

# **A GUIDE TO THE MICROECONOMIC REFORM STRATEGY**

**A Discussion Paper From the dti of South Africa**

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**May 2002**

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## MACRO VS MICRO: WHAT DOES IT MEAN?

When we refer to the micro (from the Greek "mikros" meaning "small") economy, we mean those detailed aspects to the economy and their interrelationships that make up the greater whole - the macro (Greek "makros" meaning "great") economy. Thus a microeconomic issue might be what specific sectors of the economy to prioritise, while a macroeconomic issue would be monetary and fiscal policy. So a microeconomic reform strategy affects how we approach the inner workings, the detail, of the economy in South Africa.

## WHY MICROECONOMIC REFORM?

As will be explained below, the first democratic government of South Africa in 1994 inherited an economy in crisis. Rapid interventions at the level of macroeconomic policy averted South Africa's potential deindustrialisation, brought inflation down to single figures, reduced the levels of the budget deficit to levels the industrialised world can often only envy, and set South Africa on a sustainable growth path. Despite these real achievements, key problems remain. They manifest themselves in areas such as unacceptably high unemployment levels. Clearly, while the macroeconomic policies are bedded in, and producing benefits such as the increasing amounts of state revenue available for development stimuli rather than debt repayment, we need to galvanise economic growth. We need much higher levels of investment and economic growth, and we need that growth to simultaneously address some of the glaring inequalities of our past - racial, gender, and (a legacy of the homeland system), spatial or geographic inequalities. This is essential if we are to harness all our resources for growth, but it is also morally just and vital for social peace, without which no economy can flourish for long.

The need for reform is clear. The need for microeconomic reform is based on the view that the basics are in place in terms of macroeconomic policies (as well as some considerable achievements at the micro level, such as South Africa's motor industry). The next phase of economic reform must focus on removing those things that impede growth. We must identify the points of blockage one by one, and find ways of removing the obstacles to faster economic growth. That is what this microeconomic reform strategy seeks to achieve.

## AIMING AT THE FUTURE: VISION 2014

The microeconomic reform strategy is based on a vision of South Africa's future. This is a vision which takes into account past and present realities and is based on the real economy, but which projects a future towards which South Africans can work.

**Vision 2014:** "By 2014, following the successful implementation of the microeconomic reform strategy and complemented by continued macroeconomic stability and a process of sustainable social development, South Africa will have a restructured and adaptive economy characterized by growth, employment and equity, built on the full potential of all persons, communities and geographic areas".

The requirements we have identified to realize this vision include the following:

- A geographic spread of social and productive investment.
- An integrated manufacturing economy capable of high degrees of value added.
- An extensive ICT and logistics system capable of speed and flexibility.
- A high degree of knowledge and technology capacity.
- Greater diversity of enterprise type and size.
- Skilled, informed and adaptable citizens.
- An efficient, strong and responsive state structure.

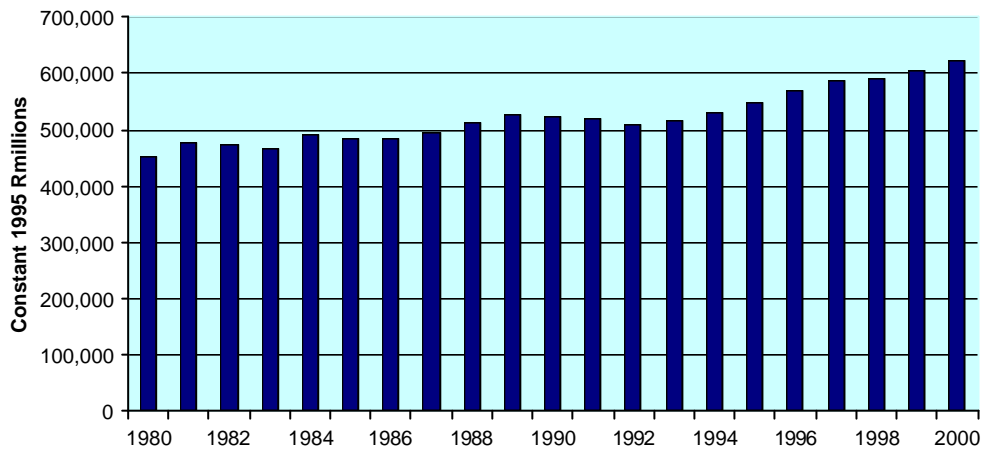
In order to advance this vision for the transformation of the South African economy, the state will continue to focus on microeconomic reform strategies, as the majority of the remedies to the factors limiting accelerated growth and development lie within the micro-economy. We now need to embark on a second phase of intensive microeconomic reform so as to consolidate development, growth and a better life for all by 2014, building on the achievements of initiatives such as the Reconstruction and Development Programme (RDP).

This strategy needs to take into consideration that there are two economies in South Africa. The developed economy suffers from a lack of cost competitiveness in relation to the global economy. The underdeveloped part of the economy, which represents the experiences of a large proportion of South Africans, is an area where economic potential is not being enabled or harnessed due to backlogs and under-investment in social and productive capital.

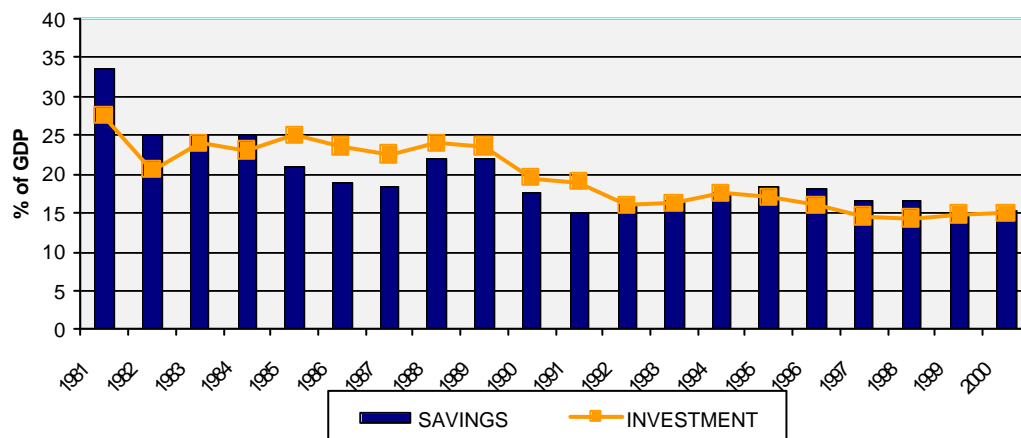
## ADDRESSING OUR ECONOMIC HISTORY

By 1994 South Africa's economy was already in an advanced state of decline due to political and economic isolation, inward-looking economic policies, and the legacy of racial exclusion. The weak state of the economy manifested itself in stagnant GDP growth until 1994, declining savings and investment rates, falling formal sector employment, a declining per capita GDP, and external vulnerability due to insufficient capital inflows and an unattractive investment climate. Figures 1 to 5 tell the story in graphic detail.

