

Input to the Financial Sector Summit

20 AUGUST 2002

Zwelinzima Vavi, General Secretary, COSATU

Dear Comrades and Friends,

We are very happy for the chance to make an input into this Summit. As we all know, it marks the end of a long and fruitful process and the beginning of a new process, which we are sure will be even longer and hopefully even more successful. It thus provides us with an opportunity, not only to recommit ourselves to this engagement around the financial sector, but also to reflect on our achievements so far.

Before I go into the substance of the Summit, let me use this opportunity on behalf of the South African workers to welcome the delegates to the World Summit on Sustainable Development. The WSSD symbolises yet again the ground we have covered in integrating our country into the world, becoming part of a movement in search of global economic justice. The assembly of up to 60 000 working people will definitely go a long way in helping us deal with the mess we inherited from the apartheid system.

We are concerned, however, that a handful of our people have been charging extremely high prices for accommodation, transport and food. They are ripping off visitors who cannot find accommodation, doing huge damage to our country's image in the process. COSATU condemns these short-sighted opportunists. We call on all our South African compatriots to open their hearts and welcome our visitors – to show them the best of our country and protect them from unpleasant experiences.

Comrades and friends,

The Declaration and the agreements reached at NEDLAC for this Financial Sector Summit spell out the reasons we need to transform the financial sector.

Most obviously, the majority of our people do not have affordable, sustainable financial services. My own family has to travel an hour to nearest bank branch, because there are almost no financial outlets in the rural areas of the Eastern Cape. Our union members can rarely get bank accounts, much less loans, from the formal financial sector. All too often, that leaves them shut out of the housing market and generally at the mercy of *mashonisas*.

Fundamentally, the situation we confront reflects the fact that, when we won our liberation from apartheid, the structure of capital remained virtually unchanged. A

few mining and financial institutions dominate the economy. They are almost exclusively white owned and controlled, and increasingly have begun to move overseas.

The mass of our people, in contrast, were left by apartheid with virtually no productive assets. For their part, the big state enterprise – which include financial institutions like the IDC, PostBank and Khula - have not done enough to ensure broader and more representative control of our economy.

The concentration of ownership is associated with mass poverty, huge levels of unemployment and extreme inequalities. Unemployment is now almost 30%. According to the ILO, that is at more than twice as high as most other middle-income countries. This, in turn, means that we face worse poverty than other middle-income countries.

Thus, amongst the 93 developing countries that the UNDP reports on, South Africa ranks 9th in terms of GDP – but only around 25th in terms of access to clean water, 40th worst for malnutrition, and third from the bottom in terms of income distribution. In the language of the day, this degree of inequality and hardship is entirely unsustainable in economic as well as in human terms.

Certainly mass poverty and unemployment in themselves make it harder for our people to afford the financial services they need. But the lack of access to basic payments, savings and credit facilities also makes it harder for them to create employment and overcome poverty.

To break this vicious cycle requires a development strategy to restructure the economy. To play its role in that strategy, both by enhancing services to the poor and by supporting developmental investments, requires that the financial sector also be restructured. The agreements for this Summit lay the basis for fulfilling that dual role.

Let me highlight some of the main gains from the standpoint of labour.

Perhaps the two most important gains are not captured fully in the written declaration and the agreements.

The first of these gains is the consensus of all the parties on the need to ensure that the financial sector provides services to all our people and does more to direct investment to raise living standards, create jobs, and support growth.

Second, it is the establishment by the stakeholders of close relationships and capacity to restructure the financial sector. As COSATU, we see this type of sectoral interaction as critical. Only when the stakeholders work together around our common goal of long-term, sustainable development can we ensure realistic and effective strategies that benefit all our people. This is the lesson of international experience.

In terms of the written agreements, COSATU welcomes the strong support for a policy framework that can help develop poor communities and broaden ownership both in the financial sector and throughout the economy. We see co-op banks, in particular, as crucial to that end. The proposed regulation of the credit bureaux should also help to reduce discrimination in this sector.

The agreement on discrimination should also go far to ensuring greater equality in our economy. In the months to come, we will work to strengthen the proposals to end discrimination against people with HIV and to provide them with the financial services they need, starting with housing bonds.

The agreement on developmental investment is a first step in the deeper restructuring of the economy that can create jobs, raise living standards and empower our people on a mass scale. After the Summit, we need to engage strongly in this area to ensure that we achieve our long-term aims.

Finally, we welcome the commitment of all the parties to evaluate the impact of the regulatory system on the developmental role, diversity and representivity of the financial sector.

All in all, the engagements leading up to this Summit demonstrate the crucial importance of broad engagement around sectoral policies. Good development strategies must harness the energies of all the main stakeholders around national goals. We need to ensure that this type of process informs our common work in all sectors.

In the past few months, we have learned a lot about this type of engagement. Above all, we can see the need to develop clear mandating procedures, and to ensure that the constituencies do indeed involve the main stakeholders and dedicate enough capacity to the process.

In this context, it is critical that the democratic government play a strategic leadership role. It is not enough to mediate between business and labour. In this instance, it would be very helpful if government were to develop a White Paper on the Financial Sector to guide future discussions.

Finally, the process has again highlighted the critical importance of NEDLAC in bringing about this type of social agreement. We want to thank the NEDLAC Secretariat for their support and, in some hard moments, for their skilled mediation in the process.

Comrades and friends,

Nineteen years ago today, some of us – who today have joined all the NEDLAC constituencies – met in Cape Town to launch the United Democratic Front. We hope this Financial Sector Summit will mark an equally decisive step toward the full transformation of our society to benefit all of our people.