

TRANSFORMATION

3 December 1999

Transform, but please also grow

During the past week, a parliamentary committee hear evidence on the new Equality Bill, the Labour Minister implemented the new Equity Act that regulates affirmative action, and Government announced details of how its new procurement policy will promote black economic empowerment.

These Bills are all driven by the transformation agenda. Transformation in this context means measures to cut a bigger slice of the economic cake for blacks: more of the job market, equity ownership and economic activity.

Transformation is needed in SA. It must be encouraged and supported. The history of Malaysia after independence is a good example of how things can go wrong if transformation is not effected. After 1948, Afrikaners used transformation to gain a piece of the economic action.

Transformation alone, however, is not good enough. Economic growth is equally important. Much of sub-Saharan Africa is an example of what can go wrong if mountains of transformation are accompanied by molehills of growth.

The problem is that there is a clash between the requirements of growth and of transformation. We should not kid ourselves about that. Sustainable growth mercilessly demands ever-increasing efficiencies and more value for money.

Many acts of transformation meet that test. We find examples in public corporations, Government and private companies. But there are also examples where they do not. Likewise, many transformation-for-Afrikaners measures also did not meet the test of ever-increasing efficiencies. The Afrikaner businesses that survived (and many did not) were built on efficiency and not mere transformation.

Furthermore, transformation requires discrimination in favour of some, which implies discrimination against others. This extracts an economic cost -, as we know only too well from the price we are still paying for excluding blacks from SA's economy.

These experiences should encourage us to seek a balance between transformation and growth. We must proceed with transformation and we must do so in an effective manner. Going for either growth only or transformation only will not serve SA.

Of the three Bills before Parliament, the one on Government procurement seems to meet the test of a delicate balance: 90% of a decision must be based on price, 10% on social considerations.

On the Equity Act, the devil will be in the detail.

The equality Bill, however, simply misses it. Not even a clumsy attempt is made to balance the requirements of growth and transformation. It is a bad Bill and should be replaced by one that recognises the delicate balance between growth and transformation.

After the last week's hearings, parliamentarians considering the Equality Bill can be in no doubt as to what the economic consequences of the Bill will be.

They received overwhelming input. They cannot later say they did not know. The responsibility to fix the legislation is theirs.

Originally published:

Finance Week - Comment

3 December 1999