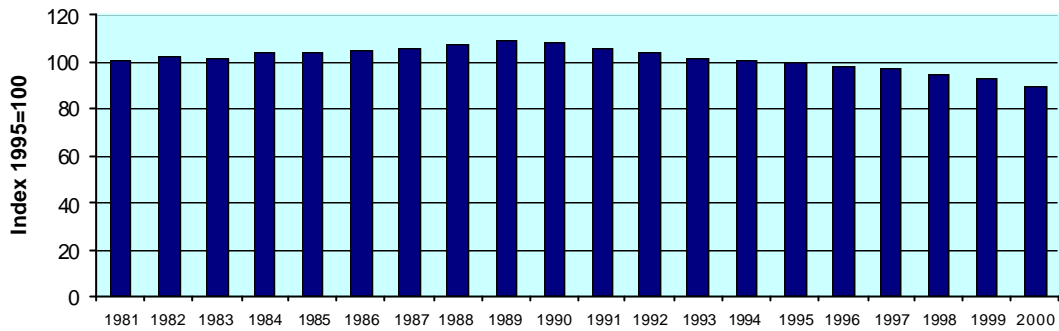
**Figure 1: STAGNANT GDP GROWTH UNTIL 1994**



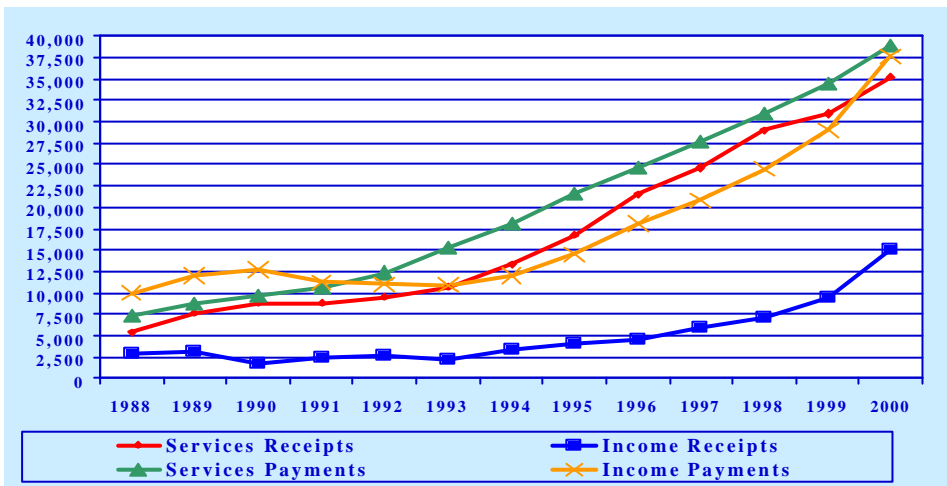
**Figure 2: DECLINING SAVINGS AND INVESTMENT RATES**



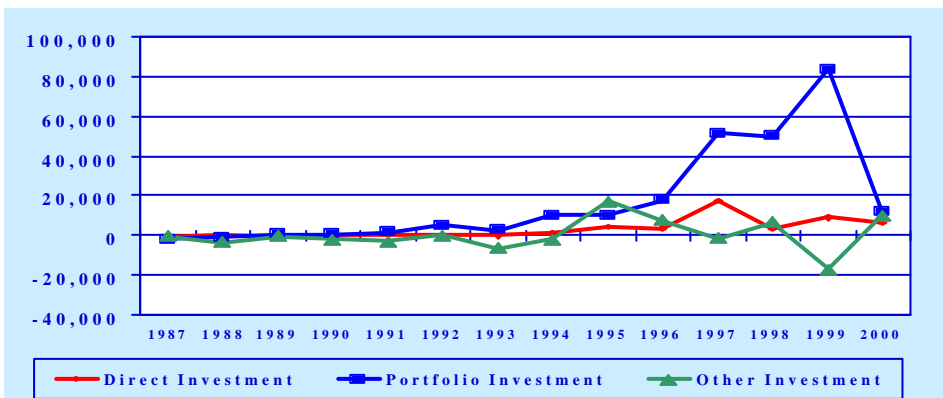
**Figure 3: FALLING FORMAL SECTOR EMPLOYMENT**



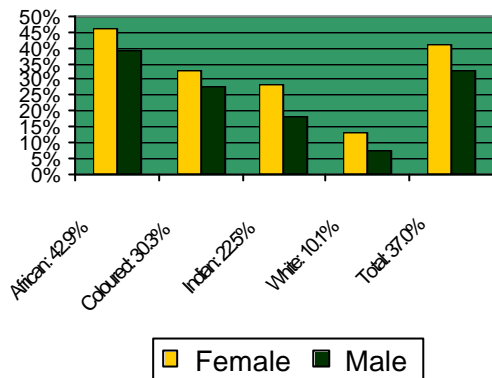
**Figure 4(a): INSUFFICIENT NET INFLOWS – Current Account**



**Figure 4(b): INSUFFICIENT NET INFLOWS – Capital Account**



**Figure 5: THE LEGACY OF RACIAL EXCLUSION - %unemployment by race and gender**

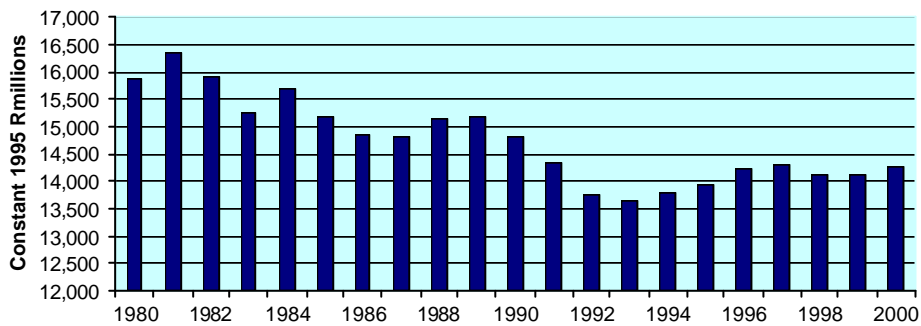


### Poor Human Development

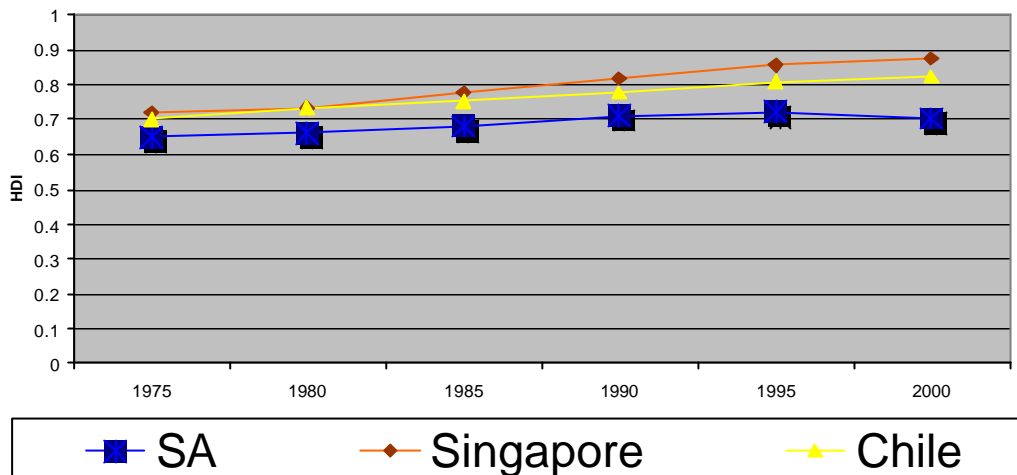
This economic weakness resulted in declining living standards, high levels of racial, gender and geographical inequality, and high levels of absolute poverty. This inheritance of low levels of human development is represented in the following graphs:

