as set out in the Act, are to:
 - (i) Strive to promote the goals of economic growth, participation in economic decision-making and social equity;
 - (ii) Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
 - (iii) Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
 - (iv) Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
 - (v) Encourage and promote the formulation of co-ordinated policy on social and economic matters.

2. Purpose

- 2.1. As is clear from the objects and functions set out above, Nedlac is obliged to consider all significant changes to social and economic policy. Clearly this could lead to delays if

Nedlac does not operate in an efficient and effective manner.

- 2.2. The purpose of this document is to inform all prospective participants in Nedlac of the processes, which cover the consideration of matters in Nedlac.

3. Consideration of issues in Nedlac

Consideration of issues in Nedlac comprises three main phases, namely tabling of the issue for consideration, production of a Nedlac report, submission of reports to the Minister and Parliament. The role of the Executive Director, the Overall Convenors, the Chamber Convenors, the Management Committee and Executive Council (EXCO) will be dependent on which issues are being tabled, and at what level they are taken up.

3.1 Tabling the Issue

- 3.1.1 Government should table plans for upcoming policy, legislation in the chamber on a regular basis, and anticipated time-frames within which such issues would need to be discussed.
- 3.2.1. The Nedlac Chambers to distinguish between issues that are tabled for information sharing, negotiations, consultations, dispute resolution and the need for further research or information gathering.
- 3.2.2. The Parliamentary Councillor of the Leader of Government Business meets Nedlac twice a year for a briefing on the legislative programme for the forthcoming year.
- 3.2.3. An issue generally in the form of draft policy strategy or legislation should be tabled by any government department through the office of the Executive Director and the Chamber Convenors.



- 3.1.3 Proper sequencing should be observed in the tabling of matters. In particular, relevant policy documents should be tabled and signed off, before engagement on proposed legislation proceeds in Nedlac.
- 3.1.4 Consideration of issues in Nedlac needs to precede finalisation of such matters in Parliament, and there therefore needs to be proper synchronisation of Nedlac and Parliamentary processes.
- 3.1.5 All constituencies in Nedlac have the right to table any issue for discussion.
- 3.1.6 Constituencies may request that an issue be tabled at Nedlac
- 3.1.7 The Executive Director needs to inform the overall convenors, and chamber convenors, of such matters on a routine basis. The overall convenors should construct an overall schedule, with timeframes; to deal with these tabled matters, as well as classifying them according to the categories specified below. If the overall convenors in a particular instance are unable to revert within agreed timeframes, the Executive Director and the Nedlac Secretariat may recommend an approach for dealing with a matter, in consultation with chamber convenors. In such an instance, the overall convenors must finalise an approach.
- 3.1.8 The chamber must agree at the outset whether the issue is being tabled only for consultation, or negotiations or both. The chamber convenors must clarify what kind of work is needed on each issue.
- 3.1.9 Divide policies or draft legislation tabled into three categories and allocate minimum time period required to complete consideration in Nedlac: category one are policies that require quick fixes, a mere tweaking of the proposal; category two are those that require legislative amendments/substantial changes to policy category three are those that require further information or systematic research.
- a. **For category 1;** 3 Months thereafter the matter shall be deemed to have been considered by Nedlac.
- b. **For category 2 issues:** 6 Months thereafter the matter shall be deemed to have been considered by Nedlac.
- c. **For category 3 issues:** Timeframes will be negotiated and agreed upon.
- 3.1.10 The chamber must agree at the outset whether the issue is being tabled only for consultation, or negotiations or both. The chamber convenors must clarify what kind of work is needed on each issue.
- 3.1.11 The chamber then agrees on a process and timeframes to expedite the matter. For example a specific negotiating committee may be established or the chamber may consider the matter itself.
- 3.1.12 In cases where the issue falls within the terms of reference of more than one chamber, a joint negotiation committee or task team may be established.
- 3.1.13 There may be circumstances where an issue is escalated to the level of a senior task team (such as Chamber Convenors or Overall Convenors). In this case, the issue will not be referred back to the chamber for sign-off, but will be signed off by the senior parties involved
- 3.1.14 There may also be instances where the intervention of the relevant Minister/s may be required. In this

case the government Convenor will take the responsibility to facilitate the Minister's attendance.

- 3.1.15 The purpose of engaging on issues is to reach agreement, and to arrive at a report which minimises, or preferably eliminates areas of disagreement. All engagements must be geared towards this objective, including ensuring the necessary timeframes and procedures to allow completion of a meaningful negotiation.

- 3.1.16 The chamber or task team may require technical assistance on issues. In this case the constituency will be able to bring experts into the negotiating team processes.

- 3.1.17 Once the process of engagement on the policy has been finalised, a Nedlac report will be prepared for consideration and ratification by the relevant Nedlac structures, namely the Chamber, Manco and Exco.

- 3.1.18 In the event that government indicates that giving effect to the policy require legislation, government will table the draft Bill at Nedlac for consideration. Once the engagement on the draft Bill has been finalised a Nedlac report will be prepared for sign-off by the relevant structures.

- 3.1.21. The Nedlac report, after sign-off by the relevant Nedlac structures, will be sent to the relevant Minister who will in turn table it in Parliament.

3.2. Chamber process

- 3.2.1. The chamber, where the issue has been tabled agrees on a process and timeframes to consider the matter. For example a specific negotiating committee may be established or the chamber may consider the matter itself.

- 3.2.2. The chamber must agree at the outset whether the issue is being tabled only for consultation, or negotiations or both. The chamber convenors must clarify what kind of work is needed on each issue.

- 3.2.3. In cases where the issue falls within the terms of reference of more than one chamber, a joint negotiation committee or task team may be established.

- 3.2.4. There may be circumstances (for example when an issue has a bearing on a package deal such as exemptions for SMMEs and the relation to the LRA) where an issue is escalated to the level of a senior task team (such as Chamber Convenors or Overall Convenors). In this case, the issue will not be referred back to the chamber for sign-off, but will be signed off by the senior parties involved. The Overall Convenors will determine when an issue has to be dealt with in this matter.

- 3.2.5. There may also be instances where the intervention of the relevant Minister/s may be required. In this case the government overall convenor will take the responsibility to facilitate the Minister's attendance.

- 3.2.6. The chamber or task team may require technical assistance on issues. In this case the constituency will be able to bring experts into the negotiating team processes.

- 3.2.7. Once the process of engagement on the policy has been finalised, a Nedlac report will be prepared for ratification by the relevant Nedlac structures.

- 3.2.8. In the event that government indicates that giving effect to the policy requires legislation, government will table the draft Bill at Nedlac for consideration. Once the engagement on the draft Bill



has been finalised a Nedlac report will be prepared for sign-off by the relevant structures.

- 3.2.9. The Nedlac report, after sign-off by the relevant Nedlac structures, will be sent to the Minister of Labour and the relevant Minister who will in turn table it in parliament.

3.3. Role of Secretariat

- 3.3.1. Immediately on receipt of an issue for tabling from any constituency the chamber co-ordinator will determine the timeframe within which sign-off is preferred and alert chamber convenors that an issue has been received.
- 3.3.2. The chamber co-ordinator, will in consultation with convenors agree on how to handle the matter; for example wait for a chamber meeting or agree to a process to be followed without waiting for a chamber meeting.
- 3.3.3. The chamber co-ordinator will call for nominations to participate in the consideration of the matter by sending a request for nominations to the chamber convenor and the constituency office. In the case where a joint negotiating committee is established the call for nominations will go to both convenors from both chambers.
- 3.3.4. The chamber co-ordinator will prepare a programme of meeting dates for consideration by the first meeting of the negotiating committee, taking into account the timeframes determined in 3.3.1.
- 3.3.5. In the case where a joint negotiating committee is established, the Programmes Director will assign responsibility for the negotiating committee to one of the chamber co-ordinators.
- 3.3.6. The chamber co-ordinators will prepare agendas for the meetings

and prepare draft reports from the discussions of each meeting.

Copies of all correspondence to the representatives on the negotiating committee will be copied to the chamber convenor.

- 3.3.7. The chamber co-ordinator must ensure that once the report has been approved by the chamber it serves before the next MANCO. In the event of insufficient time being available reports must be submitted to the Overall Convenors. The Programmes Director, and in their absence, the Executive Director, together with the chamber convenors are responsible for monitoring this.
- 3.3.8. Chamber co-ordinators must specify timeframes within which responses are to be received in all correspondence.

3.4. Role of Representatives

- 3.4.1. Representatives must have a mandate to participate in the discussions with a view to making progress at each meeting.
- 3.4.2. Representatives must ensure that they respond to correspondence from the secretariat within the specified timeframes.
- 3.4.3. Representatives must attend meetings of the negotiating committee.
- 3.4.4. Encourage a more systematic use of alternates in the event that principal negotiators are unavailable.
- 3.4.5. Representatives must be prepared to engage on issues beyond positional stances.
- 3.4.6. Representatives must respond to requests from chamber co-ordinators within the timeframes specified in the correspondence.

3.5. Role of Chamber Convenors

- 3.5.1. The chamber convenors must ensure that their constituency representatives participate in the negotiation committee and that the work of the negotiating committee is completed within the agreed timeframes.
- 3.5.2. The Chamber Convenors must agree on the timeframes required to consider the matter and ensure strict adherence thereto.
- 3.5.3. The Chamber Convenors must be properly mandated.
- 3.5.4. The Chamber Convenors must be responsible for overseeing the work of task teams.
- 3.5.5. The convenors should strive to maximise areas of agreement- they must be prepared to engage on issues beyond positional stances.
- 3.5.6. The convenors must strive to maximise areas of agreement and intervene if deadlock is reached in the negotiating committee.
- 3.5.7. The convenors should appoint convenors for the task teams who would be responsible for facilitating the work of the task teams
- 3.5.8. The convenors must ensure that on conclusion a draft report is considered by the chamber.
- 3.5.9. The convenors must respond to requests from chamber co-ordinators within the timeframes specified in the correspondence.

3.6. Time Schedules for Action

- 3.6.1. Agendas for meetings must be distributed to all members at least 2 days before a negotiating committee meeting and 5 working days before a chamber meeting.
- 3.6.2. Draft agendas of chamber meetings must be confirmed with chamber convenors prior to distribution.

- 3.6.3. Action lists flowing from decisions taken at any meeting must be distributed within 1 working day of meeting.
- 3.6.4. Minutes of any meeting must be distributed within 5 working days of any meeting. If on the deadline date, all constituencies have not responded a second request with a shorter deadline should be sent.
- 3.6.5. If no response has been received by the second deadline a letter must be sent to the relevant overall or chamber Convenor for action.

4. Production of the Nedlac Report

- 4.1. The Nedlac report is the official, formal and public report on the consideration of a matter by Nedlac. It is therefore essential that this report be of the highest standard. Where appropriate, agreements should be captured in legal form. The report comprises of the following sections:
 - 4.1.1. Background (a brief description of what the issues are and how it arrived at Nedlac)
 - 4.1.2. The Nedlac Process (step-by-step account of the process, including the terms of reference of the negotiating committee, its meeting times, the members)
 - 4.1.3. The agreement
 - 4.1.4. Any disagreements
 - 4.1.5. Any reservations
 - 4.1.6. Legal drafting
 - 4.1.7. Conclusion
- 4.2. The negotiating committee must approve the draft report which is then submitted to the Manco and then the Exco for ratification. The report is only officially a Nedlac report once it is ratified by Exco.



4.3. If, because of time or other constraints, the ratification process cannot be followed, the report may be signed off by Manco, or if the next Manco meeting is too far away, by the Overall Convenors. The chamber coordinators must alert the Executive Director as early as possible that a special process may be required. The Overall Convenors may only sign off if Manco has delegated this responsibility; or if the matter is so urgent in the view of constituencies or the Executive Directive, and they have referred the report to the Overall Convenors for sign-off.

4.4. If in the opinion of one of the constituencies, the report is unlikely to be accepted at Manco, it may recommend that a further attempt is made to resolve the matter by the Overall Convenors.

4.5. Once ratified, the Nedlac report is sent, with a covering letter signed by the Executive Director, to the Minister of Labour and the Minister responsible for, or associated with, the issue that was considered by Nedlac. The coordinator should follow up to see that the report is received.

4.6. The coordinator is expected to track and monitor the consideration of the Nedlac report in the Parliamentary process. This includes:

4.6.1. Ensuring that the Nedlac report is available to the relevant Portfolio Committee.

4.6.2. Liaising with the relevant Parliamentary Officer to find out the dates on which the issue is considered by Parliament and the portfolio committee.

4.6.3. Checking with the constituencies on whether it is appropriate for a joint presentation of the report to the portfolio committee.

4.6.4. Finding out what amendments, if any, the portfolio committee makes to the legislation.

4.6.5. Obtaining copies of the amended and final bill for distribution on request or as appropriate

4.6.6. When legislation on which a Nedlac report has been finalised is tabled in Parliament, a Nedlac delegation should introduce the report prior to public hearings.

4.7. Check-list of managing negotiations

Task	Frequency	Responsibility
Determine terms of reference and time-table of negotiating committee (composition, objectives, agenda, outcomes, timeframes, process for ratification of report)	At the start of a process	Coordinator and chamber
Constitute committee	At the start of a process	Constituency convenors submit names of representatives
Determine chairing and reporting	At the start of a process	Coordinator with constituencies
Ensure distribution of documentation	Each meeting	Coordinator and administrator
Follow-up on action points from meetings	Each meeting	Coordinator
Liaise with sub-committee members to ensure up-to-dateness	On a regular basis	Coordinator

Task	Frequency	Responsibility
Prepare draft reports on agreements	At the end of a process	Coordinator
Report to support people and structures in Nedlac	Each week and as required	Coordinator
Ratification of report	At the end of the process	Chamber → Manco → Exco
Write report to Minister	At the end of the process	Chamber Coordinator
Ensure report is available to portfolio committee	At the end of the process	Chamber Coordinator
Find out the dates on which the issue is to be considered by Parliament and the relevant portfolio or select committee	At the end of the process	Chamber Coordinator
Check whether joint presentation of report to portfolio committee is appropriate	At the end of the process	Chamber Coordinator
Monitor and circulate amendments in portfolio committee	At the end of the process	Chamber Coordinator
Circulate amended and final bill	At the end of the process	Chamber Coordinator
Monitor implementation of agreement	Regularly as needed after the process completed	Chamber Coordinator and Researcher

5. Submission of Reports

- 5.1. Protocol for Tabling Report in Parliament (agreement reached at Nedlac in 1998)
 - 5.1.1. All Nedlac reports are submitted to the Minister of Labour and the Minister responsible for, or associated with the issue.
 - 5.1.2. It is the Minister concerned who is responsible for tabling the Nedlac report in Parliament.
 - 5.1.3. However, there may be cases where it is important for the social partners to jointly present the contents of the Nedlac report during the public hearings held by the relevant Portfolio or Select Committee at Parliament. These cases will tend to be issues where the social partners have reached consensus on substantive issues.
 - 5.1.4. There will be a consideration by the convenors, on a case-by-case basis, of whether or not a joint presentation of the report by the social partners to Parliament is necessary. This consideration will take place at the time that the Nedlac report is being finalised.
 - 5.1.5. Generally, where the Nedlac report deals with an issue that is technical in nature, the report will be submitted to the Minister and presented by the Minister in Parliament.
- 5.2. Raising Reservations about an Issue in Parliament
 - 5.2.1. Parties are bound not to re-open discussion in Parliament on any area where agreement was reached in Nedlac.
 - 5.2.2. Parties have the right to raise issues in parliament on which there



- has been no agreement, or on which a Nedlac agreement was silent.
- 5.2.3 However if parties raise issues during the parliamentary process on which the Nedlac agreement was silent, or new issues, which go beyond the reservations captured in the Nedlac report, they should inform both Nedlac and the other parties for the record.
- 5.3 Monitoring the Passage of an Issue through Parliament
- 5.3.1 The Programmes Director will liaise with the committee clerks and chairpersons of the portfolio and select committees in order to monitor the passage of an issue through Parliament.
- 5.3.2 This liaison will include obtaining information about the dates and agendas of portfolio or select committee meetings.
- 5.3.3 The Programmes Director will also obtain copies of a bill before it is tabled in Parliament and forward copies thereof to the convenors in order that the convenors may check the bill's consistency with the agreements concluded in Nedlac.
- 5.4. Government departments are bound, as one of the parties, to accurately reflect the agreements that were reached at Nedlac in the drafts that they put before parliament. Where detailed legal drafting was agreed, this must be submitted as agreed. Where specific legal drafting was not negotiated, the substance and spirit of the Nedlac agreement must be reflected in the legal drafting put before Parliament.

- 5.5. If the Bill is not consistent with the agreements reached in Nedlac, then a process must be triggered on an urgent basis to address the problem, and Parliament, as well as the Leader of Government Business, should be officially notified by the Executive Director while the mistake is rectified.

6. Monitoring Implementation of this Protocol

- 6.1. The Leader of Government Business should be requested to nominate someone in his office to co-ordinate with Nedlac in ensuring that the commitments in this protocol are effectively co-ordinated within government. This person should both assist in the tracking of relevant processes within government, and addressing any bottlenecks in this regard. The responsibility to put forward government's views within Nedlac remains, however, with the Government Department responsible for co-ordinating the work of Government with Nedlac.
- 6.2. A mechanism needs to be agreed in Nedlac to monitor and ensure implementation of the commitments contained in this protocol. As a transitional mechanism, the task team responsible for drafting this protocol could act as an advisory committee to assist the Executive Director in this regard.

PART TWO

PROGRAMME PERFORMANCE



Work Stream 1



Annual Summit

National Summit

The Executive Council shall convene an annual meeting of members and interested parties, called the National Summit, to report and consider the activities of the council. It should not involve more than 300 persons. If the President, Executive Deputy President or such equivalent persons are not available to chair the sessions, the parties on the council themselves decide on a replacement chairperson.

Introduction

A successful 14th Annual Summit was held at the Birchwood Conference Centre, Boksburg on the 12th of September 2009. The theme of the Summit was "The World Economic Crisis and its Impact on Growth and Development: "The role of Social Dialogue". The Summit was attended by 300 senior delegates from Nedlac's four Constituencies, as well as a number of guests from other statutory bodies, NGOs, Provincial and local Government, foreign embassies and other socio-economic councils. The Summit was chaired by the Minister of Public Service and Administration, Mr. Richard Baloyi in his capacity as the Acting Minister of Labour.

Input by the President of the Republic of South Africa: Hon. Gedleyihlekisa Jacob Zuma

The President of the Republic of South Africa in his opening remarks stated that it was a pleasure to attend and address the 14th Nedlac Annual Summit. The President also stated that Government's message for the next five years, "Working together, we can do more" summarised Government's attitude towards partnerships and Social dialogue; and that Government would continue to seek the active participation of all Social partners.

Applauded Nedlac for the support that the institution provided on the implementation of the Framework Response to the Economic Crisis, as agreed to by the Presidential Joint Economic Working Group in February 2009.

The President highlighted that the Framework for South Africa's Response to the Economic Crisis had been a focus for Social dialogue during 2009; that the initiative had been commended internationally for bringing together Social partners in crafting a common response and has been used as an example of how countries can respond to difficult challenges through Social dialogue. The President stated that the challenge was the move towards implementation of measures that had been agreed to. A partnership approach was needed to deal with the implementation challenges which were facing new schemes, such as the Training Layoff and in that regard the tradition of Social dialogue needed to be taken a step further, needed to move beyond Social dialogue as an end in itself in order for it to really contribute and play a positive role in growth and development; that both dialogue and partnership in action must be underpinned by shared values and a strong sense of social responsibility.

The President further stated that there were signs of South Africa improving economically and thereby joining the Global recovery; however, at a much lower rate than previously experienced in the 2004-2009 period as indicated in the growth forecasts, which posed substantial challenges in the following areas:

- trade and industry;
- employment and training
- income distribution;
- social security.

The Government's Medium Term Strategic Framework (MTSF) for 2009-2014, signaled Government's focus; the main driving force continued to be the minimization of the impact of the economic downturn on South Africa's productive capacity. The initial strategic priority was to speed up growth and transform the economy to create decent work and sustainable livelihoods. The key elements are the following:

- Maintaining a stable pro-employment macroeconomic environment;
- Implementing trade and industrial policies to create decent work on a large scale;

- Undertaking interventions to create a more inclusive economy by expanding opportunities for the poor;
- Accessing the labour market and broadening the impact of growth;
- Strengthening competitiveness and promotion of small and medium sized enterprises and cooperatives;
- Ensuring that the country keeps up with global technological trends and fully exploits the competitive advantages, including usage of information communication technology.

Conclusion

In conclusion, the President stated that Nedlac should continue with its critical mission of creating a solid platform for social dialogue, in order to deal with the many challenges that lay ahead. Social partners should commit to Social dialogue.

Input by the Representative of the Business Constituency: Mr. Brian Molefe – President of Business Unity South Africa

Mr. Brian Molefe acknowledged the President's advocacy of the role Social dialogue played in society. It was clear that the expectations towards Nedlac had improved and Business was committed to ensuring that Nedlac responded as effectively as possible to the new challenges.

The 'Framework Response to the International Economic Crisis' was a joint outcome between the Presidency and Nedlac in February 2009. The activities within Nedlac and elsewhere had demonstrated that Government and the Social Partners had not been passive in the face of unprecedented adverse economic circumstances. South Africa stood out as the country which successfully mobilised social dialogue to assist in crafting policies and modalities to mitigate the impact of the recession in comparison with other nations around the world.

This represented a collective and pragmatic response to tough economic circumstances, which united Government and the Social Partners behind a

programme of practical measures over and above normal counter cyclical steps. This helped to offset some of the more serious effects of the recession on the poor, the unemployed and the distressed sectors. The growth and unemployment figures remained gloomy, however, there exists a possible background for recovery by 2010 which was not feasible six months ago. Thus the challenge remained to ensure the timely implementation of agreed policy measures to alleviate the economic distress wherever possible.

The involvement of Business in Nedlac is crucial in promoting effective social dialogue and implementing the agreed recommendations of the Nedlac Review. The Business Constituency made a special appeal to Government regarding the funding of Nedlac, as the general consensus was that Nedlac was underfunded when considering the tasks expected for implementation.

Input by the Representative of The Labour Constituency: Mr. Bheki Ntshalintshali – Overall Labour Convenor

In his opening remarks, the Overall Labour Convenor stated that the Nedlac 14th Annual Summit was an extraordinary Summit, because the world faced multiple crises in the economic arena. The crises that he highlighted were the following:

- The Global financial crisis exacerbated unemployment and poverty levels;
- The Global warming crisis has unimaginable consequences;
- The Worldwide food crisis;
- The Energy crisis

When dealing with these crises caution should be taken on implementation of policies that favour the weakening of trade unions rights; the greater flexibility of the labour market; and the stagnant or declining real wages. The focus should rather be on strengthening the Decent Work Agenda.

In response to the economic crisis it is important not to compromise health and safety, especially in the mining sector.



Key challenges

The focus should be on the following key challenges:

- To move towards a low carbon economy;
- More decent jobs to be created;
- Further discussions on labour broking.
Measures to be set in place to correct the crisis must therefore not only address the symptoms but also its root causes.
- The need for a widespread re-regulation and democratisation of the economy.

Conclusion

The Labour Overall Convenor thanked the President of the Republic of South Africa for emphasising social dialogue, and the Minister of Economic Development for coordinating the process of implementing the Framework Agreement.

Government's commitment to engage in the Nedlac processes was encouraging to all. The Overall Labour Convenor acknowledged that labour had confidence in Nedlac, who played an important role in addressing the issues raised and that there was capacity and political will to deal with these issues.

Input by the Representative of The Community Constituency: Mr. Lemias Mashile – Deputy President of SANCO

In his introductory remarks, Mr. Mashile stated that the Nedlac Annual Summit took place during extraordinary challenging times, when the world was reeling from the effects of the economic meltdown. Unless it could be reversed in some way, it would definitely have long term implications for South Africa's economy.

South Africa needs sustained investment, knowledge and skills in order to recover from the economic losses and the responses that yield positive outcomes. These are to:

- The urgent need for Government intervention in neighboring countries to ensure democratic dispensation;
- The need for the South African Social Security System to provide greater social solidarity;
- Government's vital role to engage with the informal sector and the marginalised poor in an effort to bring the fight against poverty to the center of the South African stage.

Social dialogue remains an important instrument in bringing about policy changes, to address the plethora of inherited and emerging challenges that face the young democracy of South Africa. Critical challenges still remain and if left unattended would erode the gains and the priorities alluded to in the State of the Nation Address.

It was heartening to see the new vigor and commitment to genuine participation by Government in policy formulation by some Departments, however, the commitment must be accelerated and those Departments who failed to honour Nedlac should be seriously dealt with.

- Early notification of plans and policy directives should be brought to Nedlac's attention to avoid rushing through negotiations.
- Social partners need to use Nedlac more effectively in order to speedily deal with eradicating poverty and creating more decent jobs.

Key challenges for Nedlac

Nedlac is to consider resolutions that seek to achieve the following:

- Bolster the Nedlac Strategy Framework to counter the negative effects of the economic meltdown;
- Encourage financial institutions to act with solidarity in respect of housing and vehicle repossessions, retrenchments and access to basic services;
- Encourage the private sector to play a role in skills development, wellness programmes,

health assistance and other social responsibility activities;

- Encourage more Government investment to make up on private sector facilities;
- Encourage rich countries to invest in young democracies.

The technical skills shortage at Local Government level presented challenges of infrastructure provision, because Municipalities are plagued with the roll-over of unspent capital funds. This turn of events presented an opportunity for the Development Bank of South Africa to assist municipalities, including rural municipalities, who have little credibility in accessing development loans.

Input by the Minister of Finance Mr. Pravin Gordhan In his opening remarks the Minister of Finance, Mr. Pravin Gordhan, stated that the Summit should reflect on the economic outlook for South Africa and its impact on the fiscal, but more importantly, the impact of the fiscal on all South Africans; that the past year had been dreadful economically and that there were signs of a recovery. However, it was still unclear of how long the crisis was going to last, how severe it was going to be and what the recovery was actually going to look like? Currently South Africa had lost over half a million jobs; and the revenue trends were significantly down. However, at the same time, South Africa had done better than other Countries in terms of the country's economic management.

Income tax, Company tax and Value Added Tax on imports and consumption had dropped significantly during the previous year and none were showing signs of recovery. The Minister further stated that despite the drop in revenue, Government would continue to spend as originally planned despite the fact that Government would have to borrow.

The Minister highlighted that in the process of going into new priorities, it was going to be important to determine how to re-prioritise priorities, be innovative and get value for money. There was confidence that Government will manage the situation.; In order to survive the crisis and continue to place South Africa on a winning path, it would require the participation and commitment of Nedlac to the economic project and the challenges that the Country is faced with.

Questions are being asked of how the economy would look like post the crisis and what is needed to change in the economy, drawing from the lessons of the economic crisis. It was important to get the fiscus right and demand better value for money spent by Government and as such, Cabinet had agreed that Government would engage on a comprehensive expenditure review that took a fundamental re-look at the way the money was being spent.

Nedlac should deal with the topic of the Government tender processes and the corruption thereof by those involved, as there were billions of Rands being lost; and that Government was working on changing some of the tender provisions in the country and was looking at setting up a compliance office to deal with the matter. Government was going to look into the issue of poor financial management amongst its employees as it was recognised that they lacked the necessary skills.

Conclusion

The Minister stated that there was a need to create more jobs in Government and Business, and there was also a need to look into the current constraints which were hindering this ideal.

There was a need to re-prioritise spending, cut-out the leakages that occurred through corruption and tender fraud. Government is committed to making tough decisions and hoped that Government and Nedlac would work together in the coming months to make a success of the issues he had raised.

Input by the Minister of Economic Development Mr. Ebrahim Patel

The Minister of Economic Development, Mr. Ebrahim Patel, in introducing the topic "The South African response to recession and global economic crisis" stated that Nedlac played a key role: that Social dialogue was not about sharing ideas, but also about inclusivity making decisions with joint action. In dealing with the global economic crisis, the Framework for South Africa's Response to the Global Economic Crisis was crafted by digging deeply into the capital that had been built during the good times, and that capital was Social Dialogue, which holds the key to spelling out the road map for South Africa's response.



Not only were a series of action plans set out in the Framework response, but also ideas for a globally coordinated response were also set out, which were subsequently taken to the G-20 and International Labour Organisation (ILO). The Deputy President had addressed the ILO Annual meeting where the Global Jobs Pact was concluded, which had been strongly influenced by South Africa. The Minister informed the Summit that the Global Jobs pact contained the following:

- Public investment based and employment orientated stimulus;
- Social and green investment to build a sustainable economy;
- Active Labour Market policies, social security provisions, labour standards, avoiding generalised wage deflation;
- Promotion of global policy coherence.

With reference to the above points, the Minister stated that when packaged differently one could find the framework for South Africa's response to the global economic crisis.

The Framework sets out five principles, which are:

1. Protecting the poor and the vulnerable, the unemployed and low income workers from the effect of the crisis;
2. Strengthening the capacity to grow the economy and to grow decent work in future;
3. Maintaining high levels of investment.
4. Developing interventions that are timely and are targeted; and that are tailored to South Africa's circumstances;
5. Setting out a bold stimulus package.

The Minister said that after the State of the Nation Address of June 2009, where the President of the Republic stated that the Framework would be at the absolute centre of Government's response to the economic crisis, Social partners commenced work, where six key areas of focus were developed. The Minister announced that these were successful and the details had been publicly announced and these were as follows;

1. To create a National Jobs Fund with R2.4 billion allocated to it.

2. To finance a Training Layoff Scheme.

3. A fund set up by the Industrial Development Corporation to set aside R6 billion to focus on companies that were affected by the Global Economic Crisis, who experienced either a weakening of credit lines, or alternatively a collapse in their customer base.

4. The development a series of Distressed Sector proposals, where Government worked with the Business community and Organized Labour in the automobile sector, in Clothing and Textile, Capital Equipment, and Metal Fabrication, to develop programs for Government, Business and Labour to try to transform the Distressed Sectors.

5. The development of a range of measures to combat customs fraud with the support of the Minister of Finance. Not only were design ideas developed to address this, National Treasury allocated additional resources and there has been a vigorous law enforcement programme.

6. Government worked with the Competition Commission to investigate and begin prosecuting companies that were alleged to be involved in collusive practices on food prices, and work was undertaken with the Private Sector to develop a debt mediation program aimed at over indebted consumers.

The Minister stated that in each of the above areas, fairly detailed programmes have been developed and implementation of the measures had commenced.

Social partners were in the process of working on a series of additional priority areas, which were the following:

- Engagement with the CEO's of the four major banks to ensure that flow of credit to the real economy and households is maintained;
- Engagements with the South African Reserve Bank;
- Conditionalities that need to be attached to State support;
- Expanded Public Works programme to ensure that the programme is successful and also to

enhance the employment impact of the programme, by mixing it with the R787 billion infrastructure programme;

- Green jobs-consideration of initiatives in this arena so as to repair not only the economy, but also the environment. Mass roll out of solar panels which will be focused on in the discussions at Nedlac in areas such as the feasibility, financing and logistics;
- Food security;
- Focus beyond the crisis that discussions should also be around this issue on what kind of economy is envisaged beyond the recession? What type of growth path would South Africa follow, and how to ensure that Government's commitment to improve the employment intensity of the economy was achieved?;
- Focus more on employment and decent work outcomes.

Conclusion

Government resolved to protect jobs, the economy and the people of South Africa. Some steps were immediate and some were systematic and that Government wanted to do it in partnership with Nedlac, which that meant that there was a need to re-tool and ensure that social dialogue was able more than ever to yield results for the people of South Africa.

Work Stream 2



Executive Council

The Executive Council is Nedlac's highest decision-making body. It consists of no more than 18 members of each of the four Nedlac Constituencies – Government, Business, Labour and Community.

The Executive Council shall meet at least quarterly with a view of receiving reports-backs from the various Chambers, review progress, reach consensus and conclude agreements between the parties.

Meeting Target for 2009/10

The Executive Council work is anchored largely on focus sessions that are driven and lead by Cabinet Ministers. Due to the new government administration redefining the key national priorities and mapping out strategic plans for the years ahead, only two out of the four meetings planned materialised. However, the time initially set aside for the meetings was used to deal with the Nedlac Review recommendation to improve efficiency.

