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Banks join business in warning on Mangaung

Dec 11, 2012 | Phakamisa Ndzamela

Banking Association of South Africa urges ANC delegates to consider implications of policy decisions

CAS Coovadia, MD of the Banking Association of South Africa, is calling on delegates attending the African National Congress (ANC) conference next week to be aware that their policy decisions could have a negative effect on banks.

The ANC is under pressure from members and political partners who believe it can do more to improve the socioeconomic conditions of disadvantaged South Africans.

Business is also applying pressure on the party to adopt market-friendly policies. On Sunday, 33 top executives signed an open letter to the government, calling on it to arrest a decline in confidence in South Africa's future.

The big banks have all been downgraded by rating agencies this year, after South Africa's sovereign rating was lowered by rating agencies concerned about policy uncertainty.

Mr Coovadia said on Monday that although he did not expect discussions on banking to be a "show-stopper" at the ANC's conference, he hoped delegates would consider proposals that the sector had made to the ruling party.

"The bottom line is, if (ANC delegates) take incorrect decisions on mining, land and agriculture, it has an impact on us."

The ANC conference is discussing proposals to either nationalise mines or impose new taxes on them and the expropriation of land to speed up land reform.

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Mr Coovadia said if mines were nationalised and land expropriated without compensation, it would affect banks, which used assets as security against the loans they advanced.

In April, the banking association met the ANC, ahead of the party's policy conference, to raise concerns about the party's economic policy documents to be discussed at the conference. Among other things, banks asked ANC policy chiefs if they could get more involved and participate in the state's infrastructure and job-creation programmes.

"We hope the proposals we recommended will be considered," Mr Coovadia said. "We would hope that the necessary time and thinking is given to that. While leadership is important, essentially whatever leadership comes in they have to implement policies."

"Broadly, we hope what will come out is policies that support a market economy and a role for the state in areas where the market is not working normally."

Mr Coovadia said the decreasing financialisation of the economy did not necessarily translate into the industrialisation of the economy — a big concern to the ANC and the government, which are considering several initiatives to rebuild industry.

Echoing the business leaders who had signed the open letter to the government, Mr Coovadia said that the banking industry would be happy if the ANC adopted the National Development Plan as the "critical vision" for the country.

The plan aims to eliminate poverty and reduce inequality by 2030. It stresses that South Africa needs a "capable" state, job creation, proper planning guiding government decisions, and quality education, among other things.

The plan is scheduled for discussion at the ANC conference.

ANC economic policy head Enoch Godongwana said on Monday he agreed with Mr Coovadia that the key issue at the party's conference was the policy discussions. "However, it does not necessarily mean we will make decisions that necessarily make banks happy," he said.

"Like banks, we love this country and we will make decisions that help us improve our socioeconomic issues. What we refuse to accept is for people to prescribe what decisions we should make at our conferences.

"Our fear is that the rating agencies are being utilised to tell us what to decide at conference."

Mr Godongwana said he did not understand the panic among business people as the ANC was discussing economic policy in response to the global financial crisis, which had been caused by bankers and business people.

One of the issues that the ANC has raised in its economic policy discussion documents is the increased dependence on "financial services and on financial returns", rather than the production of new value through agriculture, mining, manufacturing and value-added services. The ANC has said this "fosters speculation and asset bubbles".

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