

Advocacy Project

MARCH report

The *Advocacy Project* remains the Foundation's single most important initiative. The project translates theoretical free market ideas into practical policy proposals and attempts to persuade politicians to adopt them. It also provides a constant stream of information to policymakers regarding the superiority of free market policies over authoritarian alternatives. Whilst a proactive approach has been adopted as far as possible, the FMF has been forced to be reactive in regard to many provisions harmful to economic freedom that have been contained in proposed legislation presented to Parliament. The primary objective of the project is to present evidence to policymakers that is sufficiently persuasive to encourage them to adopt policies that promote rather than reduce economic freedom in South Africa.

As we wish to keep our members informed regarding the basic thrust of the most important arguments used in our advocacy work a brief description follows of some of the economic data upon which our proactive work is based. We also provide a brief summary of arguments used in giving evidence before committees of parliament.

The high-growth economy message

Increase economic freedom

The fundamental thrust of the FMF's message is that greater economic freedom will improve the general welfare of South Africans more rapidly than any other option available to government. This is abundantly clear from the *Economic Freedom of the World: 1998/1999 Interim Report* which ranks South Africa joint 56th with Nicaragua on the economic freedom scale out of 119 countries analysed.

Temba Nolutshungu attended and delivered a paper at a meeting of the Economic Freedom Network in Manila. The FMF is a founder member of this organisation of over 100 institutes and think-tanks around the world that promote the principles of economic freedom in their respective countries. The annual *Economic Freedom of the World* publication, which measures the level of economic freedom in those countries for which appropriate figures are available, is now being supplemented by additional publications showing correlations between economic freedom and other measures of human welfare. A recent study by Professor Herbert Grubel of Canada shows that the countries with the greatest level of economic freedom not only have the highest per capita incomes and growth rates, they also have less unemployment, higher life expectancies, higher adult literacy rates and less poverty. Professor Grubel also found that government income redistribution reduces not only economic freedom but also the levels and rates of growth of per capita incomes.

Reduce government spending (remove the "government spending constraint")

Another study by Gwartney, Lawson and Holcombe, *The Size and Functions of Government and Economic Growth*, prepared for the Joint Economic Committee of the US Congress, shows clearly that increased government spending reduces economic growth. Examining the figures for 23 OECD countries for the period 1960-1996 they found that the average government expenditure of these countries (at all levels of government) had increased from 27 percent of GDP to 48 percent over the 37 year period. The countries in the group with the largest increases in government spending (i.e. an average increase of 32.7 percentage points from 21.8 percent to 54.5 percent) suffered an average decline in GDP of 5.2 percentage points from 6.4 percent to 1.2 percent, comparing the 1990s to the 1960s. On the other hand, the countries with the smallest increases in state expenditure also had the lowest declines in economic growth rates. (The "government spending constraint" is consequently the most serious impediment to economic growth in any economy).

All the OECD countries included in the study increased government expenditure as a percentage of GDP and all now have lower growth rates than they had in the 1960s. The Japanese people are

amongst the greatest victims of this error. At the beginning of the 1960s the total expenditures of the Japanese government were only 17.5% of GDP and averaged 22.0% for the decade while the average annual growth rate was 10.6 percent for that decade. Government expenditures soared to 36.9 percent of GDP in 1996, and as expenditure increased the growth rates fell steadily to 5.4 percent (1970s), 4.8 percent (1980s) and to 2.2 percent in the 1990s. OECD countries that had government expenditure levels of less than 25 percent of GDP during the period studied, had an average economic growth rate of 6.6 percent. Our message to government is therefore that if it wishes South Africa to develop into a fast-growing economy, total expenditure at central, provincial and local levels of government must be reduced from the present 35 percent level to at least below 25 percent and preferably below 20 percent of GDP. This would mean slashing 10 to 15 percentage points off government expenditures, or approximately R60 billion to R90 billion in current figures, and of course, slashing taxes by similar amounts.

