

## AFRO-PESSIMISM AND SA

19 May 2000

### Beyond Zimbabwe's turmoil

Perceptions and emotions about Zimbabwe dominate the investment and business scene in SA. The situation could easily foster pessimism, and pessimists don't make money!

It would be appropriate to note a number of structural changes under way in SA that could have a positive effect on the business environment. In the past week government started its wage negotiations with the public service unions. Among other things, Government has proposed a new retrenchment policy to make it cheaper to reduce the number of public servants. The door has been opened for a smaller and cheaper civil service. Salaries are the biggest single expenditure item in the national Budget. If this could be contained, fiscal discipline would be easier to maintain and pressure on interest rates would be relieved.

Last Friday the first cross-border nature reserve between SA and a neighbouring state (the Kgalagadi, between SA and Botswana) was officially opened. This and the other seven parks being developed have the potential to become SA's new "gold-mine" industry.

The projects are well under way, with the full backing of President Thabo Mbeki, the energetic commitment of Environmental and Tourism Minister Mohammed Valli Moosa and the silent collaboration of Anton Rupert. If all goes well, tourism could boost SA's economy by 2% a year in the next decade. Compare this with SA's average growth of less than 2.5% for the past 25 years.

The third positive event was Cabinet's approval of the principles in terms of which partnerships between the State and the private sector are permissible for the outsourcing of services traditionally supplied by Government.

One example is the construction of two prisons by the private sector. Prisons cost the State R85/day/person. By paying this or a lesser amount to outside contractors, the cost to the State remains the same and prisons can be operated more efficiently.

Water supply, sewerage and most traditional municipal services may also be better managed in this way.

A special unit has been established within the Finance Department to support this initiative, regulations have been published in the *Government Gazette*, and departments have the full support of Cabinet to subcontract these services to the private sector, within the guidelines.

This would irreversibly change the face of SA's public service. It would also spread the private sector's culture of discipline and efficiency across a broad front.

Finally there are solid prospects for economic growth. Since 1975, SA has not had a continuous growth rate above 2.5%. For most of the Seventies and Eighties, it was 1.64%. It reached 2.5% between 1993 and 1997. Now, for the first time in a quarter-century, our economy has the prospect of growing at a sustainable 3%. It's not enough, but it is much better than before. It is also more than the 2% at which the population is expanding.

Pessimism is understandable in the light of Zimbabwe's mismanagement. But it should not blind us to the power of positive change in SA. There are opportunities for entrepreneurs who can see beyond the present confusion.

**Originally published:  
Finance Week – Comment  
19 May 2000**