**Figure 6: FALLING PER CAPITA GDP**

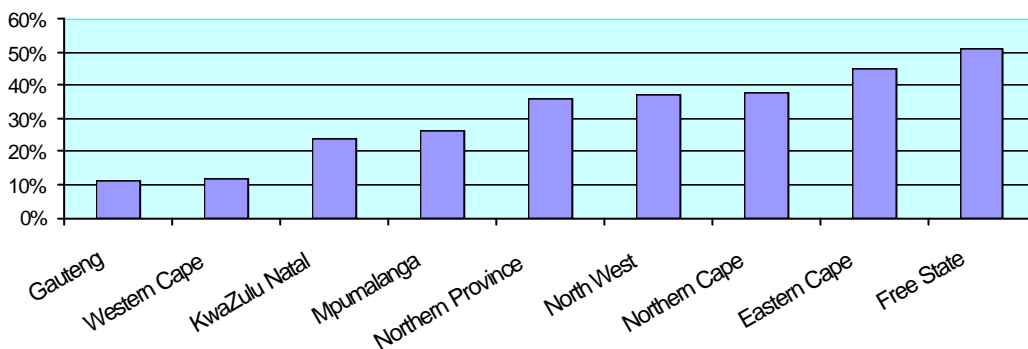
### GDP Per Capita



**Figure 7: HUMAN DEVELOPMENT INDEX (SA compared to Singapore and Chile)**



**Figure 8: LARGE REGIONAL DISPARITIES AND LEVELS OF ABSOLUTE POVERTY (% households living in poverty, 1996)**



## WHAT WE GOT RIGHT: ACHIEVING MACROECONOMIC BALANCE

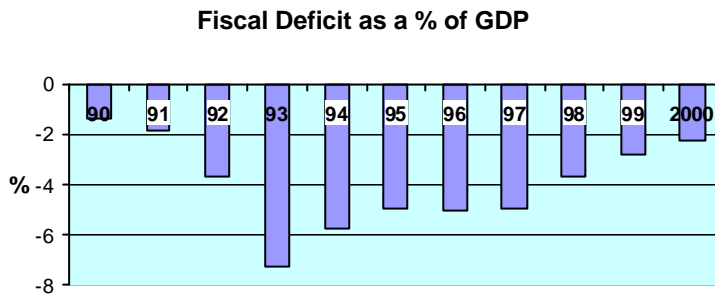
After 1994 government implemented a macroeconomic reform programme in order to stabilize major macroeconomic aggregates. This reform programme was successful in that it achieved a reduced fiscal deficit and an end to the financial rand. It improved competitiveness, inflation and real interest rates declined, and government achieved improved transparency and predictability of monetary policy with a shift of focus from defending the exchange rate to meeting inflation targets.



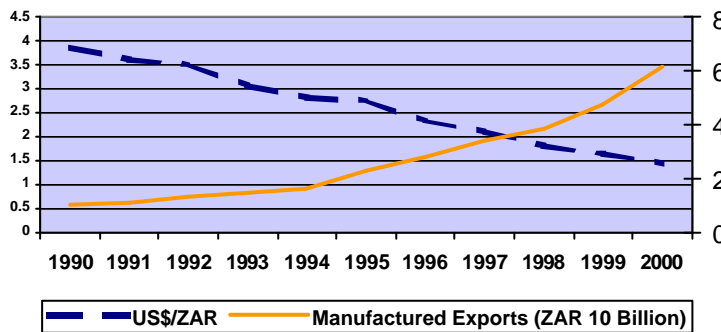
While the value of the exchange has recently fallen and subsequently affected inflation, the magnitude of the impact would have been significantly greater if macroeconomic balance had not been achieved. Furthermore, increased levels of savings and investment, one of the key objectives of this microeconomic reform strategy will contribute to sustainable reductions in the inflation rate over the longer term.

Figures 9 to 11 show these achievements.

