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## PRESIDENT

### CONSTITUTIONAL CHANGE AND REFORM IN SOUTH AFRICA: SUSTAINABLE ECONOMIC GROWTH

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*"A greatly improved understanding of the natural resource  
needed if patterns of development that are sustainable can be*

Establishment of constitutional order and a change in political consultation, policy documents have recently been published. A systematic framework is presented to evaluate the expected instruments on sustained economic growth and development. The productivity of agriculture, indications are that competitiveness, application of technology, training of management, local value added, advice by agricultural economists must be provided by market resource and environmental problems, followed by projections. It is concluded that as a whole the policy environment favours the

#### 1. INTRODUCTION

Far reaching political, social and economic changes have occurred in South Africa over the past decade. The current political debate is particularly concerned with dominant values and the legitimate role of government. The outcome will determine the preferred type of political-economic system. Reliance on experiences in different regions and cultures of the world yields convincing evidence that constitutional democracies ensure peace and safety for all citizens. Furthermore, market economies which are driven by private enterprise and technology produce material prosperity for all members of society in both industrially developed and impoverished developing countries (Fukuyama, 1992:xi-xxiii). Political rules influence economic rules and there is an interdependence between constitutional rights and economic rights. With agreement on fundamental human rights responsible but limited government is elected to protect those rights. The fundamental economic interactions between households and firms are negotiated and mutually beneficial transactions in the market process (Backeberg, 1994:260-261).

In this context empirical studies have concluded that after the initiation of reform in political or civil rights, there is a lag followed by sustained economic growth. Pre-requisites are the commitment of government to protect property rights and to enforce commercial rules (De Gorter & Swinnen, 1994:280-282). Having embarked on irreversible political change in South Africa, the question arises what the prospects are for improved economic and social welfare? It is argued that the answer is largely to be found in the content of the new constitution and public policy that provide the link between the political and economic system and economic performance. The provisional analysis in this paper focuses on policy reform in relation to the natural resource base of agriculture.

#### 2. POLITICAL TRANSITION AND CONSTITUTIONAL CHANGE

The political transition from 1990 onwards is recent history which is fresh in the memory of everyone and already well-

economic activity (Buchanan 1986 in Gwartney & W 1988: 09 - 110).

The reality of constitutional change in South Africa evidently deviates from these requirements. The strict requirement of total consensus was not followed but replaced by "sufficient consensus" or "enough agreement from enough participating parties to enable the process to move forward". Although it is acknowledged to be imperfect, this approach has allowed reasonable progress with the constitutional negotiations (Eloff, 1996:21). However, contrary to expectations, agreement on protection of fundamental human rights has not led to a movement out of the Hobbesian jungle where life is "nasty, brutish and short" (Randall, 1987:38). Rather, crime and violence have escalated and the ability of the new government to maintain order has been questioned. Many explanations have been offered for this state of affairs such as pent-up resentment, unfulfilled expectations, unemployment, poverty etc. The constitution emphasises that satisfying legal requirements of the constitution does not in itself provide the political culture of trust and tolerance (De Villiers, 1996:336). A constitution in a democracy cannot survive if rights and obligations are not respected by everybody and if it is not supported by economic progress.

## 2.2 Fundamental rights

In the present political dispensation government powers are limited by fundamental human rights, powers and functions are divided between national, provincial and local levels and powers are separated between the legislative, executive and judiciary. The Bill of Rights "enshrines the rights of all people in our country and affirms democratic values of human dignity, equality and freedom ...", which ... "The State must respect, protect, promote and fulfil ... subject to the limitations contained or referred to ... in the Bill". The following sections are of particular importance for the purpose of this discussion and include first generation civil and political rights, second generation socio-economic rights and third generation environmental rights:

**Section 22:** Freedom of trade, occupation and profession.

**Section 24:** Environment.

**Section 25:** Property.

**Section 27:** Health care, food, water and social security.

It is important to note that none of these rights are absolute and "may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society ...". In sections 22 to 27, rights are specified in negative terms in the sense that they may not be transgressed and are triable; and in positive terms in the sense that they require government action (South African Law Commission, 1991:41-58). With the exception of Section 22, this is achieved by stating that the "State must take reasonable legislative and other measures within its available resources". Reference is made to sustainable ecological, economic and social development and use of natural resources, in particular land and water (Republic of South Africa, 1996:7-19). These constitutional prescriptions clearly have implications for public policy and can potentially create problems in terms of economic feasibility.

