



**TOWARDS A TRANSFORMATIVE
MACROECONOMIC POLICY
FRAMEWORK FOR EMPLOYMENT
GENERATION IN SOUTH AFRICA**

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Starting premise

Creating employment opportunities in developing economies is commonly (mis)conceived as only being:

1. increasing economic growth and fixed capital investment; and/or
2. a responsibility of labour market policy / Ministries of Labour alone.

Similarly, structurally transforming the economy is seen as the role of sectoral / industrial policy, while social policy is tasked with social uplifted.

“The employment problem in Africa can only be comprehensively addressed by reassessing how we think about macroeconomic policy and combining macroeconomic, labour market and sectoral policies within an integrated employment policy framework.”

Macroeconomic policy is often relegated to the role of providing a ‘market-friendly’ ‘stable’ macroeconomic environment.

- ▶ This includes through low debt and deficit, low and stable inflation, liberalised financial and capital markets, and sustainable balance of payments.

This has resulted in pro-cyclical fiscal policy and contractionary monetary policy. These objectives are pursued irrespective of the impact on employment and other social outcomes.

Summary

The considerable employment challenge necessitates that macroeconomic policy widens its focus from merely a stabilising role to a “transformative” role which actively targets decent and productive employment which is inclusive and sustainable. This needs to be married with labour and sectoral policy instruments.

For macroeconomic policy this requires a three-pronged – and interrelated – approach that sees macroeconomic policy

- ▶ 1. directly spur employment where policy space allows,
- ▶ 2. resolve macroeconomic imbalances (such as excess imports) that retard employment generation,
- ▶ 3. advance structural transformation while supporting complementary sectoral and labour market policies.

A transformative macroeconomic policy framework must aim to achieve:

- ▶ ‘internal balance’ – ‘full employment’; and
- ▶ ‘external balance’ – a sustainable balance of payments.

Policies to raise employment through increasing demand should avoid making the balance of payments chronically worse. So increasing demand in the economy should go hand in hand with attempts to stimulate more domestic production – that is, increasingly supply capacity – rather than sucking in more imports.

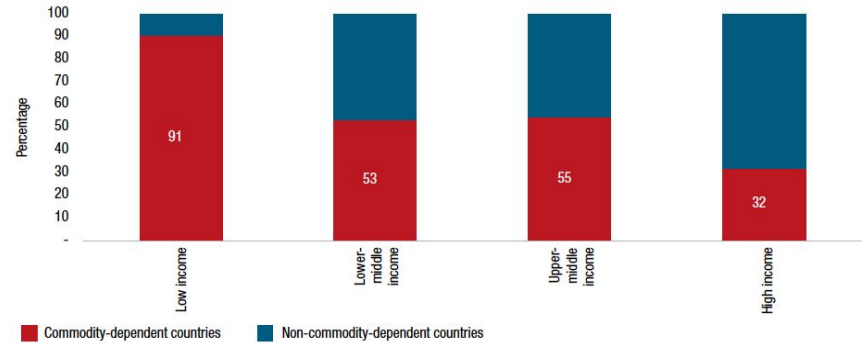
Put simply: use macroeconomic policy to 1) increase demand in the economy, 2) without unduly increasing imports, and 3) expand domestic supply in the economy.

These should be mutually reinforcing and maximise the positive relationship between economic growth and employment (‘Okun’s Law’).