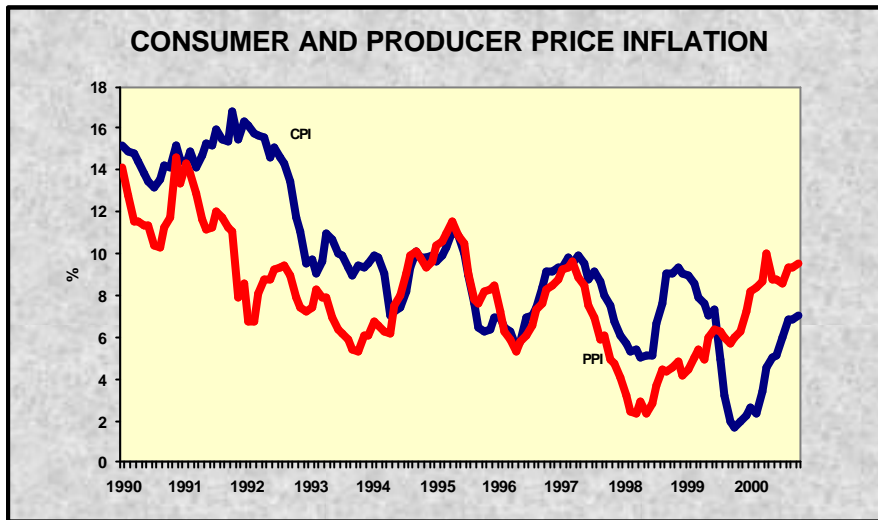
**Figure 9: REDUCED FISCAL DEFICIT**



**Figure 10: IMPROVED COMPETITIVENESS: Real exchange rate and growth in manufactured exports**

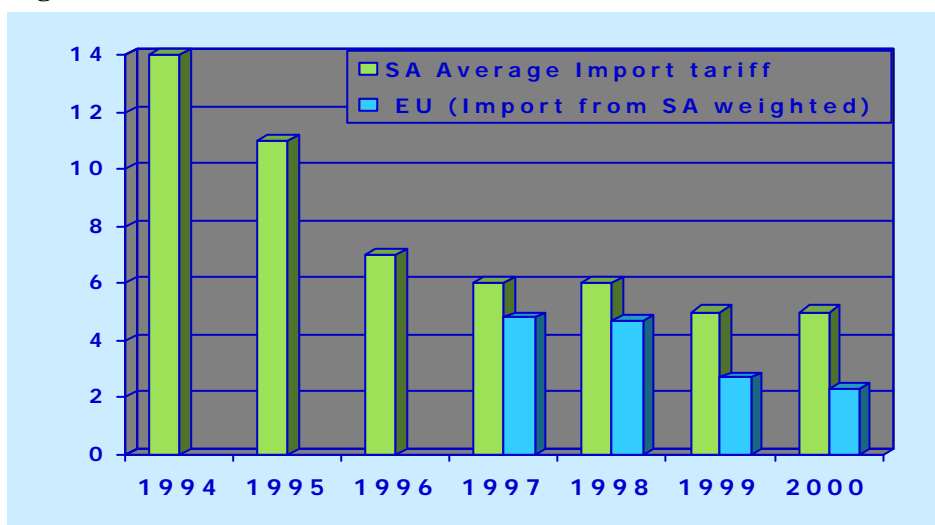


**Figure 11: DECLINING INFLATION**

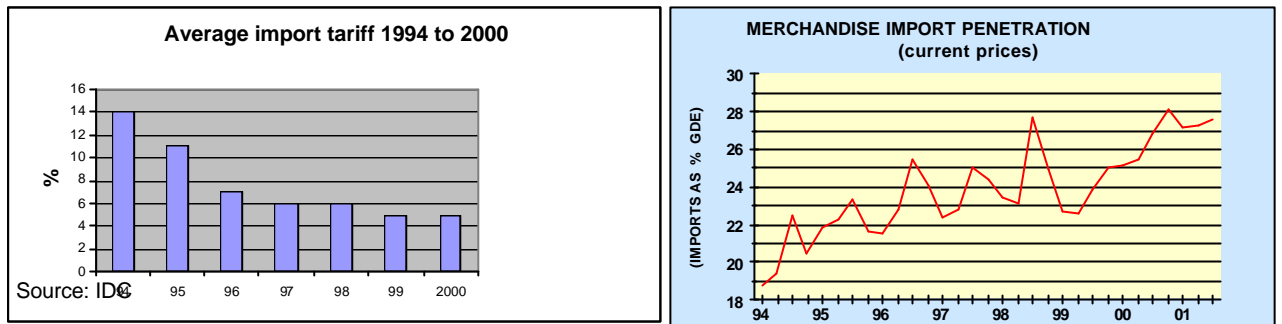


Following an offer to GATT that was negotiated with social partners in the National Economic Forum, a programme of tariff rationalization and liberalisation was implemented. This changed relative prices in the economy in favour of production within a global context. Membership of the WTO, as well as bilateral trade agreements with other countries and regional blocs, facilitated greater market access for South African exports. The resulting diversification of trade in terms of markets and products has reduced our external vulnerability. However, the export market is still reliant on the European market. The goal is to increase the proportion of total exports to other markets such as China, India and Brazil, and lower the proportion going to Europe to about 25% of total exports.

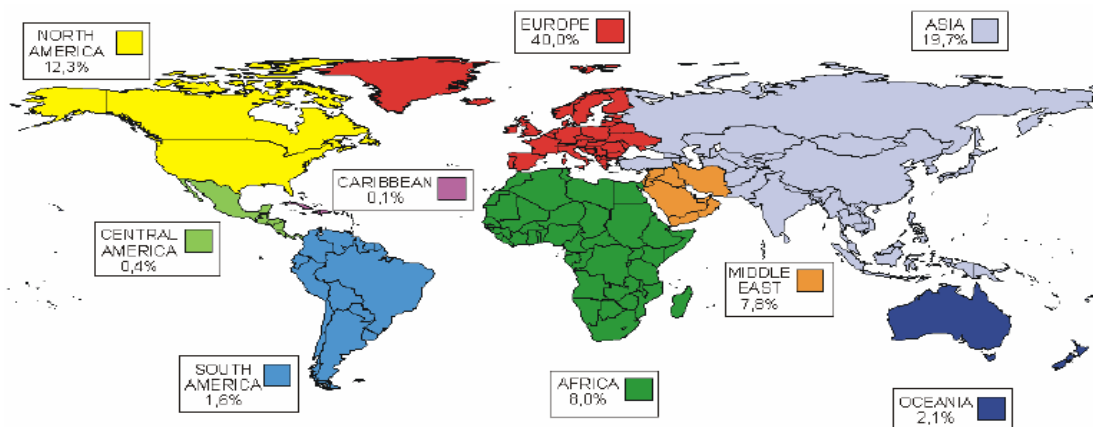
**Figure 12: TARIFF PHASEDOWN: SOUTH AFRICA AND THE EU**



**Figure 13: MORE OPEN ECONOMY: Cheaper Imports and Falling Tariffs**



**Figure 14: DIVERSIFICATION OF EXPORT MARKETS**



## SOME EARLY SIGNPOSTS: MICROECONOMIC REFORMS TO 2000

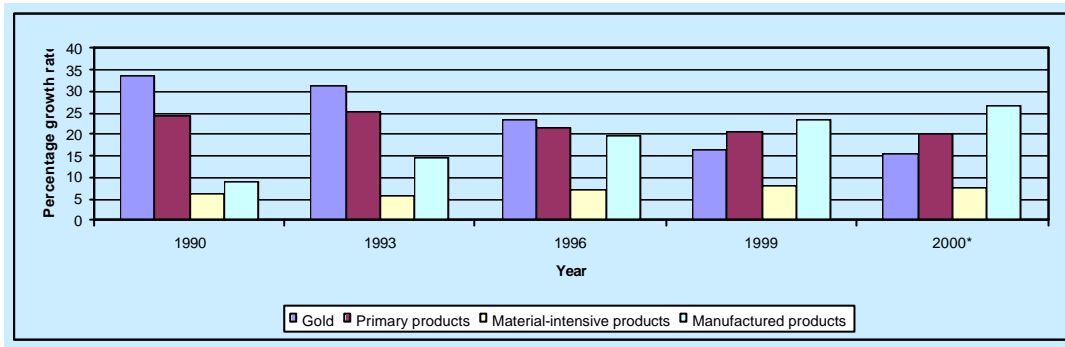
An initial set of microeconomic policy reforms was initiated after 1994. While in many cases successful, these reforms did not remove all the constraints to accelerated levels of growth in the economy.