Summary of Executive Council Meetings

Date	Focus Session	Lead Cabinet Minister/ Speaker	Objectives	Chair
27 November 2009	The South African Economic Outlook	<ul style="list-style-type: none">Minister of Finance, Pravin GordhanDeputy Director General of National Treasury, Lesetja Kganyago	To engage on the economic landscape and key challenges with a view of identifying priority policy areas that required focused discussion.	Minister of Labour, Membathisi Mdladlana-Government
19 February 2010	The 2010 National Budget	<ul style="list-style-type: none">Minister of Finance, Pravin Gordhan and the Team from National Treasury	To engage on the key highlights of the 2010 national budget.	Jerry Vilakazi-Business

Members and alternates of the Executive Council 2009/10

Business	Community	Government	Labour	Executive Director – Nedlac
R Parsons – (Overall Convenor) replaced by L Lotter	L Nare (Overall Convenor)	Minister Mdladlana	B Ntshalintshali (Overall Convenor)	Herbert Mkhize
B Molefe	K Hlonyana	Minister Doidge	Z Vavi	
B Godsell	P Horn	Minister Gordhan	J Maqhekenis	
D Penfold	D Masondo	Minister Davis	D George	
C Coovadia	M Naidoo	L Kganyago	K Bezuidenhout	
F Barker	L Kganyago	L Kettledas (Overall Convenor) replaced by J Manyi	T Ehrenreich	
P Maduna	N Nyembezi	K Naidoo	J Mahlangu	
	M Msizi			

Business	Community	Government	Labour	Executive Director -Nedlac
J Vilakazi	I Frye	F Adams	S Dlamini	
V van Vuuren	S Mapaila	M Metcalfe	Z Cele	
P Maluleke	T Tshefuta	V Madonsela	M Samela	
A Maistry	R Bhengu	P Mjwara	D Carstens	
E Strydom	T Nkwe	T Matona	S Gumede	
R Baxter	T Mabuza	M Mpofu	L Grobler	
F Mtoba	P Ngwevela	I Kotsoane	S Sithole	
A Ramikosi	C Caine	R Masoga	I Ramputa	
L Lotter	B Tsotetsi	M Masina	J Mosia	
M Mthunzi	Z Matsela	S Mashiane	P Govender	
V Harbhajan	M Nkosi	C Ntshangase	A Benjamin	
S Siwisa	D Moreotsele	D Hindle	Z Losi	
L Khoza	M Toni	T Mseleku	I Jim	
C Grant	N Mqhayi	S Noqxina	M Mbongwe	
E Masilela	D Mthlane	P Molefe	C Gina	
M Jackson		Mr. S. G Padayachee	T Gwagwa	
M Mdwaba		Mr. T Mkalipi	T James	
		Mr. L Magwentshu	S Zokwana	
		Mr. L Mcwabeni	F Oosthuysen	
		Mr. M Moroka	S Gangca	
		T Mchunu	T Ntola	
		M Mabitje- Thompson	P Zenzile	
			M Burger	
			T Khumalo	

Work Stream 3



Management Committee

The Management Committee is responsible for overseeing and coordinating the work of the Council. The core membership is made up of Overall Convenors of the four Social partners as well as the Convenors of the Constituencies on each of the Chambers. If deemed necessary, not more than four additional members can be appointed to the Management Committee.

Nedlac's Management Committee consists of 18 members made up as follows:

- 4 Overall Convenors
- 13 Chamber Convenors
- The Executive Director

Meeting Target for 2009/10

During the 2009/10 year the entire leadership of Nedlac was seized with the task of developing action plans on the Framework for South Africa's Response to the International Economic Crisis. As a result thereof only 4 out of the seven planned meetings materialised.

Summary of Management Committee Meetings and key themes

Date	Key Focus Areas	Chair
25 June 2009	<ul style="list-style-type: none">• New Electricity Connections Protocol• Framework for Addressing Trade Policy Memorandum of Understanding	Les Kettledas - Government
30 July 2009	<ul style="list-style-type: none">• Products that can be traded in the extended Duty Credit Certificate Scheme/Textiles and Clothing Industrial Development Programme (TCIDP)• South Africa's Revised Services Offer• SADC Protocol on Trade Services	Lulama Nare - Community
28 August 2009	<ul style="list-style-type: none">• Nedlac Strategic Session - Nedlac Review	Herbert Mkhize - Executive Director
29 October 2009	<ul style="list-style-type: none">• Customs Fraud in respect of Textile Clothing and Footwear• Protection of Personal Information Bill• CONSAWU High Court Application• Expanded Public Works Programme (EPWP II)• Nedlac Review	Tony Ehrenreich - Labour
25 March 2010	<ul style="list-style-type: none">• Interpretation of Articles 1.3 and XIII of the GATS• SACU MERCOSUR Preferential Trade Agreement• Intellectual Property of Indigenous Knowledge Bill• Decent Work Country Programme Phase Two• Cooperatives Strategy	Professor Raymond Parsons - Business

Agreements on guidelines and procedures were reached on the following issues:

- National Stakeholder Advisory Council
- Cooperatives Bill
- National Poverty Measures and National Poverty Line
- FIFA LOC Framework Agreement
- Labour Market Policy Review
- Preferential Procurement Regulation
- Bills that were before Parliament
- Superior Courts Bill
- Unintended consequences of the Cooperatives Act on Labour Standards
- WTO Doha Round
- Ministerial Trade and Industrial Policy sessions
- SETA Review
- Xenophobia
- Insolvency
- HIV/AIDS

Members of the Management Committee 2009/10

Business:	Government:	Community:	Labour:	Executive Director Nedlac:
R Parsons – (Overall Convenor) replaced by L Lotter	L Kettledas – Overall Convenor) replaced by J Manyi	L Nare – (Overall Convenor)	B Ntshalintshali (Overall Convenor)	H Mkhize
A Maistry	D Pillay	N Mqhayi	J Mahlangu	
V van Vuuren	N Mashiya	L Kganyago	M Mbongwe	
P Maluleke	D Jarvis	M Toni	P Zenzile	
E Strydom	C Rossouw	R Mdakane	D George	
J Vilakazi	F Adams	D Mthlane	M Samela	
K Moyane	M Mabitje- Thompson	T Tshefuta	T Ehrenreich	
	T Mkalipi	S Mapaila	S Gangca	
	R Masoga	P Nkomo	P Govender	
		Z Matsela	L Grobler	
		T Mabuza	S Gumede	
		D Moreotsele	J Mosia	
		T Nkwe	M Burger	
		C Caine	I Ramputa	
		P Ngwevela	S Sithole	
			T Khumalo	

Work Stream 4



Labour Market Chamber 2009/10

Scope of work

The Labour Market Chamber considers all proposed labour legislation relating to the labour market policy before it is introduced in Parliament. The Labour Market Chamber seeks to reach consensus and make arrangements for placing before the Executive Council on all matters pertaining to the world of work and the associated institutions of delivery.

governed by Terms of Reference, which are developed by the Chamber. The outcome of work done in the Task Teams is submitted to the Chamber for consideration and ratification. Once the Task Team report is signed off by the Chamber, it is then tabled at the Management Committee for final consideration and sign off.

Chambers Modus Operandi

Most of the substantive work of the Chamber is done in Task Teams comprising representatives of stakeholders that have specific knowledge of the relevant subject matter. The work of the Task Team is

Meeting Target for 2009/10

The Chamber is required to meet at least six (6) times in each financial year. Representation in the Chamber is made up of six (6) mandated representatives from Organised Labour, Organised Business and Government.

Work Programme

The Chamber and its Task Teams held a total of thirty six (36) meetings in the period under review and these are captured in the below table.

Subject	Number of Meetings
Chamber	7
Demarcations	1
Social Plan	3
Changing Nature of Work/Atypical forms of employment in South Africa and Labour Broking	5
Decent Work Country Programme	5
Insolvency Bill	3
HIV/Aids in the world of work	2
Labour Market Policy Review	7
Labour Court Rules Board	2
Improvement of the relationship between CCMA and the Labour Court	0
Superior Courts Bill	0
Human Resource Development Strategy in South Africa (HRDS-SA)	1
Total	36

Programme Performance

Labour Market Chamber

Key Focus Area	Key Performance Indicator	Measurement	Status
Bargaining councils demarcation disputes/ application	Consider applications referred by the CCMA and offer recommendations in terms of section 62(9) of the Labour Relations Act 66 of 1995.	The applications are considered and completed within specified timeframes.	The Committee considered and finalised fourteen (14) applications in the 2009/10 period
Changing Nature of Work/Atypical Forms of Employment/Labour Broking	Complete a Nedlac report with maximum areas of agreement to ensure that the outcomes of the Nedlac engagements are in line with the Decent Work Country Programme (DWCP).	To analyse and evaluate the trends, determinants and policy implications of atypical forms of employment.	The first round of engagements on the conceptual document introduced by the department were concluded albeit without much progress in finding convergence. The second round will commence as soon as government tables the policy proposals in Nedlac.
Decent Work Country Programme (DWCP)	Develop a framework that will form the basis for engagements among the Nedlac Social partners towards an agreed DWCP.	<p>Finalise the Country Programme for South Africa.</p> <p>The four key strategic objectives of DWCP are pursued through an agreed action plan.</p> <p>These include promotion of employment, strengthening and broadening social protection, strengthening tri-partism and social dialogue and promoting fundamental principles and worker rights.</p>	<p>Phase 1 completed in the 2008/09 reporting period.</p> <p>In phase 2 the key action plans/interventions to give effect to the four key objectives have been finalised and are being implemented; e.g interventions aimed at addressing gender inequality at the work place etc.</p> <p>The National Framework on the DWCP has been finalised and it awaits sign-off by the Executive Council.</p>



Key Focus Area	Key Performance Indicator	Measurement	Status
Social Plan Review	Consider and finalise an approach to Social plan interventions that are timely and effective in mitigating the impact of job losses.	Parties reached agreement that the employers should notify the Minister of Labour on any pending retrenchments in terms of Section 189A of the Labour Relations Act in order for the necessary steps to take place.	Task Completed.
Insolvency Bill	To find mechanisms to mitigate the impact of insolvencies on jobs and other social consequences related to insolvencies.	To agree on Legislative instruments to be employed in dealing with the economic and social consequences of insolvencies on individuals, partnerships and trusts.	Underway and targeted for completion in the 2010/2011 reporting period.
Superior Courts Bill	Nedlac Social partners seek to reach agreement with Government on the revised draft Superior Courts Bill.	Reach consensus on that takes into account the input of Organised Labour and Business for submission to the Minister of Justice and Parliament	Underway and targeted for completion in the 2010/2011 reporting period.
Labour Market Policy Review	Nedlac Social partners seek to reach agreement with Government on the Labour Market Policy Review.	Finalise the areas of agreements and prepare a report for the Minister and Parliament.	Underway and targeted for completion in the 2010/11 reporting period.

Key Focus Area	Key Performance Indicator	Measurement	Status
Improvement of the relationship between CCMA and the Labour Court	Part of the engagement on the Superior Courts Bill, particularly with respect to the reconstitution of the rules board.	The Social partners' to nominate their representatives on the rules board.	Task Completed.
Establishment Of The Human Resource Development Council	Social partners to nominate representatives for consideration by the Minister when constituting the Council.	A newly constituted HRD Council.	Task Completed.
HIV/AIDS and the world of work (initiative by the ILO)	To engage on the initiative by the ILO with a view to factor in the South African perspective.	The South African Social partners input to reflect prominently on the overall architecture of the final ILO international guidelines.	Task Completed.
National Skills Development Strategy (NSDS) 3	A consultation on the Strategy of NSDS 3 with a view to reach consensus on the broad thrust of the strategy.	An agreed NSDS 3 that takes into account the input by the Social partners.	Underway.
FAIS Act and Regulations	To review and consider Labour Market implications in the Act and Regulations.	Agreed interventions and mechanisms to mitigate the negative impact of the FAIS Act.	Task Completed.
Merchant Shipping Act	To review exclusion of workers at sea from Labour legislation.	Develop proposals to remedy this anomaly.	Underway and targeted for completion in the 2010/2011 reporting period.
Immigration Act	Review existing Immigration Act with the view to address the gaps and Labour Market imperatives including the improvement and efficiency of the key objectives of the Act.	A revised immigration Act that takes into account the Country's key National priorities.	Pending.
Monitoring Labour Market Institutional Trends	Social partners to engage the institutions that fall within the Labour Market ambit with the view to understand their challenges and key priorities in their world of work.	Agreed mechanisms and instruments to ensure that the institutions continue to function optimally.	Ongoing.



Labour Market Chamber Members

Labour Market Chamber

Government	Business	Labour
T Mkalipi (Convenor)	K Moyane (Convenor)	M Mbongwe (Convenor)
D Khumalo	C Gardner	D Elbrecht
N Mamashela	A Ranchod	E Mutileni
I Macun	D Carson	J Simon
S Rathai	G Bezuidenhout	J Wilimiec
C Rossouw	J Botha	J van Niekerk
	N Moodley	L Grobler
	V Harbhajan	M Fafuli
	T Cohen	N Craven
		P Gqobo
		P Govender
		S Gangca
		S Mimi
		T Khumalo
		G Gosa

Social Plan Review Task Team Members

Government	Business	Labour	Productivity SA
M Ratshivhanda	N Smythe	M Mbongwe	M Govinder
M Malapane	V Harbhajan	S Gangca	

Insolvency Technical Task Team Members

Government	Business	Labour
M Cronje	V Harbhajan	P Govender
		N Craven

Changing Nature of Work/Atypical Forms of Employment in South Africa and Labour Broking

Government	Business	Labour
L Kettledas	E Strydom	B Ntshalintshali
I Macun	D Carson	D George
T Mkalipi	E van de Westhuizen	J Wilimiec
S Rathai	J Botha	K Ndungu
C Rossouw	K Moyane	P Govender
	T Cohen	S Gangca
	A Ranchod	W Aroun
	E Monage	M Mbongwe
	J Cumming	E Mutileni
	J Goldberg	G Gosa
	K Cowley	J van Niekerk
	V Harbhajan	L Grobler
		N Craven
		P Gqobo
		T Khumalo

Decent Work Country Programme

Government	Business	Labour	ILO	Community
L Kettledas	E Strydom	B Ntshalintshali	V van Vuuren	I Frye
I Macun	B Jack	D George	J Musabayana	D Mthlane
K Letoaba	K Moyane	I Jim	S Moitse	P Horn
T Mkalipi	T Cohen	J Mahlangu		T Tshefuta
S Rathai	K Cowley	G Humphries		L Nare
	V Harbhajan	M Samela		L Kganyago
		P Govender		T Mabuza
		M Mbongwe		Z Matsela
		L Grobler		
		N Craven		
		F Baleni		



Demarcations Standing Committee

Government	Business	Labour
J Crouse	D Carson	M Mbongwe
I Macun	G Buzuidenhout	L Grobler

HIV/AIDS and the world of work

Government	Business	Labour	Community
N Mamashela	B Mears	A Conradie	L Chauke
M Lefika	K Hayes	F Fayers	E Motaung
N Singh	T Cohen	L Mekuto	
M Senabe	J Beckett	B Modise	
	N Mayet	J Bodibe	
	V Harbhajan	L Plaatjies	

Labour Market Policy Review

Government	Business	Labour
L Kettledas	E Strydom	P Govender
I Macun	D Carson	S Gangca
N Mamashela	E van de Westhuizen	M Mbongwe
T Mkalipi	J Botha	E Mutileni
S Rathai	K Moyane	G Gosa
V Seafeld	T Cohen	J van Niekerk
N Singh	A Ranchod	L Grobler
M Lefika	E Monage	N Craven
	J Cumming	P Gqobo
	V Harbhajan	

Labour Court Rules Board

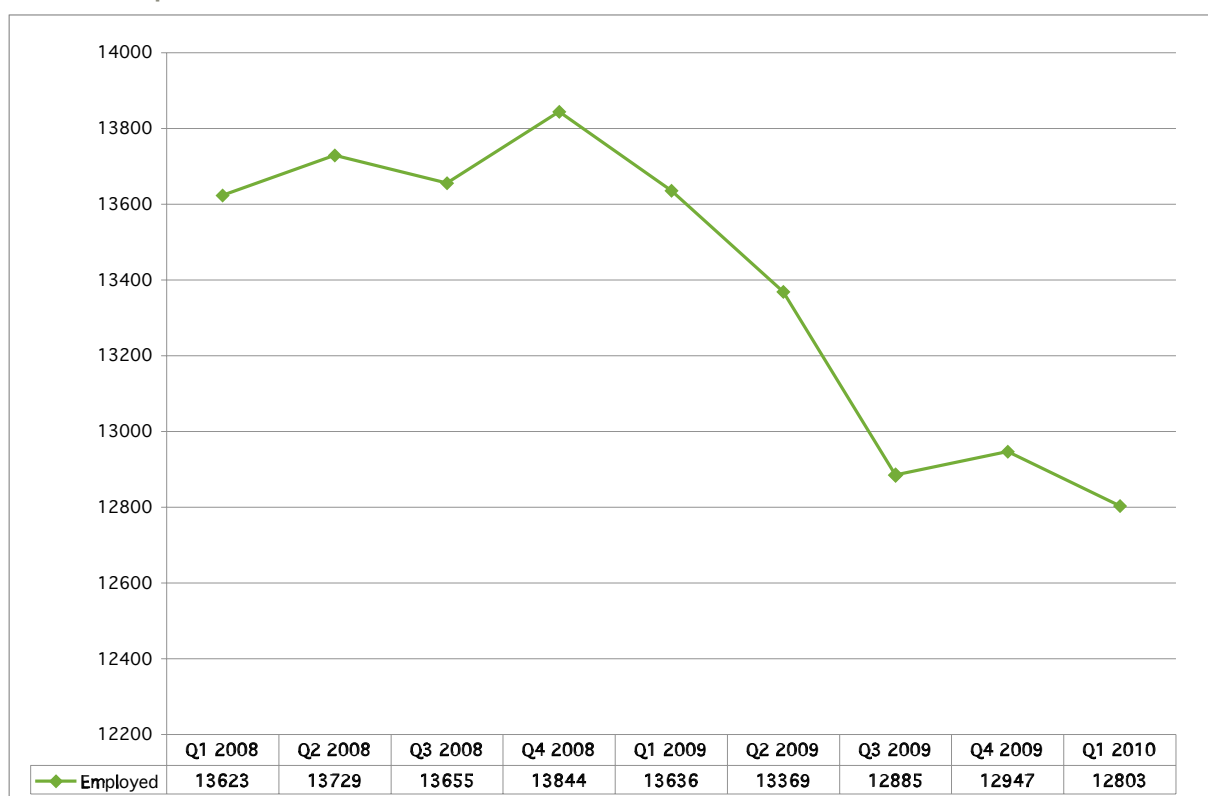
Government	Business	Labour
S Rathai	T Cohen	N Craven
S Govender	K Moyane	J Maghekeni
		E Mutileni

Human Resource Development Strategy

Government	Business	Labour	Community
A Barlett	V Mabena	S Moshoeshoe	T Nkwe
C Van Zyl	A Zeelie	S Gumede	L Kganyago
F Patel	R Sickle	E De Klerk	
E Sello	V Harbhajan	M Makgoba	
	T d Almeida		
	T Hlabangana		

Labour Market Landscape In Numbers

Total employment quarter 1 2008 to Quarter 1 2010

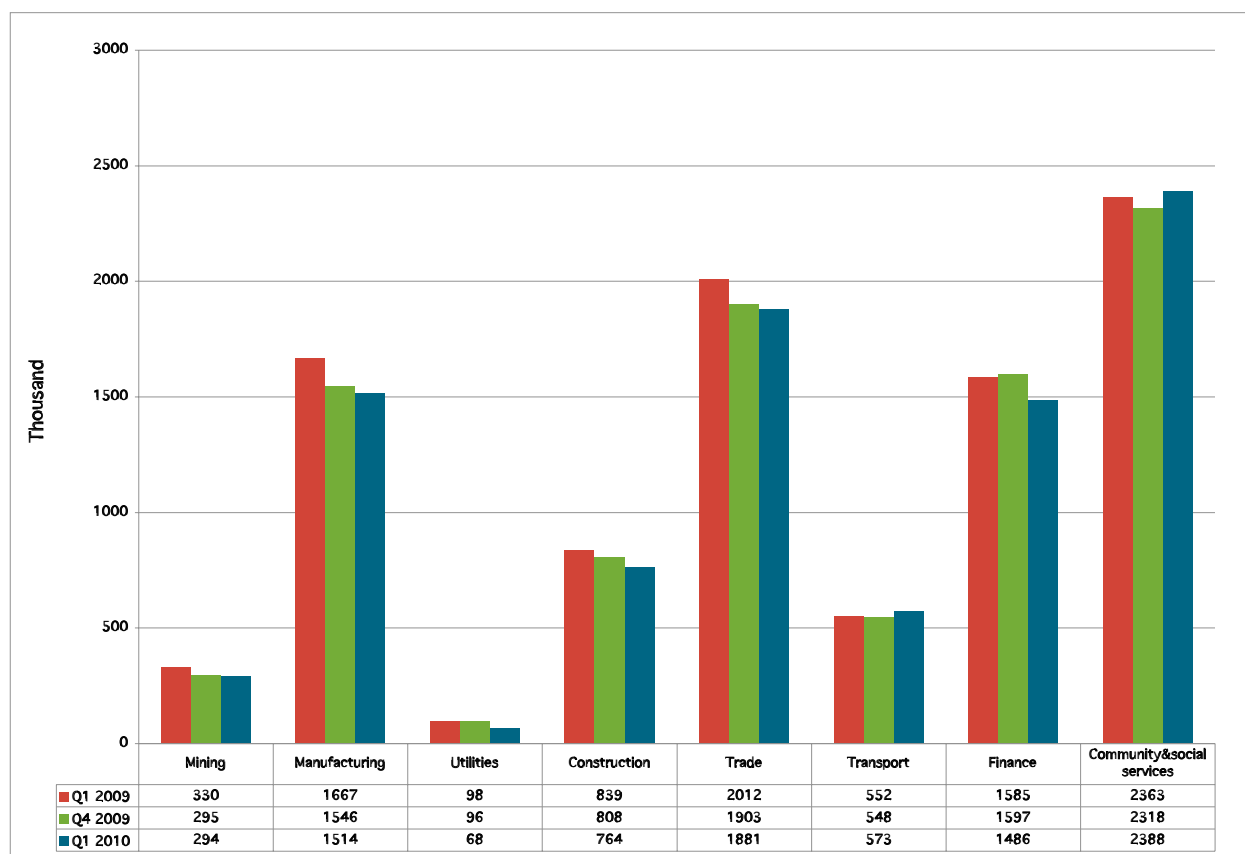


Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey, Quarter 1 2010

The above figure shows that the number of employed persons increased between the third and fourth quarters of 2008 and 2009. Employment peaked at 13,8 million in Q4:2008, after which it declined to 12,9 million in Q3:2009. After three quarters of successive decline in the employment rate, there was a slight increase in the fourth quarter of 2009. However, in the first quarter of 2010 employment once again declined, but not at the rate observed in the first three quarters of 2009.



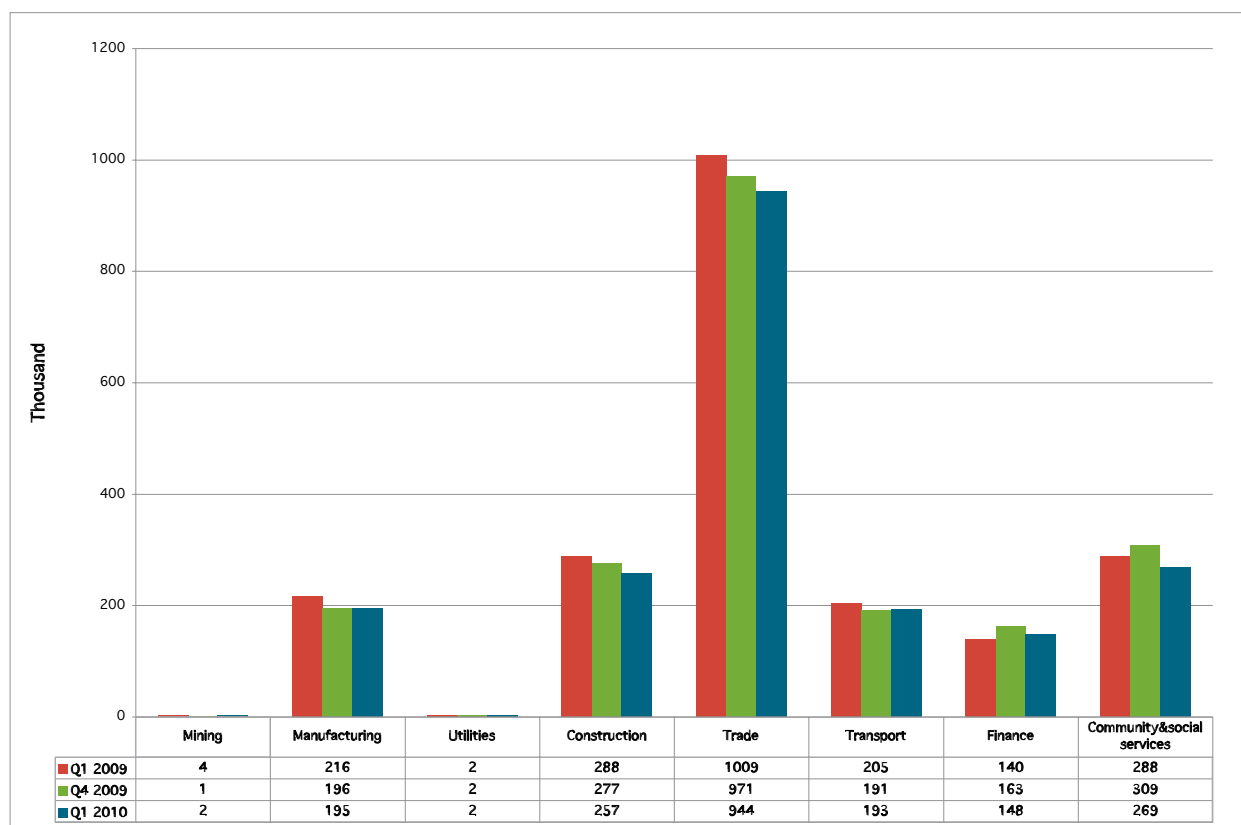
Formal sector employment by industry



Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey, Quarter 1 2010

The above figure shows that the formal sector lost 140 000 jobs between Q4:2009 and Q1:2010 with most of the jobs being in Finance (111 000). The Community and Social Services industry gained 70 000 formal sector jobs in the same period. The year-on-year comparisons show a net loss of 475 000 jobs in the formal sector, with Manufacturing and Trade being the hardest hit with the a loss of 153 000 and 131 000 jobs respectively.

Informal sector employment by industry



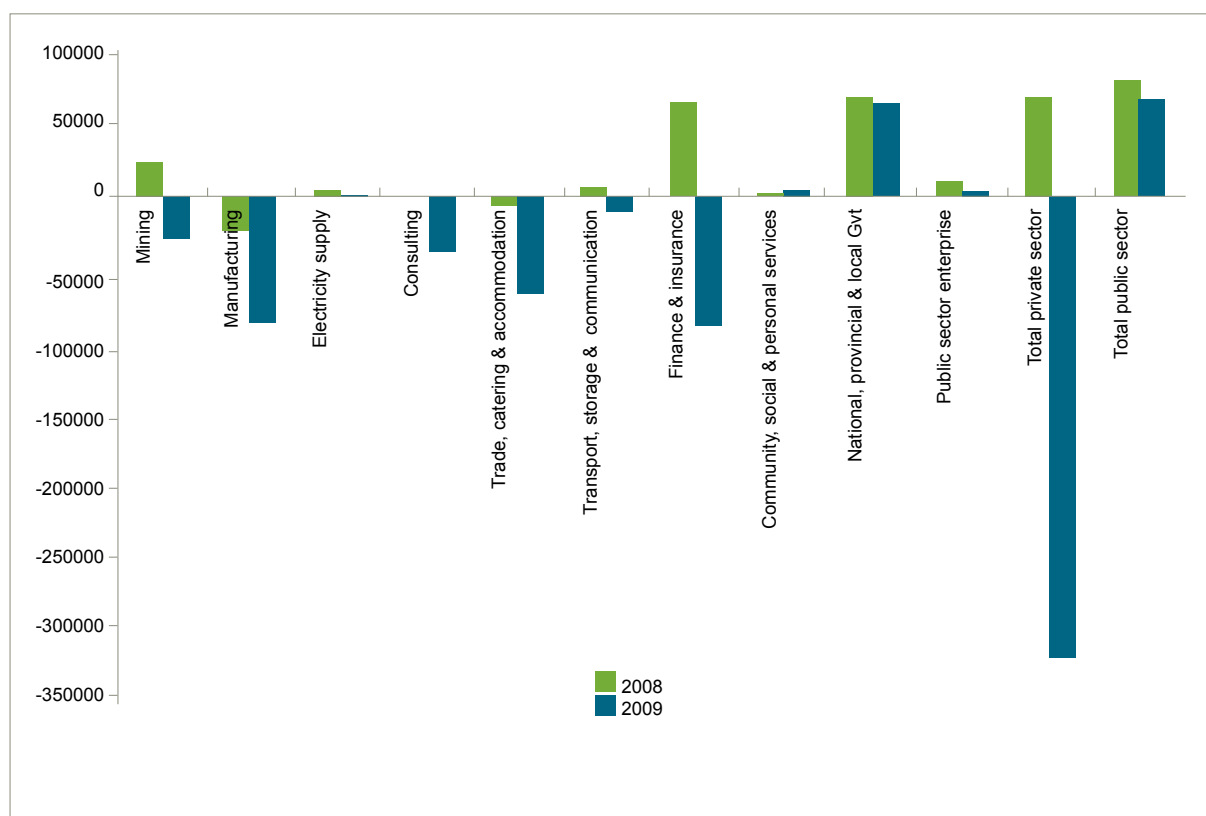
Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey, Quarter 1 2010

The above figure indicates that almost all industries had shed informal sector jobs except Manufacturing and Transport, where there was virtually no change between Q4:2009 and Q1:2010. The informal sector lost 100 000 jobs across all industries over a quarter, of which 40 000 were in Community and Social Services and 27 000 were in Trade. Compared to Q1:2009, the informal sector lost 141 000 jobs in Q1:2010 with most of them being in Trade (65 000), Construction (31 000) and Manufacturing (21 000).



Enterprise-surveyed formal non-agricultural employment

Change on preceding year, actual numbers

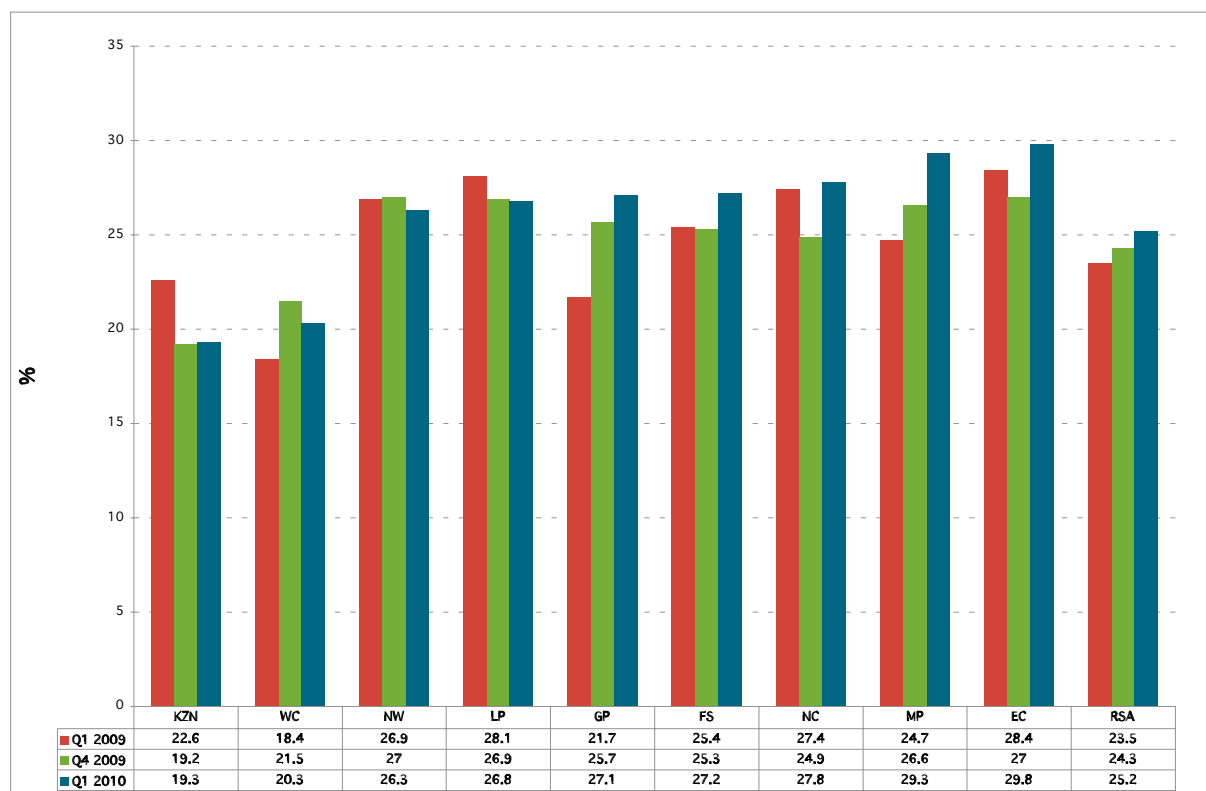


Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010

During 2009 employment losses in the private sector were concentrated in the manufacturing, construction, non-gold mining, trade, catering and accommodation services, as well as finance, insurance and real-estate sectors. The pace of employment losses in the private sector decelerated to an annualised rate of 1.2 % in the fourth quarter of 2009 from a rate of decrease of 8.2 % in the third quarter. Only the electricity-supply sector and the finance, insurance, real-estate and business services, as well as the private transport services sectors registered employment gains in the fourth quarter of 2009. Despite these increases, private-sector employment still decreased by 5.9% in the year to the fourth quarter of 2009.