Two comments are appropriate regarding the amendment of the constitution and implementation of economic policies.

Objections were levelled against the provisions in the property clause. The first was that this section does



advantage of individuals and reallocation of resources or redistribution of income to the benefit of society. Unconstrained and independent utility maximising behaviour of individuals and groups leads to chaos and declining welfare. Government as an economic subject may be involved in the interaction and is not the appropriate mechanism to bring order to economic activity through legislative coercion. A constitutional contract presents the opportunity to escape from the "prisoner's dilemma" in which members of society are caught. Mutually acceptable rules must be defined while retaining the opportunity to exercise choice within those rules. Social interaction and economic activity in the market process is based on common law principles of property and contract to achieve individual interests through voluntary trade. Responsibility is delegated to government to protect and enforce property rights and to fully or partially provide and fund public or quasi-public goods and services to promote social welfare. Conflict between individuals and society can therefore be resolved through agreement on constitutional and post-constitutional rights and obligations, while efficiency and equity are reached simultaneously through interaction between the political and economic systems (Buchanan, 1974:167-168; Gwartney & Wagner, 1988:30-33; Wagner, 1989:205-207; Backeberg, 1994:268-271).

### 3. POLICY REFORM AND ECONOMIC TRANSFORMATION

As was to be expected, changes in the political power structure were instrumental to begin a process of drastic policy reform (Zusman, 1994:253-254). What is remarkable, though not surprising in terms of public choice theory, is the speed with which comprehensive review was initiated in the field of natural resources. The natural resource base is of importance because it *firstly* forms the ultimate support of economic activity in agriculture; *secondly* it comprises together with entrepreneurial capacity the most important competitive strength of the South African political economy, and *thirdly* challenges exist to overcome the natural limitations while at the same time opportunities are present to add value to agricultural and food products on a local level (Du Toit & Falkena, 1994:44; Spies, 1996:3.16; Liebenberg, 1996:20-21).

In the discussion that follows, attention will be given to *renewable but interdependent natural resources* of soil and natural vegetation, water, land, woodlands and forestry and the natural environment (which also includes air, climate, fisheries and biodiversity). In contrast to exhaustible resources, the feature of renewable resources is that its stock will increase if it is allowed to regenerate, but within the obvious levels of carrying capacity set by the ecosystem. With necessary precautions, humans can utilise the resources without depleting them (Pearce & Turner, 1990: 241-242). Development and utilisation of natural resources by people has both beneficial and detrimental consequences. Important issues which need attention are understanding of (a) the nature, dynamics and severity of resource degradation; (b) underlying causes; and (c) the range of feasible policy interventions that are appropriate (Warford, 1989:7-9).

#### 3.1 Natural resource policy review

Problems of natural resource and environmental degradation relate to a complex network of events: Overgrazing, fuelwood harvesting; land clearance; deforestation; burning of crop residues; soil erosion; sedimentation; flooding and salinization. Of equal importance are complex financial,



### 3.1.1.2 Agricultural policy

In the chapter on sustainable utilisation of natural resources the following is applicable: All citizens of the country are considered to be custodians of natural resources and the national asset. It is government's responsibility to prevent misuse of open access resources by establishing secure property rights. Integrated land-use planning will be encouraged through community participation; urban and rural planning needs to be integrated rather than separate and fragmented. Economic as well as legal instruments will be used to penalise irresponsible management of natural resources. Government will ensure that the law is enforced and that the latest knowledge and technology is accessible to farmers at an affordable cost. Steps will be taken to ensure that the benefits and real cost of natural resources, especially water, are reflected in resource pricing in order to discourage over-exploitation (Department of Agriculture, 1995:13-15).

