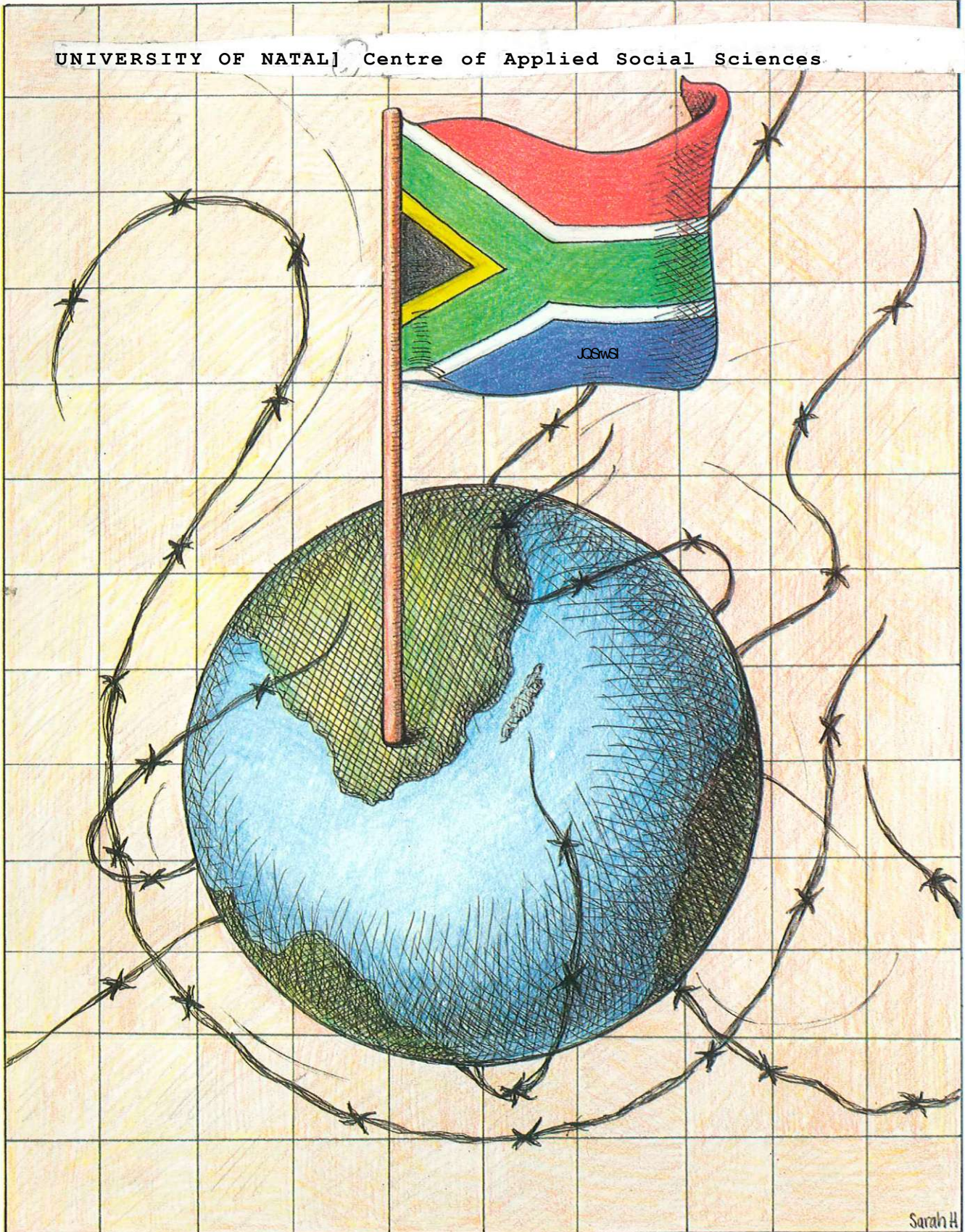


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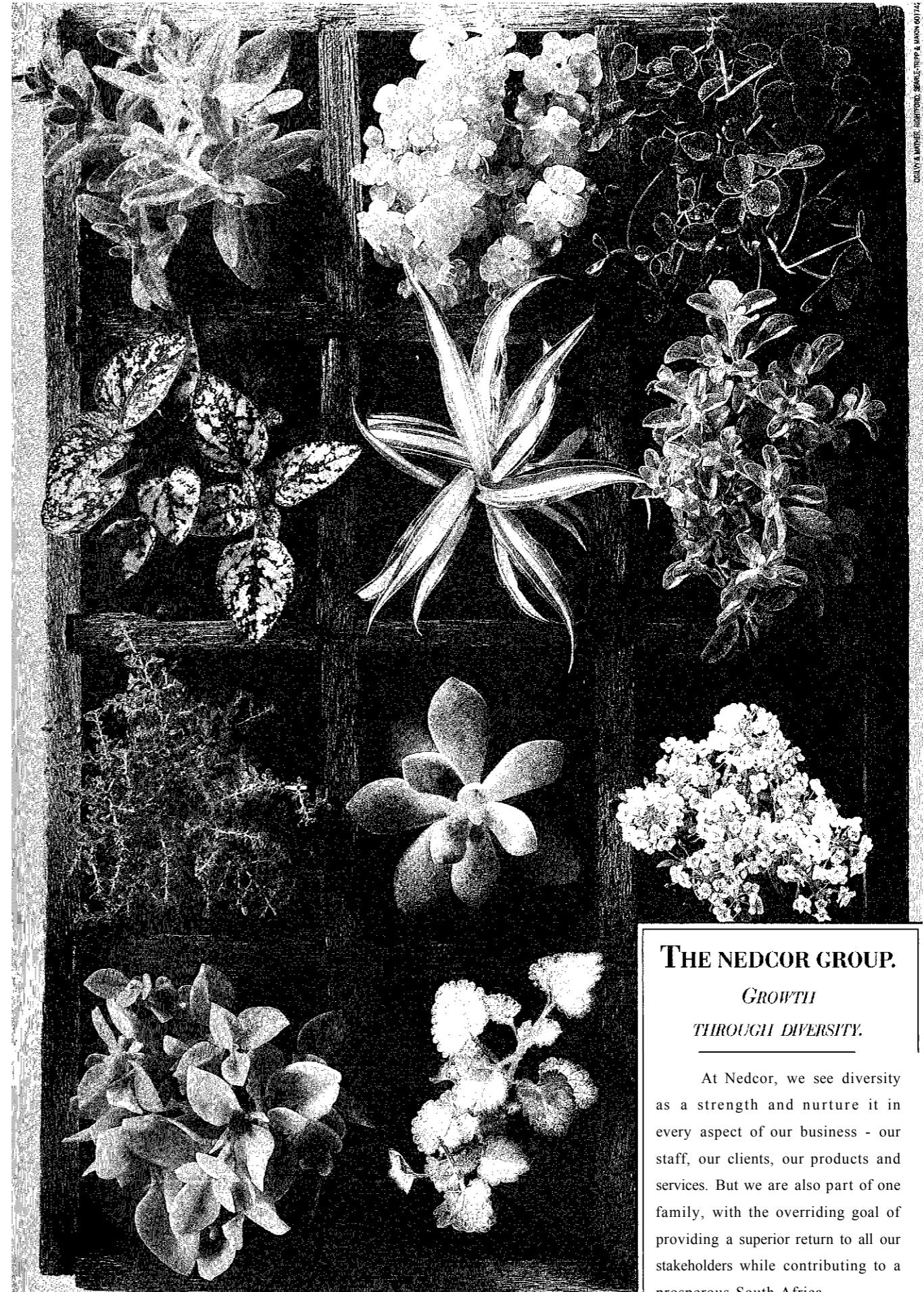
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Editorial

After South Africa's first democratic elections - those incredible few days for which so many people lived and so many died - Nelson Mandela told the nation to return to work. Certainly the country faces an immense task.

There are two main pillars upon which South Africa's future will rest: an economy strong enough to support a massive programme of reconstruction and development, and a democracy anchored deeply enough to ensure its citizens' support. The two pillars are essential for prosperity and stability. It is not possible to have one without the other.

Together they can attain for the majority of people Franklin D Roosevelt's four fundamental freedoms. Freedom of speech and expression, freedom of worship, freedom from want and freedom from fear.

The African National Congress has a plan, the Reconstruction and Development Programme. Growth of the South African economy, despite its structural problems, will be difficult but achievable.

The RDP has been heavily criticised for being too ambitious, too costly and too ideological. But it is the only real plan we have and its aims - uplifting and developing South Africa's human and infrastructural resources - are unquestionable.

Obviously it is not set in stone. Its policies will bend under the pressure of powerful interest groups, as they should in a democracy, and high levels of consensus should be achieved in a Government of National Unity. The RDP should be constructively criticised and actively supported.

It will be as difficult to achieve the second pillar: extending a fragile new democracy. Elections are only the first step. Democracy must be institutionally entrenched through an intelligent Constitution, effective rule of law and a sound electoral system.

State power must be limited, accountable and subordinate to a vibrant civil society mobilised to promote everyone's interests. Leadership must be skilled and privileged groups enlightened. To survive democracy requires broad belief in its legitimacy, which will only be achieved if the lives of most people are visibly improved.