The continuing downward trend that had characterised the past decade indicated that employment in the manufacturing sector decreased by 7.2 % in the year to the fourth quarter of 2009. Relatively subdued domestic and global demand conditions adversely affected manufacturing output over this period. On a quarter-to-quarter, seasonally adjusted and annualised basis, employment levels in the manufacturing sector accordingly decreased by 5.8 % in the fourth quarter of 2009. However, the Kagiso Purchasing Managers' Index for April 2010 showed an improvement in the seasonally adjusted employment sub-index to its highest level in more than two years, suggesting a possible improvement in employment conditions in the manufacturing sector in the course of 2010. Furthermore, the Manufacturing Survey for the first quarter of 2010 reported that business conditions continued to recover, with manufacturing business confidence rising to its highest level in a year.

Unemployment rate by Province



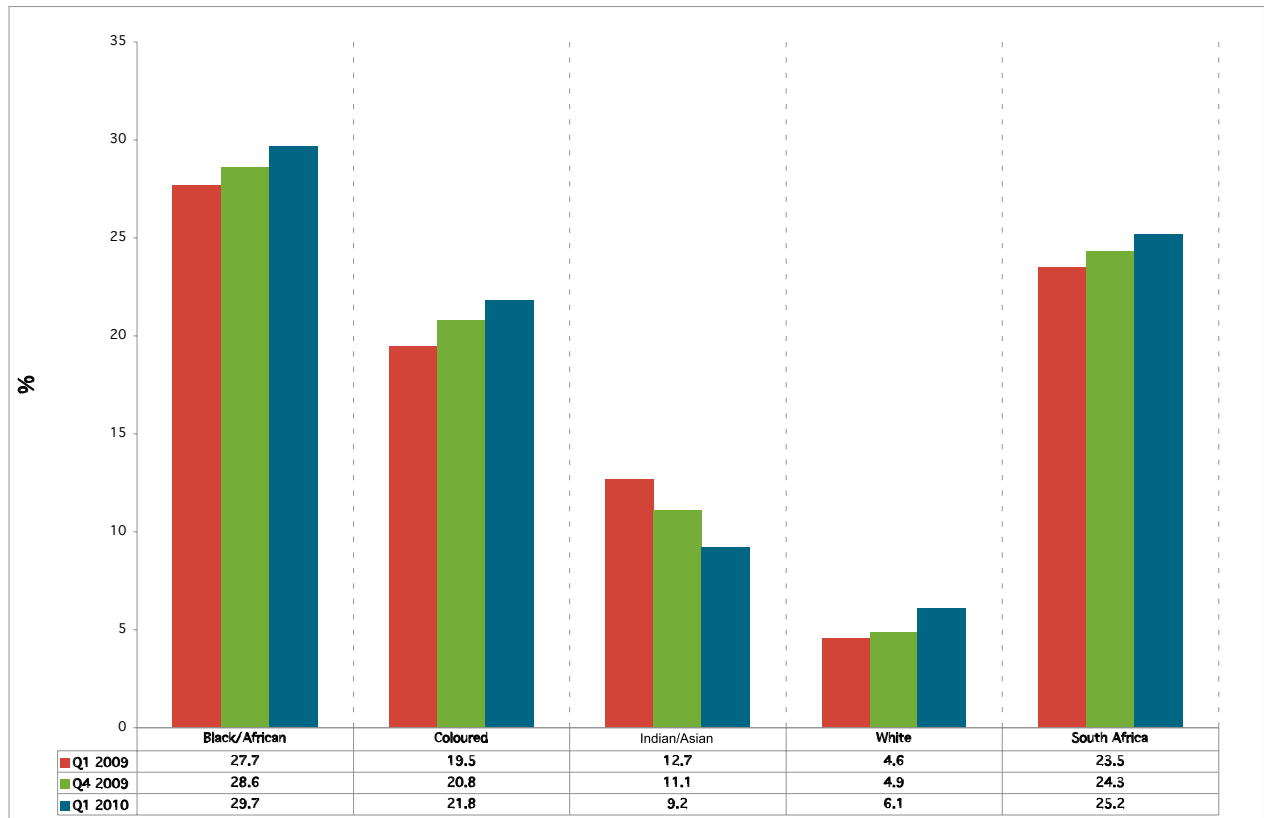
Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey, Quarter 1 2010

The above figure shows an increase in the unemployment rate in some provinces while there was a slight decrease in others in Q1:2010 compared to the unemployment rate of Q4:2009. The biggest increase in the unemployment rate was observed in Northern Cape (2,9 percentage points), Eastern Cape (2,8 percentage points) and Mpumalanga (2,7 percentage points). For Western Cape and North West there was a decline in the unemployment rate (down by 1,2 percentage points and 0,7 of a percentage point respectively) between the two quarters, while it remained unchanged in KwaZulu-Natal and Limpopo. KwaZulu-Natal had the lowest unemployment rate (19.2%) recorded for Q1:2010, as was the case in the previous quarter (19.2%).

The comparisons between Q1:2009 and Q1:2010 indicate that there was a substantial increase in the unemployment rate in Gauteng (5,4 percentage points) and Mpumalanga (4,6 percentage points). Only KwaZulu-Natal, Limpopo and North West experienced declines in the unemployment rate in the same period.



Unemployment rate by population group

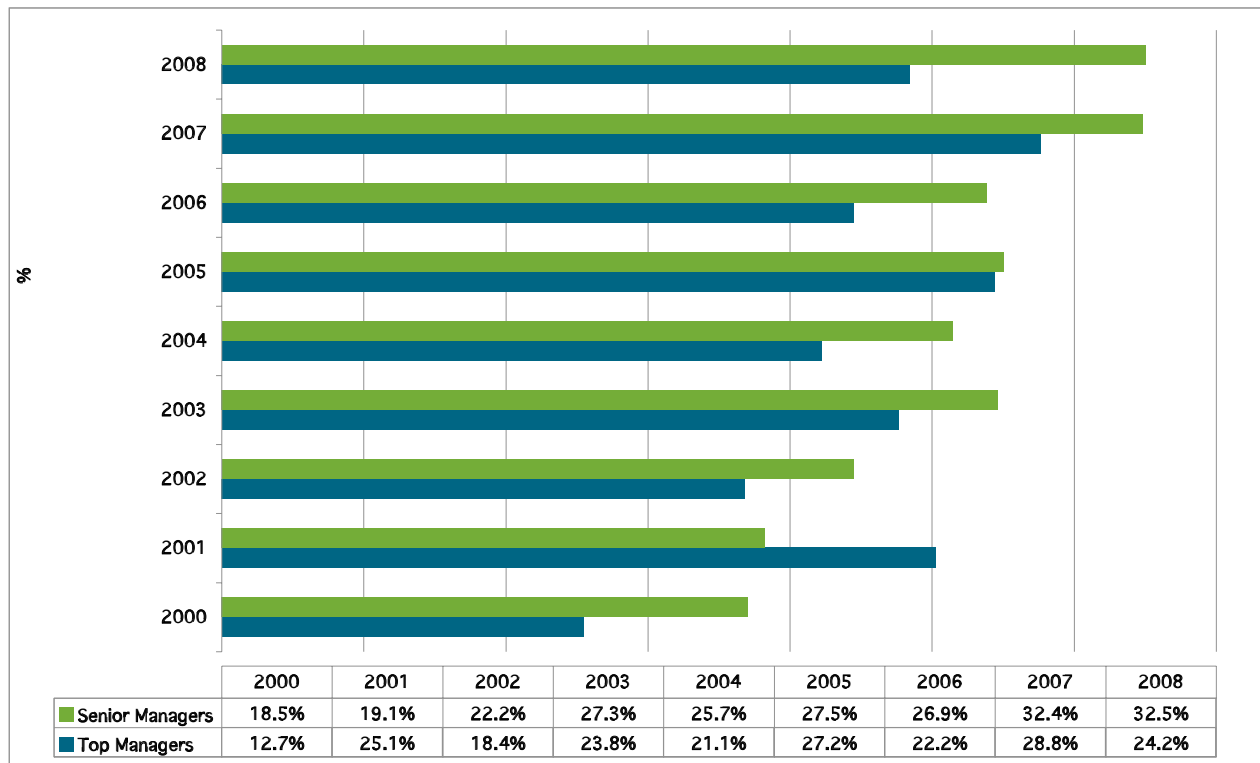


Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey, Quarter 1 2010

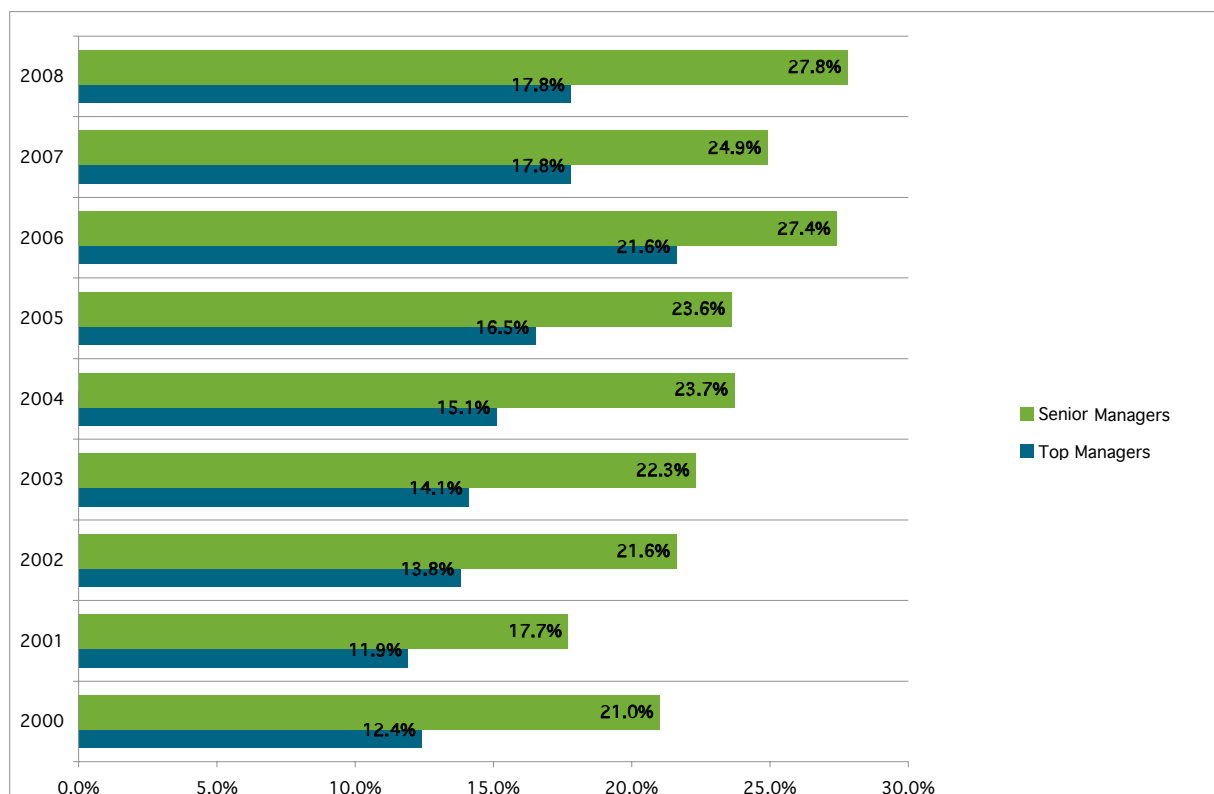
The above figure shows that between Q4:2009 and Q1:2010, the unemployment rate increased among the White, Black African and Coloured populations (up by 1,2, 1,1 and 1,0 percentage points respectively), but decreased by 1,9 percentage points among the Indian/Asian population.

The year-on-year comparisons show that the unemployment rate increased substantially among all population groups except the Indian/Asian population where it decreased by 3,5 percentage points.

Percentage of Top and Senior Managers who are Black



Percentage of Top and Senior Managers who are Female (South Africa)



Black managers include African, Coloured and Indian

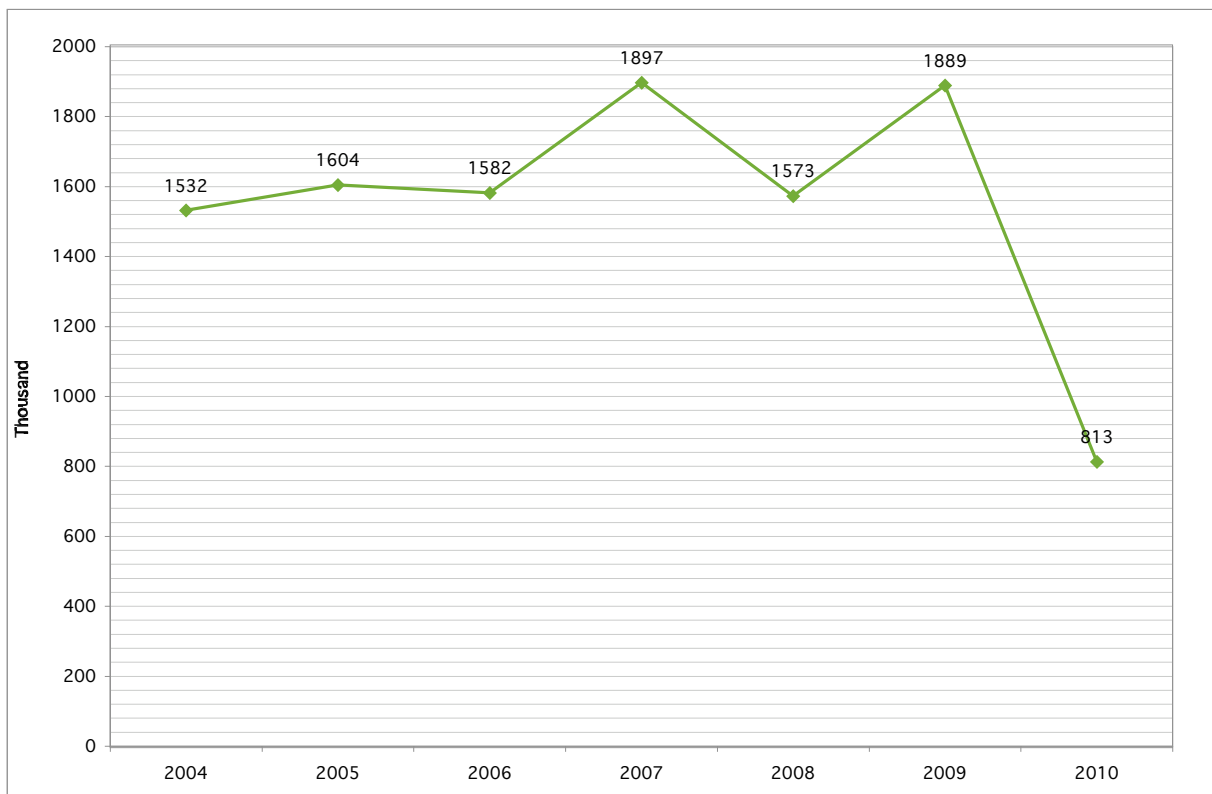
Source: Development indicators 2009 - The Presidency: Republic of South Africa

The above figures indicate that the rate of growth of Black representation in the management ranks has been steadily increasing in the country. Blacks at top management positions accounted for 18.4% in 2002 and increased to 24.2% in 2008. However, female representation is still lagging behind, accounting for 17.8% in 2008 at top management positions.



Liquidations

Number of liquidations of companies 2004-2010



Source: Statistics South Africa (Stats SA) - Statistics of liquidations and insolvencies (Preliminary) May 2010

Numbers for 2010 are as at May 2010

The above graph indicates that the year that registered the highest number of liquidations was 2007 (1897), followed closely by 2009 (1889), with 2004 registering the least number of liquidations (1532).

Insolvencies

Total number of insolvencies of individuals and partnerships: 2004-2010



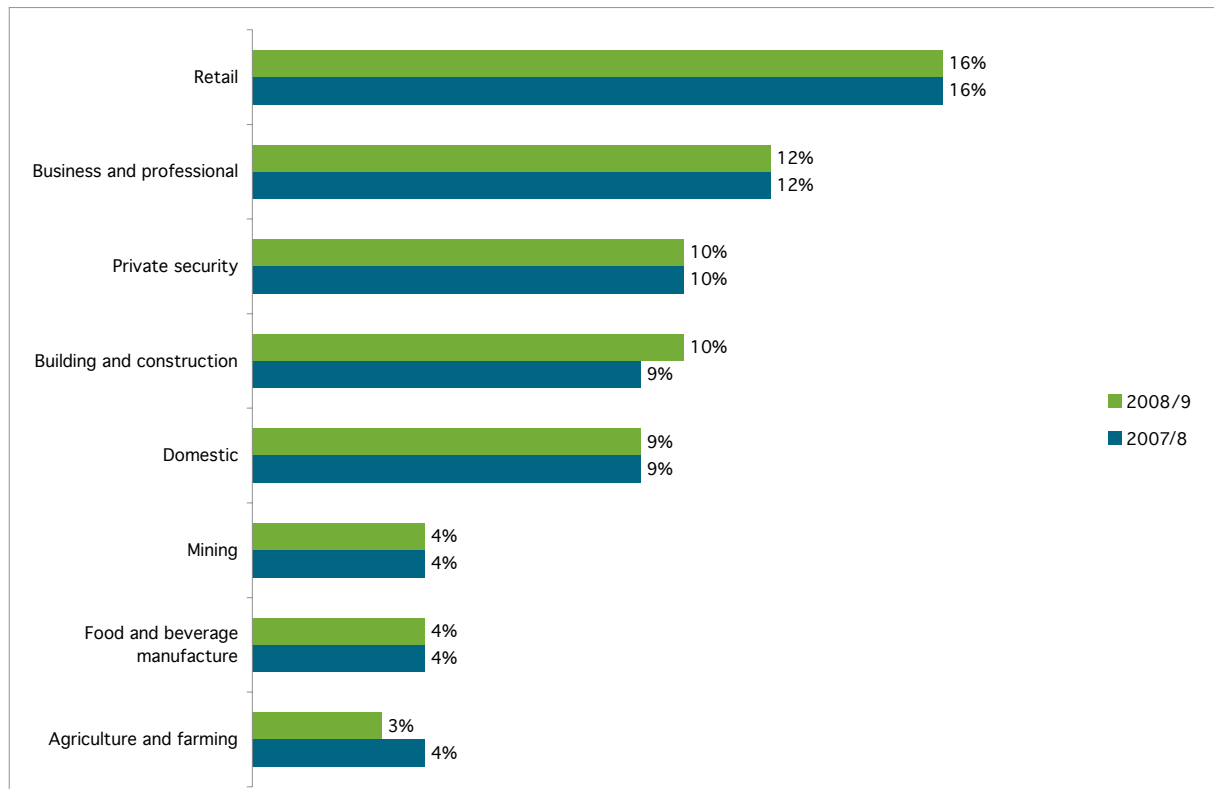
Source: Statistics South Africa (Stats SA) - Statistics of liquidations and insolvencies (Preliminary) May 2010

Numbers for 2010 are as at May 2010

The above graph indicates that the year that registered the highest number of insolvencies was 2009 (5171), followed closely by 2008 (4587), with 2005 registering the least number of liquidations (1640).



CCMA referrals by sector



Source: CCMA Annual Report 2008/2009

The percentage total of referrals per sector for both the 2007/8 and 2008/9 financial years was unchanged at 68%, with a 1% increase in both the building and construction and agriculture and farming sectors.

Work Stream 5

Trade and Industry Chamber 2009/10

Scope of Work

The Trade and Industry Chamber seeks to reach consensus and make agreements on matters pertaining to the economic and social dimensions of trade, as well as industrial, mining, agricultural and services policies, and the associated institutions of delivery.

Chambers Modus Operandi

Most of the substantive work of the Chamber is done in Task Teams comprising representatives of stakeholders that have specific knowledge of the relevant subject matter. The work of the Task Team is

governed by the Terms of Reference, which are developed by the Chamber. The outcome of work done in the Task Teams is submitted to the Chamber for ratification. Once the Task Team report is signed off by the Chamber, it is tabled at the Management Committee for final consideration and sign off.

Meeting Target for 2009/10

The Chamber is required to meet at least six (6) times in each financial year. Representation in the Chamber is made up of six (6) mandated representatives from Organised Labour, Business and Government.

Work Programme

The Chamber met twelve (12) times in the period under review. Where the number of meetings indicated is one or less, the matter was either dealt with at Chamber Convenor level or electronically.



The Chamber and its Task Teams held a total of one hundred and thirteen (113) meetings in the period under review and these are captured in the below table.

Subject	Number of Meetings
Strategic Sessions	1
Chamber	12
Cooperatives Strategy	8
Cooperatives Amendment Bill	0
Preferential Procurement	5
Trade Negotiations	45
MOUs	1
FRIDGE	12
Fisheries Policy	3
Customs Fraud and Illegal imports	6
Customs Control and Customs Duty Bills	2
Intellectual Property (Indigenous Knowledge) Laws Amendment Bill	9
Protection of Personal Information Bill	3
Standards Quality Accreditation Metrology (SQAM)	2
Administered Prices	2
Transportation of dangerous goods by roads	1
New Electricity connection Protocol	1
SA Regional Investment	0
Total	113

Programme Performance

Trade and Industry Chamber

Key Focus Area	Key Performance Indicator	Measurement	Status
Cooperatives Strategy ¹	To engage with a view to agreeing on the strategy to promote emerging Cooperatives enterprises in all sectors of the economy.	To develop a framework to promote Cooperatives.	Task Completed.
Cooperatives Amendment Bill ¹	To undertake a line by line analysis of the Bill with a view to reaching consensus on the provisions thereof, including amending the Bill to reflect areas of agreement.	Complete a Nedlac Report with maximum areas of agreement.	The proposed draft amendments to the Cooperatives Act have been tabled in Nedlac and are being considered. Finalisation of the process is earmarked for the 2010/2011 reporting period.
Customs Fraud and Illegal imports (Clothing Textiles, Leather and Footwear)	Agree on necessary amendments to curb illegal imports, under invoicing, misuse of tariff regimes etc.	Complete a Nedlac Report with maximum areas of agreement.	Task Completed. Agreements are being implemented on an ongoing basis.
Custom Control and Customs Duty Bills	Input into the review of Customs legislation.	Complete a Nedlac Report with maximum areas of agreement.	The Legislations have been tabled in Nedlac and are being considered. Finalisation is earmarked for the 2010/2011 reporting period.
Protection of Personal Information Bill	To undertake a line by line analysis of the Bill with a view to reaching consensus on the provisions thereof, including amending the Bill to reflect areas of agreement.	Complete a Nedlac report with maximum areas of agreement.	Task Completed.
Fisheries Policy	To engage and agree on steps to be taken to develop a policy that takes into account the key challenges in fishing.	To ensure that the policy intervention takes into account the balance between commercial and subsistence fishing.	Pending.

¹ Joint project with the Development Chamber



Key Focus Area	Key Performance Indicator	Measurement	Status
Standards Quality Accreditation Metrology (SQAM)	Agree on necessary amendments to curb the influx of sub-standard products into South Africa.	Complete a Nedlac Report with maximum areas of agreement.	Engagements are underway and completion is earmarked for the 2010/2011 reporting period.
Administered Prices	To engage on the drivers of administered prices and the impact of administered prices on the economy.	Complete a Nedlac Report with maximum areas of agreement and to ensure that the agreements feed into the regulatory framework.	Deliberations are underway and earmarked for completion in the 2010/2011 reporting period.
Strategy sessions with the Minister of Trade and Industry	Policy discussion at Strategic Session (with the Minister of Trade and Industry) to broadly discuss IDF, link between Industrial and Trade Policy, etc.	Recommendations and way forward from Strategic Session are referred to the Chamber for consideration and implementation.	Task Completed.
Regulatory Impact Assessment	Define the role of Nedlac in general and the Trade and Industry Chamber in particular on the Regulatory Impact Assessment Initiatives.	Establish the participation of Nedlac and the Chamber in the RIA initiatives.	Ongoing.
Nedlac role in MoUs	Define the role of Nedlac in the MoUs.	An agreed Framework for the Nedlac role in the MoUs.	Nedlac role in MoUs concluded.
Preferential Procurement Regulations	Engage with a view to reach agreement on the preferential Procurement Regulations.	To conclude the regulatory framework on Preferential Procurement in order to policy objective.	Pending.
ITA Act	To examine the administrative aspects of the ITA Act.	Enhance administrative processes and improve functioning of core units in line with objectives provided by the Act.	Pending the tabling of the Legislation in Nedlac and earmarked for completion in the 2010/2011 reporting period.

Key Focus Area	Key Performance Indicator	Measurement	Status
Intellectual Property Protection of Indigenous Knowledge Bill	To provide for protection and commercialisation of indigenous knowledge systems.	Complete a Nedlac Report with maximum areas of agreement.	The Nedlac process has been completed however the outcome was not satisfactory and Nedlac is to seek an audience with the National Assembly/ Portfolio Committee.
Industrial Policy Action Plan (IPAP) 2	Initiate engagements to address the gaps in the IPAP.	Accelerate the implementation of the Plan in order to curb de-industrialisation	Engagements are ongoing to facilitate implementation.
National Water Amendment Bill	Provisions in the Act (36 of 1998) relate to the establishment of a System of administrative authorizations that is flexible to accommodate changes in availability of and requirements for water, and the creation of a decentralized institutional framework that facilitates public involvement in managing water resources.	Facilitate Nedlac engagements on the Bill with a view to produce a report with maximum agreements.	Pending the tabling of the Legislation in Nedlac and earmarked for completion in the 2010/2011 reporting period.
Prioritised sectors; (BPO, tourism, metals and engineering, construction, Clothing and Textile, Chemical, Agri-Business, regulatory impact assessments, pre-impact assessment of BBBEE, employment strategy, livelihoods)	Identify strategies to unlock and maximise growth and development in the prioritised sectors.	Completion of sector summit agreements for construction, metals and engineering and initiation of sector summit processes for BPO, tourism, clothing and textile and agri-business. Continued input into CSPs Continued monitoring and evaluation of CSP processes.	A series of sector summit agreements had been concluded ie. Metals & Engineering and Chemicals. A process to develop strategies to unlock the value of the other prioritised sectors has commenced and is pursued under the auspices of IPAP2.



Technical Sectoral Liaison Sub-Committee (TESELICO)			
Key Focus Area	Performance Indicator	Measurement	Status
WTO Trade Negotiations	To reach agreement in Nedlac on the overall country approach WTO trade negotiations in respect of DOHA Round.	Nedlac agreement on the WTO trade negotiations relating to Agriculture; Industrial products; Services and Trade and Environmental, as well as Goods and Services.	The South African position has been finalised and the Nedlac Social partners met with the new NAMA Chair to canvass the SA position. Ongoing.
SACU-USA-TIDCA	To reach agreement in Nedlac on the position and approach to be adopted in the SACU-USA-TIDCA trade negotiations.	Nedlac agreement on the position and approach to be adopted in the SACU-USA-TIDCA trade negotiations on the new proposed framework on Trade and Investment.	Engagements are underway and earmarked for completion in the 2010/2011 reporting period.
SACU-MERCOSUR	To reach agreement in Nedlac on the position and approach to be adopted in the SACU-MERCOSUR trade negotiations.	Nedlac agreement on the position and approach to be adopted in the SACU-MERCOSUR trade negotiations.	Task Completed and referred to the Executive Authority.
SACU – INDIA	To reach agreement in Nedlac on the position and approach to be adopted in any trade negotiations with India.	Finalise the South African position on the approach when dealing with trade negotiations with offensive list of interest with India.	Engagements are underway and earmarked for completion in the 2010/2011 reporting period.
SACU – CHINA	To reach agreement in Nedlac on the position and approach to be adopted in any trade negotiations with China.	Engage with a view of developing a partnership for growth and development.	Engagements are underway and earmarked for completion in the 2010/2011 reporting period.
SADC Trade Protocol	To reach agreement in Nedlac on the position and approach to be adopted in the trade negotiations in SADC.	Complete a Nedlac report with maximum areas of agreement.	Task Completed.

Technical Sectoral Liaison Sub-Committee (TESELICO)			
Key Focus Area	Performance Indicator	Measurement	Status
SADC EAC/COMESA	To reach agreement in Nedlac on the position and approach to be adopted in the SADC negotiations.	To undertake a comprehensive Fridge study on the establishment of the SADC; EAC; COMESA-Free Trade Area.	Engagements are underway and earmarked for completion in the 2010/2011 reporting period.
SA-EU-TDCA	Fast track the process to develop the Country's approach to SA-EU-TDCA review.	An agreed position between Constituencies.	An agreed position between Constituencies has been finalised and are being considered and earmarked for completion in the 2010/2011 reporting period.
Duty credit certificate schemes (DCCS)/Textiles and Clothing Industrial Development (TCIDP) Programme	To reach agreement on the policy thrust of the country's approach and position to be adopted in the SACU trade negotiations.	To reach agreement on trade policy eg. DCCS & TCIDP that takes into account the key challenges and to identify opportunities.	Task Completed.
SA Trade Policy and Strategy Framework	To reach agreement on the policy thrust of the country's approach to trade.	Complete a Nedlac report with maximum areas of agreement.	Task Completed.



Fridge Studies Commissioned and Pending

Title	Purpose Of Activity	Status
CURRENT STUDIES		
Import Parity Pricing – Chemical sector	A study to determine the impact of Upstream pricing practices in the Chemical Sector on the Development of South African Chemical Sector as a whole.	Task Completed.
Retail Sector Study	A study to lay a foundation for the design of retail sector development strategy.	Underway and earmarked for completion in the 2010/2011 reporting period.
Regional Investment & Development: The role of SA investors in the rest of Africa	A study to determine the role of South African Investors in the rest of Africa.	Underway and earmarked for completion in the 2010/2011 reporting period.
Labour Intensive Sectors	A small study into the Labour Intensive Sectors.	Underway and earmarked for completion in the 2010/2011 reporting period.
Water Infrastructure	A study to look into the water infrastructure including conservation and quality.	Task Completed and the findings are being considered by Nedlac Social partners.
Overview of the Economic Instruments to support Climate Change mitigation	A study to look into the Economic Instruments which support climate change.	Task Completed the findings are being considered by Nedlac Social partners.
Electricity Tariffs	An investigation into approaches to minimise the impact of electricity tariffs on the poor.	Task Completed the findings are being considered by Nedlac Social partners.
NAMA Study	To make a (South African) industry sector based assessment of the implications of the draft NAMA modalities as set out in the 4th revision (of the draft modalities for the NAMA negotiations of 6 December 2008) as well as the flexibility proposed for SACU in the NAMA Chair's report to the Trade Negotiations Committee (Negotiating Group on Market Access) on 17 December 2008.	Task Completed the findings are being considered by Nedlac Social partners.

Title	Purpose Of Activity	Status
CURRENT STUDIES		
Essential Oils Study	A study to develop a strategy that will be used for the development of a viable essential oils industry in the country.	Underway and earmarked for completion in the 2010/2011 reporting period.
Customs Fraud study and Illegal imports study	A study to identify the sectors where customs fraud and illegal imports are the most prevalent; and also develop a range of mechanisms and structures that could be used to curtail it.	Task Completed the findings are being considered by Nedlac Social partners.
Chemical NCC-MCCM study	An investigation into the extent of manufacturer, use import and export of new chemicals listed in terms of the Stockholm and Rotterdam Conventions.	Pending.



