

Parliament gives World Bank the cold shoulder

A senior economist from the World Bank got short shrift from Yunus Carrim, chair of the Standing Committee on Finance, when making a presentation to parliamentarians on the subject in their view of South Africa's ability to recover as an emerging nation in economic terms.

Dr Marek Hanusch, Senior Economist, World Bank (WB) presented at WB's request what they termed as a diagnosis based on the recently published World Bank Report: "An Incomplete Transition: Overcoming the Legacy of Exclusion in South Africa".



Who we are

The World Bank Group said that it was an organisation that had no agenda having been instituted as a study group. It has 189 members worldwide, including South Africa. They listed what in their view were the constraints facing South Africa and had several suggestions on alternative economic policy options and transformation principles in line with their experience in dealing with over 12,000 projects in 173 countries on developmental solutions.

After presentation by Dr Hanusch, both Yunus Carrim (ANC) and Floyd Shivambu (EFF) said that in their view the World Bank was a discredited organisation that had foisted upon developing countries, particularly African countries, their Growth, Economic and Redistribution (GEAR) plan which had in fact made poverty in Africa worse.

Once bitten

Yunus Carrim, in summing up, said that "There is a deep concern over the role the World Bank has played, and the organisation needed to take responsibility for its failures in the developing world on the subject of structural adjustment." He said that all, including the World Bank, had agreed that GEAR failed which had put developing nations on the backfoot for many years.



Shivambu said the World Bank had contributed to inequality "so it cannot meaningfully contribute to a debate on how to lessen poverty and inequality in South Africa." In summing up his views, he bluntly said that "nobody should listen to what they had to say".

Big brother

On the WB proposal in the presentation that the private sector should have a greater role in policymaking, Shivambu said "The private sector almost always argued for retaining the status quo". In his view the World Bank "was an instrument of US foreign policy whose intention was to integrate developing countries into the global economy as mere suppliers of raw materials."



Yunus Carrim said that a significant number of ANC activists of his generation would agree with Floyd Shivambu. He said he was "taken aback" by the proposal about the private sector having a greater role in policymaking. "So far, the private sector has had a huge say in South Africa but has delivered very little".

Another world

Consequently, he said that in his view the World Bank's approach over-emphasised free market advantages and did not recognise the need for state intervention at all". Chair Carrim said he recognised the quality of Dr Marek Hanusch diagnosis but felt that it lacked in answers and policy direction.

It also seemed, from the committee discussions that followed, that the polarised views of the governing party resulted in there being little in common between World Bank thinking and that of the majority party and the EFF.

ANC MPs said afterwards that the World Bank had requested an audience only because of South Africa's obvious preference to deal with BRICS nations, which bloc had sounded a dissonance with established world economic order and was leading, as one ANC MP put it afterwards, "in a renaissance against established economic thinking in western nations."

Getting it together

The presentation from the World Bank Group named what they saw as priorities for South Africa as:



1) a continued tackling of corruption; 2) a strengthening accountability for performance within the state; 3) reducing fragmentation of government programs; 4) strengthening corporate governance in SOEs; 5) limiting unintended consequence of policies; 6) strengthening the capacity of the civil service; 7) strengthening the capacity of civil society to hold government accountable; and 8) an enhanced participation of

the private sector in service delivery.

It was the last-named item that produced ire from the chair. Yunus Carrim could be seen as visibly irritated.

State pension fund and BEE

A main proposal from Dr Marek Hanusch was the creation of a social contributory pension fund which would allow South Africans to build assets. This aroused the interest of DA MPs. Dr Hanusch said in answer their questions, "It would compel savings and allow recipients to receive dividends."

Gwen Ngwenya (DA), whose perceptive comments in meetings are always a pleasure, noted that there was little mention about government's current strategy to deal with economic exclusion - the Broad-Based Black Economic Empowerment (B-BBEE) policy. She asked why so little had been said by the visiting team about the policy.



Dr Hanusch replied that the World Bank would make more efforts to understand the B-BBEE policy, but the challenge had been that they found very few examples of any meaningful impact by the policy on economic factors during their consultations in South Africa.

They agreed that that they needed to understand better the motives behind the policy but at present, as an evidence-based institution, the Bank did not have an opinion on the policy of B-BBEE at all at this stage.

B-BBEE has wrong values

Dr Hanusch, when pushed on this by a further irritated Carrim, he said that whatever was said to the contrary he felt the B-BBEE policy, as it stood, was for a start not "broad-based", as claimed. He said that South Africa must make the BEE plan more inclusive of more small black business opportunities to create jobs; and it needed to strengthen the BEE accreditation system with proper values.

Finally, Dr Hanusch said, South Africa needed to re-evaluate the policy and look out for the unintended investment impacts of BEE application, of which there were many.

Straight talk

Dr Hanusch again pleaded that the private sector should be much more involved in policymaking since it was a partner in the country's development plan to generate jobs. He called for less focus on the

public sector whom he maintained remained only uneconomically active as service providers but not job creators.

He stressed the critical importance of arriving at an amicable solution for the mining charter, given the need for growth.

No SOE direction

On SOEs, the World Bank believed there had to be better defined mandates for their existence and that SOEs badly needed meaningful competition to improve performance and reduce price. On land reform, the World Bank was quite clear on its attitude that any new process must consider the recognition of property rights.

He reminded parliamentarians that the World Bank has no intention to influence government policy, as it had no agenda.



Stressed economy

Dr Hanusch also noted that South Africa's current account deficit was largely financed with volatile portfolio flows. Shocks from domestic policy uncertainty constantly made the rand weaker as policies were seen to fail.

One of the key proposals by the World Bank was re-stated as the creation of a social contributory pension fund which would allow South Africans to build assets. It would compel savings and allow recipients to receive dividends, the World Bank team said.

Putting matters off

Their critique included the fact that certain policy matters had to be resolved immediately but were not being answered and there appeared no overall plan to gain the certainty that investors required.

He quoted, for example, matters urgent and apparently unattended to as being the need for “a better integrating transport planning and land use system, the strengthening of intermodal transport, and a strong regulatory framework in support of competition in minibus taxi sector.”



Dr Hanusch maintained that most important under current circumstances, was the strengthening the capacity of the civil service and, equally, the strengthening the capacity of civil society to hold government accountable. He called for the enhancement of participation by the private sector in service delivery.

Not wanted

In his luke-warm closing remarks, Chair Yunus Carrim said again that it was noted that various stakeholders and activists, especially within the ANC, had an ambivalent attitude towards the World Bank and “the Committee would need to apply its mind on the nature of engagements with the World Bank going forward”.

At one point, the World Bank group put up slide quoting the following issues, which in their opinion would allow South Africa to succeed economically. The factors to overcome were: -

1. Insufficient skills
2. Skewed distribution of land and productive assets with weak property rights
3. Low competition values and low integration into both global and local value chains
4. Limited or expensive connectivity with underservice in disadvantaged areas
5. Financial climate shocks in areas of water, power and transition to low-carbon economy



Answers supplied

In each of the five areas, Dr Hanusch gave six or seven policy routes to reduce concern and to encourage investment, but it was clear that all ANC MPs felt that the governing party had its own clear policy positions on the issues raised. Consequently, and in the interests of brevity, it would seem pointless to list these.