### 3.1.1.3 Land policy

The goals of land reform are:

- (1) to redress past injustices;
- (2) to foster reconciliation and stability;
- (3) to support economic growth; and
- (4) to improve household welfare and alleviate poverty.

Emphasis is placed on local participation in decision-making, economic viability and environmental sustainability for implementation of land reform programmes. It is the responsibility of national and provincial government departments to administer, promote and support land reform. Three major programmes are explained:

- (a) *Land redistribution* requires providing the landless with land to improve their livelihoods.
- (b) *Land restitution* involves restoring land to people dispossessed by discriminatory legislation.
- (c) *Land tenure reform* ensures security of tenure through *different forms of land tenure*, which enable individuals or groups to earn the benefit of their property, enjoy recognition and protection without fear for arbitrary action by the state. Grants are offered in support of land reform. (Department of Land Affairs 1996:25-57).

### 3.1.1.4 Forest policy

One of a number of elements is an overall policy to give the place of forestry in the management of land, water and other natural resources. Principles include that forests and forest resources are to be treated as a national asset; development is people-driven; forest expansion must be sustainable and recognise the scarcity of water. The overall goal is to promote a thriving forest sector to the benefit of the nation and managed to protect the environment. Government will promote and co-ordinate natural resources policy; regulate where and when afforestation occurs, and for this purpose investigate changes to the permit system are necessary; and remove plantation forests from areas where demonstrable environmental damage has been done. A sub-set of principles apply to industrial forestry, community forestry, native forests and woodlands. For the implementation of the new Forest Act will be formulated, several practical

combinations of charges, tariffs, taxes and subsidies are proposed to eliminate or reduce externalities. Resolve is expressed for improved decision support through government services, which can lead to reduced transaction costs to users of natural resources. As a whole all indications are that future policy interventions will gradually eliminate existing distortions and turn the cycle of events around from resource degradation to conservation.

However, three qualifications must be made:

- (1) Except for the case of agriculture and forestry, the first round of the process of policy formulation is not yet completed. Environmental policy in particular is still very open ended. A consultation planning meeting to draw up a new irrigation policy has only begun in August 1996. Of course much will depend on the way in which all policies are implemented in future.
- (2) Contradictory statements are made in the case of water policy regarding the predominance of central or local control, applicable water institutions and local water organisations for effective management of water resources.
- (3) Since all policy documents emphasise some form of integrated management, there is a critical need for co-ordination of natural resources policies. This becomes apparent when agricultural and land policies are compared with water supply policies, specifically regarding the treatment of property rights. As is correctly stated in the Macro-economic Strategy, ... "the ultimate responsibility for a credible and coherent policy framework lies with government" (Department of Finance 1996: 21).

With projections of less government involvement, attention has to be given to the level of private economic activity and natural resource productivity.

### 3.2 Sustained economic growth

The contribution of agriculture, forestry, hunting and fishing to GDP in 1994 was R19 802 million or 5,1% of total GDP. In relative terms this is lower than other countries in the Southern African Development Community, but in absolute terms it is higher (Spies 1996: 3.19). It reflects both the level of development and strength of the economy. Agricultural exports in 1994 amounted R8 268.9 million or 9,15% of total exports, of which R4 109.5 million or 49,7% were processed products (Department of Agriculture, 1996:82, 85-86). Taking this situation as point of departure, efforts to increase economic growth and development must focus on (1) *increased efficiency of production processes*; and (b) *greater measure of export orientation* (Du Toit & Falkena, 1994:14).