Members of the Trade and Industry Chamber and Task Teams

Chamber Members

Business	Government	Labour
L Lotter (Convenor)	M Mabitje-Thompson (Convenor)	T Ehrenreich (Convenor)
H van der Merwe	T Chauke	B Ndebele
N Vermeulen	F Adams	C Maluleke
C Grant	C Rossouw	A Benjamin
P Drodskie	M Seloane	E Vlok
C Mtshali	G Tsatsi	T Tengela
S Maruatona		T Franks
S Siwisa		J Rudin
D Jordaan		N Newman
M Lawrence		P Govender
G Harris		J Mosia
C Chikura		W Aroun
M McDonald		V Ninzi
		M Lepaku

Members of the FRIDGE Sub-Committee

Business	Government	Labour
L Lotter	P Kgalegi	A Benjamin
M McDonald	M Phukubje	B Ndebele
C Chikura	L Shipalana	T Tengela
	V Mmutle	C Maluleke
	M Ramushu	J Mosia
		M Lepaku
		IDC
		M Monyeke
		K Chauke

Members of the Preferential Procurement Task Team

Business	Government	Labour
C Mtshali	H Malinga	J Motau
G Pirie	W Mathebula	M Fafuli
G Harris	N Zalk	P Govender
M McDonald	T van Meelis	S Gangca
N Bagosi	M Seate	J Mosia
T Mazwai	R Malatji	W Aroun
S Nicolaou	J Breytenbach	F Abrahams
B Ndendwa	F Adams	B Mgxekeza
K Matabane	J Soobramanian	
T Boynton-Lee	C Rossouw	
M Ramanyai		



Members of the New Electricity Connection Protocol Task Team

Business	Government	Labour	Community
F Dowie	M Mabuza	D Forbes	T Taylar
L Lotter	F Adams	D de Villers	T Nkwe
D Kruger	T Phele	J Mosia	
N Mbono	M Mncube	M Fafuli	
G Harris	O Aphané	P Govender	
C Bosch	N Zalk	J Mahlangu	
	J Crous	B Ndebele	
	C Visagie		
	N Makgetla		
	G Heinrich		
	M Mabitje-Thompson		

Members of the Intellectual Property Protection of Indigenous Knowledge Task Team

Business	Government	Labour
J Lennox	F Adams	V Ninzi
J Baloyi	M Netshitenzhe	O Lebogo
F Dowie	S Ncwana	
L Lotter		
S Mthenjana		
A Leroux		
I van Tonder		
G Robinson		

Members of the Cooperatives Task Team

Business	Government	Labour	Community
S Fitzuer	R Rapoo	V Ninzi	C Matlakala
C Mtshali	P Gidongo	S Gumede	Z Matsela
J Purchase	L Dyi	N Newman	N Ncapai
T Skenjana	J Ndumo	M Tsela	L Kganyago
S Siwisa	F Adams	S Eppel	T Mabuza
F Xaba	C Rossouw	N Craven	R Bhengu
W Schneling			S Mokake
			N Zwart
			D Moreotsenye
			T Nkwe
			L Bale
			P Ngwevela
			Lewis
			S Moreo

Members of the Customs Bill (Control and Duty Bill) Task Team

Business	Government	Labour
J Michaletos	M van Twisk	E Vlok
D Jordaan	A Landman	M Lepaku
R Lichkus	S Authar	W Aroun
C John	J Taljaar	P Govender
C Grant	R Mohanlall	
F van Rooyen	R Mostert	
R Jordaan	G Grove	
J White		
A Erasmus		



Members of the Customs Fraud Task Team

Business	Government	Labour
M Lawrence	R Theart	E Vlok
D Jordaan	M Skenjana	T Tengela
B Brink	R Brits	
P Theron	P Snyman	
J Klipling	N Kruger	
R Lichkus	E Smith	
H Claasens	D Koekemoer	
Cy Chikura	P Moitse	
	F Adams	
	S Mello	
	Y Els	

Members of the Standards Quality Accreditation Metrology (SQAM) Task Team

Business	Government	Labour
L Lotter	T Demana	J Mosia
T Boco	E Steyn	
N Majikija	T Madzivhe	
N Tselentis	L Riyano	
C Grant	R Josias	
M Bataille	M Phaloane	
	V Lennon	
	W Louw	
	S Prins	
	S Singh	
	A M Lotter	

Members of the Fisheries Task Team

Business	Government	Labour	Community
R Bross	I Mothebe	T Ehrenreich	N Jaffer
S Malherbe	A Share	E Watkinson	A Johnson
V van Vuuren	F Adams	R Toms	S Achmad
J Jaga	N Bacela	T Maselane	
D Grant		O Fisher	
		G Simpson	
		G Benjamin	
		N Tilela	
		G Knipe	

Members of the Administered Prices Task Team

Business	Government	Labour
A Tshifularo	F Tshazibana	T Tengela
S Siwisa	T Phele	J Barrett
	F Adams	M Kepadisa
	Y Smit	B Mtyingizana

Members of the Protection of Personal Information Task Team

Business	Government	Labour
K Ellis	H du Preez	M Lepaku
S Siwisa	A Louw	
	F Adams	

Members of the MOUs Task Team

Business	Government	Labour
C Grant	W van der Spuy	E Vlok
	T Chauke	M Tsela



TESELICO Sub-Committee Members

Business	Labour	Government
B Brink	A Benjamin	X Carim
G Harris	E Vlok	W Smalberger
D Jordaan	T Tengela	F Adams
C Grant	J Rudin	T Mahosi
C Chikura	J Mosia	T Chauke
N Lamprecht	M Lepaku	T Mlangeni
L Botha	C Maluleke	T Nkomo
J Pienaar		P Gasela
N Vermeulen		R Brits
H van der Merwe		N Mbewe
P Corbin		S Pule
P Theron		E van Renen
H Claassens		

Members of the NAMA and NTB'S Task Team

Business	Labour	Government
B Brink	E Vlok	R Brits
C Grant	J Mosia	P Mahosi
D Jordaan	M Lepaku	W Smalberger
G Harris	T Tengela	H Erasmus
P Theron	C Maluleke	E Steyn
H Claassens		T Mlangeni
M McDonald		S Pule
N Vermeulen		A Lotter
L Botha		T Nkuna
C Chikura		
N Lamprecht		

Members of the Trade and Environment Task Team

Business	Labour	Government
C Grant	J Mosia	K du Plooy
C Chikura	M Lepaku	Z Mdlalose
Z Jwili	M Kepadisa	KKampel

Members of the Services Task Team

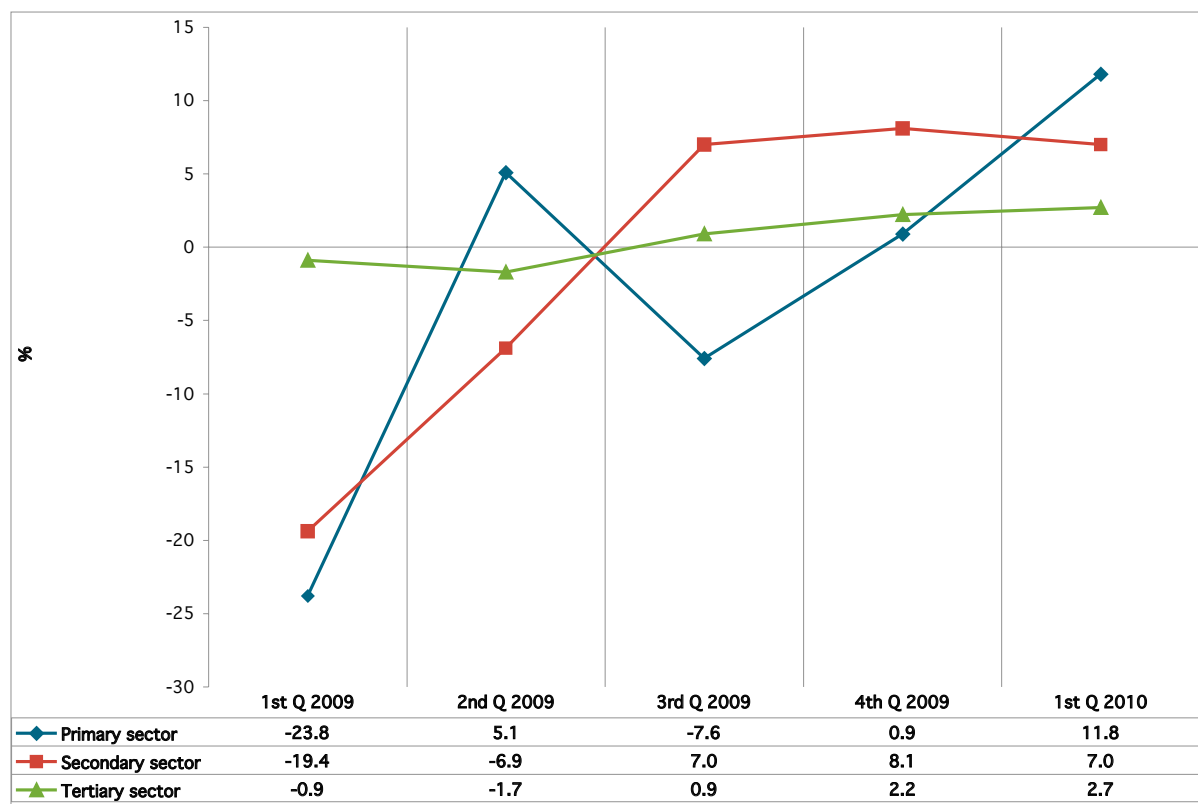
Business	Labour	Government
C Grant	J Mosia	K du Plooy
C Chikura	M Lepaku	W Mene
Z Jwili	I Ramputa	M Pillay
	J Barrett	
	J Rudin	
	J J Van Rensburg	
	N Newman	
	S Gangca	
	J Koen	
	J Nkosi	



Trade and Industry Trends

Trade and Industry landscape in numbers

Real gross domestic product by sector



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010

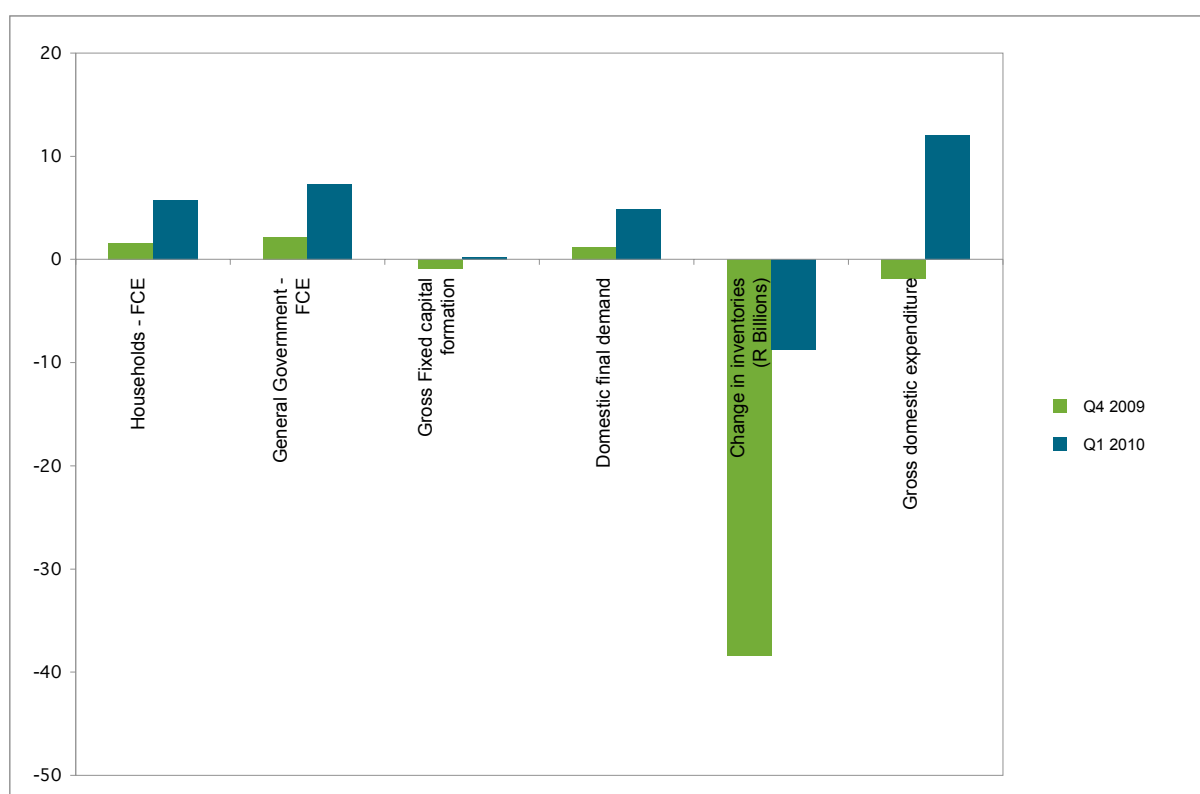
The real output of the mining sector, which reverted to positive growth of 4.6% in the fourth quarter of 2009, increased at a brisk annualised rate of 15.4% in the first quarter of 2010. This faster growth stemmed primarily from increased production in the subsectors for diamonds, coal, nickel and non-metallic mineral mining as global markets recovered further. Subdued production conditions, however, continued to prevail in the gold mining sector where the temporary shutdown of shafts for safety reasons and ongoing industrial action adversely affected gold production during the first quarter of 2010. Over the same period, platinum production was curtailed somewhat by furnace related problems. An appreciation of the exchange rate of the rand probably eroded some of the benefits of the favourable international commodity prices over the period.

Growth in the real value added by the *secondary sector* moderated to 7.0% in the first quarter of 2010, having increased at an annualised rate of 8.1% in the fourth quarter of 2009. This moderation resulted primarily from a somewhat slower rate of increase in the manufacturing and construction sectors, while growth in real value added by the sector supplying electricity, gas and water broadly maintained its momentum.

Growth in the real value added by the *tertiary sector* accelerated from 2.2% in the fourth quarter of 2009 to 2.7% in the first quarter of 2010. The higher growth rate reflected increased activity in the trade, the transport and communication, and the finance, insurance, real-estate and business services sectors.

Real gross domestic expenditure

Percentage change at seasonally adjusted annualised rates



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

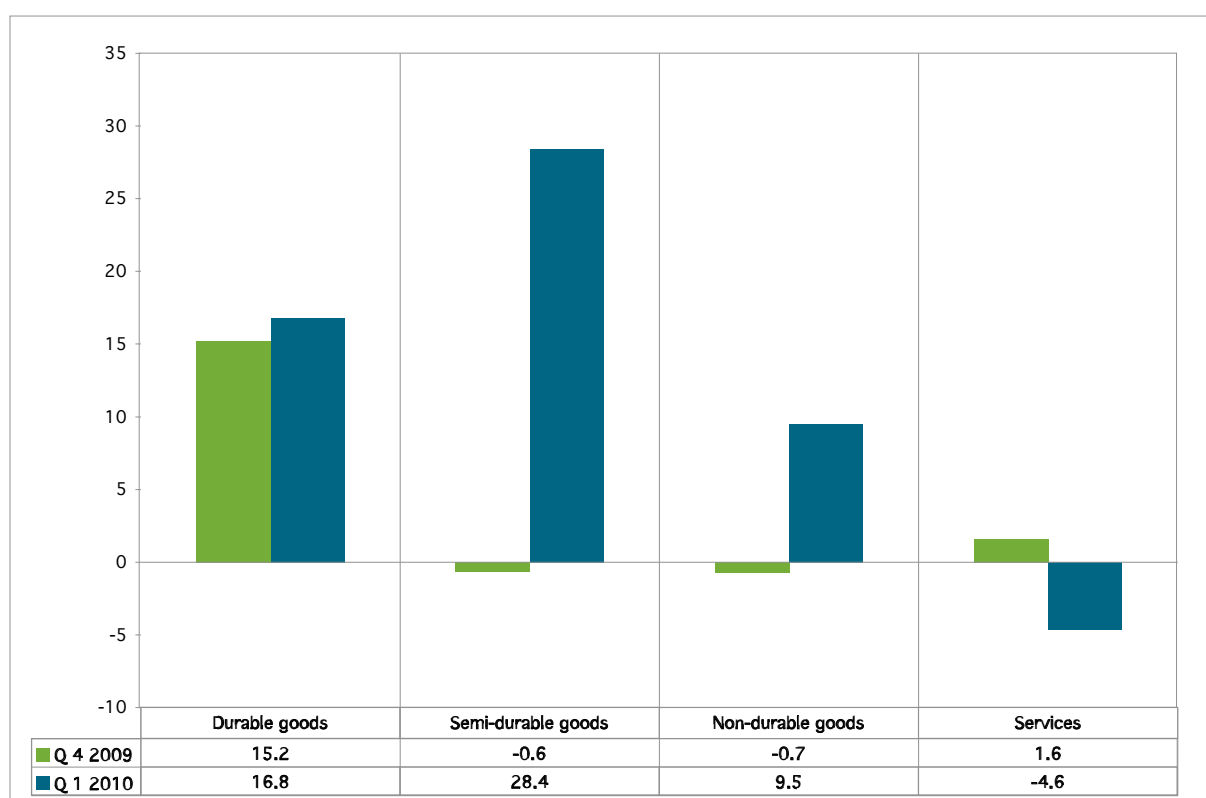
Growth in aggregate *real gross domestic expenditure* outpaced growth in real gross domestic production by a substantial margin in the first quarter of 2010 – growth in real gross domestic expenditure accelerated from an annualised rate of 4.9% in the fourth quarter of 2009 to 12.1% in the first quarter of 2010, as all major expenditure components registered improvements. Following an increase of 1.6% in the fourth quarter of 2009, growth in real *final consumption expenditure by households* accelerated markedly to an annualised rate of 5.7% in the first quarter of 2010. The brisk expansion in real outlays by households was evident in all the spending categories, except for spending on services.

Household expenditure appeared to have been positively influenced by several factors, including acceleration in the growth rate of real disposable income, the reduced cost of credit as a result of lower interest rates, relatively low inflation, rising confidence levels, and an improvement in households' net wealth as the prices of real estate and other assets continued to rise.



Real final consumption expenditure by households

Percentage change at seasonally adjusted annualised rates



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

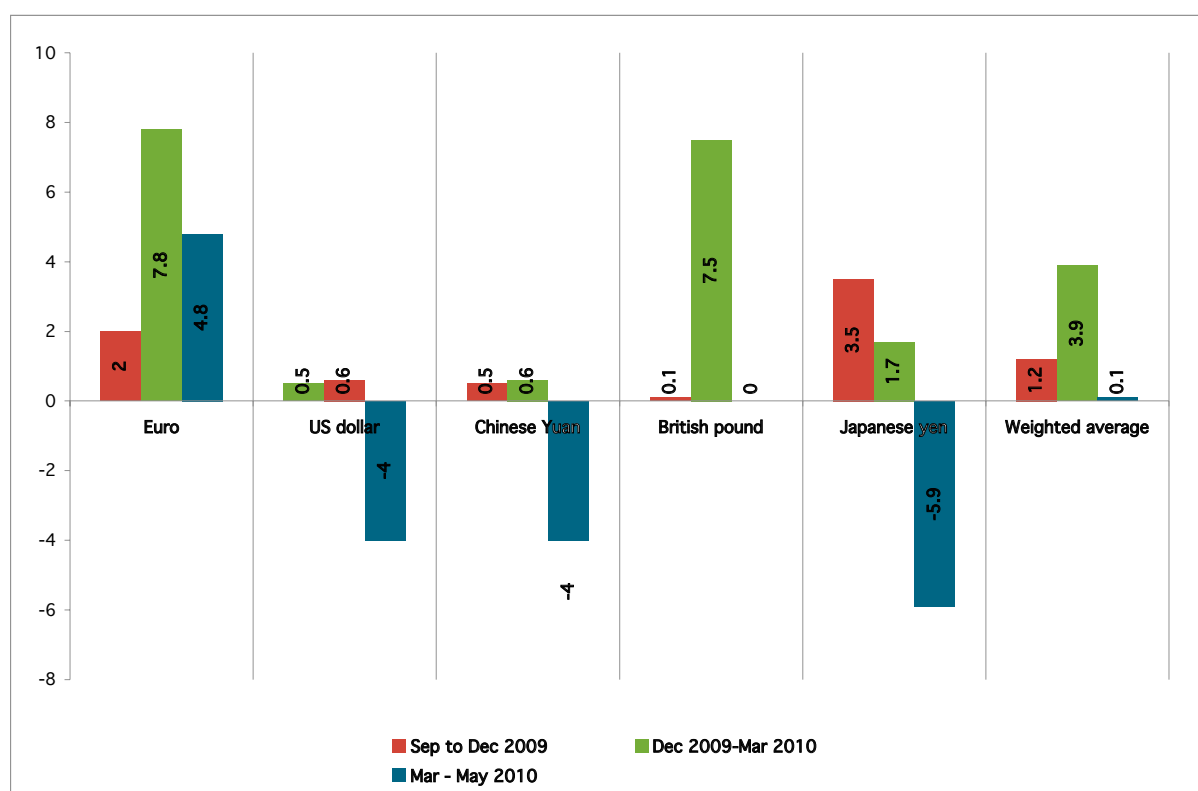
Growth in real expenditure on *durable goods* surged at annualised rates of 15.2% in the fourth quarter of 2009 and 16.8% in the first quarter of 2010. Increased outlays on durable goods could mainly be ascribed to buoyant expenditure on new motor vehicles, recreational and entertainment goods, and on furniture and household appliances. The appreciation of the exchange rate of the rand caused the prices of goods with a high import content to become more competitive, which probably also encouraged consumers to acquire durable goods.

Following three successive quarters of decline in real spending on *semi-durable goods*, this household expenditure component rebounded, rising at an annualised rate of 28.4% in the first quarter of 2010. The increase in real spending resulted primarily from increased outlays on clothing and footwear, and semi-durable recreational and entertainment goods. These increased outlays, although rising strongly, were from a low base. Year-on-year growth in spending on semi-durable goods amounted to 2.9% in the first quarter of 2010.

Final consumption expenditure by households on *non-durable goods* increased at an annualised rate of 9.5% in the first quarter of 2010 following six quarters of uninterrupted contraction. Along with rising spending by households on motor vehicles, notable increases were recorded in the sale of petroleum products. Real household expenditure on *services* declined at an annualised rate of 4.6% in the first quarter of 2010, following an increase of 1.6% in the fourth quarter of 2009. The decline was attributable to reduced spending on, *inter alia*, transport services.

Exchange rate of the Rand

Percentage change



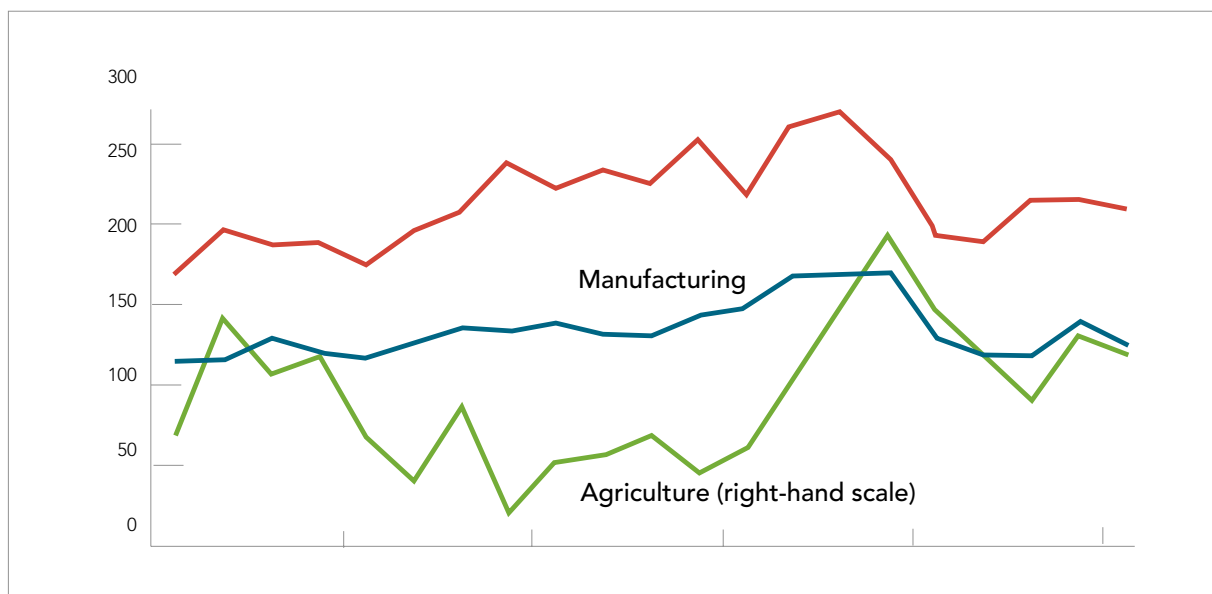
Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

The exchange value of the rand remained remarkably resilient in the opening months of 2010 and increased by 3.9% on balance in the first quarter of 2010 against a basket of 15 currencies of South Africa's most important trading-partner countries. Small declines in January and February 2010 were followed by a notable increase in March. The increase in the first quarter of 2010 reflected, among other factors, a sustained increase in international commodity prices and a generally more positive outlook for economic growth in emerging-market economies. The sovereign debt problems in Greece and their potential effect on peripheral economies negatively affected the euro, while the political uncertainty regarding the outcome of the elections in the United Kingdom had put strain on the pound. The exchange rate of the rand appreciated by 7.8 % and 7.5 % against the euro and pound respectively in the first quarter of 2010.



Volume of merchandise exports

R billions, 2005 prices



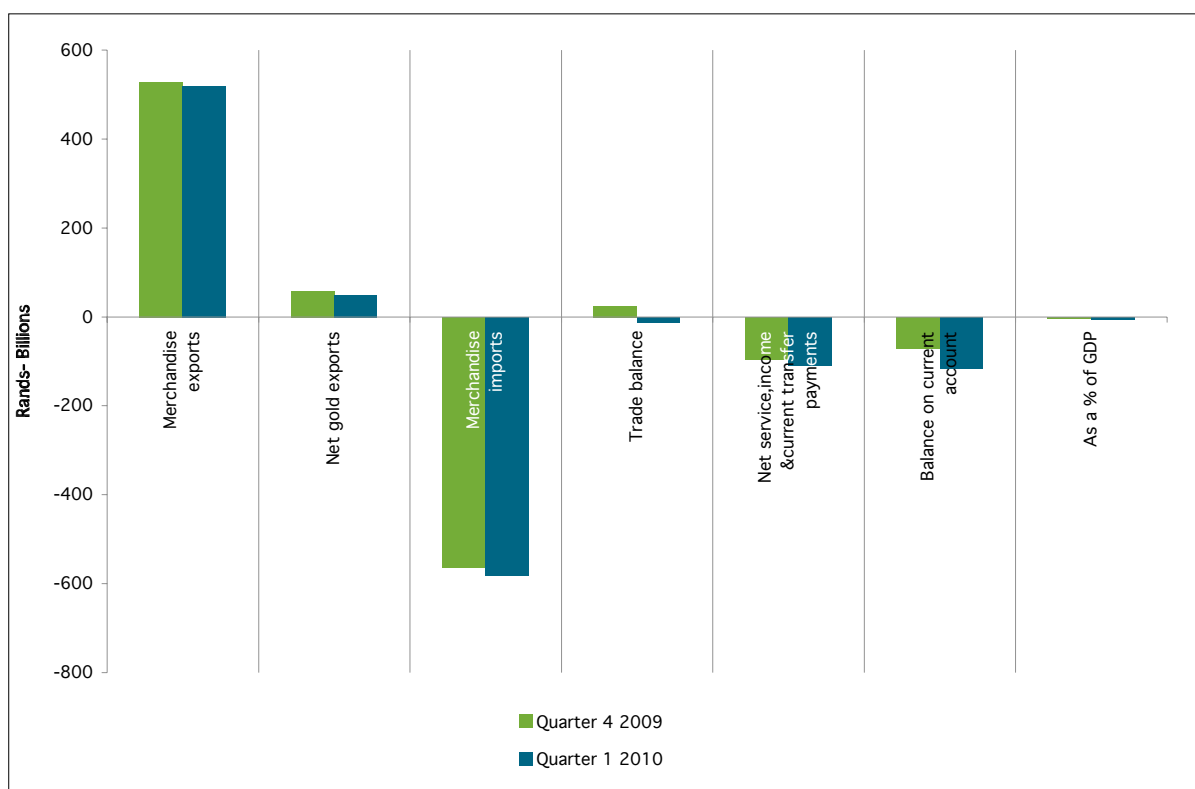
Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

The value of merchandise exports, which had increased markedly in the fourth quarter of 2009, receded by 1.9% in the first quarter of 2010. The lower export earnings emanated from a decrease in the volume of exported goods. Owing to a sustained increase in international commodity prices, which more than neutralised the adverse effect of the steady appreciation in the exchange value of the rand, export prices in rand terms increased by 1.5% over the period.

Although the recent recovery in global economic activity supported the revival in international trade volumes, somewhat weaker macroeconomic conditions in certain euro member countries impeded export volumes. An appreciation in the real effective exchange rate of the rand probably also inhibited the international competitiveness of South African producers. Merchandise export volumes accordingly shrank by 3.3% in the first quarter of 2010, while the utilisation of production capacity in the manufacturing sector remained fairly subdued over the period. The physical quantity of especially machinery and electrical equipment, agricultural products, as well as transport equipment destined for the EU area and US contracted over the period; in the fourth quarter of 2009 the exportation of vehicles and transport equipment had surged. As a ratio of real gross domestic product, the volume of merchandise exports declined from 18.2% in the fourth quarter of 2009 to 17.4% in the first quarter of 2010.

Balance of payments on current account

R billions



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

According to the SARB a further increase in economic activity in most of South Africa's main trading partner countries lead to the balance on the trade account of the balance of payments turned around from a surplus in the final quarter of 2009 to a deficit in the first quarter of 2010. Consistent with the improvement in business and consumer confidence in the country, expenditure on foreign-produced goods advanced further in the opening months of 2010 following a marked increase in the final quarter of 2009. At the same time, however, merchandise exports receded somewhat in both value and volume terms following an exceptionally strong increase in exports of vehicles and transport equipment in the final quarter of 2009. Consequently, the country's trade balance reverted to a deficit of R12.9 billion in the first quarter of 2010 from a surplus of R24.9 billion in the fourth quarter of 2009.

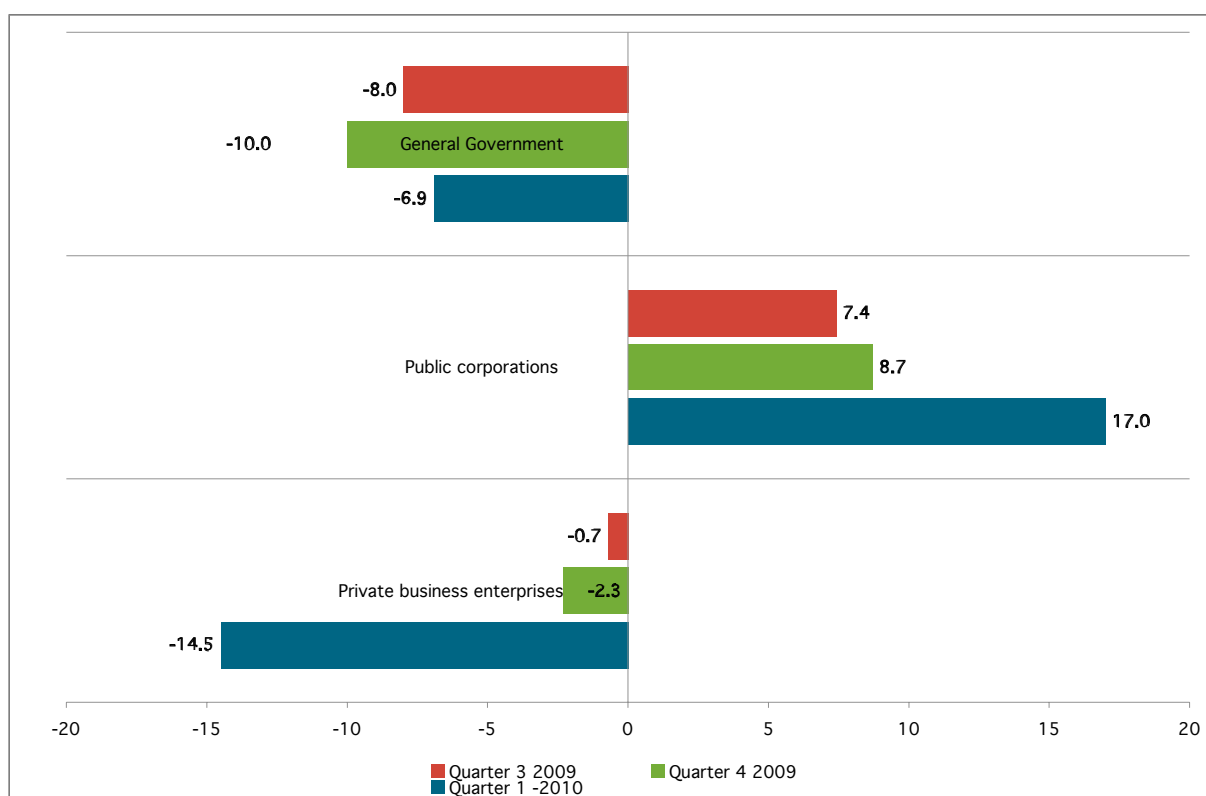
The deficit on the services, income and current transfer account with the rest of the world remained broadly unchanged in the last three quarters of 2009, but widened somewhat in the first quarter of 2010, raising the current-account deficit to 4.6% of gross domestic product compared with a ratio of 2.9 % in the fourth quarter of 2009.