Government replaced expensive subsidies such as GEIS and with new supply-side measures. With a new competition policy implemented, sector-specific regulators were established. A new labour relations dispensation negotiated with social partners has normalised labour relations in South Africa, producing subsequent declines in industrial action. New legislation and an institutional framework for skills development is in place, although there appears to be a failure on the part of firms to access funds for training. Significant reforms in the agricultural sector helped lower food prices on a sustainable basis, contributing to a declining inflation rate since 1994. New small business

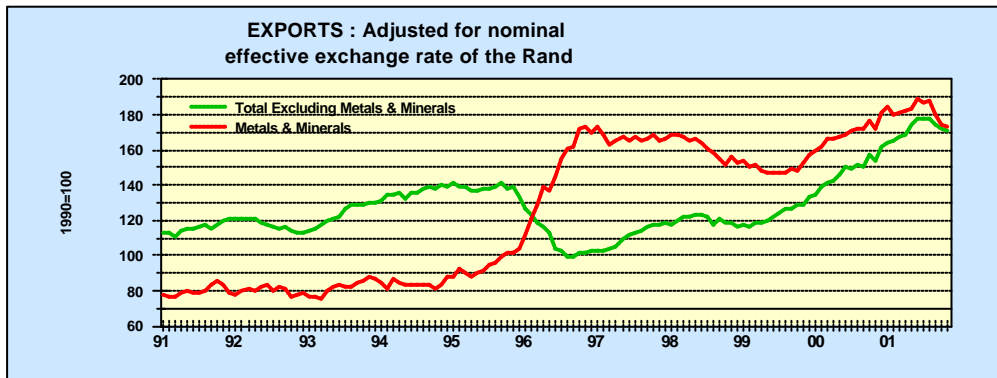
institutional framework and legislation has been successful in supporting small and medium enterprises. Special programmes for sectors undergoing severe structural change paid dividends - for example, the Motor Industry Development Programme which has resulted in South Africa becoming an important element of global automobile production chains.

Early successes from these initial reforms are reflected in the increased share of manufactured goods in exports, and in increased labour productivity. The most significant factor in rising labour productivity is that output per worker has risen. However, total employment remained stagnant as a result of the structure of the labour market (see below) and impediments to labour mobility.

**Figure 15: INCREASE IN MANUFACTURED EXPORTS**



**Figure 16: HIGH EXPORT GROWTH**



## THE LIMITS TO GROWTH: TIME FOR REAPPRAISAL

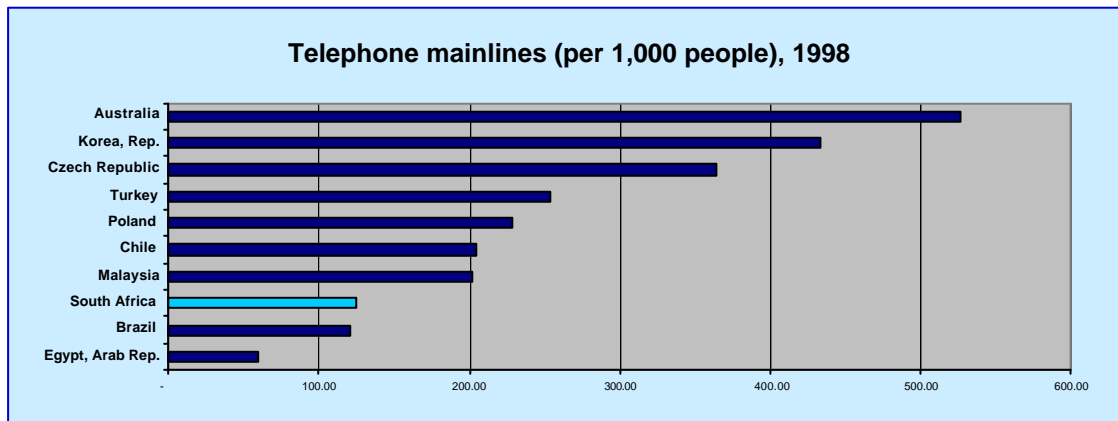
By late 2000, it was increasingly clear that levels of economic growth and employment were inadequate to meet the State's policy goals. Macroeconomic reform alone, it

appeared, could not stimulate the levels of savings and investment needed to underwrite growth on the scale needed. Instead, analysis revealed the limits to growth persisting at the microeconomic level.

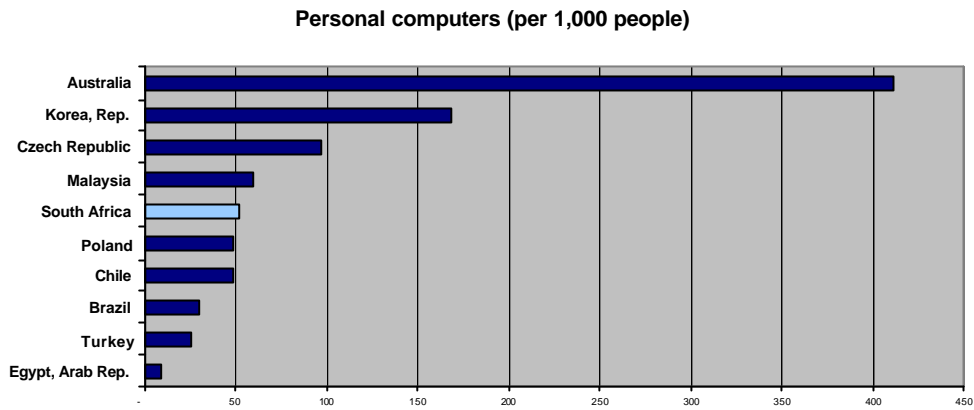
These microeconomic constraints to growth exist in both the developed and underdeveloped aspects of the economy. In the developed economy there are impediments to cost competitiveness such as the tariffs charged by certain state-owned enterprises, impeding the efficiency of supply chains. In the underdeveloped economy there is a lack of basic infrastructure, especially roads and communications. Impediments to cost competitiveness exist in the labour market as a result of a mismatch of labour demand and supply, the low levels of education and skills of the workforce, and the need for ongoing review of labour market regulation. There is also technological underprovision: per capita expenditure on information technology (IT) is low compared to South Africa's competitors, investment in research and development is inadequate, public science and technology infrastructure is weak, and there are low levels of public science awareness.

Insufficient investment in modern equipment and machine tools aggravates under-investment in knowledge and training. Furthermore, there are low levels of integration in the manufacturing process in South Africa, contributing to insufficient value addition. **The dti's** integrated manufacturing strategy (IMS) specifically addresses this question of low levels of integration in the manufacturing sector as a key impediment which can be overcome.

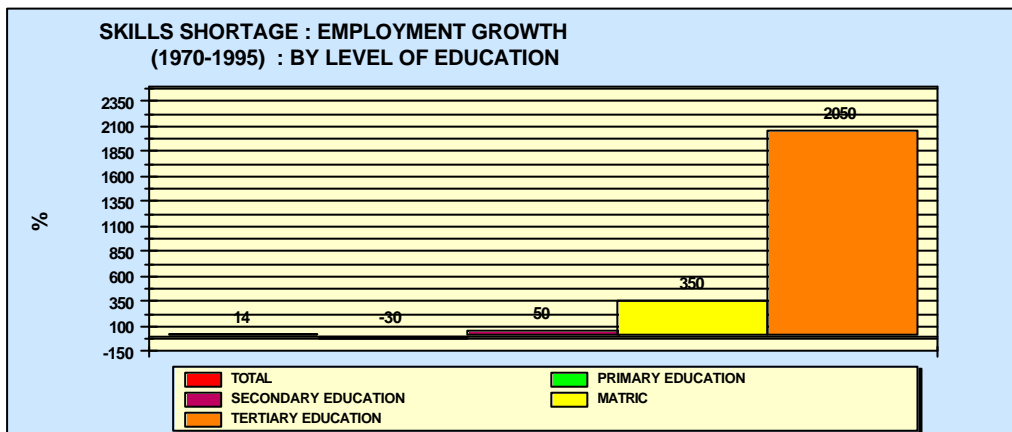
**Figure 18(a): UNDERDEVELOPED INFRASTRUCTURE – Telephone lines per 1000 people, 1998**