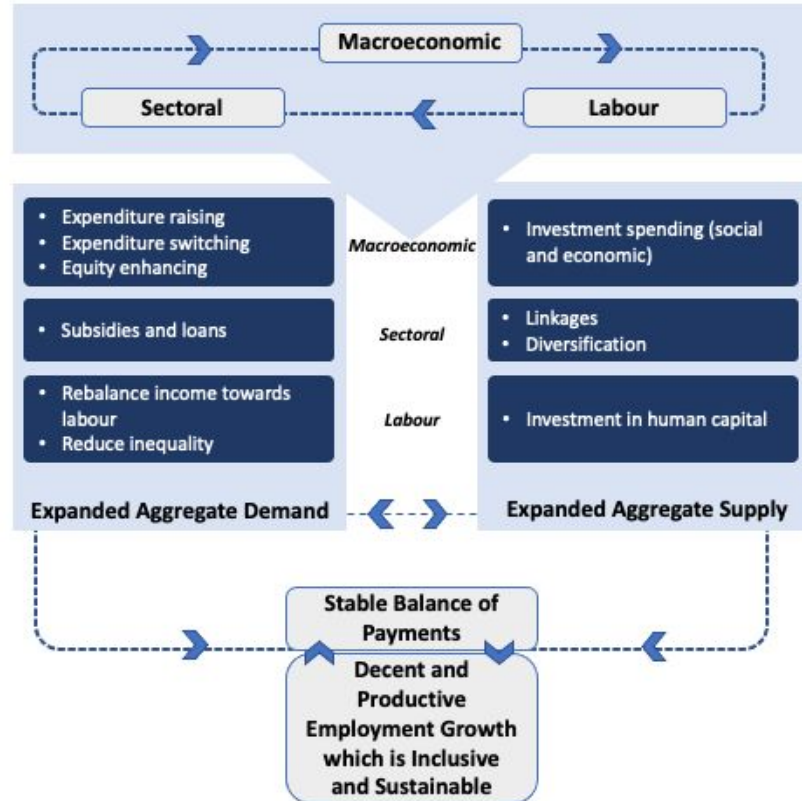
Summary

We consider the role of this employment policy framework in achieving structural transformation as particularly important. We define structural transformation broadly to mean production shifting towards higher value-added and higher productivity activities, often in combination with an increased share of higher skilled work.

- ▶ What a country produces expands or limits the possibilities for decent and productive employment opportunities. The higher the *domestic* value added in production is, the greater the potential to upgrade domestic employment conditions (including wages, training, hours and so on) as domestic productivity rises.
- ▶ Poorer African countries tend to be more commodity dependent and there is a strong correlation between levels of commodity dependence and levels of development.



Summary



Macroeconomic policies

Policies targeting aggregate demand and aggregate supply.

Aggregate demand increases the level of employment through changing the level and composition of expenditures.

Supporting aggregate demand to increase employment sustains the expansion of markets for consumption and investment goods, thereby allowing firms to grow through achieving (static and dynamic) economies of scale. This leads to sustained productivity growth within firms and the economy (the most proximate determinant of long-term economic growth).

There is a larger toolkit than usually portrayed.

Expenditure-raising policies:

- ▶ Levels of government spending;
- ▶ Revenue mobilisation;
- ▶ Composition of government spending;
- ▶ Spending which impacts the distribution of income; and
- ▶ Income policies, such as tax breaks or government transfers.

Expenditure-switching policies:

- ▶ Exchange rate management;
- ▶ Multiple and dual exchange rates;
- ▶ Differential interest rates;
- ▶ Import and export taxes and quotas to discourage imports and encourage exports, either targeted (focusing on particular products or sectors) or general; and
- ▶ Capital controls and interest rate mechanisms to attract or repel capital flows (thereby impacting pressures on the exchange rate).

Macroeconomic policies

Aggregate supply measures target employment growth through increasing the availability and quality of production and the factors used to engage in production.

- ▶ For example, by spending on health or education human capabilities can be raised, similarly, spending on physical infrastructure can increase productivity. This increases employment through economic expansion.

If done correctly, these demand and supply side policies positively reinforce each other.

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Complimentary sectoral and labour policies can also increase aggregate demand and aggregate supply in the economy.

Sectoral policies

Sectoral policies aim to achieve changes in the size and composition of different sectors in the economy. Understood progressively, they aim directly for a compositional shift in employment and output towards higher productivity sectors of the economy. They, therefore, both expand employment and diversify production into sectors which are more skilled and more productive, with higher domestic value added, as well as support demand in these sectors. They should include measures to improve the quality of jobs.

- ▶ Sectoral policies aim to affect relative prices, in order to reorient capital into branches of production where on the basis of present market prices the return on capital may be insufficient to warrant private investment.

Sectoral policies should be both reinforcing to, and reinforced by, macroeconomic policy objectives.

These policies create sustained employment growth through policies which:

- ▶ Advance structural transformation in a targeted manner.
- ▶ Achieve sustained employment growth not reliant on commodity prices and the export of a few key commodities.
- ▶ Harness commodities endowment for broader long-term economic development.
- ▶ Prioritize domestic linkages and domestic inputs
- ▶ Promote environmental sustainability and a just transition towards carbon neutral economies.