The value of *merchandise exports*, which had increased markedly in the fourth quarter of 2009, receded by 1.9 % in the first quarter of 2010. The lower export earnings emanated from a decrease in the volume of exported goods. Owing to a sustained increase in international commodity prices, which more than neutralised the adverse effect of the steady appreciation in the exchange value of the rand, export prices in rand terms increased by 1.5 % over the period.



Real gross fixed capital formation

Percentage change at seasonally adjusted annualised rates



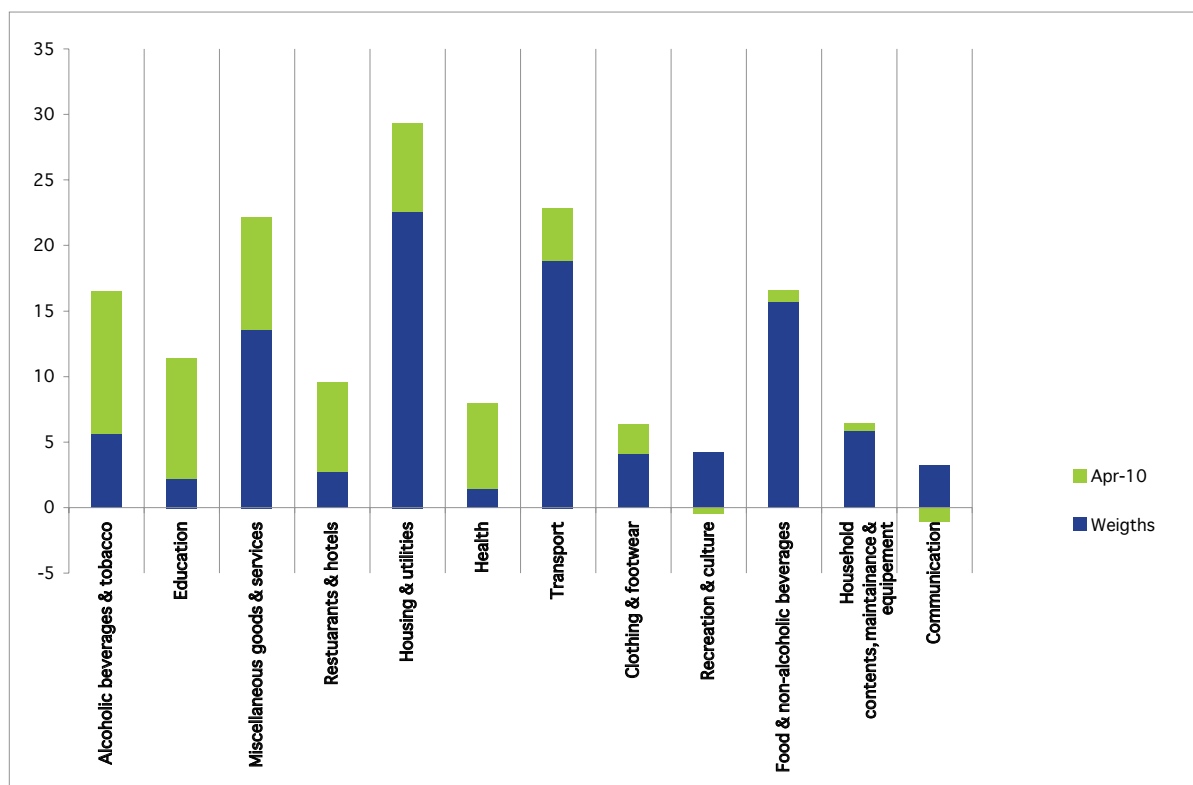
Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

Real fixed capital outlays by *private business enterprises* declined further at an annualised rate of 0.7% in the first quarter of 2010 following quarterly contractions of between 18.1% and 2.3% during 2009. The rate of decline in real capital investment by the agricultural, mining and manufacturing sectors moderated in the first quarter of 2010. However, real capital outlays by the construction, commerce, transport and communication, and finance sectors picked up in the first quarter of 2010.

Real fixed capital expenditure by *public corporations* increased at an annualised rate of 7.4% in the first quarter of 2010 following growth of 8.7% in the fourth quarter of 2009. Owing to the acquisition of new buses, the building of new train stations and the upgrading of existing railway stations in preparation for the 2010 FIFA World Cup™ tournament, real capital investment by the transport subsector increased further in the first quarter of 2010. In addition, domestic airports were refurbished to meet modern international standards.

The pace of contraction in real gross fixed capital formation by *general government* slowed from an annualised rate of 10.0% in the fourth quarter of 2009 to 8.0% in the first quarter of 2010, as lower capital outlays were recorded by all levels of government.

Headline CPI inflation in COICOP categories



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

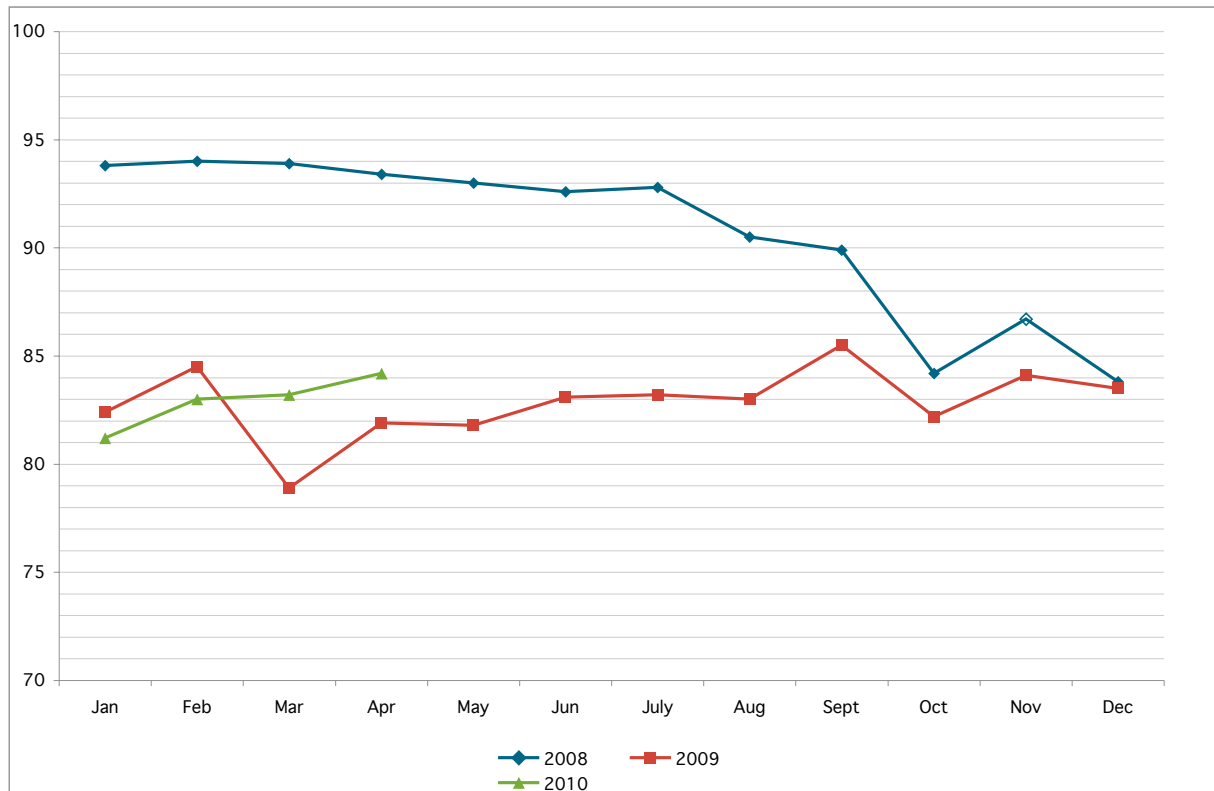
Based on the classification of individual consumption by purpose (COICOP) categories, six of the 12 categories recorded inflation rates above 6 % in the year to April 2010. Alcoholic beverages and tobacco products recorded a double-digit rate of price increase in April 2010. Five categories recorded price inflation below 3%, while the transport category increased at a rate that fell within the inflation target range.

Excluding the impact of the volatile prices of food, non-alcoholic beverages and petrol from the consumer price index, the 12-month inflation measure exceeded the upper limit of the inflation target range for the 24th consecutive month in January 2010, amounting to a rate of 6.2%. Subsequently, this rate of increase receded to below the upper limit of the inflation target range in April 2010, amounting to 5.1%.

When electricity prices are further excluded, headline CPI inflation amounted to 4.7% in the year to April 2010, suggesting that underlying inflationary pressures were also starting to abate. Year-on-year inflation in the prices of administered goods and services accelerated markedly from 4.0% in November 2009 to 11.5% in April 2010. With the exception of the communications component, all other components in this basket registered double-digit price increases, and in the months to April 2010 significant petrol price increases also restrained a further deceleration in overall price inflation. Subtracting petrol price changes from the administered price index, a double-digit rate of increase of 10.4% was still recorded in the year to April 2010.



Business confidence



South African Chamber of Commerce and Industry (SACCI) Business confidence Index

After increasing by one index point between April and March 2010, the SACCI's Business Confidence Index (BCI) registered 84.2 in April 2010. The April 2010 BCI is 2.3 points higher than in April 2009 and it is the second successive year-on-year increase since September 2007. The average of 82.9 for the BCI during the first four months of 2010 is one index point higher than the average for the corresponding period in 2009. An upward trend in the BCI is evident since the beginning of 2010.

After the BCI reached 85.5 in September 2009, it moved laterally for a few months and dipped to 81.2 in January 2010, but since then increased gradually to 84.2 in April 2010. Although the 2010 readings of the BCI remain relatively subdued, the positive trend is expected to gain momentum mainly as a result of export led demand and improving global economic circumstances.

Work Stream 6

Development Chamber 2009/10

Scope of Work

The Development Chamber seeks to reach consensus and conclude agreements on matters pertaining to social and economic policy; both urban and rural implementation strategies as well as developmental programmes. The Development Chamber adopts a proactive approach in dealing with developmental issues within the legislative framework and outside the legislative programme.

Chambers Modus Operandi

Most of the substantive work of the Chamber is done in Task Teams comprising representatives of stakeholders that have specific knowledge of the relevant subject matter. The work of the Task Team is governed by Terms of Reference, which are developed by the Chamber. The outcome of work done in the Task Teams is submitted to the Chamber for consideration and ratification.

Once the Task Team report is signed off by the Chamber, it is then tabled at the Management Committee for final consideration and sign off.

The Chamber is required to meet at least six (6) times in each financial year. Representation in the Chamber is as follows: six (6) mandated representatives from Organised Labour, Business, Community and Government.

Work Programme

The Chamber and its Task Teams held a total of thirty nine (39) meetings in the period under review and are captured in the below table.

Subject	Number of Meetings
Chamber	12
Expanded Public Works Programme (EPWP)	8
Public Transport	8
Cooperatives Development Strategy	8
HIV/Aids	2
Xenophobic attacks	1
Total	39



Programme Performance:

Development Chamber

Key Focus Area	Key Performance Indicator	Measurement	Status
Comprehensive Social Security	To craft enabling fiscal policy instruments for Comprehensive Social Security system for South Africa.	To ensure that ordinary working people have access to affordable retirement provisions.	Pending.
Cooperatives Strategy¹	To engage with a view to agreeing on the strategy to promote emerging cooperatives enterprises in all sectors of the economy	To develop a framework to promote Cooperatives.	Task Completed.
Cooperatives Amendment Bill¹	To undertake a line by line analysis of the Bill with a view to reaching consensus on the provisions thereof, including amending the Bill to reflect areas of agreement.	Complete a Nedlac Report with maximum areas of agreement.	The proposed draft amendments to the Cooperatives Act have been tabled in Nedlac and are being considered. Finalisation of the process is earmarked for the 2010/2011 reporting period.
Expanded Public Works Programme (EPWP II)	Seek to provide poverty and income relief through temporary work for the unemployed.	Launch projects that contribute to the reduction of high unemployment rates through short-term jobs in the communities with a greater emphasis on improving and/or developing essential infrastructure in the communities.	Task Completed.

¹ Joint project with the Trade and Industry Chamber

Key Focus Area	Key Performance Indicator	Measurement	Status
Land Reforms	Facilitate engagements on the Policy and strategy Framework on Land reforms.	Complete a Nedlac agreement on the Policy and strategy.	Pending.
National Youth Development (NYD) Strategy	Briefing Nedlac Social partners on the action plans to give effect to the NYD Strategy.	Agreed project plan for implementation.	Underway and targeted for finalisation in the 2010/11 reporting period.
Human Settlements	Engage Government on National Strategy to address the Human settlements challenge in South Africa.	A sustainable Human Settlement Plan for South Africa.	Pending.
Education – Basic and Higher Education Policy Framework	Engage Government on the National Education Policy Framework.	A plan that enjoys broad support from all Social partners.	Pending the tabling of the Policy Framework and strategy by Government and is earmarked for finalisation in the 2010/11 reporting period.
Public Transport	Facilitate engagements on the Policy and Strategy Framework for Public Transport.	To ensure that issues related to safety and security; accessibility and affordability of public transport are adequately addressed in the National Transport Strategy.	The task on Accessible Public Transport is completed.
HIV/AIDS	To select key action points in the National Strategic Plan for implementation by the Nedlac Social partners individually and as a collective.	To combat the challenge of the HIV and Aids pandemic through the implementation of an agreed Nedlac Action Plan.	Pending.
Xenophobia	To develop interventions and strategies to curb xenophobic incidents.	An agreed strategy and programme to address Xenophobia.	Underway.



Members of the Chamber

Government	Business	Labour	Community
T Mchunu (Convenor)	F Xaba (Convenor)	S Gumede (Convenor)	Z Matsela (Convenor)
J Ntuli	K Matabane	A Thomson	A Nkabinde
W Jiyana	A Tshifularo	B Mngxekeza	C Matlakala
S Henderson	F Njobe-Jaiyesimi	B Modise	D Moseki
C Rossouw	J Purchase	M Mkalipi	D Mthlani
	M Myataza	J Barrett	E Motaung
	N Bilap-Nsegbe	S Sithole	J Siwani
	T Chabana	S Barsel	K Tshupe
	T Skenjana	H Mushoga	L Maduna
	T Ncube		L Kganyago
	T Mokgabudi		L Chauke
			L Segwe
			N Nyembezi
			T Mabuza
			T Tshefuta
			T Hufke

Members of the Public Transport Task Team

Government	Business	Labour	Community
K Mabuse	K Matabane	S Gumede	L Kganyago
T Gow	T Skenjana	G Strauss	T Mabuza
T Thipe	E Cornelius	G Wilson	T Nkwe
L Manamela	J Walters	J Barrett	D Ndaba
J Stanbury		A Matoboge	J Williams
K Lienbenberg		Z Mankge	M Mponzo
E Raboroko		E Mabyana	
I Seedat		R Howard	
		G Ueckerman	

Members of the Youth Policy Task Team

Government	Business	Labour	Community
M Tleane	T Skenjana	S Gumede	L Nare
B Tlagala		S Sithole	T Tshefuta
M Miya		S Thompson	N Mqhayi
M Moonsamy			L Kganyago
			L Kganyago
			T Hlongwane
			M Mojanaga

Members of the EPWP Task Team

Government	Business	Labour	Community
T Mchunu	K Matabane	S Gumede	E Paulus
I Akhalwaya	F Xaba	J Dikobo	T Mabuza
N Matsane	T Skenjana	M Mashishi	C Caine
V Seafeld			L Kganyago
M Bergmann			T Hufke
C Rossouw			M Ronyuza
			R Mdakane
			S Mahote

Members of the HIV and AIDS Task Team

Government	Business	Labour	Community
M Ngubane	B Mears	J Mpolokeng	D Pretorius
N Singh	V Harbhajan	F Fayers	R Lehloka
T Mseleku		L Plaatjies	E Motaung
S Sinabe		S Balkaran	N Mqhayi
T Kunene		B Tshabalala	P Nkomo
			L Chauke
			D Moreotsele
			C Hardy



Members of the Cooperatives' Task Team

Government	Business	Labour	Community
F Adams	C Mtshali	S Gumede	N Ncapayi
R Rapoo	B Harms	M Tsela	L Mngomezulu
J Ndumo	J Purchase	N Newman	T Mabuza
P Gidongo	T Skenjana	S Thompson	Z Matsela
		T Phadu	P Ngwevela
		W Aroun	N Mqhayi
			L Segwe
			T Nkwe

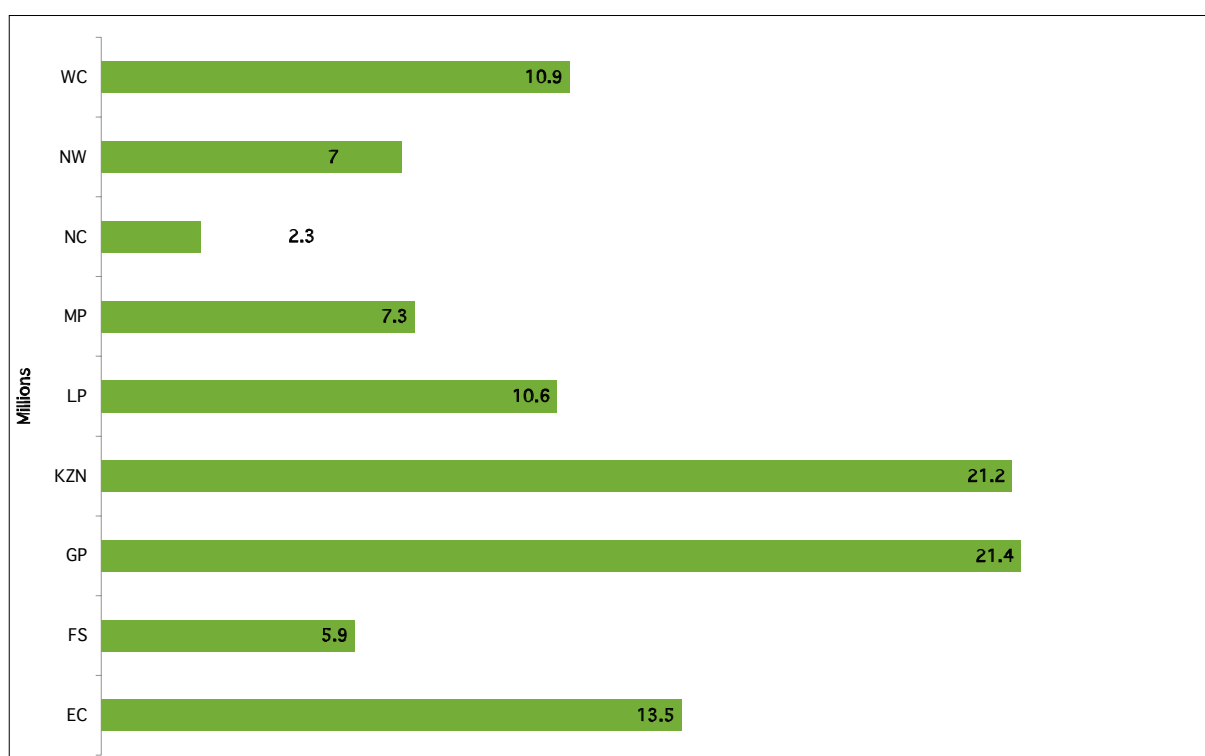
Members of the Xenophobic Attacks Task Team

Government	Business	Labour	Community
T Mchunu	K Matabane	S Gumede	N Nyembezi
D Davhana	T Skenjana	J Barrett	N Mokhole
C Rossouw		S Gangca	M Thathaka
		I Abrahamse	M Ronyuza
		S Thompson	T Mabuza
			S Shange-Buthane
			A Moseki

The Development Landscape in Numbers

Population

Mid-year population estimates by province, 2009



Statistics South Africa (Stats SA): Mid-year population estimates 2009

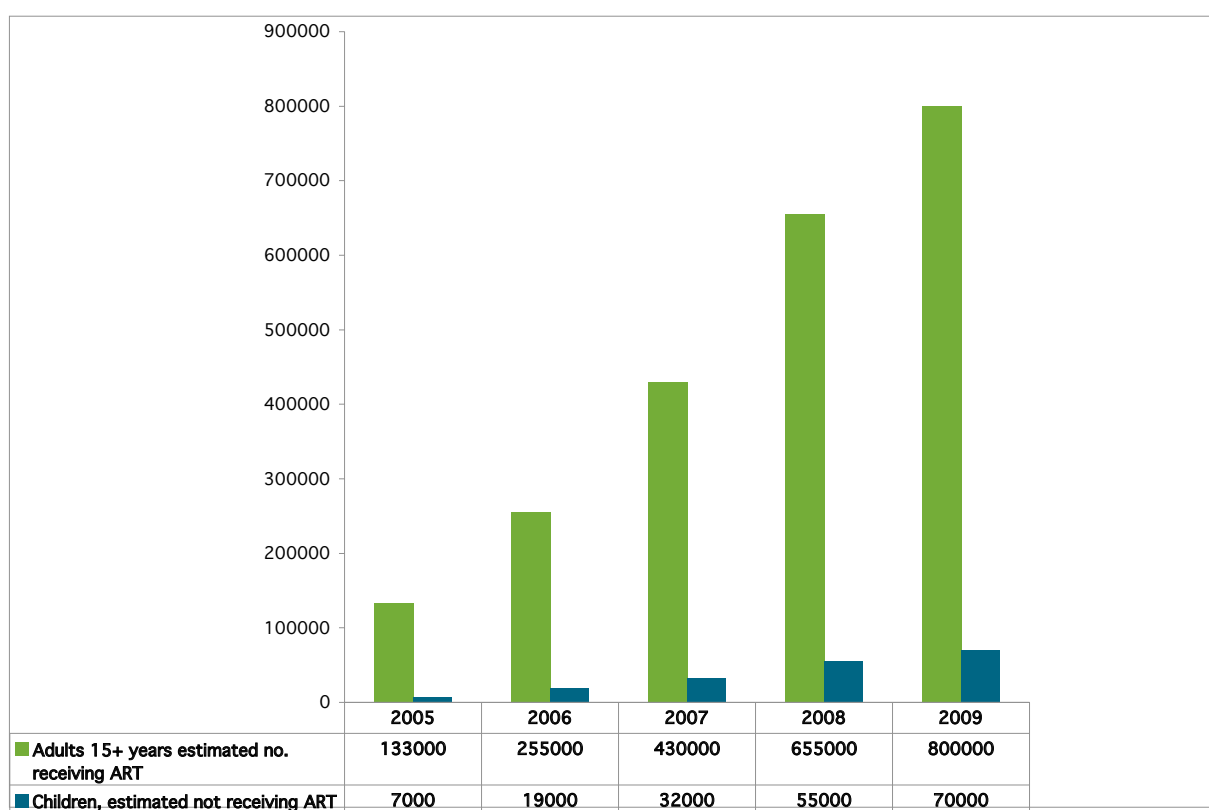
Gauteng comprises the largest share of the South African population. Approximately 10.53 million people (21.4%) live in this province. KwaZulu-Natal is the province with the second largest population, with 10.45 million people (21.2%) living in this province. With a population of approximately 1.15 million people (2.3%), Northern Cape remains the province with the smallest share of the South African population.



Health

HIV/AIDS Related Trends

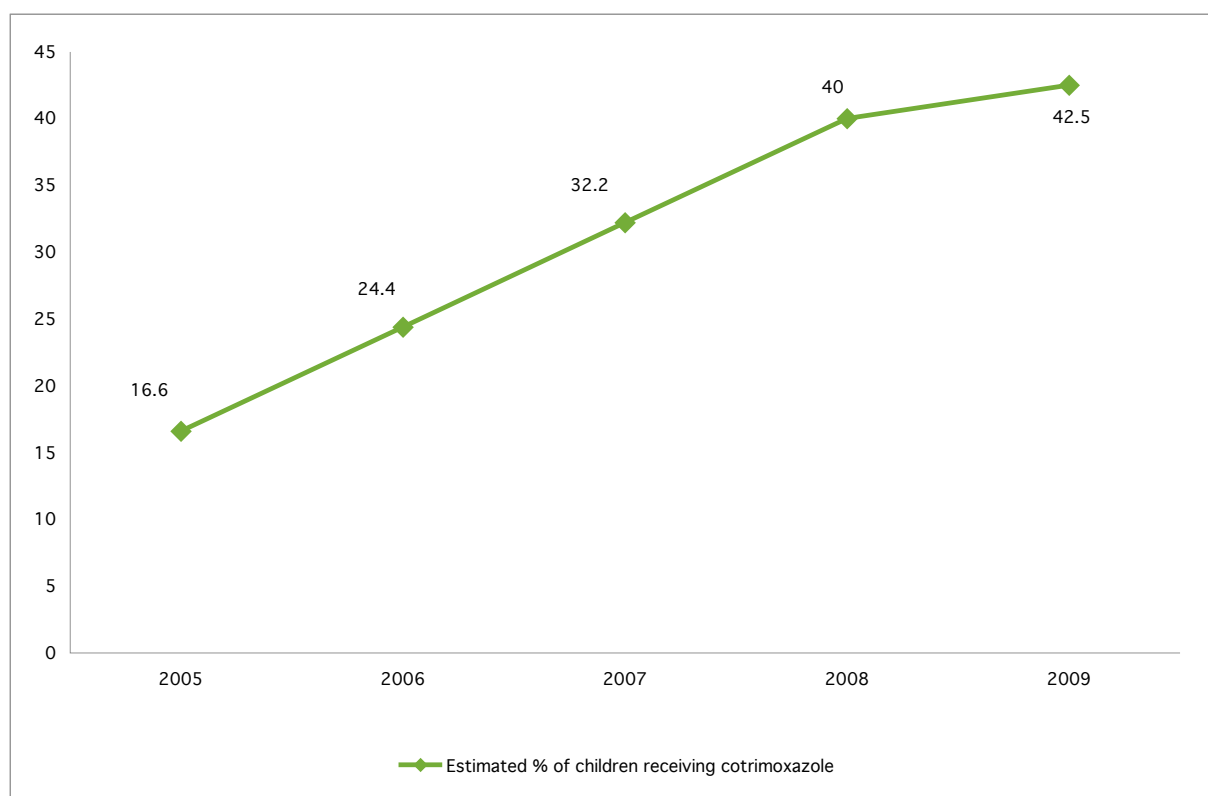
Estimated number of adults and children receiving antiretroviral therapy (ART) – 2005-2009



Statistics South Africa (Stats SA): Mid-year population estimates 2009

According to the mid-year population estimates conducted by Stats SA in July 2009, there has been a noticeable increase of adults and children receiving ARTs.

Estimated percentage of children receiving cotrimoxazole – 2005-2009



Statistics South Africa (Stats SA): Mid-year population estimates 2009

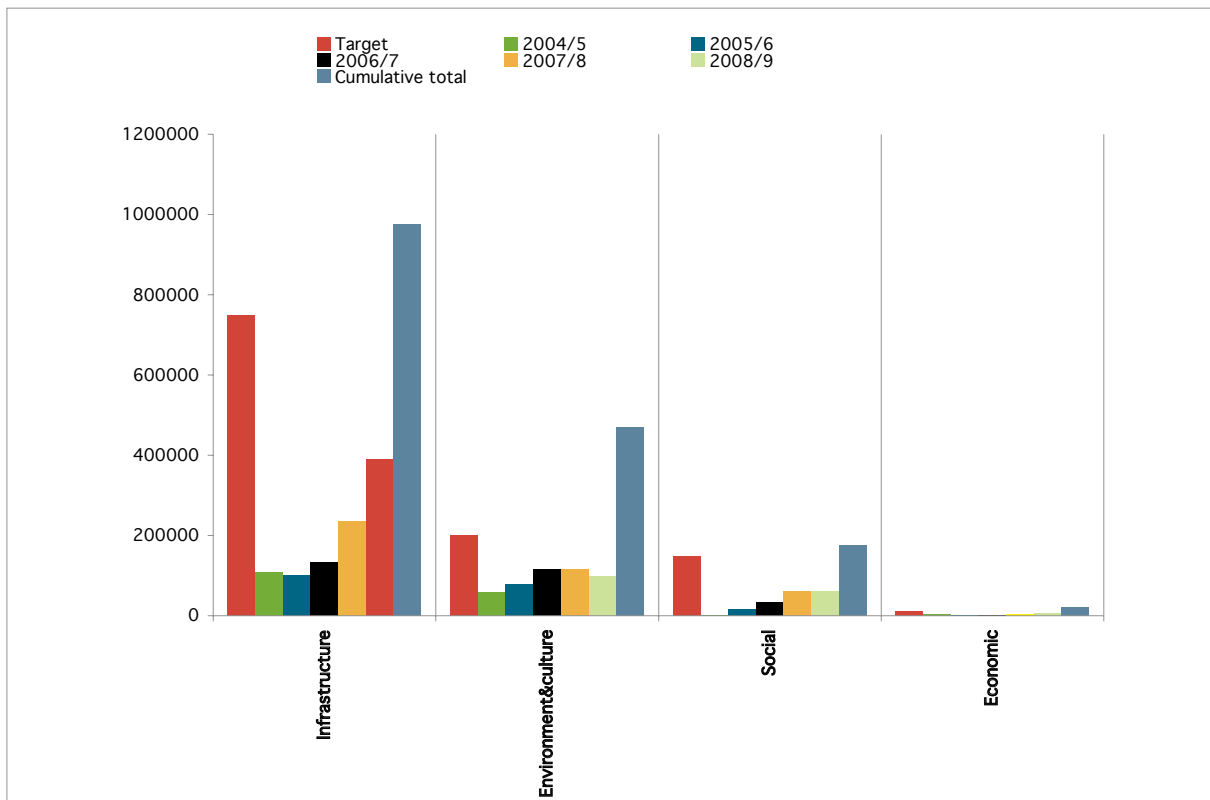
The World Health Organisation (WHO) recommends that cotrimoxazole be provided to all children born to HIV-positive mothers until their status can be determined. With normal antibody tests, a child's HIV status cannot be determined until 18 months of age, because the mother's antibodies are present in the child's blood, thus, all children born to HIV-positive mothers should receive cotrimoxazole until they are 18 months of age. For children aged between 18 months and 5 years, the WHO recommends cotrimoxazole should be provided to all children who are HIV positive and after the age of 5 years, children should be on cotrimoxazole if they have progressed to Stage III or IV. If early diagnosis is available, then only HIV-positive children are considered in need of cotrimoxazole.



Expanded Public Works Programme

Expanded Public Works Programme (EPWP)

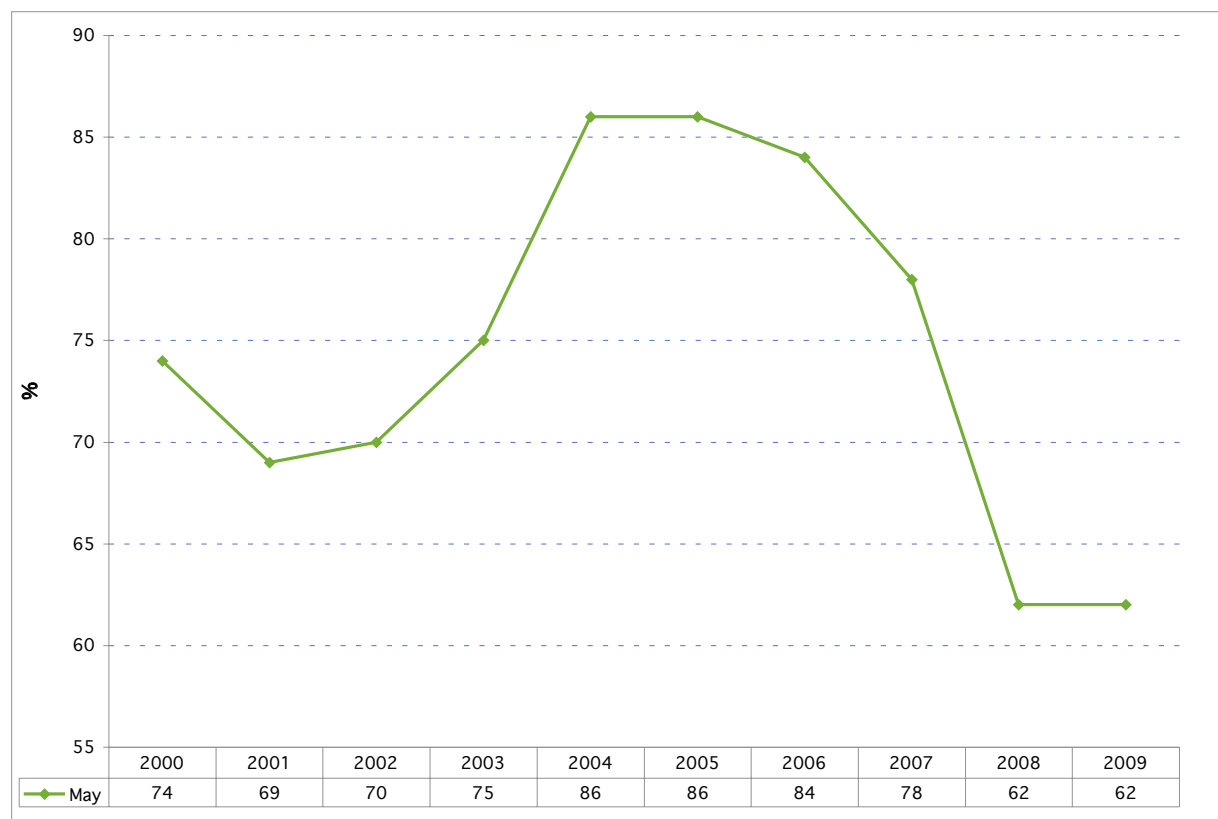
Net work opportunities created



Source: Development indicators 2009 - The Presidency: Republic of South Africa

The EPWP programme as depicted in the above graph is implemented across four sectors, which are the Infrastructure, Environment & Culture, Social and Economic sectors. The programme targeted to create one million job opportunities in five years to 2009. According to the Development Indicators 2009 published by The Presidency: Republic of South Africa, the programme has exceeded its target and created 1.65 million work opportunities. Although temporary work opportunities were created, the programme does provide safety nets and poverty relief while providing skills to poor and marginalised individuals. The next phase of EPWP 2 aims to create four million work opportunities.