Core functions of government

Gwartney, Lawson and Holcombe also analysed government expenditures to determine the cost of core functions. They found that most OECD countries spend approximately 15 percent of GDP on their core functions which the authors listed as: Protection of persons and property (police protection, corrections, justice), National security (national defence, international affairs), Education (elementary and secondary, higher), Highways, Central bank and Sewage, sanitation and environmental protection. Some countries spend as little as 10 percent of GDP on these functions. This means that governments can cut their expenditures drastically without reducing the amounts they are currently spending on the core functions.

Positive results achieved

Energy policy

An example of the positive results of our efforts is contained in the energy policy adopted by government. The Cape Town advocacy office made a concerted effort to persuade the policymakers of the benefits of a free market in minerals and energy and in the process:

1. Gave the FMFs High Growth Economies presentation to the Mineral and Energy Affairs Portfolio Committee. (This presentation, based on the Economic Freedom of the World publications, provides evidence that greater economic freedom results in higher per capita incomes, higher economic growth, lower unemployment, greater life expectancy, lower infant mortality, higher adult literacy rates and less poverty.)
2. Presented detailed mineral and energy policy recommendations to the Portfolio Committee during the committee's public hearings on the Mineral and Energy Affairs budget vote. The FMF proposed:
 - a) The deregulation of the mineral and energy industries.
 - b) That procurement of crude oil be entirely at the industry's discretion with refiners retaining the freedom to import.
 - c) That there should be no regulatory barriers to the procurement of refined petrol.
 - d) That the rationalisation plan be abolished.
 - e) The deregulation of the pricing system to allow market forces to determine prices.
3. Gave evidence on the Green Paper on *A Minerals and Mining Policy for the RSA*.
4. Did a presentation on High Growth Economies to the South African Petroleum Industry Association (SAPIA).
5. Gave evidence on the Draft White Paper on the *Energy Policy of the RSA*. Some policy elements included in the Draft White Paper on Energy Policy are consistent with market economy principles and indicate that the FMF has had an influence on the evolving energy policy. Some pertinent sentences from the White Paper are reproduced to illustrate the principles that have apparently been adopted:

- *In December 1995 the cabinet decided to phase down protection by 1999.*
- *The Government believes that within three to five years competitive market forces should determine prices.*
- *With the phasing out of price control the role and implementation of the Rationalisation Plan will be amended and phased out.*
- *At the end of the transition period the liquid fuels industry should be characterised by unrestricted market entry, allowed to engage in normal business practices and subject to generally applicable legislation.*
- *With free participation in the liquid fuels industry, import and export control will be phased out.*
- *With the phasing-out of price control the liquid fuels industry will be allowed to negotiate commercial transport rates with carriers of their preference.*
- *Government will introduce a deregulated oil industry within the next few years in order to promote competition.*

Other evidence to Parliamentary Portfolio Committees

The Foundation led evidence on four occasions in late-1998:

- **Temba Nolutshungu and Eustace Davie led evidence to the Parliamentary Portfolio Committee on Trade and Industry on the *Competition Bill* on 1 September 1998.**

The objectives of the Competition Bill, 1998 as set out in the preamble are in certain respects contradictory. Achievement of some objectives will be deleterious to the achievement of others. The Bill is fundamentally unjust as it contains exemptions for certain economic agents whilst imposing penalties and prohibitions on others. It contains provisions creating an excessively expensive and top-heavy administrative process and an adjudication process that unnecessarily supplants the courts. Yet whilst these matters are important they are overshadowed by the probable negative economic effects on the South African economy if this Bill should be adopted. The main concerns are:

- That whereas the intention of the drafters of the Bill is to put in place a mechanism to improve the effectiveness and efficiency of the economy it is likely to do the opposite.
- The Bill does not recognise that only a barrier against entrepreneurial entry into a favoured sector of the economy can confer a relevant monopoly position upon an agent engaged in that activity. With almost no exceptions such a monopoly will be granted or created by government and rectification of the situation requires only the withdrawal by government of the monopoly privileges it granted or the removal of the obstacles it created.
- The Bill further fails to recognise that activities resulting from entrepreneurial discovery and alertness, manifested in myriad forms, are the most efficient allocators of resources and that statutory interventions in the process are a threat to their healthy operation.