#### 3.2.1 Definition of terminology

The interaction between the economy and the environment is best described as a *circular system*, also known as the materials balance model: Resources are an input for production of consumer goods which create utility. Waste arises at each stage of the production process, which can be recycled, but the environment also has an assimilative capacity. For renewable resources stocks can grow or fall, depending on the rate of extraction in relation to the yield.

the period 1980 to 1993 and was at 2,3% per year for agriculture. Growth in agriculture for the period 1980 tot 1993 was 1,9% per year (Spies, 1996:3.19, 6.20, 6.25). However, it must be recognised that these figures are misleading because the costs of natural resource depletion are not reflected in national income accounts. Growth built on drawing down of renewable natural resources is clearly different from stable or increasing stocks and unsustainable for resource based economies (Warford, 1989:9-10). The costs can be substantial, as is illustrated by the degradation caused by soil erosion: The estimated on-site effect of nutrient losses were put at an annual amount of 100 million, to which must be added the off-site effect of sedimentation and environmental damage of over 100 million at 1992 prices (Barlow, 1996:37-39).

Nonetheless, the annual real growth in agricultural production for the period 1947 to 1991 was as follows (Spies, 1996:3.59):

-	Field crops:	3,06%
-	Horticultural crops:	4,2%
-	Livestock:	2,39%

Some explanation for these differences is given in the *resource quality index*, which is based on rainfall, percentage land irrigated and percentage land under grazing. Extensive livestock regions have below average resource quality; dryland field crop regions have above average resource quality; while vegetable and fruit regions have above average or high resource quality (Van Schalkwyk & Groenewald, 1991:226-227). Furthermore, *agricultural productivity* based on production function analysis with gross farm income as dependent variable and land, irrigation, fertilisation, livestock and resource quality as independent variables, varies between regions. It reflects the effect of different farming systems (i.e. mixed farming, dryland cropping and extensive or beef farming) and climate, but has generally increased in the period 1976 to 1988 (Van Schalkwyk & Groenewald, 1992:123-124).

According to preliminary calculations, *multifactor productivity* (MFP) for commercial agriculture in the period 1965 to 1981 was 2,15% per year, driven by growth in production; in the period 1981 to 1991 it was 2,88% per year, driven by reduced use of inputs; and for the total period 1965 to 1991 it was 1,26% per year (Thirtle, Sartorius von Welt & Van Zyl, 1993:301-317). This compares favourably with the MFP of other economic sectors, which vary from 0,5% for mining to 1,9% per year for respectively textiles and food in the period 1970 to 1992 (National Product Institute 1994 in Spies, 1996:3.62). The main sources of productivity growth, particularly after 1965, are efficiency of scarce land as a fixed factor of production and application of public sector research results. It has also been shown that there are links between these productivity changes and positive changes in agricultural policy interventions, reduced subsidies and general deregulation since the 1980s (Khatri, Thirtle & Van Zyl, 1994:670-681; Spies, 1996:3.56-3.58).

### 3.2.3 Future prospects

Critical issues in the forthcoming years are increasing pressure on agricultural and food production due to population growth and rising income but a shortage of quality soil and water (Spies, 1996:3.42, 6.19). The classical theory of comparative advantage based on abundant resources, often leads to a dependence on those re-



opportunity costs. This can be achieved through exchange of rights to resources in the market process. It is obviously not maintained that no political activity will take place, but the emphasis must switch to market activity. This type of entrepreneurial activity is the appropriate way to create new wealth in society. The driving force for economic growth and development is therefore successful entrepreneurship (Buchanan, 1980:3-7).

#### 4. POLICY ADVICE AND RESEARCH ECONOMICS RESEARCH

The tensions brought about by conflicting interests and interaction in the political and market process are also present amongst practitioners of the Agricultural Economics discipline. Instead of having a polarising effect, tensions must be channelled to mutual support. These arguments apply in particular to the approach followed for policy advice and research specialisation in natural resource economics.

##### 4.1 Science and art of policy advice

There are four influential factors in policy advice: The analyst, the client, the organisational situation and the policy area (Meltsner, 1976).