Sectoral policies are able to support inclusive and decent employment growth through sectoral targeting and because higher productivity jobs are more skilled and better paying, often with better employment conditions.

Sectoral policies can also help to support a balanced macroeconomic environment, for example, through expanding domestic supply and reducing imports, or lowering inflationary pressures.

Labour-market policies

Labour market policies are direct interventions to benefit workers and businesses or structure labour markets differently. They consist of both passive and active policies to replace income or promote better integration into the labour market.

- ▶ Passive labour market policies consist mainly of unemployment benefits, often combined with other cash transfers and enterprise support measures.
- ▶ Active labour market policies exist both on the demand side, for example, to preserve or support employment during the crisis and recovery or to provide incentives to create new jobs, and on the supply side, for example, to enhance workforce adaptability and provide incentives to seek and keep employment

These policies:

- ▶ ensure that employment growth produces equitable access to employment opportunities; and
- ▶ improve the economic and labour-related environment for informal economy workers while incentivising the formalization of informal economic activities and actors.

Labour market policies – in combination with appropriate macroeconomic and sectoral policies – can contribute towards recalibrating otherwise dysfunctional growth paths, by, for example, drawing young people into the labour market.

Similarly, labour market policies can also play a support role in achieving a balanced macroeconomic environment, by, for example, expanding those in employment and therefore the tax base.

Social protection policies

While not discussed here there are dynamic linkages and complementarities between macroeconomic, sectoral and labour-market policies, and social protection policies.

Seven policy examples

1. Fiscal stimulus: increase demand and expand supply
2. Expenditure switching
3. Diversifying inflation policies
4. Mobilising resources through taxation
5. Production linkages and transforming supply capacity
6. Integrating labour market policy: example of minimum wage policies
7. Employment-intensive investment programmes

1. Fiscal stimulus: increase demand and expand supply

When speaking about expenditure-raising policies, it is important that we view these in an integrated manner. We should:

- ▶ appreciate the complementarities between public consumption and investment expenditure, the former generally understood as referring to spending on government goods and services, via either salary costs (teachers, nurses, civil servants and so on) or the purchase of goods (medicine supplies, textbooks etc.);
- ▶ acknowledge the integration between raising demand in the short term and transforming supply capacity in the long term (achieving structural transformation); and
- ▶ appreciate that public sector spending most often “crowds in” private sector spending.

1. **Benefits of investment spending:**

- ▶ Demand for domestic inputs;
- ▶ Absorb and enhance labour’s productive capabilities;
- ▶ Target expansion of supply capacity; and
- ▶ Target sectoral diversification.

2. **Governments should target a certain level of private and public investment expenditure, relative to GDP and government revenue.** This is commonly done in development planning in Asia and Latin America. A baseline target tends to be devoting around 10-15 per cent of GDP to productive public investment spending which works to achieve sectoral, macroeconomic and labour targets. Currently the Africa-wide average is estimated at 7 per cent by the IMF and 11 per cent by the AfDB.

3. **Particular attention is needed to raise African countries’ capital stock and improve the efficiency of public investment spending.**



1. Fiscal stimulus: increase demand and expand supply

4. Target investments in the care economy sectors.

The care economy sectors – education, health and social work – are particularly important social sectors. These serve to advance human capital development which has long-term benefits on both the supply and demand sides of the economy. (This also indicates that a sharp distinction between “consumption” and “investment” expenditure can be problematic.)

5. Investments will maximize employment and economic gains through sectoral prioritisation.

- ▶ Prioritising employment-intensive sectors that enhance productivity gains is important, and can have high employment multipliers and long-term economic gains.
- ▶ Prioritising sectors with a high share of domestic inputs or which earn export revenue will be beneficial to lift balance of payments constraints.

6. Although it should not eclipse long-term investment spending, consumption expenditure also has an important role to play in ensuring balanced and inclusive employment growth.

- ▶ Public sector employment stimulates aggregate demand, is more secure employment and often includes a high number of women workers.
- ▶ Social security transfers, in particular a BIG, have the potential to stimulate and stabilise aggregate demand and support human capital development, and bolster decent work by providing a reservation wage.