- **Leon Louw led evidence on 16 September 1998 to the Parliamentary Portfolio Committee on Trade and Industry on the *Liquor Bill*.**

This evidence was led through the Law Review Project on behalf of the South African Liquor Initiative whose members agreed that the following principles should be brought to the attention of the legislators:

- The legislation should be minimal and realistic so as to ensure its **enforceability**.
- The legislation should be acceptable to the average South African to ensure **legitimacy**.
- **Objective criteria** rather than discretionary powers should determine eligibility for liquor licences.
- There should be **minimal red tape** and minimal direct or indirect application costs for applicants.
- Liquor should, in principle, be regarded as a **socially acceptable product**.
- The legislation should be **beneficial to both consumers and the trade**.
- There should be **no distinction between types of liquor** other than sorghum.

- Licences should be granted without regard to **land use control measures** such as zoning or consent use.
- The structure of the market should be dealt with under the laws governing the **maintenance and promotion of competition**.
- The legislation should promote **empowerment**, by, *inter alia*, the removal of barriers to entry, the non-harassment of traders, and training.
- The legislation should **acknowledge the maturity of consumers**.
- The legislation should **decriminalise** the activities of people within the industry.

- **On 18 September 1998 Eustace Davie and Temba Nolutshungu led evidence on the *Medical Schemes Bill* to the Parliamentary Portfolio Committee on Health.**
 - Government should concentrate health-care spending on the poor.
 - More affluent citizens should take care of their own health-care expenses. “It makes absolutely no sense for taxpayers to provide free primary health-care to the wealthy”.
 - Eventually the majority of the population should be independent of state health-care provision.
 - Institutions should be allowed to develop new products without government intervention in order to achieve the greatest efficiency in the delivery of health services.
 - Government should fund but not provide health-care for the poor.
 - All services should be purchased from competitive private providers which, through competition, would ensure rapid growth in health-care delivery services as well as reduced costs and higher quality.
 - Government’s health budget would stretch much further and have visible results.
 - One option for securing high quality health-care services for the poor would be for government to pay medical aid subscriptions on their behalf.
 - Another would be for government to give cash to the poor (in the same way old-age pensions are provided) to allow them to use the services of their choice and pay for them directly.
 - The most rapid improvement in the quality of life of the people would be achieved through economic freedom and high growth.
 - Reducing government expenditure from its present 35.6% of GDP to below 25% is vital in order to achieve the 6% growth rate mentioned in GEAR.
 - Increased state expenditure on health-care can therefore be achieved only by drastically pruning the budgets of other departments or imposing a disastrous government expenditure constraint on economic growth.
 - In view of the importance of having a thriving private health delivery industry the sections in the Medical Schemes Bill that will damage the ability of medical schemes to manage risk and function efficiently should be deleted from the legislation.
 - Government cannot afford to take on the burden of caring for members of schemes that could be bankrupted by such provisions.
 - Government should therefore not prescribe to managements of medical schemes how they should run their businesses or prescribe to the industry what products it should sell.
 - In the absence of barriers to entry, competition would exert the greatest possible discipline upon suppliers.

- **Leon Louw led evidence to the Parliamentary Portfolio Committee on Health on 20 October 1998 on the *Tobacco Products Control Amendment Bill*.**

Leon Louw’s evidence to the PPC on Health dealt with the following: Tobacco policy: a matter of principle; the scientific evidence; whose rights should prevail?; under conditions of equal freedom, who should decide?; protecting consumers, employees and proprietors; the thin edge of the wedge; discretionary power; true science versus ideological science; countervailing evidence; how to protect

third parties and children effectively; and smoking and children.