Confident in a happy future for all races



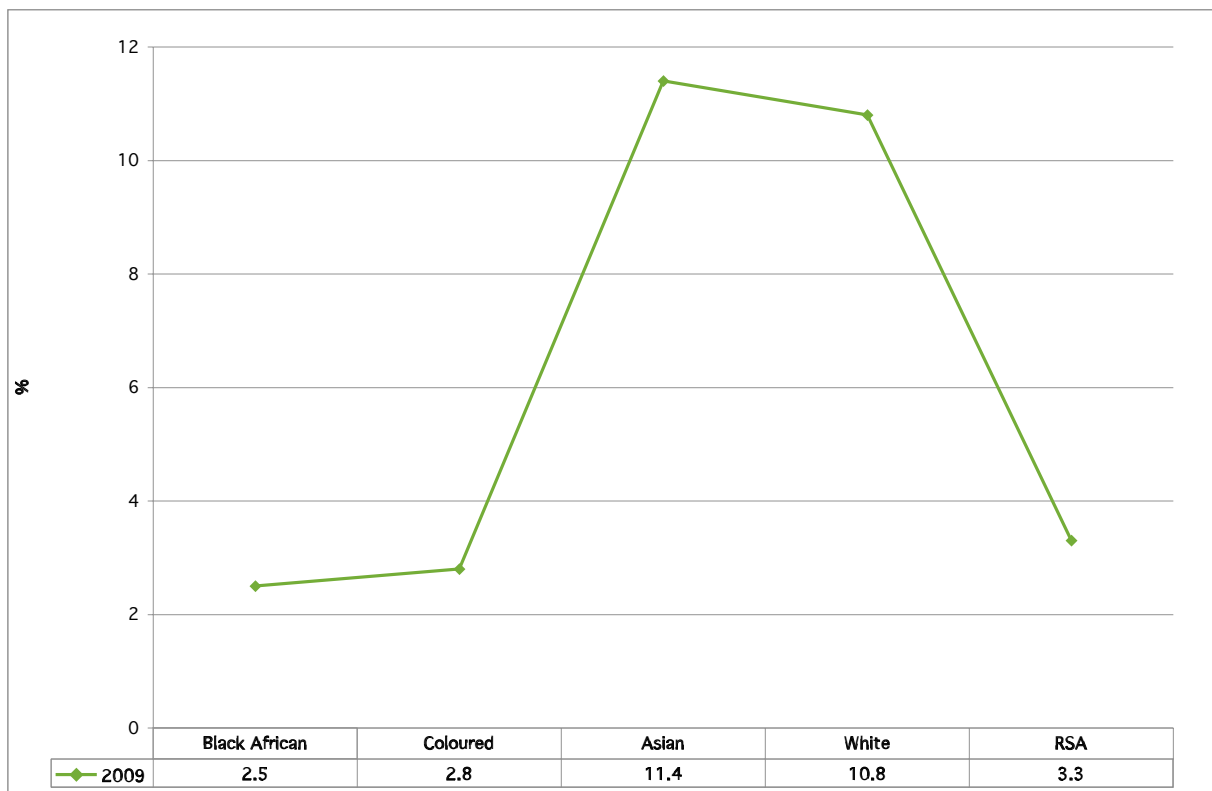
Source: *Development indicators 2009 - The Presidency: Republic of South Africa*

Greater levels of confidence in a happy future for all races can be observed from 2004 to 2006. However, from 2006 confidence levels in a happy future for all races decreased dramatically. Levels dropped from 84% in May 2006 to 60% in November 2008. Although 2009 saw a slight increase to 62% from the preceding year, incidents such as the 2008 attacks against foreigners and high-profile incidents of racist assaults in the same year may have contributed to the steep decline.



Education

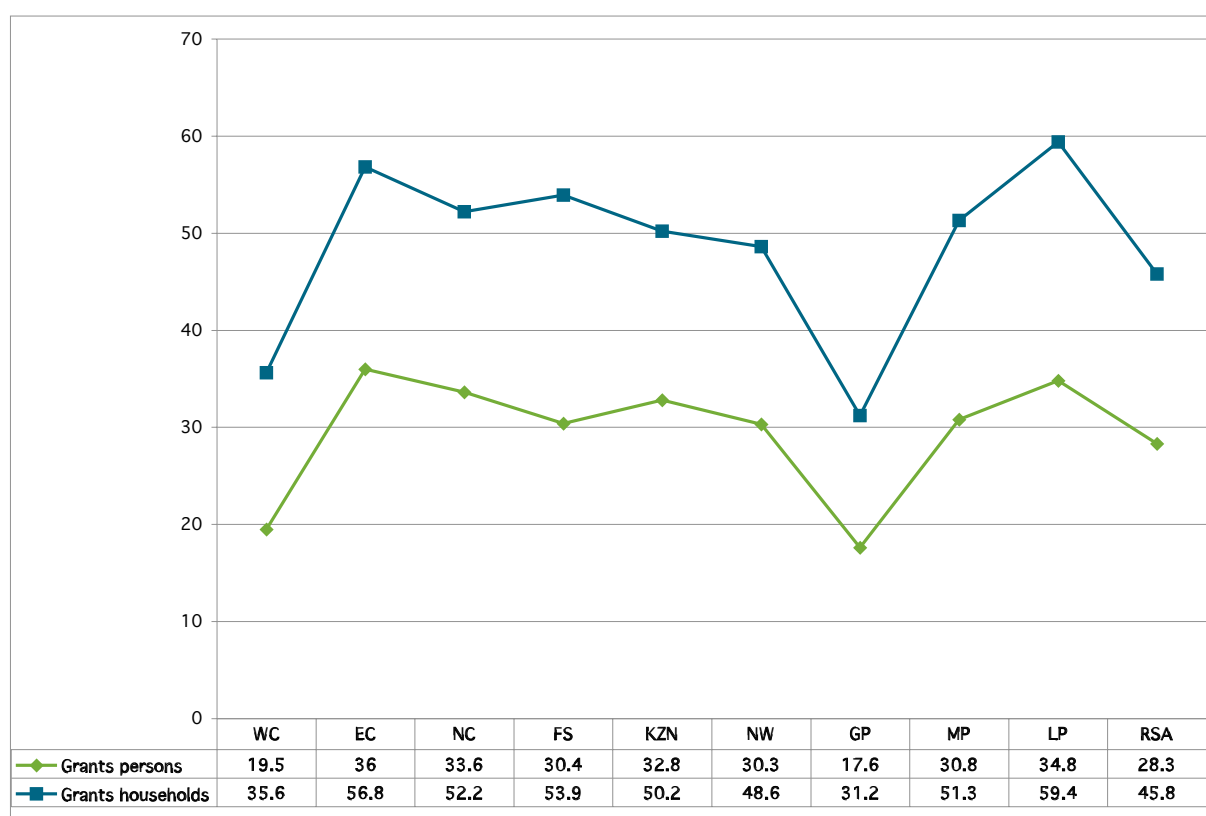
Attendance at Universities and Universities of Technology by persons aged 18 to 40 years by population group



Statistics South Africa (Stats SA): General household Survey 2009

In mid-2009 approximately 717 000 students were enrolled at higher education institutions (Universities and Universities of Technology). Of these students 62.2% were African; 22.1% White; 7.6% Coloured and 8.1% Asian. Even though most students are African, this specific population group is still proportionally under-represented in comparison with the Asian and White population groups as can be seen in the above figure. Only 2.5% of the African and 2.8% of the Coloured population were enrolled at tertiary institutions as opposed to 11.4% of Asians/Indians and 10.8% of the White population.

Percentage of individuals and households benefiting from Social Grants per province

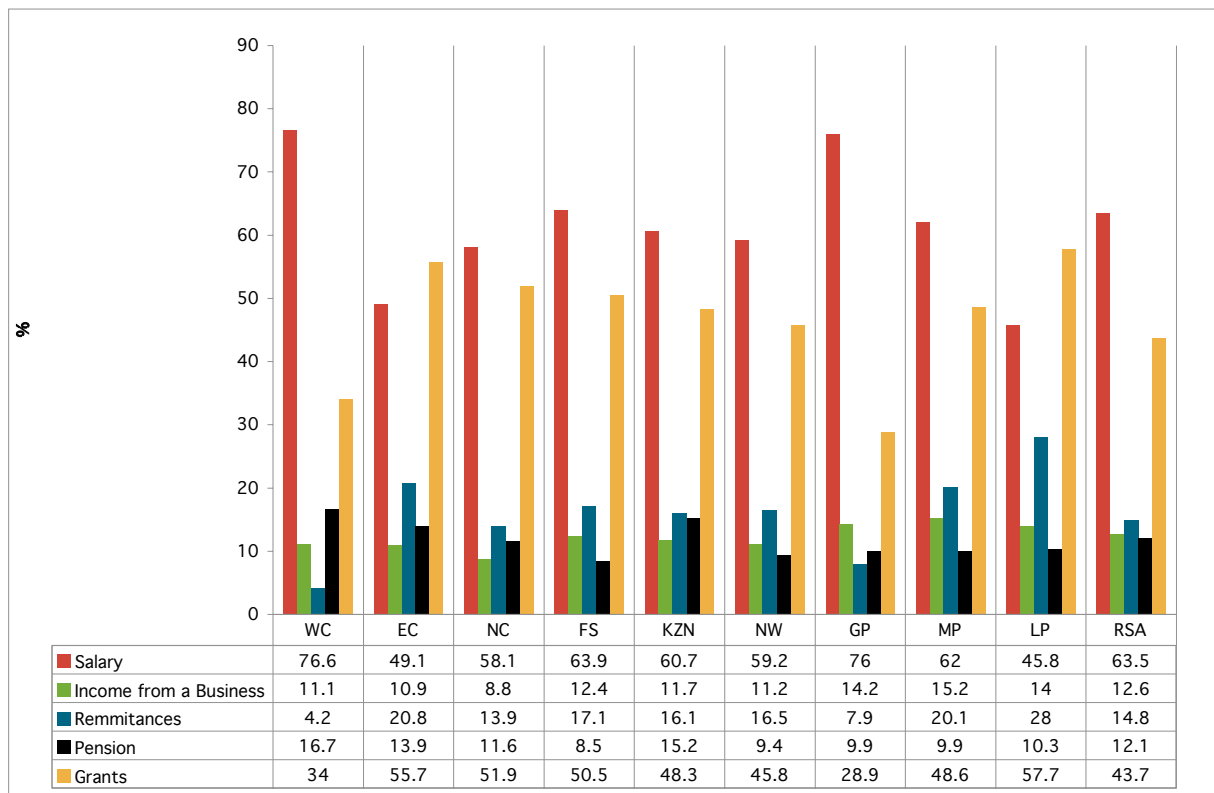


Statistics South Africa (Stats SA): General household Survey 2009

Social grants benefit approximately 28.3% of individuals in South Africa. The majority of grant beneficiaries are African (31.6%), followed by Coloured 21.8% and Indian/Asian 14.6% population groups. Only 9.8% of the White population receives grants. The above statistics signal that 45.8% of households received at least 1 grant during 2009. The provinces with the highest proportion of grant beneficiaries were: Limpopo (59.4%), Eastern Cape (56.8%), Free State (53.9%), Northern Cape (52.2%) and Mpumalanga (51.3%).



Sources of household income by province



Statistics South Africa (Stats SA): General household Survey 2009

Most households in South Africa are dependent on incomes from salaries. Nationally, salaries (63.5%) and grants (43.7%) were received by the highest percentages of households. Provincially, Western Cape (76.6%) and Gauteng (76.0%) had the highest percentage of households who earned an income from salaries. Grants were more prevalent than salaries as a source of income in Limpopo (57.7%), Eastern Cape (55.7%), Northern Cape (51.9%) and Free State (50.5%). Remittances as a source of income played an important role in most provinces, but especially in Limpopo (28.0%), the Eastern Cape (20.8%) and Mpumalanga (20.1%). This source of income was received by the lowest percentages of households in Western Cape (4.2%) and Gauteng (7.9%).

Work Stream 7

Public Finance and Monetary Policy Chamber 2009/10

Scope of Work

The Public Finance and Monetary Policy Chamber seeks to develop and reach consensus as well as arrive at agreements on all matters pertaining to the framework within which financial, fiscal, monetary and exchange –rate policies are formulated. It also seeks to enhance the co-ordination of fiscal and monetary policy and related elements of macroeconomics policy as well as the institution of delivery.

Chambers Modus Operandi

Most of the substantive work of the Chamber is done in Task Teams comprising of representatives of stakeholders that have specific knowledge of the relevant subject matter. The work of the Task Team is

governed by Terms of Reference, which are developed by the Chamber. The outcome of work done in the Task Teams is submitted to the Chamber for consideration and ratification. Once the Task Team report is signed off by the Chamber, it is then tabled at the Management Committee for final consideration and sign off.

Meeting Target For 2009/10

The Chamber is required to meet at least six (6) times in each financial year. Representation in the chamber is made up of six (6) mandated representatives from organised Labour, Business and Government.

Work Programme

The Chamber and its Task Teams held a total of eight (8) meetings in the period under review and these are captured in the below table.

Subject	Number Of Meetings
Chamber	7
Education and promotion of savings	1
Total	8



Programme Performance:

Public Finance and Monetary Policy Chamber

Key Focus Area	Key Performance Indicator	Measurement	Status
Financial Education and Promotion of Savings	Nedlac to develop proposals to promote savings in South Africa, conduct a consumer education campaign on savings.	Conclude projects aimed at promoting savings in South Africa.	Nedlac social partners have agreed on a partnership with the South African Savings Institute (SASI) aimed at promoting savings in South Africa.
Retirement Funds Reform	To engage and reach consensus on the Retirement Fund legislative framework as part of the Comprehensive Social Security.	To ensure that working people that could not afford the ordinary private sector retirement fund arrangements can also have access to affordable retirement provisions.	Pending the tabling of the revised policy proposals and earmarked for further engagements in the 2010/11 reporting period
Financial Sector Charter Council	Monitor the implementation of the Finance Sector Charter agreements.	Highlight and address key challenges and gaps in the implementation of the Charter resolutions.	The Board is seized with the process to find remedies to unblock the stalemate on the scorecard targets.
Fiscal Policy and National Budget processes	Engage and reach broad areas of agreement on key policy matters on the National Budget and allocations	To ensure that Nedlac gets a chance to make inputs on the National Budget before it is finalised and tabled in parliament by government.	Ongoing.
National Poverty Measures and National Poverty Line	Engage in the process that seeks to establish the National Poverty Line and Poverty Measures in South Africa.	Build a National benchmark for the National Poverty Line in South Africa.	Underway and earmarked for completion in the 2010/11 reporting period.

Key Focus Area	Key Performance Indicator	Measurement	Status
Tax compliance	Examine and agree on steps to be taken to improve tax compliance.	Agree on concrete commitments to ensure improved tax compliance.	Constituencies have commenced engaging on the matter and finalisation is earmarked for the 2010/11 reporting period.
Prioritisation of Government spending	Initiate engagement with Government on prioritizing of spending.	To ensure that government spending addresses the key priority areas.	Underway and earmarked for completion in the 2010/11 reporting period.
Development Finance Institutions (DFIs)	Align the function of the DFIs in order to ensure that they address the national imperatives.	Find agreements on the scope of work of the Development Finance Institutions (DFIs) and to align its mandates.	The convergence of ideas has gained momentum in pursuit of finalizing an action plan and the task is earmarked for completion in the 2010/11 reporting period.
National Health Insurance Scheme (NHIS)	Engage and reach agreement on the fiscal dimension of the NHIS.	To ensure a sustainable NHI scheme for South Africa.	Pending.
Implementing the Finance Protocol for Rural development and renewal nodes	Facilitate the engagements and reach agreement on Finance Protocol for Rural Development.	Complete a Nedlac agreement on the Finance Protocol for Rural Development.	Pending and earmarked for completion in the 2010/11 reporting period.
Monetary Policy	Review SA experience in managing the relationship between macroeconomic variables e.g. exchange rate, prices and interest rates.	Devise mechanisms to address the impact of Monetary Policy in the real economy.	Pending and earmarked for completion in the 2010/11 reporting period.



Members of the Public Finance and Monetary Policy Chamber

Government	Business	Labour	Community
R Masoga (Convenor)	E Masilela (Convenor)	J Mahlangu (Convenor) replaced by I Ramputa	I Frye
J van den Heever	S Siwisa	G Wilson	M Mbingo
T Hlekiso	D Dykes	C De Vos	P Ngwevela
V Mamba	P Drodskie	E Mabyana	T Nkwe
C Rossouw	T Skenjana	T Ntola	T Morolo
O Makhubela		G Strauss	L Kganyago
		G Humphries	R Hashe
		M Kepadisa	K Naidoo
		M Tsela	P Nkomo
		B Mngxekeza	
		R Oliver	
		N Kgagudi	
		F Ndzimande	
		R Ajam	
		C Malikane	
		G Macatha	

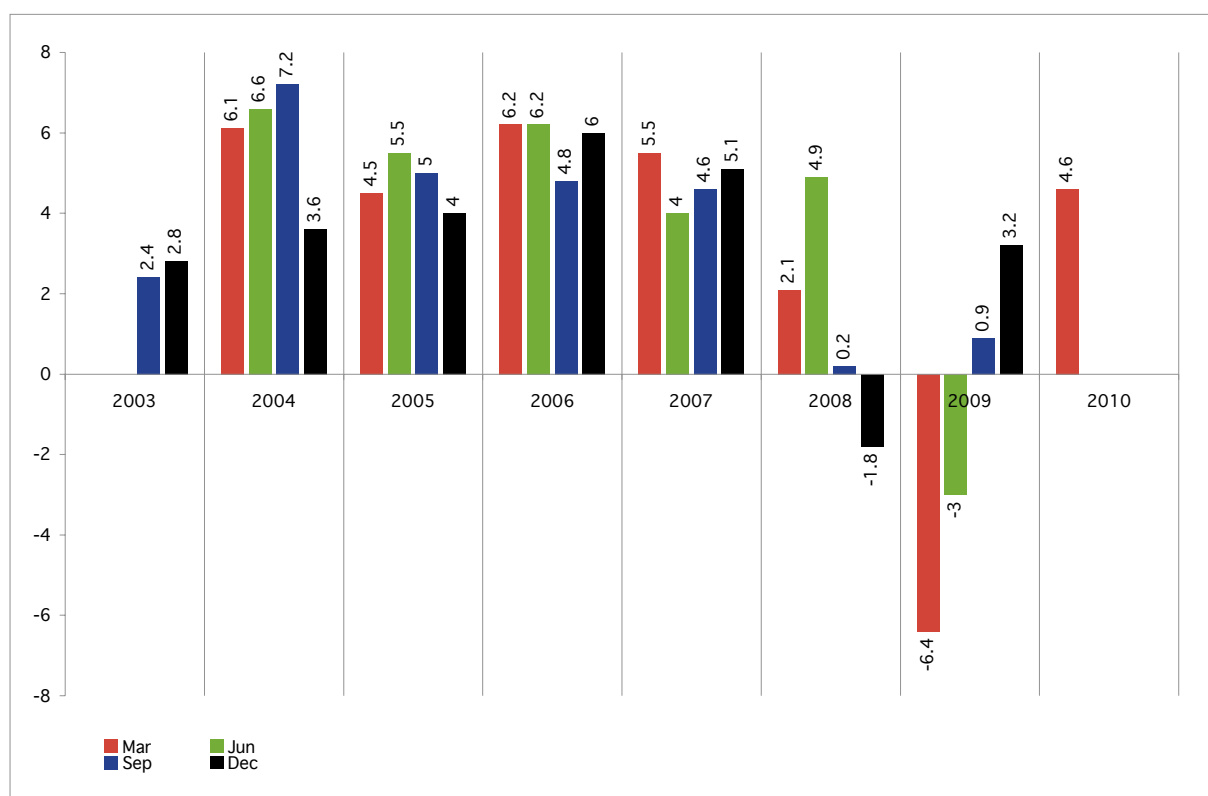
Members of the Education and Promotion of Savings Task Team

Government	Business	Labour	Community
V Mamba	S Siwisa	M Kepadisa	T Nkwe

Public Finance and Monetary Policy Landscape in numbers

Real gross domestic product

Percentage change from quarter to quarter



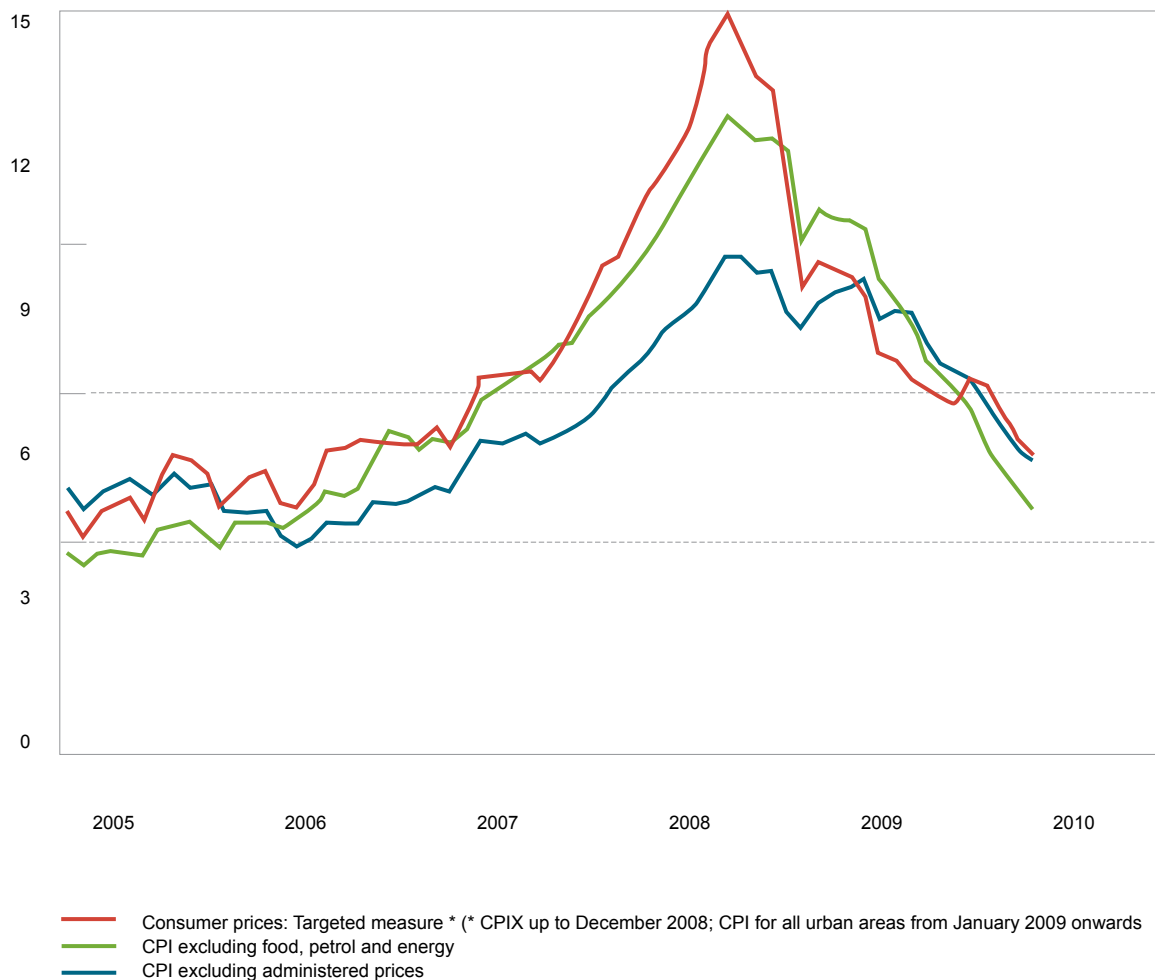
Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

Growth in the South African economy gained further momentum in the opening months of 2010 as domestic activity became more closely aligned with improving global economic conditions. Real gross domestic product increased at an annualised rate of 4.6% in the first quarter of 2010 following an increase of 3.2% in the fourth quarter of 2009. The enhanced performance in the first quarter could be attributed to firmer increases observed in real output of the primary and tertiary sectors, alongside a further solid, albeit somewhat slower rate of increase in the real value added by the secondary sector.



CPI and underlying inflation

Percentage change over twelve months

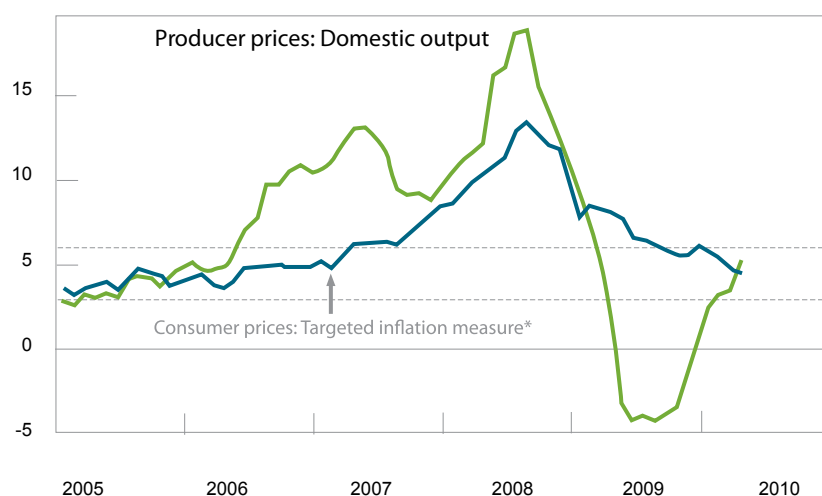


Source: South African Reserve Bank Bulletin June 2010

Excluding the impact of the volatile prices of food, non-alcoholic beverages and petrol from the consumer price index, the twelve-month inflation measure exceeded the upper limit of the inflation target range for the twenty-fourth consecutive month in January 2010, amounting to a rate of 6,2 per cent. Subsequently, this rate of increase receded to below the upper limit of the inflation target range in April 2010, amounting to 5.1%. When electricity prices are further excluded, headline CPI inflation amounted to 4.7% in the year to April 2010, suggesting that underlying inflationary pressures were also starting to abate.

Prices

Percentage change over twelve months



* CPIX up to December 2008: CPI for all urban areas from January 2009 onwards

Source: South African Reserve Bank Bulletin June 2010

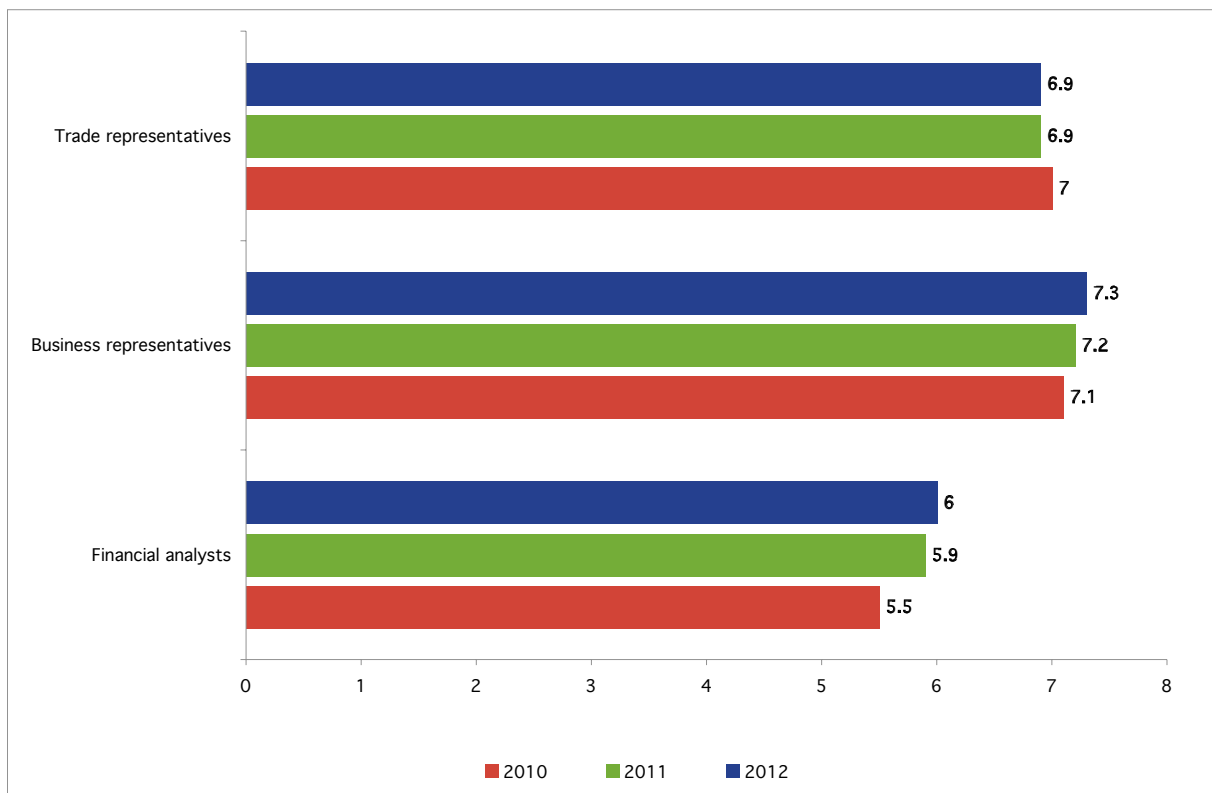
Following a seven-month period of deflation, headline producer prices increased at a year-on-year rate of 0.7% in December 2009. Thereafter, producer price inflation accelerated to a twelve-month rate of 5.5% in April 2010, largely due to base effects, higher mineral product prices and higher electricity costs. Being pushed higher by increases in mineral product prices, accelerating producer price inflation seemed likely to have only a limited impact on consumer goods price inflation. Twelve-month inflation in the producer prices of domestically produced manufactured products amounted to only 0.6% in April 2010, and over the same period agricultural product prices in fact declined by 0.5%.

Producer price inflation of imported commodities accelerated from a year-on-year rate of 2.6% in January 2010 to 5.0% in April. Producer price inflation of imported mining products accelerated from a year-on-year rate of 14.3% in January 2010 to 25.2% in April as the international price of crude oil rose, supported by the global economic recovery. On the contrary, prices of imported agricultural and manufactured commodities remained subdued in the early months of 2010.



Headline consumer price inflation expectations

Per cent, as surveyed in the first quarter of 2010



Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010

The survey of inflation expectations published by the BER shows a significant improvement in inflation expectations in the first quarter of 2010, despite such expectations remaining above the upper limit of the inflation target range. Average headline CPI inflation expectations for the year 2010 declined from 7.7% during the final quarter of 2009 to 6.5% during the first quarter of 2010. Headline inflation for 2011 was expected to average 6.7% in 2011 and to amount to 6.8% in 2012. While the inflation expectations of surveyed financial analysts remained unchanged in the recent survey, the improved outcome was due to a favorable change in the expectations of business sector and labour union respondents.