7. Automatic stabilizers – policy changes that kick in automatically under particular circumstances – can maintain macroeconomic balances in order to support employment growth, as highlighted during the Covid-19 pandemic

8. Expenditure choices should also consider their distributional impact. Increasingly it is recognized that issues of growth and distribution (inequality) should not be separated when approaching the macroeconomy.

2. Expenditure switching

Expenditure switching policies advance employment growth through supporting domestic production over imports. Expenditure switching is the reallocation of expenditure from imported items to domestic through the changing of relative costs.

- ▶ The key mechanism is adjustments in the exchange rate, which reflects the relative cost (and ultimately productivity) differential between imported and domestic goods and services. This is sometimes difficult in the African context, making other expenditure switching tools very important, for example, import or export tariffs.

These “non-traditional mechanisms” redirect expenditure through price adjustments or quantity adjustments (examples below). These only make sense to the extent that substitute goods can be attained domestically or regionally. If not, then such non-traditional mechanisms risk simply pushing up the price level, bloating the import bill and reducing real incomes. As such, expenditure switching policies ideally need to fit within a wider, long-term orientated policy regime.

1. As price adjustments:

- ▶ Maintaining a competitive exchange rate.
- ▶ Two-tier exchange rates – where different rates apply to different good, sectors, or trading partners.
- ▶ Taxes/tariffs on imports and exports.
- ▶ Luxury taxes
- ▶ Export-facing incentives, including targeting specific sectors.

2. And as quantity restrictions:

- ▶ Targeted import quotas.
- ▶ Capital controls.

3. Diversifying inflation policies

Diverse inflation policies help better achieve macroeconomic balance that sustains employment growth.

Rather than adopting a uniform response to all instances of inflation, inflation policies must address the source of the inflation and target this as best as possible. Sources may be: (i) External or internal; (ii) Demand or supply; and (iii) Transitory, cyclical or permanent.

Appropriate inflation policies also involve using more than a single instrument to target inflation. If this is not done, say through simply doubling the benchmark interest rate to try to tackle inflation, then inflation may be reduced but at the cost of impacting other parts of the economy, such as production, employment and income growth.

If the source of inflation is external:

1. Capital controls. Judicious capital controls are vital for developing economies to control inflation if the source of inflation is the influx of foreign capital.
2. Macroprudential measures. Macroprudential measures can also limit inflation caused by capital inflows (external demand). These measures include:
 - ▶ Caps on loans (via loan-to-value ratios, loan loss provisions and debt-to-income ratios).
 - ▶ Restrictions on lending for real estate or speculative purposes.
 - ▶ Restricting foreign access to the domestic currency.

If the source of the inflation is internal:

3. Taxes and charges. Internal pressures due to high aggregate demand can be met by higher taxes and one-off charges.
4. Price controls and food management as food price shocks are a common cause of inflationary pressures.

3. Diversifying inflation policies

Transitory inflation shocks, for example a one-off release of pent-up demand due to COVID-19 lockdowns, should not be responded to as they are unlikely to permanently impact price levels and inflation expectations.

Reducing the likelihood of inflation is also vital in order to provide governments with more room to utilize macroeconomic policy tools to stimulate growth and employment. This is primarily achieved through diversifying supply.

Inflation targeting, achieved predominately via the manipulation of short-term interest rates, is not an advisable policy approach. This is because inflation targeting regimes often adopt overly narrow approaches to containing inflation using instruments that have a contractionary impact, while often

It is also important to explore the actual rate of inflation that can be tolerated within any economy. On aggregate, moderate *and stable* levels of inflation (up to around 12 to 15%) do not have negative growth and employment outcomes.

4. Mobilising resources through taxation

Appropriate revenue mobilization has the ability to promote decent and productive employment that is inclusive and sustainable.

Taxes are needed to raise revenue as a major limitation on government policies in Africa is funding. Diversifying away from a reliance on external financing through the financial account or government debt issuance is important.

Tax policy also more directly impacts employment outcomes. Higher taxes work to increase revenue while changing the distribution of income. As a price mechanism they also impact supply-side factors.