Louw concluded that when one considers the liturgy of dubious interpretations of data, the non-sequiturs and contradictions in pro-prohibition propaganda, the propensity to ignore countervailing evidence, and the prevalence of falsifications and cover-ups that have become characteristic of the anti-smoking movement – and the legitimacy it enjoys – the only reasonable conclusion is that the anti-smoking phenomenon is a modern aberration of the most dangerous kind. South Africa's law makers should proceed cautiously, ensuring that they do not end up legitimising junk science and mass hysteria unwittingly.

There is a tendency to believe that “that sort of thing” would not happen now, that we have now reached an “advanced state” of knowledge, and that despotic laws are a thing of the past. This is greatly mistaken. People looking back from fifty years hence at the errors and aberrations of modern times, will look back on much of what we do now with the same sense of disbelief that we tend to look at what was done fifty years ago. I appeal to the Committee not to be fickle. It should rise above popular delusion and fanatical hysteria, and do the right thing. It should preserve and enhance liberty. It should adopt laws that work in the real world and that can stand the test of time.

There is no urgency in this matter. The government should either abandon or shelve the proposed law until the issues raised above have been addressed satisfactorily. The evidence is inconclusive, and existing law is adequate to protect the legitimate rights of anti-smokers.

The Bill should not be implemented, whether revised or at all. It is fundamentally flawed and constitutes a needless concession to a shamelessly authoritarian movement. It contradicts the letter and spirit of the Constitution, and the demands of transformation. It is particularly inappropriate for South Africa at this time, when there are so many serious priorities facing the nation.

1999 Advocacy Project initiatives

The *Advocacy Project* will continue to monitor new legislative developments very closely and will attempt to influence outcomes at the earliest possible point in the evolution of such legislation. In addition, it intends to pursue the following initiatives during the coming year:

- Continue to promote the high-growth economy and economic freedom message at every opportunity and attempt to prevail on government to make the policy changes needed to improve South Africa's economic freedom rating.
- Make all policymakers very conscious of the “government spending constraint” and attempt to prevail upon government to cut government spending in order to increase the welfare of all the citizens of the country.
- Actively assist in the promotion of the FMF President's proposals for the economic transformation of the country.
- Continue to argue for deregulation of small business using the *Laws Affecting Small Business* series booklets as material and in particular promote the proposals in the new booklets on *Health*, *Schooling* and *Tax*.

AUGUST report

The *Advocacy Project* continues to monitor and comment on legislation; promote a high-growth economy and economic freedom; make policymakers conscious of the “government spending constraint”; assist in the promotion of the FMF President's proposals for economic transformation; and argue for deregulation – particularly for small business. (See also Projects in Partnership, Economic Freedom Network, Health Focus Team and Website.)

The Foundation's directors recently prepared proposals that could be used by various departments of government to bring about a high growth economy in South Africa. The proposed policies would result in greater economic freedom in the following branches of government: Agriculture

and Land Affairs; Correctional Services; Defence; Education; Finance; Health; Housing; Justice; Labour; Mineral and Energy Affairs; Posts, Telecommunications and Broadcasting; Provincial and Local Government; Public Enterprises; Public Service and Administration; Public Works; Trade and Industry; Water Affairs and Forestry; Welfare and Population Development.

The suggestions are set out for the information of Council members:

Agriculture and Land Affairs

Objective

- Provide all citizens with land who need it for housing, agriculture or small business.

Actions

- Remove historical impediments and upgrade all apartheid land tenure to full ownership within five years.
- About 10% of the state land identified in the White Paper would be sufficient to provide land to all homeless people. Transfer plots on a one-family-one-plot basis without stamp, transfer, survey, conveyancing or other charges.
- Suspend land survey, conveyancing and title registration requirements for upgrading title on *pre-existing* plots.
- Review restrictive land use and development controls to expedite and minimise the cost of delivery.

Correctional Services

Objective

- Reduce overcrowding and the cost of prisons. Turn prisoners into rehabilitated and productive citizens.

