Cabinet concluded its twice-yearly bosberaad on Friday. The picture that emerges reveals an emphasis on economics and a Thabo Mbeki who is fighting back. It also balances the likely decision to change the willing-buyer-willing-seller approach.

- Macro-economic issues and **how to increase economic growth** from 4% to a higher level dominated the agenda. Higher growth was presented as they key to alleviate poverty (which may sound like common sense to financial market investors, but which many people do not buy into).
- Treasury made a presentation on the growth discussion and one can expect **Treasury thinking** to continue to have a huge influence on cabinet.
- **Investment was seen as the key** to achieving higher growth and a task team, under Deputy President Mlambo-Ngucka, will look at ways to increase this. This team must report back by September for its decisions to be worked into the 2006 budget, the framework of which is normally released in late October, early November.
- Interestingly enough, President Mbeki specifically stated that the **public sector**, and not the private sector, is the laggard as far as investment is concerned. Gauteng premier Shilowa is a member of this team. His inclusion is significant as Gauteng is the one province that has been quite successful in initiating provincial government investment. Gauteng is simply miles ahead of other provinces.
- Of specific interest to private clients, a proposal for **5% of "investable assets"** to be invested in the real economy, has been endorsed by cabinet and we should see more detail over the next few weeks.
- **Implementation,** and not change in policy, was the focus of the meeting. Delivery by municipalities was specifically discussed. President Mbeki indicated that skilled personnel might be recruited from overseas to help overcome this skills shortage. (This will be in line with the appointment of Mr Plenderleith as deputy-governor of the Reserve bank.) The focus on implementation also explains the special task team on investment.
- However, the meeting did decide that **labour legislation is hampering small business** development and that research will be forthcoming on this with probable changes. This approach flies directly in the face of the ANC General Council Meeting a month ago at the end of June where a dual labour market was discussed and rejected. This sets the scene for some tension!!
- But the tension could be minimised by willingness by government to look into and curb the **casualisation of labour.** Details are unclear, but a deal could be less casualisation by big companies (like Checkers or Pick & Pay), and more flexibility for small business.
- The lekgotla also endorsed proposals to make **medical aids** cheaper thus giving more people access to health care. Interestingly enough, the earlier proposals for an extra tax on salary earners to fund a wider health care net have not featured so far.

So What?

- There is clearly a **political will** and focus being formed and mobilised around the goal to become a 5% economy. This is being pursued not through more or different policies, but through implementation. The one exception on no-new-policies is the proposal that 5% of investable assets should be invested in real economy investment projects. (Details are still sketchy, but it might affect people like private clients, amongst others.)
- Also encouraging is that higher **growth is sought through higher investment**. That has all kinds of consequences, all of them positive for investors.
- President Mbeki is clearly **fighting back** after the dual labour market proposals were dismissed at the ANC General Council Meeting at the end of June. There will be no big bang, but we will see incremental changes.
- Changing the labour law is not framed or presented as part of creating a dual labour market, but rather as part of an effort to **stimulate small business** and create jobs. Politically, it will be more difficult for Cosatu to fight that.

All in all a good news for growth, investment and poverty alleviation. But political tensions will rise again in the implementation. Add in a bit of spice from Zimbabwe and the land summit, and we are clearly in for an interesting few months!

The land summit?

It takes place this week and could very well decide to jettison the willing-buyer-willing-seller principle in exchange for expropriation at fair prices. The Constitution is quite clear: expropriation in the public interest is allowed but it must be on fair procedure and on a fair price. In the event of a dispute, the Courts must decide. This power has not really been used so far in the redistribution and restitution processes. The land summit could very well decide to do so.

The problem is quite simple: only about 3% of land changes hands annually in SA. Almost all of it voluntarily. If one now wants to redistribute 30% of the country's land by 2015 (the official target), it will require another 3% of land to change hands annually. Well, if demand doubles, prices will …and the budget simply cannot take it.

Once restitution is completed (target date is still December 2005 but let's say that actual payment and settlements are only completed by the end of this parliament i.e. 2009), then that budget becomes available for redistribution as well. The restitution budget this year is R2.7 billion and the redistribution budget R770 million. Next year it is set to rise to R1 billion and the year after that to R1.3 billion.

A switch from willing-buyer-willing seller to expropriation will, no doubt, make investors jittery. But a general pro-growth political direction could help to manage that and, as such, the lekgotla could help to balance the land summit outcomes. Such is the nature of societies in transition.