Important policy considerations:

1. **Progressivity of tax.** Progressive taxation can reduce inequality and ensure decent employment growth as the cost of social services falls more squarely on those with higher incomes.
2. **Removal of exemptions and investment incentives which are ineffective or excessive.** Tax exemptions and incentives are used widely across Africa but often fail to spur the most valuable forms of investment and deplete public funds.
3. **Improved taxation of mineral rents and resources.**
4. **Implementation of measures to curb tax evasion and tax avoidance.**
5. **Capacity building** in revenue services.

5. Production linkages and transforming supply capacity

Industrial policy (a subsection of what here is defined as sectoral policies) can be used to promote structural transformation and transform supply capacity within the economy.

The development of linkages is able to drive employment growth through simultaneously promoting sectoral expansion and structural transformation. At the same time, this can bring balance in the macroeconomy – for example, easing inflation or balance of payments constraints. Developing appropriate linkages can also prioritize growth in sectors that provide decent and productive employment, and which advance the objectives of inclusion and sustainability.

While the dominance of primary sectors – both agriculture and mining – is a danger to African countries, how best to leverage these sectors for the benefit of the rest of the economy is an important consideration.

In the African context, commodity sectors have strong potential linkages with the rest of the economy and these are insufficiently capitalized on.

- ▶ Fiscal linkages: Resource rents appropriated by the government and used to promote industrial development in unrelated sectors or general macroeconomic policy management.
- ▶ Consumption linkages: Incomes earned in the production of commodities generate the demand for locally produced industrial goods. We argue that minimum wages can be viewed as a mechanism to help enhance consumption linkages.
- ▶ Production linkages: These are backward in the supply of inputs, forward in the processing of commodities and horizontal into other sectors and industries.

5. Production linkages and transforming supply capacity

1. Forward linkages

- ▶ **Domestic sales requirements, achieved through:** domestic market obligations, where mining firms are requested or forced to sell a percentage of their proceeds to local manufacturers; and captive mining, where governments award mining rights only on the condition that the mineral will be used in domestic production for a pre-defined sector.
- ▶ **Export restrictions to safeguard domestic supply of raw materials for local industries through:** export taxes, quotas, bans or licensing; dual price mechanisms (to ensure cheaper prices to the local market); a reduction in or the elimination of VAT rebates on exports; restrictions in customs clearing points to control exports of certain products; and limits on the right to export certain goods to specific firms.

- ▶ **(Non-automatic) licencing requirements to control ownership structures**, the number of firms involved in extraction activities, the type of minerals being extracted and in what forms minerals should be exported.
- ▶ **Trade-balancing measures**, whereby imports should represent a limited proportion of locally produced exports, in terms of either volume or value.
- ▶ **Domestic and international market reserve policies:** Some markets may be reserved for local production or managed intentionally through: government procurement contracts; state owned enterprises; production controls; and offset agreements, whereby a government may enter into a contract with a firm and in return request investment in the economy.
- ▶ **Import duties** on finished products to protect and promote local production.
- ▶ **Subsidies to support local industries**, notably by: transferring funds directly to beneficiaries; assuming part of industries' risks; selectively reducing or increasing the taxes they would otherwise have to pay; and/or imposing mandates and barriers to trade. Other "indirect" subsidies may include access to selected capital imports; concessionary loans; transport access/infrastructure; and others. Ethiopia, for example, has made good use of such subsidies.

5. Production linkages and transforming supply capacity

2. Backward linkages

This is ideally done at the regional or continental level through enforcing joint ventures and domestication requirements as a condition to investment.

- ▶ Backward linkages are commonly advanced through domestic sourcing requirements of inputs.
- ▶ Such requirements can also be put in place for labour, training and management, such that more domestic workers benefit; these could include compulsory training and skills transfers.

3. **Direct employment policies.** A number of countries have direct employment requirements in place in mining sectors. Some examples include (policy measures drawn from the International Institute for Sustainable Development, 2018):

- ▶ **A requirement to employ a percentage of local staff,** e.g. 70% of workforce in petroleum sector in Angola.
- ▶ **Certain types of jobs reserved for nationals.**
- ▶ **Quotas** on the numbers of expatriates per job categories. In Ghana, firms must apply for an immigration quota for expatriates.
- ▶ **Training of staff.** In South Africa, mining companies must invest a percentage of annual payroll in essential skills development activities.