Actions

- Encourage other ministers to minimise technical and victimless crimes so as to reduce needless overcrowding.
- Outsource prison construction and management with performance incentives for effective delivery.
- Emulate USA private provision of institutions for convicted juveniles and illegal immigrants.
- Provide skills and entrepreneurship training so that prisoners can become employed or self-employed after release.
- Create productive and profitable employment opportunities, including on the job training, in prisons.
- Allow prisoners to earn income for themselves, with a contribution to Correctional Services through productive work for the private sector, in prison or outside.

Defence

Objective

- Reform defence strategy within five years to a cost-effective defence only approach.

Actions

- Utilise defence assets for productive and revenue generating purposes when not needed for defence purposes.
- Outsource or privatise non-core activities so as to reduce costs and improve efficiency and innovation.
- Use defence personnel for revenue-generating purposes where feasible.
- Undertake a cost-benefit analysis to establish the optimal trade-off between personnel and technology.

Education

Objective

- Empower parents, students and communities by phasing in school autonomy and choice in education in five years so as to make South African education responsive to the diverse wishes and needs of beneficiaries.

Actions

- Make maximum use of parent involvement and competitive private providers of education in enhancing the quality of education in South Africa and making it more appropriate
- Transform education so as to prepare students to be productive and fulfilled adults.
- Consider Washington, DC Charter Schools devolution model for empowerment of parents/communities/students.
- Allow schools to tailor curricula to be appropriate and relevant to their students and communities.
- Fund students or schools directly to enable students to choose successful schools, including private schools.
- Allow schools to control their own budgets, hire private financial administrators and determine teacher salaries on merit.
- Allow schools to outsource all non-core activities and teaching activities where appropriate e.g. maths, science and computers.
- Outsource continuing teacher education and training.
- Include entrepreneurship education in the school syllabus.
- Finance tertiary education by way of repayable student loans for the full cost of their education and discontinue institutional subsidies.
- Discontinue loans if students do not perform in terms of pre-determined criteria

Finance

Objective

- Reduce aggregate government spending (at all levels) to below 25% of GDP over five years to enable the economy to achieve the 6% growth target originally envisaged in GEAR.

Actions

- Whilst government spending as a proportion of GDP has been found to be one of the most important factors in determining economic growth, the incidence of tax should be restructured towards a simple, flat and low system.
- Utilise the proceeds of privatisation to reduce tax rates so as to promote growth whilst having the resources to satisfy expectations.
- Restructure the tax system so as to remove pro-technology anti-employment bias and reduce taxes to achieve high job-creating investment levels.
- Simplify the tax laws to make them understandable to the average citizen.
- Transfer ownership of the state undertakings to the people by means of a Czech-style voucher system.
- Sell state property, such as land and buildings, to pay government debt and achieve more efficient use of office space and other property.
- Discontinue tax incentives and other tax policies that distort the structure of the economy.
- Restrict growth in money supply to levels that ensure sustained low inflation that coincides with enduring high growth.
- Establish a published timetable or formula for the abolition of exchange control.

Health

Objective

- The provision within five years of affordable and effective health services to the needy, and the critical review of health laws and regulations to ensure that they are appropriate and relevant for the average South African.

Actions

- Allow people with the means to do so, the freedom and flexibility to provide for their own health care, thereby releasing government from needless expense and enabling it to concentrate all available resources on providing health-care for the poor.

- Review all health laws and regulations at all levels of government, especially those inherited from South Africa's elitist apartheid past, with a view to transforming laws and regulations to those that are relevant and appropriate for South Africa's rural and urban poor communities.
- Respect intellectual property rights in terms of South Africa's international obligations and the principles governing the world's most successful developing economies to encourage providers of pharmaceuticals and other health-care products to maintain manufacturing plants in South Africa, and to promote South Africa's reputation internationally.
- Provide finance for the poor on a demand-side basis by paying all or part of their medical aid contributions, or giving them direct grants by way of vouchers or smart cards.
- Outsource health services.
- Remove restrictions on flexible and competitive provision of health care services by private suppliers to both state-funded and private patients.
- Sell state/municipal hospitals under a five year plan and finance users on a means test basis.

Housing

Objective

- Housing for all within five years.

