



PILOTS STREAM

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Tough agenda for new cabinet

The announcement of South Africa's new Cabinet has generated a substantial amount of media interest, both locally and abroad.

An obvious reason for the keen interest in the country's new executive leadership is related to the prospect for a significant change of the guard, following the acrimonious relationship between the new President and Mr Thabo Mbeki, who had been in power for close to a decade.

The new face of South Africa's political leadership reflects, to a large extent, the events that took place during the ANC Conference in Polokwane (Pietersburg) in December last year, when Mr Jacob Zuma was elected as the leader of the ANC. This paved the way for him to become the country's head of state after the April elections.

It should be borne in mind that the new Cabinet was effectively announced in two steps – the first changes took place during Mr Kgalema Motlanthe's stand-in Presidency and the second round of changes were announced early in May.

The business and financial fraternity has been contemplating the possibility of a shift in government's economic policy stance under Mr Zuma. On face value, the composition of the new Cabinet suggests that no major shift is likely to occur and that the new government will remain pragmatic in pursuing redistributive policies on the back of a growing, free enterprise economy.

Improvement beckons

Compared to the current levels of efficiency in the running of South Africa's public administration, in general, the new cabinet can take some assurance from the fact that it is not a particularly hard act to follow. Under the leadership of Mr Mbeki, the following problems had arisen:

- A policy stance towards health that alienated many private sector stakeholders and potential beneficiaries at grass roots level, particularly via an ignorance of scientific evidence concerning the causes of HIV/Aids
- Foreign policy that, at times, became manifested in overt support for military dictatorships, to the embarrassment of democratically-minded South Africans
- Trade and industry policies that placed excessive emphasis on tariff reductions whilst neglecting the plight of local manufacturers that are struggling to compete with new & existing forms of protectionism
- A Home Affairs Department that had allowed certain divisions to become dysfunctional

- A Land Bank incapable of addressing the twin needs of maintaining food security & empowering emergent farmers in a pragmatic and sustainable way
- Acute problems with the maintenance of law and order, which had become manifested in the regular loss of charge sheets & evidence in criminal proceedings, insufficient security at police stations & prisons and the unduly high occurrence of violent crime

Commenting on the state of public service delivery in South Africa (during a Steve Biko memorial lecture in Cape Town), Archbishop Desmond Tutu described it as “pathetic”.

Care should be taken, however, not to fall into the trap of undue negativity and cynicism. The fact remains that Mr Mbeki managed a government that provided more than 10 million South Africans with clean water and facilitated the building of 2.7 million low-cost houses.

It is nevertheless clear that Mr Zuma and his new cabinet have a daunting task ahead of them to improve the standards of public service delivery and to continue with the quest for alleviating abject poverty.

Agenda will be enlightening

It is far too early to gauge the probable impact of the new cabinet on public service delivery and economic policy. Most of the media commentary, quoting representatives from an array of organisations and institutions, from both the public and private sectors, has been quite positive, particularly from the perspective of an infusion of leaders with proven management competencies in a wide range of disciplines.

The acid test, however, will be provided by the unfolding agenda of the new government and the urgency with which it implements the required policies. The agenda facing the Zuma-team is intimidating and includes the following:

First and foremost, recognition is required of the crucial and strategically important role of food security, which did not feature adequately in the previous regime. South Africa needs to restore its position as a net exporter of food, enhance the value added chain in agriculture and utilise fallow land (much of which is owned by the state) to create employment in the sector. Other key issues in agriculture include the safety of farmers and methods to counter the negative effect of Europe’s farm subsidies.

Secondly, it has become necessary to consider alternative strategies for the alleviation of poverty and combating of crime. One remedy that has produced sterling results since its implementation in 2005 in another emerging market, namely Brazil, is the Basic Income Grant.

In the case of Brazil, it has contributed to sustained high levels of economic growth, especially in agriculture (more than 90% of such income grants are spent on food), whilst also facilitating a fairly sharp drop in poverty-related crime.

Administered prices

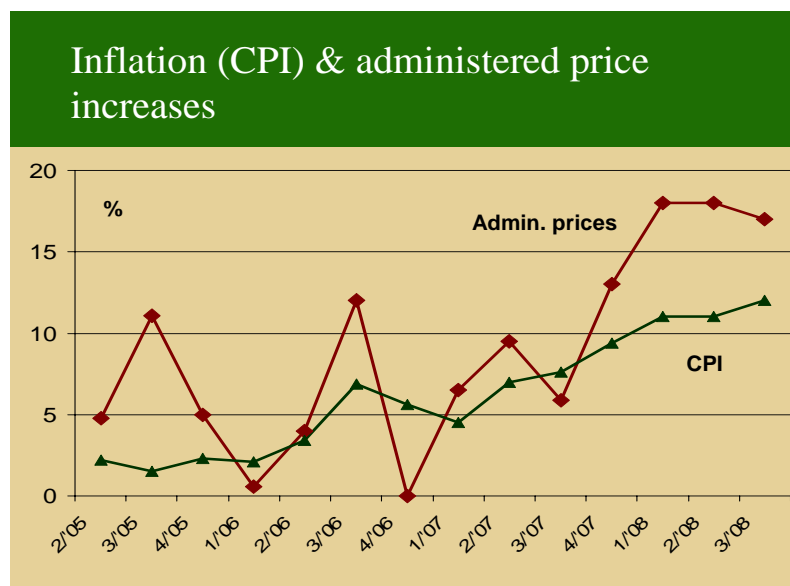
A third priority is the containment of the rate of price increases emanating in the public sector. These are referred to as administered prices and their rate of increase has

outstripped inflation by a considerable margin over the past six years, as clearly illustrated by the data in the table.

CPI & admin. price increases (%)			
	Admin. prices	CPI	Difference
2003	11.8	5.6	6.2
2004	7.1	-0.9	8
2005	7.3	2.1	5.2
2006	4.6	3.2	1.4
2007	6.4	6.1	0.3
2008	13	9.8	3.2
Average	8.4	4.3	4.1

The accompanying figure compares average quarterly price increases (at annualised rates) for the consumer price index (CPI) and administered prices. The latter are clearly subject to higher levels of increases, as well as higher levels of volatility.

To the extent that a lack of control over the rate of increase in administered prices is also reflected in a higher CPI level, government has to shoulder part of the blame for relatively high interest rates (which, as a rule, follow upward movements in the CPI).



Other items on the agenda for South Africa’s new executive political leadership include progress with the maintenance of existing and the creation of new infrastructure, a health policy that is based on a public/private partnership approach, a pro-active tourism strategy, and trade policies that attempt to counter the effects of global protectionism.

The most promising new portfolio is that of the Planning Commission. To the extent that Mr Trevor Manuel is allowed leeway to influence, guide and oversee the design and implementation of policies within the broad macroeconomic cluster, South Africa can look forward to a fundamentally sound future development strategy.