Effective exchange rates of the rand

Indices: 2000 = 100



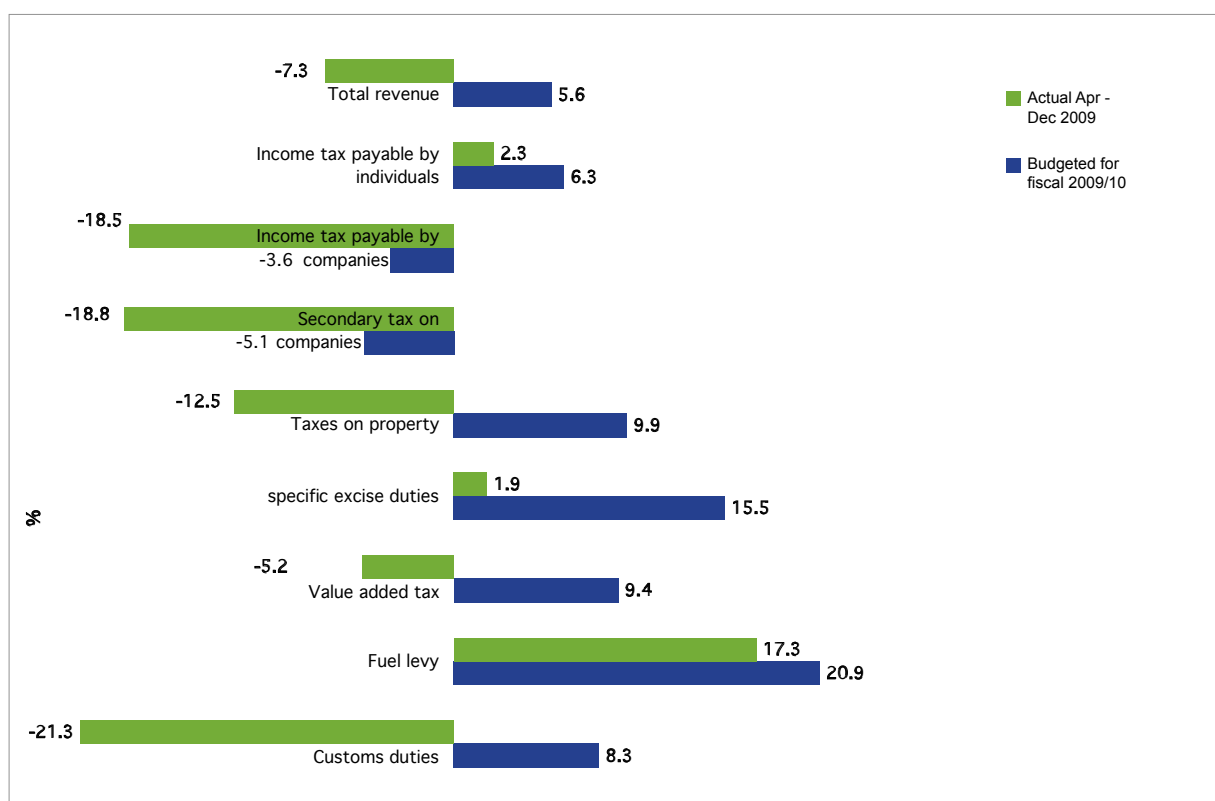
Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

The nominal effective exchange rate of the rand increased, on balance, by a further 0,2% in April 2010. The increase in the exchange rate of the rand reflected, among other reasons, the gradual depreciation of the euro against the US dollar due to fears that the sovereign debt problems in Greece may spread to other member countries in the euro area. In May 2010, the weighted average exchange rate of the rand, however, weakened again in response to the decline in international commodity prices.

The real effective exchange rate of the rand increased by 22.8% in the year to March 2010, signifying deterioration in the competitiveness of South African exporters in international markets over the period.



National Government revenue



Source: South African Reserve Bank (SARB), Quarterly Bulletin March 2010.

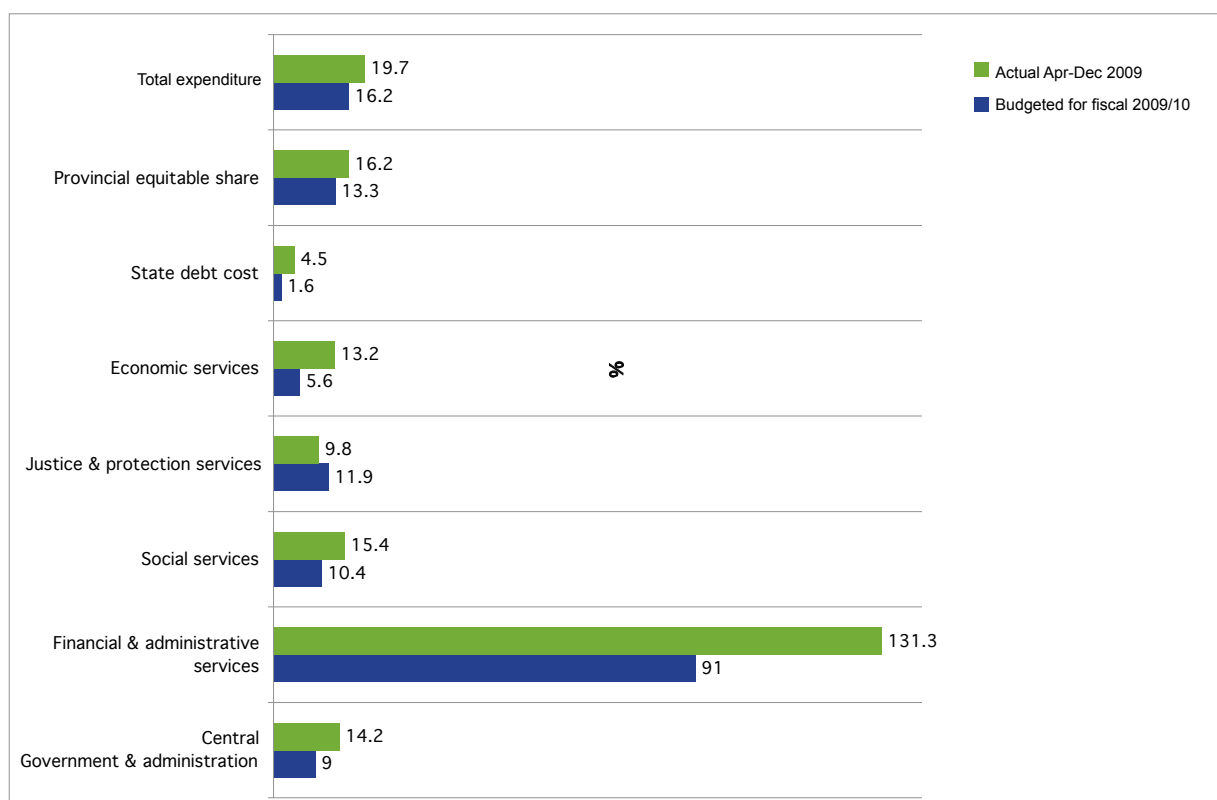
Revenue collections by National Government amounted to R411.5 billion in April–December 2009, a year-on-year rate of decrease of 7.3 %when compared with the same nine-month period a year earlier. National government revenue was originally budgeted to increase by 5.6% to R643 billion in fiscal 2009/10. However, it was revised downwards in the MTBPS 2009 to R571 billion, a year-on-year rate of decrease of 6.2%. As a ratio of gross domestic product, National Government revenue amounted to 22.3% in the first nine months of fiscal 2009/10, lower than the ratio recorded in the same period of the previous fiscal year.

The decline in national government receipts was evident in the slowdown reflected by all major tax categories, which mirrored sluggish domestic economic conditions. Notwithstanding the prevailing conditions, the month-to-month rate of decline slowed moderately, indicating a turnaround in economic activity, although the recovery was expected to be slow. The slowdown in taxes on income, profits and capital gains was influenced by a steep decline of 19.0% in the corporate income tax collections sub-category.

The decline in corporate income tax far outweighed marginal growth in personal income tax collections, stemming from the decreased profitability and lower earnings of large corporate taxpayers such as financial institutions and mines.

Tax collections from property declined, consistent with sluggish real-estate market activity. The main component of taxes on goods and services – value-added tax (VAT) – recorded a negative growth rate, reflecting a contraction in domestic demand and significantly lower VAT on imports. Taxes on international trade and transactions declined as lower customs duties were collected owing to lower imports alongside subdued international trading conditions.

National Government expenditure



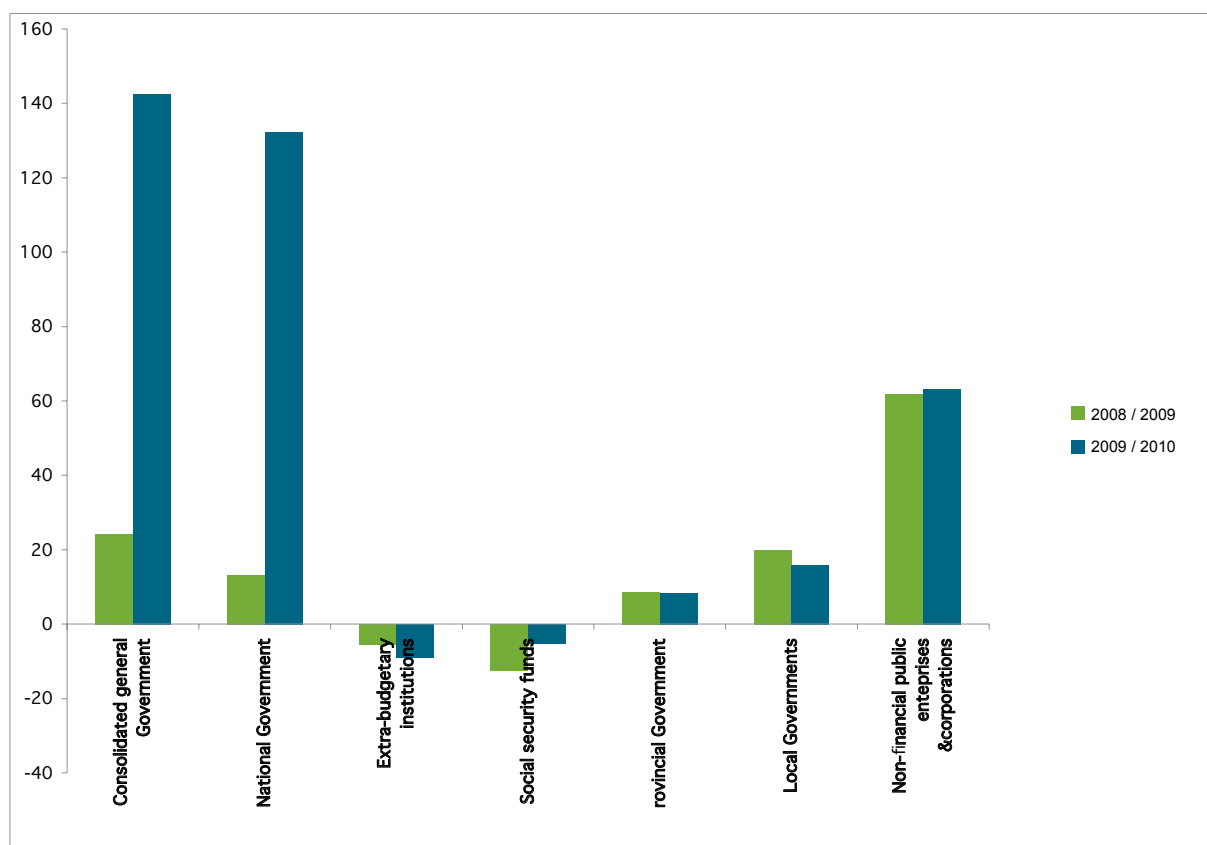
Source: South African Reserve Bank (SARB), Quarterly Bulletin March 2010.

In the first nine months of fiscal 2009/10, growth in national government expenditure exceeded revised budgetary projections, whereas revenue collections fell short of revised budgetary expectations; hence, a sizeable deficit was recorded. Spending by National Government totaled R557.3 billion in April–December 2009 or 19.7 % which was more when compared with the same nine-month period a year earlier.

Countering subdued economic conditions, growth in national government expenditure slightly exceeded revised budget projections. National government expenditure was originally budgeted to total R739 billion, or increase by 16.2% for fiscal 2009/10. However, it was revised upwards by R14,0 billion in the Medium Term Budget Policy Statement 2009 (MTBPS). The revision highlighted the support for infrastructural development necessary for economic growth and emphasised that government's long-term service delivery priorities would not be compromised by lower growth in revenue collections. As a ratio of gross domestic product, national government outlays amounted to 30,2 per cent in April–December 2009 compared with 26,7 per cent for the same period a year earlier.



Non-financial public sector borrowing requirement



* Deficit + surplus –

** Components may not add up to the totals due to rounding

Source: South African Reserve Bank (SARB), Quarterly Bulletin June 2010.

Non-financial public enterprises and corporations recorded a preliminary cash deficit of R63.1 billion in fiscal 2009/10, higher than the R61.8 billion cash deficit recorded in fiscal 2008/09. Net investment in non-financial assets by non-financial public enterprises and corporations amounted to R113.0 billion in fiscal 2009/10, an increase of 18,3 per cent when compared with the previous fiscal year. The Budget Review 2010 projected investment in non-financial assets to total R125.5 billion in fiscal 2009/10.

Work Stream 8

Section 77 Notices

Terms of Reference

Section 77 of the Labour Relations Act gives workers the right to take part in protest action to protect or defend their socio-economic interests. The Act gives Nedlac the task of bringing parties to a Section 77 notice together to attempt to resolve the reasons for the contemplated protest action.

Applications filed under the period under review

There was one Section 77 Notice filed in the period under review, compared to three (3) that were filed in the 2008/9 period.

Members of The Section 77 Steering Committee

Government	Labour	Business	Community
T Mkalipi	M Mbongwe	K Moyane	S Mapaila
	T Ehrenreich	I Jacobs	T Nkwe

Date Filed	Applicant	Issues	Status
02 November 2006	SATAWU	Job Security in the Cleaning and Security Industry. Job Losses, lack of best practices and sustainability in the awarding of tenders, absence of agreed sectors' strategies to position and grow sectors.	Task Team on the security industry has finalised the Draft Agreement. The sub-committee has made progress in the negotiations to finalise the draft agreement between the parties.
22 January 2009	Fedusa	Ensuring the safety of pedestrians and motorists at railway crossings.	The Standing Committee referred the matter back to the parties to seek an agreement. Parties to revert to the Standing Committee once the bilateral engagements have been finalised.
08 February 2010	SACCAWU	Challenges encountered in the process of acquisition of organisational rights as well as problems encountered in picketing during strikes within these sectors.	The Standing Committee has advised the applicant to engage the matter in the processes of the Labour Market Review.



Special Projects

Special Project 1:

Decent Work Country Programme (DWCP)

The ILO believes that the promotion of decent employment is a catalyst for poverty reduction. The Nedlac Social partners constituted by Government, Organised Business, Organised Labour and the Community Constituency support the development of the DWCP for South Africa.

Overview

Nedlac Social partners working with the ILO have engaged to develop a DWCP for South Africa and through this work Nedlac identified key priority areas which are premised on the ILO Decent Work Agenda pillars, notably: the promotion of fundamental principles and rights at work that relates to; promotion of employment and income opportunities; the expansion and improvement of social protection coverage; and the promotion of social dialogue and tripartism.

Based on the consultations held between the ILO and the tripartite-plus constituents, as well as the priorities outlined in key development frameworks and policies, the agreed priorities and outcomes of the DWCP for South Africa are as follows:

Priorities

- a) **Strengthening fundamental principles and rights at work** through the ratification and implementation of International Labour Standards; and improved labour administration for effective employment services.
- b) **Promotion of employment creation** through an enabling environment for job rich growth, sustainable enterprises, including formalisation of the informal sector and skills development.
- c) **Strengthening and broadening social protection coverage** through managed and more equitable access to social security and

health benefits, occupational safety and health, and improved workplace responses to the HIV/AIDS epidemic.

- d) **Strengthening tripartism-plus and social dialogue** through the improved capacity of the tripartite-plus dialogue institution (and its constituent members), labour market institutions for effective social dialogue and sound industrial relations.

Outcomes

- a) Up-to-date International Labour Standards are ratified, complied with and reported on.
- b) Labour administrations apply up-to-date labour legislation and provide effective services.
- c) More women and men, especially youth and persons with disabilities, have access to productive and decent employment through inclusive job-rich growth.
- d) Sustainable and competitive enterprises (including cooperatives) create productive and decent jobs especially among women, youth and persons with disabilities.
- e) Skills development increases the employability of workers and the inclusiveness of growth.
- f) More people have access to improved and more gender equitable social security and health benefits.
- g) Workers and enterprises benefit from improved safety and healthy conditions at work.
- h) The world of work responds effectively to the HIV/AIDS epidemic.
- i) Strengthened labour market institutions and capacitated social partners (tripartite-plus) contribute to effective social dialogue and sound industrial relations.

Implementation

The formulation, implementation and management oversight role for the South Africa (DWCP) will be driven within Nedlac structures through a National Steering Committee. The Steering Committee will convene at least twice a year to monitor and review implementation of the DWCP. A Technical Committee for the DWCP Steering Committee has been established to oversee the formulation and planning of projects and activities developed within the framework of the DWCP and to approve projects before their implementation.

The process to formulate and plan for projects is underway.

Special Project 2:

Framework for South Africa's Response to the International Economic Crisis

Social dialogue has been at the heart of South Africa's response to the international economic crisis.

The Framework for South Africa's Response to the International Economic Crisis (Framework Response) is a collective effort of Government, Organised Business, Organised Labour and the Community Constituency that was to seek to mitigate the impact of the international economic crisis, which threatened significant social, economic and employment gains since the advent of democracy in South Africa.

In the Framework Response, parties agreed to the formation of task teams that would give effect to the measures outlined in the response package. The following Task Teams were formed:

- Leadership Team
- Finance and Investment Task Team
- Social Interventions Task Team
- Employment Task Team
- Distressed Sectors Task Team

Each task team was tasked with developing Action Plans that would ensure timely implementation of the proposed measures as well as monitoring and

evaluation thereof. The action plans called for social solidarity and collective responsibility. In the period under review the Leadership Team met twice with the President of the Republic of South Africa to report on the key developments, impacts and challenges of the implementation.

Key highlights of the implementation report

Monetary and Fiscal Stance Measures undertaken

- a) Government has maintained a strong counter-cyclical fiscal and monetary policy stance and there has been a clear alignment between the two policy areas.
- b) Since the start of the recession, government spending levels have been maintained in spite of a large drop in tax revenues. This has resulted in a sharp rise in deficit spending, in order to maintain liquidity in the economy. In addition, government has committed in the MTBPS to maintain and expand the real level of government spending over the next three year period.
- c) Monetary policy has been the subject of public debate. During the period since the Framework was concluded, the Reserve Bank has held seven meetings of its Monetary Policy Committee. Interest rates were reduced on four occasions by a total of 350 basis points, through the following cuts to the repo rate:
 - 100 basis points on 25 March 2009 bringing the repo rate to 9.5%
 - 100 basis points on 30 April 2009 bringing the repo rate to 8.5%
 - 100 basis points on 28 May 2009 bringing the repo rate to 7.5%
 - 50 basis points on 14 August 2009 bringing the repo rate to 7%.



Training Lay-off Scheme Measures undertaken

- a) South Africa has introduced its first-ever training scheme aimed at providing companies with an alternative to retrenching workers during a period of industrial slack caused by the recession. The scheme has been put together in record time through the collective efforts of the Social partners.
- b) A total of R2,9 billion has been mobilised, made up of R2,4 billion for training allowances to be paid to workers and about R500 million has been ring-fenced by SETAs for training costs. The scheme is now in its pilot phase of implementation which will run for three months. The rules provide for the training layoff scheme to be applicable to employees who earn below R180 000 per annum. The Fund will be used to pay a training allowance to workers, pegged at 50% of the basic wage or salary, to a maximum of R6 239 a month. Participating employers will continue to carry the basic social benefit costs of employees during this period, which include the costs of funeral, death and disability cover.
- c) The Training Lay-off Scheme can be accessed through the offices of the CCMA or through participating SETAs. The Training Lay-off scheme was incorporated into the CCMA's strategy and operations, 200 Commissioners were briefed on the Training Lay-off and 37 of the most experienced Commissioners were trained across South Africa to facilitate training lay-off applications and the scheme has been actively promoted as an alternative to retrenchments. The CCMA incorporated the Training Lay-offs into a holistic approach to preventing job losses. The Presidency, SETAs (Wholesale and Retail, Clothing and Textile, Chemicals, Mining, Metals and Engineering), the Department of Labour and other national departments, CCMA and members of Organised Labour and Business have participated in many processes to publicise and promote access to the Training Lay-off Scheme. A brochure has been produced by the CCMA to set out the rules of the scheme.

Expanded Public Works Programme (EPWP)

Measures undertaken

- a) The Expanded Public Works Programme is an important part of Government's capacity to provide employment to those who are not absorbed into the labour market.
- b) The Expanded Public Works programme is being rolled out and as of the end of the second quarter of 2009 223 568 verified number of work opportunities were created.
- c) As at the end of October 2009 the Department of Public Works reported to Parliament that a number of additional work opportunities were created after the second quarter.
- d) Included in the commitments made in the Framework Agreement was the acceleration of the EPWP Phase II and the role of NGOs, trade unions and CBOs in offering advice on priorities and in administering resources for and in running projects through Community Works Programmes (CWP). The Community and Labour constituencies are working with the Department of Public Works in this regard. The CWP was recently allocated a further R58,5 million in the October 27th adjustment budget.
- e) It was agreed to review the wages paid to workers on public works programmes since the sectoral determination had not been adjusted for a number of years. The Employment Conditions Commission (ECC) considered the matter and a recommendation for an adjustment of wages has been made by the ECC and will be forwarded to the Minister of Labour for consideration.

Support for Companies in Distress

Measures undertaken

- a) The IDC committed to raising the level of its equity exposure in vulnerable sectors where possible and making working capital available to firms in large, labour-intensive sectors.
- b) The IDC established a R6,1 billion fund to assist companies in distress as a result of the recession.
- c) Applications have been received from a number of companies and have been considered by the IDC. In a number of cases, the applications have been finalised and monies allocated to firms. Details of these are set out later in the Report.

Support for Sectors in Distress

Measures undertaken

Social partners, through deliberations realised that a significant part of the National response to the global economic slowdown should be to rebuild local industrial capacity and avoid de-industrialisation and that it was critical for distressed sectors and Small to Medium Enterprises (SMMEs) to be assisted during the slowdown.

To date, sector packages have been developed for the automotive and clothing and textile sectors. A sector package is being developed in the capital equipment, transport equipment and metal fabrication sector. Details of these are as follows:

a) **Automotive sector**

- i. 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. They recognised that there needed to be a substantial and rapid response to limit the loss of strategic industrial capacity and employment in

the automotive sector in South Africa and 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.

- ii. In particular, companies receiving crisis-related assistance "must commit to a moratorium on retrenchments for the duration of the assistance period": The rescue package for the auto sector provides, *inter alia*, as follows:

- 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. (Automotive Industry Agreement on the Response to the Crisis, 23 July 2009).

- iii. 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.

b) Clothing and Textiles

- i. Business and labour stakeholders drawn from Bargaining Council representatives 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.
- ii. On trade: Labour and Business from the clothing subsector 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. ITAC dealt with the application expeditiously, approving the increase in tariffs to the bound rate of 45%. A joint labour/business submission to decrease tariffs on three articles of textiles through a duty rebate was submitted to ITAC. ITAC introduced seven fabric duty rebates.
- iii. 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. It is intended that the proposed scheme address the need to improve competitiveness and performance in the clothing and textiles sector.

c) Capital Equipment, Transport Equipment and Metal fabrication:

- i. The dti has agreed in principle to set aside at least R37.5 million and R150 million 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, once operational,

will be administered on behalf of the dti by the IDC.

d) SMMEs

- i. SMMEs have been particularly badly affected by the crisis. In addition to the normal work undertaken by government support agencies, government has committed to ensuring payment to SMMEs within 30 days of invoice. On 23 July 2009, President Zuma committed to measures to ensure implementation of this commitment. One means has been to utilise the hotline.
 - Since the launch on 21 September 2009, the Hotline has assisted 11 909 callers with queries.
 - 1 821 of these queries were for non-payment incidents for government departments or public sector institutions and were logged with the Public Sector SMME Payment Assistance Hotline.
 - 1 627 of the incidents logged are currently being followed up on a regular basis with the relevant departments and public sector institutions.
 - 34 non-payment incidents have been escalated to the dti and Seda due to a lack of cooperation from the departments or public sector institutions.
- ii. The private sector is also investigating mechanisms to improve the payment cycle to SMMEs by larger companies.
- iii. The National Empowerment Fund has implemented a debt restructuring programme on its SMME portfolio of R400 million.
- iv. The work on access to credit has resulted in a draft agreement to establish a technical assistance fund to facilitate access to SMMEs, new commitments by Khula towards small businesses and more flexible and supportive measures on repayment periods for small businesses. These commitments are now the subject of mandating process and details are contained in this report.

Key Impact and Challenges

The impact of some of the various measures undertaken by the social partners is captured below.

- a) The stimulus measures have been vital in reducing the impact of the global economic crisis on the local economy. Though South Africa has been severely affected by the recession, with three consecutive quarters of economic contraction, the results of the third quarter of 2009 registered a positive quarter-on-quarter growth of 0,9% in the Gross Domestic Product (GDP).
- b) The Training Lay-off Scheme was launched on 21 September 2009 through the CCMA and is currently in its pilot phase. The retrenchment action plan launched by the Manufacturing, Engineering and Related Services Sector Education and Training Authority (Merseta) has approximately 7 000 workers in the programme based on the Training Lay-off model.
- c) In addition to the Training Lay-off, other CCMA interventions are also directed at avoiding or reducing retrenchments. Through proactive intervention to prevent job loss at the CCMA, 4 482 jobs were saved from March to September 2009.
- d) The infrastructure investment programme has resulted in the employment of thousands of workers at the construction sites of Medupi, the five stadia and the rapid bus transport system.
- e) The Department of Public Works reports that through the EPWP projects, 223 568 work opportunities have been created by September 2009. Of those that have benefited 55% have been women, 38% for youth and 2% for people with disabilities. Additional jobs have been created since the second quarter and will be announced by the Minister of Public Works.
- f) The IDC approved about R500 million to end October 2009 to be invested in 15 different companies in distress. Funding is structured according to the specific company's needs and can take the form of loans or equity and can be applied for working capital or upgrading of equipment. This year's approvals up to end October are estimated to have saved over 7 700 jobs. The pipeline of projects currently has 33 applications with a potential value of around R2 053 million.
- g) The IDC has also extended non-investment support to other companies troubled by the recent economic crisis. This current financial year, 16 existing clients were assisted and repayments restructured to increase their resilience to short term constraints.
- h) The sectors which received the most attention from the IDC's crisis intervention are mining and beneficiation, followed by metals, the auto sector, machinery, wood, paper and others and then textiles and clothing. The IDC also has a considerable pipeline of projects coming through from distressed sectors, led by the automotive industry (car assembly and components), followed by mining.
- i) The announcement of support for the auto sector boosted investor confidence during a particularly difficult period. Major new car production plans were announced by two large car companies.
- j) The increase in the tariffs on the 35 items in the clothing and textile sector is expected to increase the price competitiveness of local producers.
- k) SARS has seized 750 tons of clothing and textile products that have been smuggled into the country from raids on 88 premises conducted in a nationwide enforcement initiative. The value of seized goods is estimated at over R90 million.
- i. Of the premises raided in Durban, 24 remain closed and are under investigation for charges including valuation, classification, and merchandise labelling fraud as well tax evasion. The Cape Town



- raids on importers warehouses uncovered World Cup-related customs fraud to the value of R520 000 including soccer jerseys and socks.
- ii. One major retailer is under investigation for customs fraud as a result of these enforcement initiatives.
 - iii. The effect of this heightened action against illegality is expected to offer support to local producers and an estimated 1 400 jobs have been saved as a result of the actions.
- l) The Competition Commission investigations in the food supply chain have resulted in a number of cases being referred to the Competition Tribunal including iro of bread, diary products, poultry and silo. Penalties of approximately R394 million have been paid to date. The Commission is conducting further investigations to assess whether cartels are continuing in other forms. The importance of supporting new entrants and smaller firms in food processing has been highlighted, together with the possible need for stronger intervention in agricultural inputs.
 - m) The extensive Competition Commission investigations into collusive behaviour in the construction supply-chain has resulted in a number of admissions by companies and applications for leniency. It is expected that this will positively influence the remaining infrastructure development programme.
 - n) Small businesses are being supported through a range of measures, from the 30 day deadline for government payments to small suppliers to debt restructuring by the National Empowerment Fund.
 - o) The government programme of Agricultural Starter Packs to households was rolled out and R76 million was spent in 2009 in various provinces.
 - p) It is anticipated that extension of the Child Support Grant from children of 15 years to 18 years will bring the number of South Africans with access to social grants to 13 million.
 - q) The equalisation of the old age pension will affect 450 000 old age pensioners.
 - r) The impact of a number of areas of new agreement (e.g. green jobs, procurement, and capital equipment support) will be clear in the period ahead.
 - s) The work of the various Task Teams and the Leadership Team has laid the basis for stronger partnership, a theme explored in the Conclusion.

Conclusion

Social partners have sought to address together a monumental task that required a collective effort and it was heartening when the President of the Republic of South Africa recognised the efforts and progress made by Social partners in developing measures that addressed the impact of the international economic crisis.

Constituencies have learnt a great deal that can assist both in the response to the cyclical economic crisis as well as in addressing structural challenges that need to be addressed in achieving large-scale decent work outcomes, sustained growth and development path.

Status

The implementation phase has continuously gained momentum and the finalisation of action plans which are meant not only to deal with the economic crisis, but also to be sustainable long after the crisis has passed is nearing completion.

Special Project 3:

Nedlac Review

The Review has its origins in a request made by a Cabinet Lekgotla to the Minister of Labour Mr Membathisi Mdladlana to undertake a review of social dialogue and the role of the National Economic Development and Labour Council (NEDLAC). Nedlac, in its tenth anniversary publication entitled *The Nedlac Experience, 10 Years of Social Dialogue*, supported

the call for a review and argued that: 'one of Nedlac's strengths is its ability, as an institution to have created a culture of self-examination'.

Nedlac commissioned Professor Eddie Webster to conduct an independent review of the institution. Whilst the Review sought to evaluate Nedlac as an institution and the benefits of social dialogue, its overriding objective has been to strengthen social dialogue and ensure that it remained a key feature of future policy-making.

The Review identified a number of challenges facing both Nedlac as an institution and the broader social dialogue. Furthermore, the Review raised a number of recommendations which are to fortify Nedlac's role in promoting social dialogue.

Status

Subsequent to the formal tabling of the Review in Cabinet Lekgotla, the Nedlac Review has been released and tabled in Nedlac for consideration by Social partners. Subsequent to the Nedlac Review, the Institution held a Strategic session which dealt with the Review and how best the institution could be strengthened. A number of recommendations flowing from the strategic session were handed over to a Steering Committee which has prepared a report that the Nedlac Principals are considering. Finalisation of the process is earmarked for the 2010/11 reporting period.

Special Project 4:

Anti-Poverty Strategy

Introduction

The process of drafting the Anti-Poverty Strategy (APS) started with the development of the Anti-Poverty Strategy Framework a little more than four years ago. The process had been delayed partly because, the envisaged full APS process was not identified. Consequently, various steps in the formulation processes were often mixed up, and no proper sequencing was followed.

Comments have been solicited from various stakeholders and the Nedlac consultation process has commenced.

Six steps are envisaged for the APS process:

- 1) Development of the Framework;
- 2) Operational Plan for the Anti-Poverty Strategy Framework;
- 3) Costing for Operational Plan;
- 4) Development of Performance and Monitoring Framework for the Operational Plan;
- 5) Development of Co-ordination and Management Mechanisms of the Operational Plan; and
- 6) Capacity Development for Implementation.

Guiding Principles

Four guiding principles underpin the approach being proposed in this Anti-Poverty Model, namely:

- a) Sufficiency, we imply that the South African society has, as its priority, that everyone should reach at least a minimum threshold (e.g. a minimum standard of living) sometimes also closely related to human rights;
- b) Priority, we imply that the needs of the most vulnerable should take priority;
- c) Equality of process, we imply the quality of relations between people, the interactions between them, and the interactions between people and institutions;
- d) Equality of opportunity, we imply resources, talents, institutions, and effort.

Intended Impact

The intended impact is in two folds; the eradication of poverty and the reduction of inequality in society. This is the ultimate goal of the strategy.



Intended Outcomes

There are two broad outcomes of the APS, notably; economic development and human capital development. The strategy realises it is virtually impossible to achieve poverty eradication and reduce inequality within South African society without first achieving economic development and human capital development.

The three major pillars identified for the economic development outcome are:

- Pillar 1 - Economic growth
- Pillar 2 - Income security, job creation, and entrepreneurship
- Pillar 3 - infrastructure development

Pillar 3 is further subdivided into:

- Pillar 3a - economic infrastructure
- Pillar 3b - social infrastructure

Pillar 3b is further subdivided into:

- Pillar 3b (i) - household infrastructure (housing, electricity, water, sanitation)
- Pillar 3b (ii) - community infrastructure (public facilities, schools, clinics, community halls, roads, sports fields, bulk infrastructure, etc)
- Pillar 3c - Assets such as land and those of a financial nature such as credit facilities are also included.