Actions

- Remove low-income housing market impediments so as to enable rapid and innovative housing development.
- Simplify formalities for the establishment of low-income townships.
- Create Special Housing Zones exempt from building codes, interest-rate ceilings and costly formalities for registration of title as well as for mortgage or non-mortgage finance.
- Suspend minimum housing standards and the NHBRC until the homeless are housed.
- As an emergency measure for the destitute, allow private provision of low-cost site-without-service land.

Justice

Objective

- Affordable and expeditious access to justice for all South Africans in truly independent, representative and competent courts within five years.

Actions

- Critically review and reform over five years all laws (at all levels of government) that create crimes of an essentially technical or victimless nature, thereby reducing the number of criminalised actions and enabling the judiciary to cope more efficiently and expeditiously with the demands on it. Simultaneously, the police and prison over-load will be relieved, and freed to concentrate on serious crime.
- Increase the jurisdiction of the Small Claims Courts (SCCs) to cover (a) all civil claims (including cessions and assignments, defamation, malicious prosecution, wrongful imprisonment, wrongful arrest), (b) claims up to R25 000 (the original amount adjusted for inflation), and (c) actions where there are no undue jurisprudentially, technical or evidential complexities.
- Allow (a) companies, especially small businesses, to bring SCC actions, (b) litigants falling within the Magistrates and High Court jurisdiction to consent to SCC jurisdiction, and (c) SCCs to grant interdicts where the *cause* falls within the SCC jurisdiction, or, in other matters, where the presiding officer does not believe that the matter should be referred to a higher court, thereby enabling SCCs to avert needless litigation.
- To cope with the increased demands on SCCs that these reforms imply, (a) remunerate presiding officers and appoint additional staff, and (b) allow parties to be assisted by lay people with the approval of presiding officers.

- Expedite cases and reduce costs in Magistrates and High Courts by reviewing and promoting Short Process proceedings, and allow parties to agree at any time during proceedings to grant each other exemption from prescribed pleadings or formalities.
- Scrap the requirement of security for costs.
- Introduce legislation in SA along the lines of the USA Regulatory Flexibility Act 1980 and the Small Business Regulatory Enforcement Fairness Act 1996, and similar legislation in other countries.
- Restore all judicial functions to the judiciary in terms of the Constitutional principle of the Separation of Powers by critically reviewing the need and desirability for every special court outside the judiciary.

Labour

Objective

- Increase the demand for employment and the opportunities for self-employment substantially, thereby reducing unemployment by at least 50% in five years.

Actions

- Introduce the right for unemployed and destitute people to accept employment by way of Customised Contracts (recorded by the department) which enjoy temporary exemption from specified provisions of labour law.
- Allow people who have been registered as unemployed for six months or more to accept whatever employment they can get, subject to protection under common law, until employment is available with full labour law benefits.
- Allow six months probation for new employees, to facilitate entry into the job market.
- Exempt small employers from collective agreements to which they are not parties.
- Facilitate demand-focused negotiations between organised labour and business with a view to formulating policies that would increase the demand for labour on an economically viable and sustainable basis.
- In collaboration with other departments, critically review all laws that have the effect of reducing the demand for labour.

Mineral and Energy Affairs

Objectives

- The realisation of secure ownership of mineral rights and an enabling environment for small business in mining and energy.

Actions

- Subject all mining laws, especially the Mine Health and Safety Act, to critical review from a small business empowerment perspective.
- Complete the liberalisation of the energy industry, including the Rationalisation Plan and restrictions on mechanisation, within five years by phasing out excessive regulatory and legislative controls and barriers to entry.
- Secure tribal mineral rights.
- Reconsider nationalisation proposals, which are unlikely to achieve desired goals, thereby restoring investor confidence.
- Complete the full privatisation of energy investments such as Sasol, Mosgas and Natref within five years.

Posts, Telecommunications and Broadcasting

Objective

- Make modern, affordable and viable postal, telecommunication and broadcasting services available to all South Africans.

Actions

- Introduce free competition in all these services over five years.