Analysts differ by their expectations, professional education and training, beliefs about reality and motivation to make an impact on policy making. If analysts are technically minded, they measure success in terms of peer acceptance of their work; if politically-minded, they are happy if their immediate boss or client accepts their recommendations regardless of the ultimate outcome; if entrepreneurial-minded, they are not satisfied unless their efforts influence the allocation of resources and change the lives of people for the better. Policy advice must be construed in such a way as to improve the bargaining position of policy makers and must be client orientated. Clients differ in their ability to listen and clarify problems. Policy advice becomes more effective if time is set aside for discussion of policy problems, expectations of clients and proposals of analysts from the stage of conceptualisation to final recommendation.

However, in most organisational situations a shortage of staff, lack of information and time pressure hinder communication. Very often elegance has to be sacrificed in order to collect and interpret available information before the set return date, because the best information is useless for decision making if it is provided too late. The policy area usually has a twofold dimension: The necessity to build up a base of knowledge and expertise as well as the requirement to cope with crises. Policy advice becomes professionally unreliable and untrustworthy if creative thinking, generation of new ideas, in depth studying of literature and completion of empirical research projects are regarded as dispensable. Although basing advice on preliminary findings is sometimes unavoidable, it must not become a permanent way of doing things due to an approach of crisis management.

The *rational approach* to solving policy problems involves specifying alternatives, determining consequences of alternatives, comparing alternatives according to the preference ordering of the fictitious entity called the "State" and selecting the best alternative for decision making. Although scientific responsibilities are complied with and so-called objective economic advice is provided, it may be politically irrelevant and very often has little impact on policy because it is not heeded. The alternative *incremental*

- loss of non-woody flora and associated habitats
- decimation of freshwater and marine fish resources and aquatic life
- general loss of biodiversity

A conceptional approach that will deliver results is to apply research on the geographic unit of a catchment watershed.

*Firstly* it is the logical unit to develop a national system of resource accounts which caters for depletion or degradation of natural resources and costs incurred to redress negative effects or restore drawn down natural capital (El Serafy and Lutz, 1989:23-37).

*Secondly* it will enable a better understanding of the biophysical linkages, the reasons why individuals use resources in a certain way, economic consequences of natural resource management and appropriate public policy measures (Dixon, 1989:185-199).

*Thirdly* it will promote communication with stakeholders, political representatives and fellow scientists which can only lead to effective multi-disciplinary research and policy advice.

#### 4.3 Combining diverse disciplinary strengths

Policy makers seem to deal with problems in three ways. First they ignore them; if they don't go away they move from crisis to crisis; if that is not successful they appoint a committee (Eloff, 1996:1). Although committees very often are a delaying tactic, the challenge is to use them constructively for policy advice and to make an effort to implement findings systematically. This requires perseverance and patience. Unlike scientists who publish in journals, policy advisors usually remain anonymous and the politicians get the credit or blame (Meltsner 1976). Criticism from the sidelines is obviously warranted but seldom heeded. Especially in the present phase of policy reform, agricultural economists affiliated to different organisations must become more actively involved than in the past and participate in the debate at different discussion forums. An alliance must be formed between academics and practitioners or researchers and advisors based on the "common language" of the Agricultural Economics discipline.

#### 5. CONCLUSION

Change is a reality of life but the question is whether improvement can be accomplished. Improvement has a wide meaning but also refers to the effect of the process in removing limitations on utility maximizing economic behaviour (Backeberg, 1994:152-54). The democratic transition to a new political dispensation and acceptance of a constitution with a bill of rights is recognised as an achievement. For the first time in the constitutional history of South Africa, use of government powers to infringe on free trade, property, socio-economic and environmental rights are limited and legislative subject to judicial review. According to the Medium-term Economic Strategy, strict control will be exercised over government expenditure while still complying with the constitutional requirements of a just and equitable society although internal checks and balances are insufficient. However, a human rights culture based on mutual respect and trust must still be established in everyday life. If constitutional principles are applied in practice, it is expected that further refinements will be made, provisions are made for public initiatives to improve

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