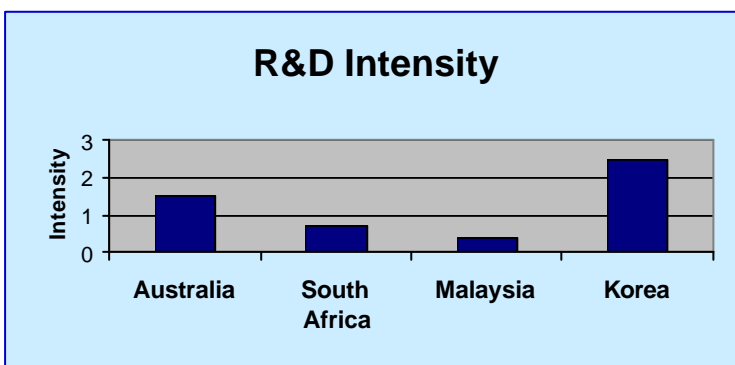
**Figure 18(b): UNDERDEVELOPED INFRASTRUCTURE – PCs per 1000 people**



**Figure 19: LABOUR DEMAND AND SKILLS SHORTAGES**



**Figure 20: INVESTMENT IN RESEARCH AND DEVELOPMENT-SA compared to competitors**



## THE INTEGRATED ACTION PLAN

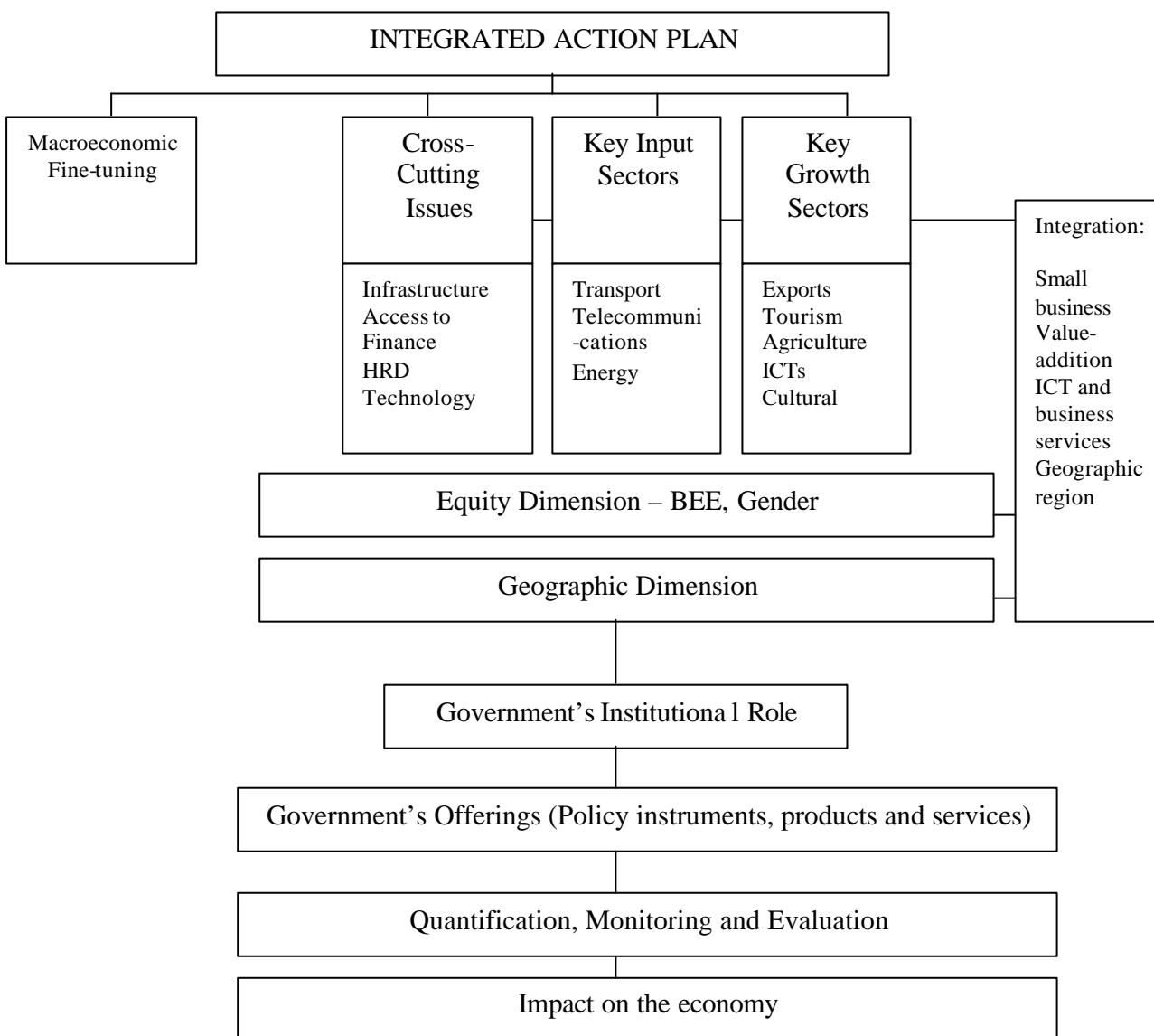
In February 2001, President Mbeki announced an integrated action plan that focused on addressing microeconomic constraints to growth. This builds on policies implemented up to now, but makes critical adjustments designed to increase the rate of growth, employment creation and development in terms of narrowing the inequalities of wealth and of the geographic spread of economic activity. Approximately two-thirds of the concrete steps contained in the plan were implemented. Drawing on the important lessons learnt by the state through this process, additional measures and areas in need of fine-tuning were identified by January 2002.

Some of the lessons learned include:

- Recognising the importance of policy stability and effective regulation for policy certainty and confidence in the economy.
- The need for decisive, coordinated interventions to improve the state's capacity to spend effectively and deliver services.
- The need to strengthen the cluster system in government to promote coordinated implementation.
- The need to acknowledge and communicate the timing of the impact of policies, and to recognize that human resource development (HRD), skills and technology development are medium to long-term strategies.
- The need to identify and communicate short-term strategies to kick-start growth and employment creation.
- The need to specifically include a geographical dimension to growth and employment.
- The need to clearly specify the institutional role of the state in achieving Vision 2014.

The purpose of the microeconomic reforms is to deepen the structural changes in the economy and strengthen the institutional capacity to deliver services and products that will facilitate social and economic development. The structural changes are designed to increase the levels of savings, investment and job creation. Other microeconomic reforms will further strengthen the efficiency of the economy.

The Integrated Action Plan set out below provides us with a model for implementing the microeconomic reform strategy in a coordinated and holistic manner.