4. **Ownership and skills transfer**

6. Integrating labour market policy: example of minimum wage policies

The national minimum wages highlights the interdependence between macroeconomic, sectoral and labour market policies in achieving decent and productive employment which is inclusive and sustainable.

Minimum wages are commonly seen as impacting only the labour market. But their aggregate impact is macroeconomic in nature, impacting both aggregate demand and aggregate supply.

Historically, minimum wages have proven to be one of the most effective policies in achieving a range of macroeconomic goals and employment goals (ILO 2016b). As a result, we recommend national (as well as regional) minimum wage policies as an essential part of any macroeconomic framework.

1. **Minimum wages advance employment growth through diversifying and balancing sources of aggregate demand within the macroeconomy.** They:

- ▶ Balance the mix of profit income and wage income in the distribution of income. This can be helpful if additional profits are not being reinvested in production by firms.
- ▶ Allow for consumer growth to be sustained without asset or credit bubbles.
- ▶ Create resilience against external shocks by helping balance demand away from an exclusive reliance on commodity prices and FDI flows into the commodity sector.
- ▶ Help balance out the sole reliance on external demand by increasing sources of internal aggregate demand. This works to provide greater insulation against external shocks by ensuring that domestic sources of demand exist.

6. Integrating labour market policy: example of minimum wage policies

- 2. Minimum wages also advance employment growth through compressing income distribution** – high levels of inequality have been shown to reduce economic growth and minimum wages have a proven track record in rebalancing both the functional and personal distributions of income – income between capital and labour, and across different workers – towards greater equality.
- 3. Minimum wages also advance sustained employment growth.** They promote a change in the long-term growth trajectory of the economy by changing the techniques and technologies used in production, and the competitive dynamics in an economy. This can shift activity between branches of production and enhance productivity.
- 4. Minimum wages also advance inclusive and decent employment growth.** They do so by: raising labour standards and ensuring wages meet basic needs; levelling wages across sectors with more vulnerable workers; and encouraging employers and the state to invest in training and human capital development. They also lift wages in the informal economy and have the potential to contribute towards the shift in employment from the informal to the formal sector.
- 5. Minimum wages will not fully achieve these objectives alone.** In addition to their potential in their own right, they help to highlight the broad potential of labour market policies within a transformative macroeconomic framework.

7. Employment-intensive investment programmes

Public employment programmes work at the intersection of labour policy, sectoral policy and macroeconomic policy within our transformative macroeconomic framework.

If the primary aim is to increase the level of employment, then this works to stimulate short-term macroeconomic aggregate demand as a macroeconomic policy. If this is to be sustained without unbalancing the macroeconomy, then such investments must be in productive sectors such that they help transform the supply capacity of the economy. As a result, it is vital for employment-intensive public investments to help promote local enterprises and long-term structural transformation of supply.

Employment-intensive public investment programmes can promote inclusive and decent employment growth. They do so by: targeting particular population groups for employment; ensuring employment conditions advance the rights of workers; and working to increase domestic skills and capabilities.

These policies should be designed to:

1. Prioritize investments and sectors with the greatest direct and indirect employment multipliers
2. Include training and skills development
3. Have an appropriate sectoral focus
4. Use domestic inputs
5. Prioritise inclusivity
6. Be used as both long-term, and short-term countercyclical measures

Policymaking and implementation process

Participatory and coordinated policy making

Our transformative macroeconomic framework cannot be advanced without a supportive policymaking process. Policy design often takes a top-down approach, which undermines implementation and lacks stakeholder participation.

Our emphasis here is on a participatory policymaking process, where independent and representative organizations of workers and employers and other relevant stakeholders play a core role.

1. **Social partners should participate in designing in the macroeconomic policy framework**

- ▶ In order for macroeconomic and sectoral policies to effectively integrate employment objectives, the first step must be to provide representation to formal and informal sector workers in the policymaking process.

- ▶ The use of tripartite forums for discussing and negotiating macroeconomic, sectoral and labour policy can be strengthened.
- 2. **Economic planning commissions can help integrate macroeconomic, sectoral and labour market policies, through**
 - ▶ Centralized control and allocation of resources with clearly defined roles.
 - ▶ Realistic plans with clear targets which can be met.
 - ▶ Clearly defined organizational and informational flows and responsibilities between departments.
 - ▶ Representation.
 - ▶ Use of internal and external experts.
- 3. **Interdepartmental coordination within government is key**
 - ▶ Fundamental to resolve divergences between priorities and policies and promote mutually supporting actions across government departments and institutions.
 - ▶ Effective coordination includes coordination in: policy and budget design, implementation and monitoring.