- Phase out monopoly privileges and protection from the Post Office, Telkom and the SABC in order to reduce costs, increase consumer choice and benefit from new technologies and innovation.
- Replace discretionary entry barriers with minimal objective criteria equally applicable to all.

Provincial and Local Government

Objectives

- Achieve efficient, effective and relevant provincial, local and community (“grassroots”) government whilst empowering the people and deepening democracy by applying the principle of subsidiarity. Phase out concurrency of powers over five years, by allocating functions to only one level of government exclusively, preferably a lower tier, thereby reducing uncertainty and conflict, and ending wasteful duplication of functions.
- Provincial, local and community governments cost more when there are concurrent powers, because functions are duplicated, and, sometimes, triplicated or quadruplicated, vertically. Conversely, studies of the world’s experience show that material and human resources are saved – budgets and governments are smaller and do more with less – when exclusive powers are devolved.

Actions

- Encourage or require provincial, local and community governments to function effectively and efficiently by (a) applying recognised and proven governance systems, (b) discontinuing functions that can be scrapped or left to the private sector, and (c) outsourcing functions competitively in ways that promote empowerment, thereby enabling lower tiers of government to concentrate on and confine themselves to core functions.
- Undertake an enquiry into a constitutional amendment to replace concurrent powers with exclusive powers, and to reconsider at which level government functions should be located, in the light of recent local and international experience.
- Deepen democratic transformation and empowerment by introducing direct participatory democracy (optional and obligatory referenda, and the right of popular initiative) for specified decisions at local and community level.
- Phase out central government subsidies and phase in the right to tax at lower levels over five years. Meanwhile, link existing funding to performance in terms of quantified criteria and benchmarks.
- Abolish the system of (a) uniform remuneration and (b) remuneration for senior municipal officials according to the size/budget of their administration, which provides a needless and perverse self-interest incentive to spend and employ excessively, whilst delivering less more inefficiently.
- Allow structures to keep and reallocate surpluses, rather than cutting budgets.
- Require or encourage lower tier governments to provide services on a full user-charge basis, with subsidies going directly to needy people on a means test as we do with pensioners (i.e. demand-side welfare), so as to empower them without distorting markets. When governments fund services they do not need to provide them or fund them directly.

Public Enterprises

Objective

- Transform inefficient and unprofitable public enterprises so as to end the drain on the fiscus and stimulate growth.

Actions

- Privatisable all privatisable public enterprises in full within five years.
- Give privatisable state assets to the people as compensation for past injustices and/or generate R100 billion in five years through privatisation sales.
- Have a five year timetable for full privatisation of public enterprises after commercialisation, corporatisation and public-private partnerships where appropriate.

Public Service and Administration

Objective

- Establish a respected, effective and correctly staffed public service within five years.

Actions

- Restructure the public service into performance-oriented teams with suitable incentives.
- Require all departments and divisions within departments, at all levels of government to prepare a mission statement with concrete objectives and performance criteria and monitoring mechanism.
- Right-size the public service and staff it with competent and qualified employees.
- Provide training, preferably outsourced, for all willing and able under-qualified civil servants.
- Develop and enforce disciplinary standards which are seen to be objective, effective and fair.

Public Works

Objectives

- Utilise Department of Public Works assets optimally, sell unutilised and under-utilised assets, and outsource services competitively to ensure cost effectiveness, efficiency and innovation.
- Instead of financing, owning, maintaining and managing buildings and property, government should be a tenant, thereby enjoying the benefits of competitive outsourcing and private provision of capital and expertise.
- Improve space utilisation, and increase the flexibility of departments.

Actions

- Sell government property to reduce government debt (on lease-back where necessary) and hire only what is required to accommodate government services.
- Charge market rental to departments for all property utilised by them.

Trade and Industry

Objective

- To achieve sustainable high growth by removing excessive restrictions and costs that inhibit enterprise and disempower consumers.

