

## **GROWTH**

**29 October 1999**

### **Beyond good policies**

The ANC's long road on economic policy formulation has taken it from the Freedom Charter all the way to Gear. That journey, linked to the legitimacy derived from winning democratic elections overwhelmingly, has enabled an ANC-led Government to create a stable macroeconomic environment.

The country now has better fiscal and public finance management than at any time in the past 20 years. Even the nine provinces, once a fiscal nightmare, are making progress and performing much better than the homelands ever did.

The major element still missing in SA's macroeconomic performance is sufficient investment to drive growth and job creation. Investment equal to about 25% of GDP is needed each year to achieve a growth rate of 4% - 5%. In the past five years, the annual average has been only about 15% of GDP.

The shortfall is considerable and impedes sustainable growth

All indications are that Government has now put investment at the top of its economic agenda. A few weeks ago, the ANC's national executive committee endorsed Government's growth-through-investment strategy. Cabinet Ministers have referred to privatisation as a vehicle that will draw foreign direct investment (FDI).

Selling bigger portions of Telkom and the Airports Company, among other deals, will indeed result in considerable direct investment by foreigners. The investment by British Aerospace in Denel as a result of the partial privatisation of the State weapons manufacturer will, for example, boost FDI to levels higher than last year and the year before. Without that, FDI would languish below those levels.

Investment, however, requires superb public sector management. This applies to the financial and banking system, to crime fighting, education and health and to basic local government functions such as repairing street lights and rubbish removal.

It is one of the ironies of globalisation that domestic management of a nation becomes more, not less, important. Everybody can see whether you are up to the job or not. Amid the isolation of apartheid, incompetence could be hidden. In a globalised world, which is open and transparent, that is no longer possible.

In the new world order, public sector management, more than anything else, influences local investors. If they do not invest, foreigners will hold back. As one of the world's leading fund managers put it: "Watch the locals. If they run, you run; if they stay, you stay".

Mexico in 1995 and South-East Asia in 1997 confirmed this. In both cases, the locals ran first and precipitated the crises. Good management will induce locals to stay. Diatribe about them being "unpatriotic" will not really help.

There are clear signs that this Government has found the will to govern.

The action against taxi operators in Gauteng and the clean-up of Braamfontein's streets are welcome. There is a relentless drive against white collar crime. A growing number of corrupt officials are appearing in court. Distressingly, the list includes many police officers. Directors-general are being fired - something that has not happened for a long time. In Durban, a businessman was jailed for five years for not paying taxes. All encouraging. More of the same, please.

Politically and in policy formulation, SA has come a long way in five years. The hard work of attracting investment through good management remains to be done.

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