For the human capital development outcome, there are five major pillars:

- Pillar 4 - Education
- Pillar 5 - Health
- Pillar 6 - Training
- Pillar 7 - Skills development
- Pillar 8 - Food Security

Status: Finalisation of the APS Framework is earmarked for the 2010/2011 reporting period.

PART THREE

HUMAN RESOURCES





Human Resource Management

The Nedlac Secretariat comprised 22 staff members as at 31 March 2010.

During the year, 1 additional staff member joined the Secretariat in the position of Special Projects Coordinator as this position was vacant. One staff member, who was employed in the position of the Section 77 Coordinator, left the Secretariat. The reason for leaving the Secretariat by the employee was to explore a business opportunity.

The staff turnover rate at the Secretariat is low in comparison to the earlier years of Nedlac's inception. In previous years, the scope of the Nedlac Secretariat was merely to perform an administrative function. However, the Secretariat is now required to chair and facilitate meetings. Nedlac is therefore required to build capacity within the Secretariat.

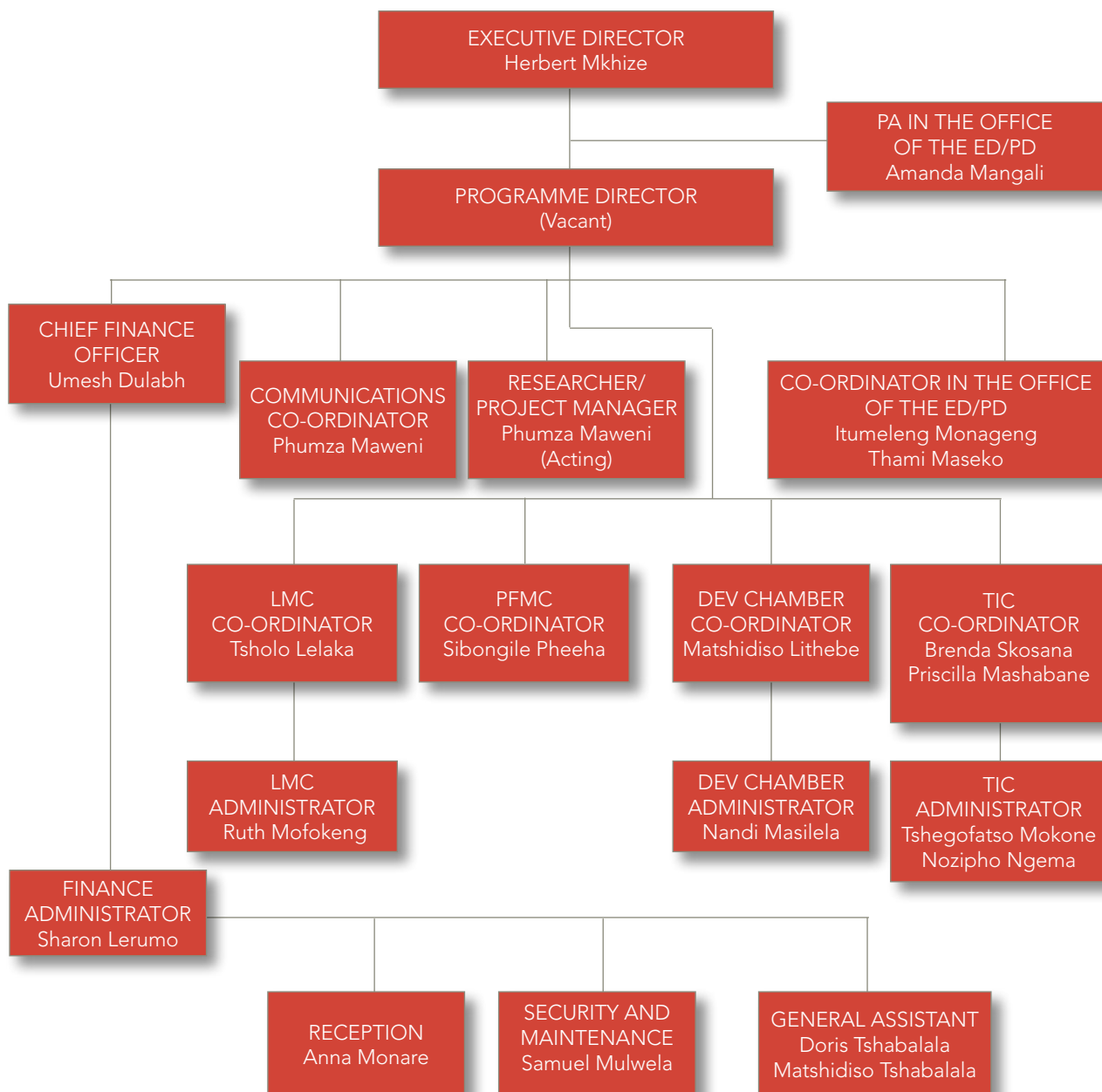
The role of the Coordinator is a complex one as it involves a large number of skills that ranges from writing minutes, the social skills required to interact with a range of social partners as well as specialist knowledge in the area of the Chamber.

A recommendation from the Nedlac Review performed by Professor Edward Webster was for a skills development programme to be done either through upgrading the skills of the present incumbents and a mentoring process by experts or by employing more skilled Coordinators. At present there is a mismatch between the skills required by the incumbents and the requirements of the job.

An important recommendation from the Nedlac Review is that an Organisational Development specialist in social dialogue institutions work with a local task team to assist the Secretariat in setting in place systems to overcome organisational blockages identified in the Review.

The Organisational Development specialist process will be carried out during the 2010/11 financial year.

Nedlac Establishment





Employment Diversity

Groupings	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
Executive Team	1										1
Management Team			1								1
Staff	4	15			1						20
Nedlac Total	5	15	1		1						22
Nedlac % Rep.	23%	67%	5%		5%						100%

Nedlac is an affirmative action employer and has a recruitment evaluation system that allocates points accordingly. Nedlac is currently fully compliant with the affirmative action guidelines.

Groupings	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2009/10		1									1
Number of employees promoted in 2009/10											
Number of employees' services terminated in 2009/10	1										1

There are no foreign employees.

As Nedlac is a relatively small organisation, upward mobility is restricted within posts (except for annual increases determined by the average CPI). If posts become vacant however, employees have the opportunity to apply internally prior to the post being advertised externally.

Remuneration and Job Evaluation

Personnel Costs	African		Asian		Coloured		Disabled		White		Staff Total
	M	F	M	F	M	F	M	F	M	F	
1. 40 – 60 000	1	1									2
2. 60 – 80 000		1									1
3. 80 – 100 000		1									1
4. 120 – 140 000	1	2									3
5. 140 – 160 000		2									2
6. 160 – 180 000	1										1
7. 180 – 200 000											
8. 200 – 250 000		5									5
9. 250 – 300 000	1	3			1						5
10. 300 – 350 000											
11. 350 – 400 000											
12. 400 – 500 000			1								1
13. 500 – 600 000											
14. 600 – 700 000											
15. 700 – 800 000	1										1
TOTAL	5	15	1		1						22



Injury, Illness and Death/Sick Leave/Ill Health

Incident	No. of days
The number and nature of incidents of injury, illness and death resulting from official duty or the work environment	0
The average number of days sick leave taken by employees	3.3
The total number of days sick leave taken by employees	73
The number of employees who took more than 15 continuous days sick leave	0
The number of employees discharged due to ill health	0

Disciplinary Steps

Disciplinary Steps	No. of staff
Disciplinary steps taken against employees for, <i>inter alia</i> , unauthorised, irregular and fruitless and wasteful expenditure	0

*M = Male; F = Female

PART FOUR

COMMUNICATIONS



To provide support and strategic communication services to Nedlac, while raising awareness on the role of Nedlac in the transformation of South Africa's socio-economic landscape



Communications 2009/10

Terms of Reference

To provide support and strategic communication services to Nedlac, while raising awareness on the role of Nedlac in the transformation of South Africa's socio-economic landscape.

Programme Performance Publications

During the period under review, 1 000 copies of the Nedlac Annual Report and 4 000 copies of the Quarterly Bulletins were printed and distributed to targeted institutions including public libraries and other statutory bodies.

There is an increasing demand for Nedlac publications by Government Departments, NGOs and all four Constituencies who distribute them at their Conferences and there continues to be a high demand for Nedlac publications from external stakeholders.

Website

The Nedlac website was upgraded and updated during the period under review, with a view to make it more user-friendly and most importantly to ensure that the information provided remained fresh and relevant.

The newly revamped website has by far surpassed our expectations with a record number of hits/visits totalling 142 494 compared to 110 486 visits in the previous reporting period, which translates to an increase of 32 008. The Nedlac website is used regularly by students and academics doing research on Nedlac related issues both locally and internationally.

The areas that were most visited were *inter alia*, the Nedlac reports, the Annual Summit, Nedlac Agreements, the Chambers, FRIDGE and the *Nedlac Annual Report*.

Public Information

Nedlac publications, media coverage and the website continue to generate a large number of enquiries both domestically and internationally. The Secretariat continues to distribute the leaflet on "what is Nedlac" to visitors, both local and international.

We distributed the following publications in the period under review:

- *Quarterly Bulletin*
- *Protocol for tabling issues at Nedlac*
- *Constitution*
- A leaflet on *what is Nedlac*
- *Founding document*

Media Coverage

The Secretariat tracks any mention of Nedlac's name in the media on a monthly basis. On the basis of this analysis, Nedlac's media coverage is exceptionally high. In the year under review, Nedlac was featured 1 913 times in the print media. It should be noted that some of these articles mention Nedlac merely in the context of information that is available or people who are involved in Nedlac structures.

Issues which attracted a significant amount of media coverage included:

- i. Framework for South Africa's Response to the International Economic Crisis
- ii. The Section 77 Notices
- iii. The Budget process
- iv. The 2009 Annual Summit
- v. The Nedlac Review
- vi. Briefings to Parliamentary Portfolio Committees on the work programme of Nedlac
- vii. Decent Work Country Programme
- viii. World Aids Day
- ix. National Stakeholder Advisory Council
- x. 2010 FIFA LOC Framework
- xi. WTO
- xii. Presidential Joint Working Group Sessions

Broadcast media coverage shows notable signs of frequency and expansion. This has been evidenced by broadcast media coverage of the Nedlac Annual Summit, Social Partner engagements with the Minister of Finance and member of the Nedlac Executive Council Pravin Gordhan, the interactions with the President of the Republic of South Africa, the Minister of Economic Development as well as regular engagements with Parliament on the work programme of Nedlac.

PART FIVE

CHALLENGES



Working towards a new growth path to transform the economy to one that meets the basic needs of our people.



Challenges Interventions and Key Priorities for the year ahead

Challenges

- The demand on Nedlac far outstrips its financial resources.
- Inability of the Institution to attract the requisite skills due to financial constraints.
- Some, albeit few cases of issues being tabled at Nedlac at short notice.
- The disconnect between the National Social Dialogue outcomes with what happens at Provincial and Local level.
- Incoherent policy objectives on some of the policy proposals that are tabled in Nedlac.
- Dealing with policies that straddle more than one government department
- Positional stances that often lead to an adversarial approach and tensions in the negotiations.
- Tight timeframes to finalise issues and little or no flexibility from some government departments.
- Sequencing of processes at times undermine social dialogue.
- Absence of a formal protocol with Parliament (Possible inclusion of Nedlac in the Rules of the House).
- Forum hopping.

Interventions

- Fast tracking the finalisation of the recommendations in the Nedlac Review Report.
- Enhancing greater agility in decision-making hence reducing the lead times on mandating processes.
- Securing a commitment at the highest levels in government to ensure adherence to the Protocol for tabling and consideration of issues in Nedlac.
- Ramp up technical and administrative capacity in the Secretariat.

- Building better relations with Parliament and its structures.
- Taking steps to ensure that the level of representation is senior enough to improve turn-around time on issues.
- Improve the public perception of the institution by demonstrating the value-add that is inherent in real social dialogue.
- Increase the level of hands-on-participation of senior leadership when processes get stuck and/or in the event of deadlocks.
- Motivate for additional financial resources.

Key Priorities going forward

- Developing a shared vision that prioritises growth and development as a common national goal.
- Working towards a new growth path to transform the economy to one that meets the basic needs of our people.
- Ensure that the Nedlac work programme continues to reflect and give greater attention to the country's key priorities *inter alia*:
 - Finding convergence on the Industrial Policy Action Plan 2 (IPAP2).
 - Labour Market Policy Review.
 - Decent Work Country Programme.
 - Addressing the challenge of Labour Broking. New Growth Path for South Africa.
 - Country's Compact on Electricity Crisis.
 - Framework for South Africa's Response to the International Economic Crisis
 - Farm workers; agrarian and land reforms Service Delivery through Social Dialogue at provincial level.
 - Organisational Development Project.

- WTO.
- Anti-Poverty Strategy.
- Vision 2025.
- Complement the national efforts to address the key challenges facing the country.
- Keep the organisation focused on all the efforts to give effect to the statutory mandate and the agreed strategic objectives.
- Continue to look for opportunities to build partnership in action.
- Enhancing better policy co-ordination and greater synergy.
- Build better relations with other institutions of social dialogue, nationally and internationally.
- Continue to enhance broader participation of society in shaping the form and shape of social and economic policies in South Africa.
- Addressing energy supply challenges through:
 - introducing initiatives that ensure security of supply, universal coverage
 - energy mix taking into account the climate change imperatives
 - funding models for Eskom's build programme
 - cushioning the poor against tariff increases
- Ramping up capacity in the Secretariat
- Improving the general efficiency in the Secretariat

PART SIX

FINANCIALS





Financial Report

Nedlac's financial year ended 31 March 2010 has been dominated by the work of the Task Teams emanating from the Framework for South Africa's Response to the Global Economic Crisis.

The Global Economic Crisis was an unexpected event and hence no plans and or budget were in place to deal with it.

For this reason the Economic Crisis and the subsequent plans to respond to it were not budgeted for. The processes to give effect to the Framework had a severe impact on Nedlac's financial resources.

The table below illustrates the number of meetings that took place during the year.

Summary of Global Economic Crisis meetings as at 31 March 2010

Activity	Number of meetings to date
1. Presidential Economic Joint Working Group	2
2. Leadership Team	15
3. Distressed Sectors	26
4. Employment	29
5. Financing and Investment	20
6. Social Interventions	22
7. Briefings to the President	2
Total	116

The costs incurred for the financial year regarding the Economic Crisis processes and meetings was approximately R2 535 000.

For the past three years, Nedlac has had complex special projects such as the electricity crisis, Bills before Parliament, and the Global Economic Crisis amongst other projects.

Over the past three years, Nedlac's total expenses

exceeded the grant income being received.

As a result thereof, Nedlac has been incurring deficits which have resulted in the accumulated reserves almost being depleted.

Nedlac had been able to accommodate these deficits attained thus far through reserves accumulated in the last six years.

In the 2007/8 financial year Nedlac incurred a deficit of R1 946 336.

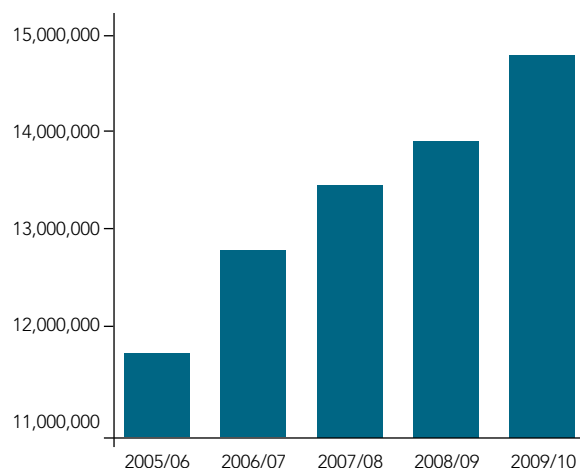
In the 2008/9 financial year Nedlac incurred a deficit of R3 201 87.

For the 2009/10 financial year Nedlac projected a deficit of approximately R3 380 000.

Nedlac's Finance Committee endorsed the recommendation to request a once-off bridging grant to off-set the budget over-runs.

Nedlac therefore applied for a once-off bridging grant of R5 million from the Department of Labour. Support from the Minister, the Director General and the Deputy Director General of Labour was received and the application was granted.

The graph below demonstrates the trend in the grant received over the previous five years:





National Economic Development and Labour Council

Annual Financial Statements for the year ended 31 March 2010

The reports and statements set out below comprise the annual financial statements presented to the members:

Index	Page
Report of the Independent Auditors	147
Report of the Executive Council	148 - 149
Statement of Financial Position	150
Statement of Financial Performance	151
Statement of Changes in Net Assets	152
Cash Flow Statement	153
Accounting Policies	154 - 155
Notes to the Annual Financial Statements	156 - 159
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Statement of Financial Performance	160

Report of the Independent Auditors

To the members of the National Economic Development and Labour Council

We have audited the annual financial statements of the National Economic Development and Labour Council, which comprise the report of the Executive Council, the statement of financial position as at 31 March 2010, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 148 to 159.

Council's Responsibility for the Financial Statements

The Executive Council is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Recognised Accounting Practice and South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Public Finance Management Act, 1999, as amended.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing read with General Notice 645 and 646 of 2008, issued in the Government Gazette no.29919 of 25 May 2008. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from

material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Council as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, South African Statements of Generally Recognised Accounting Practice, and in the manner required by the Public Finance Management Act, Act 1 of 1999 as amended and the Public Audit Act 28 of 2004.

The transactions of the National Economic Development and Labour Council that had come to our attention during our audit were in all material respects in accordance with the mandatory function of the National Economic Development and Labour Council, as determined by the law or otherwise.

Gobodo Incorporated
Per: Denas Hansjee
Johannesburg



Report of the Executive Council

The Executive Council presents their report for the year ended 31 March 2010. This report forms part of the audited financial statements.

1. Incorporation

Nedlac, a statutory body, is South Africa's primary institution for Social Dialogue. Nedlac was launched on 18 February 1995 to bring together government, business, labour and community interests, to, through negotiations, reach consensus on all labour legislation, and all significant changes to social and economic policy.

The Nedlac Act was passed in 1994 with unanimous support from all political parties.

Nedlac is listed as a national public entity under Schedule 3A of the Public Finance Management Act (Act No. 1 of 1999), (PFMA) as amended.

The Executive Council acts as the accounting authority in terms of the PFMA.

2. Statement of Responsibility

The Executive Council is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of the financial statements in conformity with International Auditing Standards. The financial statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice and Generally Accepted Accounting Practice (GAAP).

The Executive Council is also responsible for the Council's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Executive Council to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Executive Council has every reason to believe that the Council has adequate resources in place to continue in operation for the foreseeable future.

Organizational Structure

The Council is composed of:

- An Executive Council, which is the governing body of the Council;
- Four chambers, namely:
 - (a) the Public Finance and Monetary Policy Chamber;
 - (b) the Trade and Industry Chamber;
 - (c) the Labour Market Chamber;
 - (d) the Development Chamber;
- A Management Committee and
- A Secretariat.

3. Council Principal Activities

The Council shall:

- strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
- consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- encourage and promote the formulation of co-ordinated policy on social and economic matters.

4. Operating Results

During the period under review, the Council had a surplus of R3,432,387 (2009: deficit of R2,863,478).

5. Review of Financial Position

During the period under review the Council purchased assets at a cost of R23,092 (2009: R1,185,101).

Report of the Executive Council (continued)

The capital and reserves/net assets of the Council at year-end amounted to R7,413,329 (2009: R3,980,940).

6. Fruitless and Wasteful Expenditure

No material fruitless and wasteful expenditure were incurred during the period under review.

7. Auditors

Gobodo Incorporated will continue in office for the next financial period.

8. Events subsequent to the Statement of Financial Position Date

The members of the Council are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt within the Annual Financial Statements, which significantly affect the financial position of the Council or the results of its operations.

The annual financial statements set out on pages 148 to 160, which have been prepared on the going concern basis, were approved by the board on 24 August 2010 and were signed on its behalf by:



Herbert Mkhize

Johannesburg
24 August 2010



Statement of Financial Position

	Note(s)	2010 R	2009 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	<u>3,070,052</u>	<u>3,389,963</u>
Current Assets			
Trade and other receivables	3	334,260	429,097
Cash and cash equivalents	4	<u>5,087,514</u>	<u>1,239,305</u>
		<u>5,421,774</u>	<u>1,668,402</u>
Total Assets		<u>8,491,826</u>	<u>5,058,365</u>
Equity and Liabilities			
Capital and reserves/Net Assets			
Constituency Capacity funds	5	356,732	458,605
Accumulated funds		<u>7,056,597</u>	<u>3,522,335</u>
		<u>7,413,329</u>	<u>3,980,940</u>
Liabilities			
Current Liabilities			
Trade and other payables	6	755,150	876,573
Provisions	7	<u>323,347</u>	<u>200,852</u>
		<u>1,078,497</u>	<u>1,077,425</u>
Total Equity and Liabilities		<u>8,491,826</u>	<u>5,058,365</u>

Statement of Financial Performance

	Note(s)	2010 R	2009 R
Grants Received	8	19,554,000	13,959,000
Other income		493,680	454,158
Operating expenses		(16,697,635)	(17,403,117)
Operating Surplus/(deficit)	9	3,350,045	(2,989,959)
Investment revenue	10	82,342	126,481
(Surplus)/Deficit for the year		3,432,387	(2,863,478)
 Funds transferred from (to)		 101,873	 342,592
Community constituency fund		(60,820)	(475)
Labour constituency fund		166,459	423,603
Business constituency fund		(3,766)	(80,536)
Net surplus/(deficit) for the year		(3,534,260)	(2,520,886)



Statement of Changes in Net Assets

	Accumulated funds R
Balance at 01 April 2008	6,043,223
Changes in equity	
Deficit for the year	(2,863,478)
Movement of constituency funds	342,592
Total changes	<u>(2,520,886)</u>
Balance at 01 April 2009	3,522,337
Changes in equity	
Surplus for the year	3,432,387
Movement of constituency funds	101,873
Total changes	<u>3,534,260</u>
Balance at 31 March 2010	<u>7,056,597</u>

Cash Flow Statement

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Cash generated from (used in) operations	14	3,788,959	(1,905,951)
Interest income		82,342	126,481
Net cash from operating activities		<u>3,871,031</u>	<u>(1,779,470)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(23,092)	(1,185,101)
Sale of property, plant and equipment	2	-	6,358
Net cash from investing activities		<u>(23,092)</u>	<u>(1,178,743)</u>
Total cash movement for the year		3,848,209	(2,958,213)
Cash at the beginning of the year		1,239,305	4,197,518
Total cash at end of the year	4	<u>5,087,514</u>	<u>1,239,305</u>



Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practice Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as follows:

Standard of GRAP - Replaced Statement of GAAP

GRAP 1: Presentation of financial statement - AC101: Presentation of financial statement

GRAP 2: Cash flow statements - AC118: Cash flow statement

GRAP 3: Accounting policies, changes in accounting estimates and errors - AC103: Accounting policies, changes in accounting estimates and errors.

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements.

Paragraph 11 to 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

1.1 Property, plant and equipment

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Item	Average useful life
Buildings	5%
Furniture and fixtures	8.33%
Motor vehicles	5%
Office equipment	33.33%
IT equipment	33.33%

The residual value and the useful life of each asset are reviewed at the end of each financial period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Land is not depreciated as it has an indefinite useful life.

1.2 Financial instruments

Initial recognition

The Council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Council's Statements of Financial Performance when the Council becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Trade and other receivables are carried at amortised cost less accumulated impairment.

Accounting Policies (continued)

1.2 Financial instruments (continued)

Trade and other payables

Trade and other payables are carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.3 Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

1.4 Provisions and contingencies

Provisions are recognised when:

- the Council has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised.

1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Council will comply with the conditions attached to them; and
- the grants will be received.



Notes to the Annual Financial Statements

	2010			2009		
	R			R		
2. Property, plant and equipment						
	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	-	-	-	46,471	-	46,471
Land and buildings	1,817,076	(329,633)	1,487,443	1,770,605	(240,639)	1,529,966
Furniture and fixtures	1,517,691	(485,854)	1,031,837	1,517,691	(427,833)	1,089,858
Motor vehicles	169,688	(15,205)	154,483	169,688	(7,145)	162,543
Office equipment	621,337	(284,896)	336,441	621,337	(157,946)	463,391
IT equipment	451,387	(394,736)	56,697	428,295	(349,078)	79,263
Computer software	59,147	(55,997)	3,150	59,147	(40,676)	18,471
Total	4,636,326	(1,566,321)	3,070,052	4,613,234	(1,223,317)	3,389,963

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Depreciation	Total
Land	46,471	-	(46,471)	-
Land and buildings	1,529,966	-	(42,523)	1,487,443
Furniture and fixtures	1,089,858	-	(58,021)	1,031,837
Motor vehicles	162,543	-	(8,060)	154,483
Office equipment	463,391	-	(126,950)	336,441
IT equipment	79,263	23,092	(45,658)	56,697
Computer software	18,472	-	(15,321)	3,151
	3,389,963	23,092	(343,004)	3,070,052

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	-	-	-	-	46,471
Land and buildings	1,067,016	581,570	-	(72,149)	1,529,966
Furniture and fixtures	1,140,215	9,015	-	(59,372)	1,089,858
Motor vehicles	-	169,688	-	(7,145)	162,543
Office equipment	215,676	364,494	-	(116,779)	463,391
IT equipment	134,971	42,026	(1,000)	(96,734)	79,263
Computer software	11,103	18,308	-	(10,939)	18,472
	2,568,981	1,185,101	(1,000)	(363,118)	3,389,963

3. Trade and other receivables

Prepayments	122,900	347,147
Other receivables	83,780	-
Rent receivable from Proudly South African	963,691	918,061
Provision for bad debt	(836,111)	(836,111)
	334,260	429,097

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5,087,514	1,239,305
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Notes to the Annual Financial Statements

	2010 R	2009 R	
5. Constituency Capacity Funds			
5.1. Community Constituency			
Balance at the beginning of the year	(97,773)	(98,248)	
Movement during the year:			
- Grant received	700,000	630,000	
- Utilised	(639,180)	(629,525)	
Balance at end of year	<u>(36,953)</u>	<u>(97,773)</u>	
5.2. Labour Constituency			
Balance at the beginning of the year	271,292	694,895	
Movement during the year:			
- Grant received	700,000	630,000	
- Utilised	(866,459)	(1,053,603)	
Balance at the end of year	<u>104,833</u>	<u>271,292</u>	
5.3. Business Consituency			
Balance at the beginning of the year	285,086	204,550	
Movement during the year:			
- Grant received	350,000	315,000	
- Utilised	(346,234)	(234,464)	
Balance at end of year	<u>288,852</u>	<u>285,086</u>	
Total Constituency Capacity funds	<u>356,732</u>	<u>458,605</u>	
6. Trade and other payables			
Trade payables	<u>755,150</u>	<u>876,573</u>	
7. Provisions			
Reconciliation of provisions - 2010			
	Opening Balance	Additions	Total
Provision for leave pay	<u>200,852</u>	<u>122,495</u>	<u>323,347</u>
Reconciliation of provisions - 2009			
	Opening Balance	Additions	Total
Provision for leave pay	<u>146,210</u>	<u>54,642</u>	<u>200,852</u>
8. Grants Received			
Community Constituency	700,000	630,000	
Labour Constituency	700,000	630,000	
Business Constituency	350,000	315,000	
Operating Expenses	<u>17,804,000</u>	<u>12,384,000</u>	
	<u>19,554,000</u>	<u>13,959,000</u>	



Notes to the Annual Financial Statements

	2010 R	2009 R
9. Operating Surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	87,906	236,444
Depreciation on property, plant and equipment	343,004	363,118
Employee costs	5,126,672	4,832,913
Research and development	884,536	717,227
10. Investment revenue		
Interest revenue		
Interest income	82,342	126,481
11. Directors emoluments		
Herbert Mkhize (Executive director)	763,558	703,740
12. Taxation		
No provision is made for taxation as the council is exempt from taxation.		
13. Auditors' remuneration		
Audit Fees - External	190,000	150,000
Audit Fees - Internal	33,630	33,630
Audit Fee - prior year underprovision	21,000	12,500
	244,630	196,130
14. Cash generated from (used in) operations		
Surplus/(deficit) before taxation	3,432,387	(2,863,478)
Adjustments for:		
Depreciation and amortisation	343,004	363,118
Profit on sale of asset	-	(5,358)
Interest received	(82,342)	(126,481)
Movements in provisions	122,495	54,642
Changes in working capital:		
Trade and other receivables	94,837	261,526
Trade and other payables	(121,422)	410,080
	3,788,689	(1,905,951)
15. Commitments		
Operating leases – as lessee (expense)		
Operating lease payments represent rentals payable by the Council for certain of its office equipment. Leases are negotiated for an average term of five years.		

Notes to the Annual Financial Statements

	2010 R	2009 R
16.Related Parties		
Tenant Proudly South African		
Founder of NEDLAC Department of Labour		
Director on Proudly South African's board and key management at NEDLAC Herbert Mkhize		
Related party transactions		
Rent paid to (received from) related parties		
Proudly South African	(493,680)	(448,000)
Grant paid to (received from) related parties		
Department of Labour	(19,554,000)	(13,959,000)

17. Risk management

Interest rate risk

As the Council has no significant interest-bearing assets, the Council's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.



Detailed Statement of Financial Performance

	2010 R	2009 R
Revenue		
Grant Received	19,554,000	13,959,000
Other income		
Rental income	493,680	448,800
Profit on disposal of asset	-	5,358
Interest received	82,342	126,481
	576,022	580,639
Operating expenses		
Advertising	-	(152,610)
Auditors remuneration	(244,630)	(196,130)
Bank charges	(34,794)	(29,255)
Constituency expenses	(1,851,873)	(1,917,592)
Depreciation, amortisation and impairments	(343,004)	(363,118)
Electricity and Water	(293,940)	(241,762)
Employee costs	(5,126,672)	(4,832,913)
Insurance	(119,989)	(114,776)
Lease rentals on operating lease	(87,906)	(236,444)
Meetings and Events	(1,813,739)	(1,884,989)
Other expenses	(12,700)	(5,653)
Postage	(31,289)	(34,848)
Printing and stationery	(742,216)	(443,091)
Professional fees	(368,666)	(852,038)
Repairs and maintenance	(213,146)	(135,663)
Research and development costs	(884,536)	(714,026)
Security	(8,121)	(40,007)
Special projects	(868,367)	(956,766)
Staff welfare	(26,470)	(26,142)
Subscriptions	(58,032)	(81,561)
Telephone and fax	(281,429)	(248,665)
Training	-	(1,200)
Travel - local	(3,286,116)	(3,893,868)
	(16,697,635)	(17,403,117)
Surplus/(deficit) for the year	3,432,387	(2,863,478)

Nedlac Audit Committee Report

For the year ended 31 March 2010

A. Audit Committee Composition and Functions

At 31 March 2010 the Nedlac Audit Committee comprised of the following members:

N. Vermeulen (Business)
L. Nare (Community)
F. Peterson (Government)
M. Burger (Labour)

The Audit Committee performs its function in line with its approved Charter. The Audit Committee functions as a subcommittee of and is responsible to the Management Committee and has an oversight function which includes:

- Financial management and other reporting practices;
- Internal controls and the management of risks;
- Compliance with laws, regulations and good ethical practices and
- The internal audit function.

B. Audit Committee Report on Internal Control and Financial Reporting

This report has been prepared in terms of the Treasury Regulations 3.1.13(a) and (c) of the Public Finance and Management Act, 1 of 1999.

The Audit Committee wishes to report that:

- i. a Nedlac Internal Audit unit was appointed. The responsibilities, amongst other things, is to identify internal control weaknesses and to recommend effective control remedies.
- ii. Periodic assurances had been obtained from management that major risks are being properly managed;
- iii. The Audit Committee has reviewed the annual financial statements and is satisfied that these statements fairly reflect in all material respects, the financial position of the National Economic Development and Labour Council (Nedlac) as at 31 March 2010, in accordance with the South African Statements of Generally Accepted Accounting Practice and in a manner required by the Public Finance Management Act, 1 of 1999.
- iv. The Audit Committee note that the Nedlac internal audit function has been outsourced and an internal audit has been conducted and has identified and recommended effective control remedies. Nedlac Management in turn responded to reported weaknesses and implemented the recommendations made to ensure more effective and efficient internal controls.

Based on the foregoing report, the audit committee is satisfied that the overall internal control system is adequate.



Nedlac's engine room

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Labour Market Chamber

Business Convenor
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Labour Convenor
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(replaced by
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