Actions

- Undertake a systematic five year critical review of all laws created under apartheid that impact negatively on small and emerging enterprises.
- Subject all new laws to an SMME-impact assessment (cost-benefit analysis), subject to judicial review as in the USA.
- Reduce all tariffs to a low, uniform and non-discriminatory rate.
- Refocus competition policy on consumer benefit and contestability, regardless of market structure or behaviour, ensuring freedom of entry for domestic and international competitors.

Water Affairs and Forestry

Objective

- Safe water for all, efficient water markets, and disposal of state forests within five years.

Actions

- Reconsider water nationalisation which conflicts with ANC policy and global trends, sends a negative message to local and foreign investors, and is unlikely to achieve its objectives.
- Consider in the alternative, upgrading water rights so as to be tradable (separate from land rights) in efficient water markets.
- Outsource rural and urban water supply for low-income communities and introduce full user-charges for middle and upper income communities.
- Phase out sub-economic irrigation schemes in five years and create no new schemes which are not commercially viable.
- Privatised all state forestry, forestry land and forestry related activities.

Welfare and Population Development

Objectives

- Confine government welfare (including health and education) to a safety net for the truly needy.
- Encourage all government departments to adopt policies to promote high rates of economic growth as the only known method of reducing poverty substantially.

Actions

- Replace elitist child-minding standards inherited from the past with relevant minimal and objective standards that do not criminalise the provision of child-minding services in low-income communities.
- Empower welfare recipients with direct financing, by means of cash, vouchers or smart cards, so as to give them a choice of competitive, relevant and innovative services.
- Outsource delivery of welfare services competitively thereby reducing the percentage of budget spent on administration and releasing more funds to welfare recipients.
- Devolve decision-making regarding welfare matters, including budgets, to the community level to ensure relevance.
- In co-operation with the Department of Finance, allow tax deductions for all welfare donations, and phase out subsidies over five years.
- Replace population control policy with effective poverty alleviation – the problem is not people but poverty.

The Financial Advisers Draft Bill

The Foundation submitted evidence (follows) and produced a *Briefing Paper* (see Research & Publications) and an article for the press (see Media Coverage) in its efforts to halt the adoption of this Bill.

On 20 May 1999 Eustace Davie submitted a comment on the *Financial Advisers Draft Bill* to the Parliamentary Portfolio Committee on Finance / the Financial Services Board in which the following points were made:

- Fundamental economic arguments should inform the debate about the Bill.
- Legislation that imposes costs and raises barriers to entry causes cumulative harm.
- Now that black South Africans are free to engage in businesses of this nature, a plethora of laws are emerging that excludes them.
- South Africa's economic performance over the past 55 years has been poor. One of the main reasons for this is that the economy is over-taxed and over-regulated.
- High government expenditure reduces growth which is essential in order to absorb the presently unemployed and increase the per capita incomes of the whole population.
- If government wishes to achieve the 6% growth rate mentioned in GEAR it will have to reduce total government expenditure at all levels to below 25% of GDP.
- South Africa should be able to provide the core functions of government (protection of persons and property; national security; education; highways; sewerage, sanitation and environmental protection; and the Reserve Bank) at a cost not exceeding 15% of GDP according to international evidence.
- Legislation and regulations creating "victimless crimes" must be repealed and care must be taken that no new ones are adopted. Such "crimes" occur when an "offence" consists merely of a failure to comply with a bureaucratic requirement such as failing to obtain a trading licence or failing to register as a financial adviser.
- Every Act adopted by Parliament has costs attached to it – every Bill that is passed adds to the total burden. Even where some effort is made to quantify the costs of legislation, the compliance costs imposed on citizens are routinely ignored. In particular, the loss to the economy of all the economic activities that are still-born because they have been killed by bureaucracy is never counted.

- A Bill of this nature cannot avoid being complicated and discretionary – which is contrary to the Rule of Law. Its effects will be economically harmful to the majority of the population because it will prevent many people from carrying out the work that has been defined as “financial advice”, it will make record-keeping excessively costly, and it will deny investment opportunities to the poorest people in the country and to those living in the remotest areas.