## MACROECONOMIC FINE-TUNING

There have been considerable achievements in the achievement of macroeconomic balance, as outlined above. There is still need for fine-tuning of macroeconomic policy in order to address the consequences of a volatile and undervalued exchange rate for inflation and for food and input prices. Attention also needs to be paid to government's weak investment performance, for while funds available on budget for capital expenditure have increased, investment performance has not improved.

## CROSSCUTTING ISSUES: GENERAL AREAS FOR SPECIAL ATTENTION

A country's current and future competitiveness requires that a set of 'fundamentals' be in place in the economy. These fundamentals include appropriate and efficient economic and social infrastructure, access to finance for productive activities, investment in research and development, innovation and the take-up of new technologies, as well as investment in human capital and an adaptive, flexible workforce. The state has a critical and active role to play in developing appropriate policies and initiating programmes to ensure that these competitiveness fundamentals are in place in the economy. However, the state will also be looking to the private sector in raising levels of investment in R&D, human resource development, and infrastructure, as well as in making capital available for new productive activities.

Crosscutting issues identified by this microeconomic reform strategy include technology, human resource development, access to finance, infrastructure, and attention to the input sectors that affect the broader economy as a whole.

### **Technology**

With respect to technology issues, it is apparent that progress has been made in a number of areas including a new biotechnology strategy. Unfortunately, investment in research and development (R&D) remains low.

A new technology, innovation and R&D strategy proposes a number of measures that government will take to raise investment in R&D, including:

- An increase in funding for strategic areas such as biotechnology.
- Strengthening research in the private sector.
- Addressing issues of intellectual property and indigenous knowledge systems.
- Coordinating the currently fragmented management of state-led science and technology activities.

- Improvements in the rate of technology take-up by enterprises through technology incubators, and venture and seed capital funds.
- Establishing strong centers of excellence in tertiary institutions and science councils.
- Strengthening and extending regional innovation initiatives.

## **Human Resource Development**

The integrated human resource development strategy is under way. However, further work will be undertaken to extend the visibility and the impact of the strategy to the continent, social partners, and all spheres of government. Further, individual departments will align their departmental priorities with the HRD strategy. Additional capacity and financial resources will be allocated to the implementation of the strategy on a sustainable basis.

## **Access to Finance**

Access to finance for small business development and black economic empowerment will be enhanced through the coordination and subsequent integration of existing financing vehicles, such as Khula and the National Empowerment Fund. Such an integrated financing mechanism will include incentives (currently offered by **the dti**), guarantees (currently offered by Khula), grant facilities, risk capital, debt and equity financing, and specialist funds for targeted beneficiaries, e.g., youth and women. It is anticipated that this mechanism will address the current uncoordinated approach of government to access to finance.

Government is also focusing on micro-entrepreneurs and microlending.

Government will also promote and support alternative financial institutions, second-tier institutions, and community-based saving schemes. It will legislate for disclosure and community reinvestment in the financial sector. The role of the Post Bank in providing affordable services to the largely unbanked rural communities will be strengthened.

## **Infrastructure**

An integrated system for planning and implementation of infrastructure is critical. This system will include national departments, parastatals, provincial and local governments. Further, more work is required to integrate social and economic infrastructure projects.

Critical infrastructure projects currently underway include:

- Coega Port and Industrial Development Zone
- Industrial Development Zones in Richards Bay and East London

- Regional spatial development initiatives, eg. Lubombo SDI
- Tourism and heritage infrastructure projects
- Construction of a link road in Richards Bay
- Steel and aluminium hubs
- ICT hubs
- Logistics projects linking the Gauteng auto cluster and Durban port
- Municipal and Metropolitan investment projects, for example, Blue IQ in Gauteng
- Development of gas fields on the West Coast and the Pande gas fields.

## INPUT SECTORS

Input costs drive competitiveness, for they impact on all economic activities across the economy. Three critical input sectors, namely, transport, energy and telecommunications, are firmly within the ambit of the state's control, as these sectors are dominated by parastatals. Two issues confront the state here: ensuring greater access to these services by all South Africans, while simultaneously ensuring the cost competitiveness and efficiency of these services. The mandates of parastatals will be reviewed to ensure that the emphasis is placed on delivering an efficient service, rather than on profit seeking for its own sake.

A process of managed liberalization is underway in the three input sectors in order to introduce competition, increase efficiencies and lower costs. Besides this, infrastructure projects are underway in each sector to expand access to services and upgrade service delivery.

In addition to the three input sectors identified in the 2001 Integrated Action Plan, it should be noted that issues around water and water resource management are increasingly important as well.

### **Transport**

Government will focus on the following transport issues in 2002:

- Ports policy and improving the overall competitiveness of freight and wharfage charges.
- Increasing airline frequencies.
- Upgrading rural roads.
- Finalising appropriate restructuring models for Spoornet's coal link general freight business.
- Prioritisation of the taxi recapitalisation project.
- Integration of SADC transport systems.

## **Telecommunications**

Government will focus on the following key issues in 2002:

- Increasing the competitiveness of local fixed line operations, cellular telephone networks, and international telecommunications through legislative and regulatory reforms.
- Creation of opportunities for black economic empowerment (BEE) and small business investment opportunities through the managed liberalization of the sector.
- Utilising new technologies to lower telecommunications costs for underdeveloped regions.
- Improving government coordination on telecommunications issues.
- Strengthening the capacity and role of Icasa.

## **Energy**

Government is prioritising the following issues in the energy sector in 2002:

- Implementation of an integrated energy plan
- Continued implementation of the national electrification programme
- Introduction and encouragement of greater utilization of renewable energy sources
- Implementation of energy efficiency programmes
- Development of a twenty-year gas master framework
- Institutionalisation of the liquid fuels charter.

## **PRIORITISING GROWTH SECTORS**

Five sectors of the economy that have considerable potential for increased outputs, exports, and employment creation will receive focused attention from the state. These sectors are export sectors, agriculture, tourism, information and communications technology (ICTs), and cultural industries. In each sector, programmes will include a specific focus on employment generation, value addition, export growth, small business development and black economic empowerment.

## **Exports**

The state is addressing the key drivers of export performance, namely:

- Taking advantage of and expanding market access
- Improved supply chain management and logistics

- Supporting product design and innovation
- Addressing issues of standards and non-tariff barriers to trade
- Strengthening and expanding export councils and other sectoral partnerships
- Branding and marketing sectors and clusters
- Increased government coordination in the development of sector strategies
- Integration of geographic, BEE and small business objectives in sector strategies.

The following export sectors have been targeted for priority attention in 2002/03:

- Clothing and textiles
- Auto, auto components and transport
- Agro-processing
- Mining, metals and minerals beneficiation
- Chemicals and biotech
- Crafts
- Information and communication technology.

These sectors have been selected for their employment potential in wider value chains, integration into global production systems, the potential for beneficiation, and the strengthening of existing competitive advantages.