Conclusion and current relevance

Policy proposals

- ▶ Capitalise the IDC, SADB, small business fund, and other developmental lending entities via low-interest or no-interest loans from the SARB to allow them to lend to targeted sectors at preferential rates.
- ▶ Implement “employment and growth targeting” as the official policy of the SARB (instead of, or in addition to, inflation targeting).
- ▶ Reduce inflation through a wider set of policy measures, in particular through expanding the domestic supply of high-inflation sectors (e.g. through preferential lending to those sectors).
- ▶ Implement an investment-to-GDP target ratio to ensure increased state investment in the economy.
- ▶ Implement export controls on key commodity goods to promote local beneficiation.
- ▶ Institute capital management techniques with the purpose of:
 - ▶ Directing incoming capital towards long-term FDI;
 - ▶ Forcing capital to remain in South Africa for a minimum period, thus reducing hot money flows;
 - ▶ Minimising carry trade operations;
 - ▶ Reducing speculation on the South African rand;
- ▶ Mobilise additional domestic resources to fund critical government interventions, in particular through:
 - ▶ Reverting to a minimum 28% Corporate Income Tax, and introduce a minimum effective tax on companies
 - ▶ Raises taxes on wealth and income from wealth and the trading of financial assets, for example via a Financial Transactions Tax
 - ▶ Reducing tax breaks for high-income earners, e.g. on medical aids and pension benefits
 - ▶ Instituting a Resource Rent Tax
 - ▶ Instituting a Social Security Tax

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- ▶ **Launch a targeted fiscal stimulus via:**
- ▶ Infrastructure investment driven by public funds.
- ▶ Capitalise development finance institutions, with refocused mandates towards structural transformation and diversification.
- ▶ Refocus and expand public employment schemes.
- ▶ Large investment in a Just Transition Fund that targets renewable energy industrialisation and sectoral diversification.
- ▶ Adequately fund Sectoral Masterplans and IPAPs.
- ▶ Make fiscal multipliers and policy objectives a consideration in sectoral targeting.
- ▶ Increased science and technology (and R&D) funding in existing and new specialised areas (e.g. mining or renewable energy) and large-scale funding of targeted skills development.
- ▶ Regional infrastructure fund to reduce non-trade barriers.
- ▶ Investing in state capacity.
- ▶ Consider fiscal diversification and fiscal benefits.

Policy proposals

▶ Strengthen the following industrial policy measures:

- ▶ (Non-automatic) licensing requirements to control ownership structures, the number of firms involved in extraction activities, the type of minerals being extracted and in what forms minerals should be exported.
- ▶ Trade-balancing measures, whereby imports should represent a limited proportion of locally produced exports, in terms of either volume or value.
- ▶ Domestic and international market reserve policies: Some markets may be reserved for local production or managed intentionally through: government procurement contracts; state owned enterprises; production controls; and offset agreements, whereby a government may enter into a contract with a firm and in return request investment in the economy.
- ▶ Import duties on finished products to protect and promote local production.
- ▶ Subsidies to support local industries, notably by: transferring funds directly to beneficiaries; assuming part of industries' risks; selectively reducing or increasing the taxes they would otherwise have to pay; and/or imposing mandates and barriers to trade. Other "indirect" subsidies may include access to selected capital imports; concessionary loans; transport access/infrastructure; and others. Ethiopia, for example, has made good use of such subsidies.
- ▶ Backward linkages are commonly advanced through domestic sourcing requirements of inputs.
- ▶ Such requirements can also be put in place for labour, training and management, such that more domestic workers benefit; these could include compulsory training and skills transfers.
- ▶ A requirement to employ a percentage of local staff, e.g. 70% of workforce in petroleum sector in Angola.
- ▶ Certain types of jobs reserved for nationals.
- ▶ Quotas on the numbers of expatriates per job categories. In Ghana, firms must apply for an immigration quota for expatriates.
- ▶ Training of staff. In South Africa, mining companies must invest a percentage of annual payroll in essential skills development activities.



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