### **Tourism**

In 2002/03, government is prioritising the following activities:

- Projects to maximize the benefits arising from a depreciated exchange rate for both increased international visitors and domestic tourism.
- Joint marketing strategies to six major tourism markets.
- Focusing on new non-traditional tourism markets in Africa, China and the Middle East.
- Reviewing the role and strategy of SAA with a view to increasing the number of flights to SA.
- Strengthening human resource development in the sector,
- Promotion of BEE and small business development in the sector,
- New, expanded and restructured national and transfrontier parks.
- Consolidation of investment in and the further development of the Lubombo and Wild Coast spatial development initiatives.
- Improvements in the standards and quality of tourism products and services.

### **Agriculture**

A strategic plan for agriculture has been jointly developed and agreed upon by government and the organized agricultural sector, including both established and

emerging farmers. This landmark agreement will now be put into place, including the following:

- Fast-tracking of the land redistribution and agricultural development programme
- Support programme for black farmers
- Implementation of a risk management strategy
- Expanding and developing organized agriculture
- Developing of domestic and global markets for agricultural products
- Introduction of Public-Private-Partnerships in new farmer settlements
- Focusing on high value-added and export-orientated sectors
- Promoting competitive supply chains
- Increasing investment in innovation and research and development
- Rehabilitating infrastructure
- Development of rural financing mechanisms
- Introduction of an agricultural database and information management.

## **ICTs**

South Africa is developing a competitive advantage in several areas of ICT, including project solutions, wireless technology, systems integration, encryption and security, and offshore desktop publishing. Government has already coordinated the establishment of an ICT Development Council with the private sector and other role players. An ICT sector summit is currently being planned under the auspices of Nedlac.

Specific focus areas of government in this sector in 2002 are:

- Implementation of e-commerce legislation (under way)
- Development of opportunities in online processing and call centres
- Maximising the benefits of the President's international ICT council
- Increasing the number of graduates with IT skills
- Increasing ICT learnership programmes
- Introduction of a small business ICT strategy
- Market South Africa as a source of high quality IT products, services and training
- Software development for export
- Increase research and development investment in the ICT sector
- Development of ICT clusters in Gauteng and Western Cape.

## **Cultural**

South Africa's cultural industries include music, film and television, audio-visual services, publishing, and crafts. The sector is growing and government will be taking various actions in 2002 to further promote the sector including:

- Marketing to increase exports.
- Establishment of an export council.
- Improved access to finance for small businesses.
- Improved training in cultural industries.
- Promotion of South African arts festivals.
- Use of technology to improve competitiveness of the sector.
- Establishment of a craft emporium.
- Strategy on South African audio-visual services.

## KEY PERFORMANCE AREAS FOR EQUITY AND GROWTH

The integrated action plan identifies six key performance areas, namely, growth, competitiveness, employment, small business development, black economic empowerment, and geographic spread. Specific strategies to address the last four of these are considered below.

### **Black Economic Empowerment**

A four-pronged approach to black economic empowerment has been adopted. This will be elaborated in a comprehensive policy statement on the matter that will be released in May 2002. In summary, the strategy includes:

- The provision of an enhanced environment for Black Economic Empowerment.
- The introduction of new products by government to promote Black Economic Empowerment including the proposed integrated financing mechanism (see Access to Finance section above), further procurement reforms, opportunities created through the restructuring of state-owned enterprises, land reform, support to cooperatives, the development and implementation of sectoral BEE strategies, and business development support.
- The introduction of a partnership programme with the private sector.
- The establishment of a non-statutory BEE advisory council.

### **Small Business Development**

A renewed small business development strategy is currently being finalised for publication in May 2002. The strategy will represent a cross-departmental government approach to small business development. The key components of the strategy are:

- Specific sectoral initiatives to promote small business development.
- The introduction of new products to support small businesses.
- Greater coordination across government.

- Amendments to the National Small Business Act.
- The consolidation of all mentorship support projects.
- Improved access to finance (see Access to Finance section above).
- Increased access to markets through competition policy and export promotion.
- The promotion of entrepreneurship.
- The expansion of business support infrastructure and the provision of localised support infrastructure.

## **Employment**

A government-wide approach to employment is needed. A three-stage approach to addressing the employment question is being followed. In the long-term, the restructuring of the economy and higher levels of integration in manufacturing resulting from the successful implementation of this reform strategy will result in employment creation in the economy. There are also several medium-term strategies that are in place to generate jobs including increased public sector capital expenditure, improved labour market information, small business development and black economic empowerment, and human resource development. However, it is recognised that immediate short-term actions need to be taken to create jobs. Such actions will include specific programmes in rural areas, urban nodes, and specific sectors of the economy, as well as programmes for new labour market entrants.

## **Geographic Spread**

A legacy of the policies of the apartheid regime is the uneven economic development of South Africa's regions. In order to achieve greater geographical equity a specific focus on the geographic spread of economic activities and investment has been adopted. Policies already in place in this regard include the Integrated Sustainable Rural Development Strategy, the Urban Renewal Strategy, Industrial Development Zones, Spatial Development Initiatives, and Integrated Development Plans. The challenge to the state is to improve the coherence of these strategies and ensure more coordinated implementation. In this regard, productive investments have to be linked to areas of high poverty and unemployment and more geo-technical data and analysis is required.

# **WHAT GOVERNMENT CAN DO: THE ROLE OF THE STATE**

## **Government's Institutional Role**

The role of the state in ensuring the successful implementation of the microeconomic reform strategy in order to attain Vision 2014 includes the following priority actions:



- Promoting coherent policy across government, i.e., policies that promote growth and employment.
- Ensuring the all legislation and regulations promote growth and employment.
- Narrowing the gap between financial and operational planning with spending and identification of priorities.
- Restructuring government budgets to better reflect and measure this new coordinated approach.
- Managing the mandates of parastatals and public entities in promoting growth and employment.
- Improved knowledge management and information sharing.
- More effective management of intergovernmental relations.
- Improved communications, branding and marketing to build policy certainty and confidence.
- Increasing the capacity of government to spend effectively.

### **Government's Offerings to the Economic Citizen**

A critical component of the role of the state is to ensure that the various products and services, the policy instruments, that it designs and offers to citizens and economic actors are relevant, effective and easily accessible. To achieve this, government will:

- Compile a products register in **each** department.
- Review all existing products for relevance, efficacy and accessibility.
- Replace inadequate offerings that do not contribute to government's objectives.
- Introduce new, more relevant offerings.
- Review and introduce new delivery systems to improve access, reach and volume of offerings delivered to targeted groups in particular, and citizens in general.

### **Measuring Real Delivery: Targets, Monitoring and Evaluation**

The microeconomic reform strategy towards Vision 2014 cannot be an abstract proposition. We need action, not just talk. The beneficial impacts of reform on the lives of our people, and on the changing structure of the economy, must be clearly discernable. If they are discernable, they are also measurable.

Government will increase the resources available for measuring performance against its objectives and will develop uniform and integrated measurement systems across government. Performance will be more frequently communicated to stakeholders. The focus is on the impact of projects, programmes and policies, not least to ensure timely adaptations of strategy to meet real needs in the real economy, in the interests of an effective, efficient, flexible and responsive government in South Africa.

ENDS