There are a variety of ways in which the pillars of development and democracy can be supported. In *Indicator SA's case*, emphasis will be placed on informing new policies and practices. Understanding is the basis for sound decision making.

The foundations for a better future are being laid. We are undoubtedly embarked on an arduous and expensive task. The former will require will and hard work. The latter will mean material sacrifice for many. We will have to afford it - we cannot afford not to.

Karen Mac Gregor
Editor

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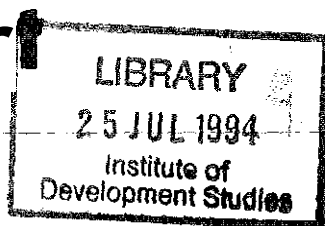
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Editor **Karen Mac Gregor** Production/Design **Rob Evans**
Secretary/Marketing **Pat Fisser** Conflict Supplement Editor **Antoinette Louw**
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ECONOMIC MONITOR

Tax Scenarios for South Africa

Dennis Davis

The Government is unlikely to deviate much from the current tax framework. Reconstruction and development can largely be funded by economic growth, efficiency gains and improved tax collection.

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Dismantling apartheid will only be completed when Africans have effective control of economic centres of power currently in white hands. There are many ways blacks can empower themselves.

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Mike Murphy

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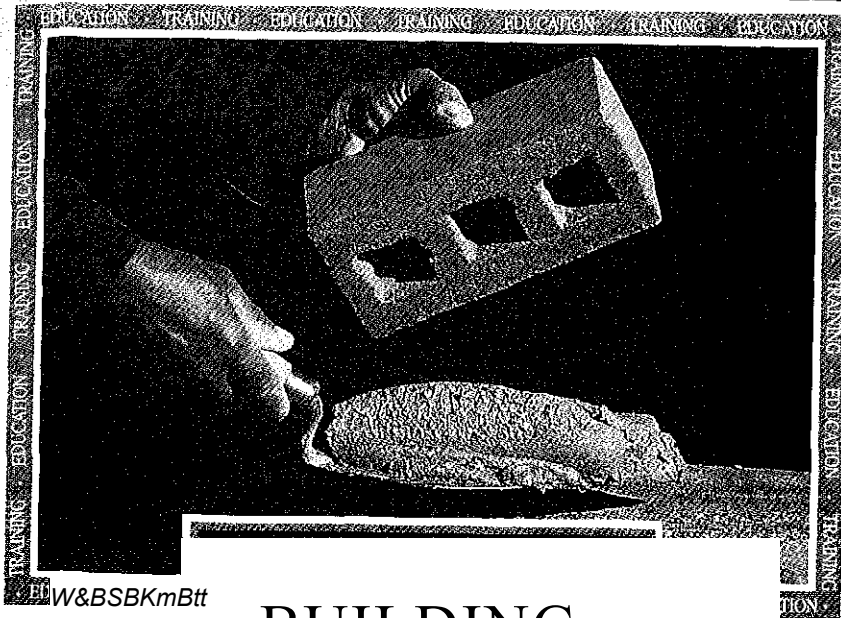
Jonathan Jansen

The Reconstruction and Development Programme's proposals for integrating education and training are worthy, but are likely to encounter political and practical difficulties.

How green is your garden?

Julian May

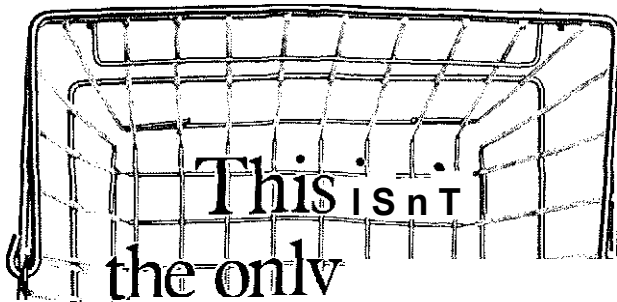
Urban agriculture is a new strategy for managing poverty in cities. It is a way of promoting development, supplementing low incomes and making cheaper food available to the urban poor.



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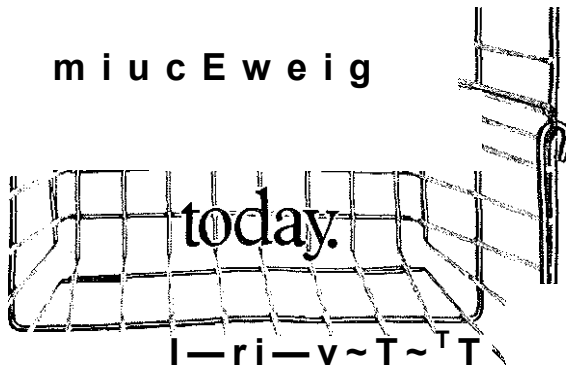
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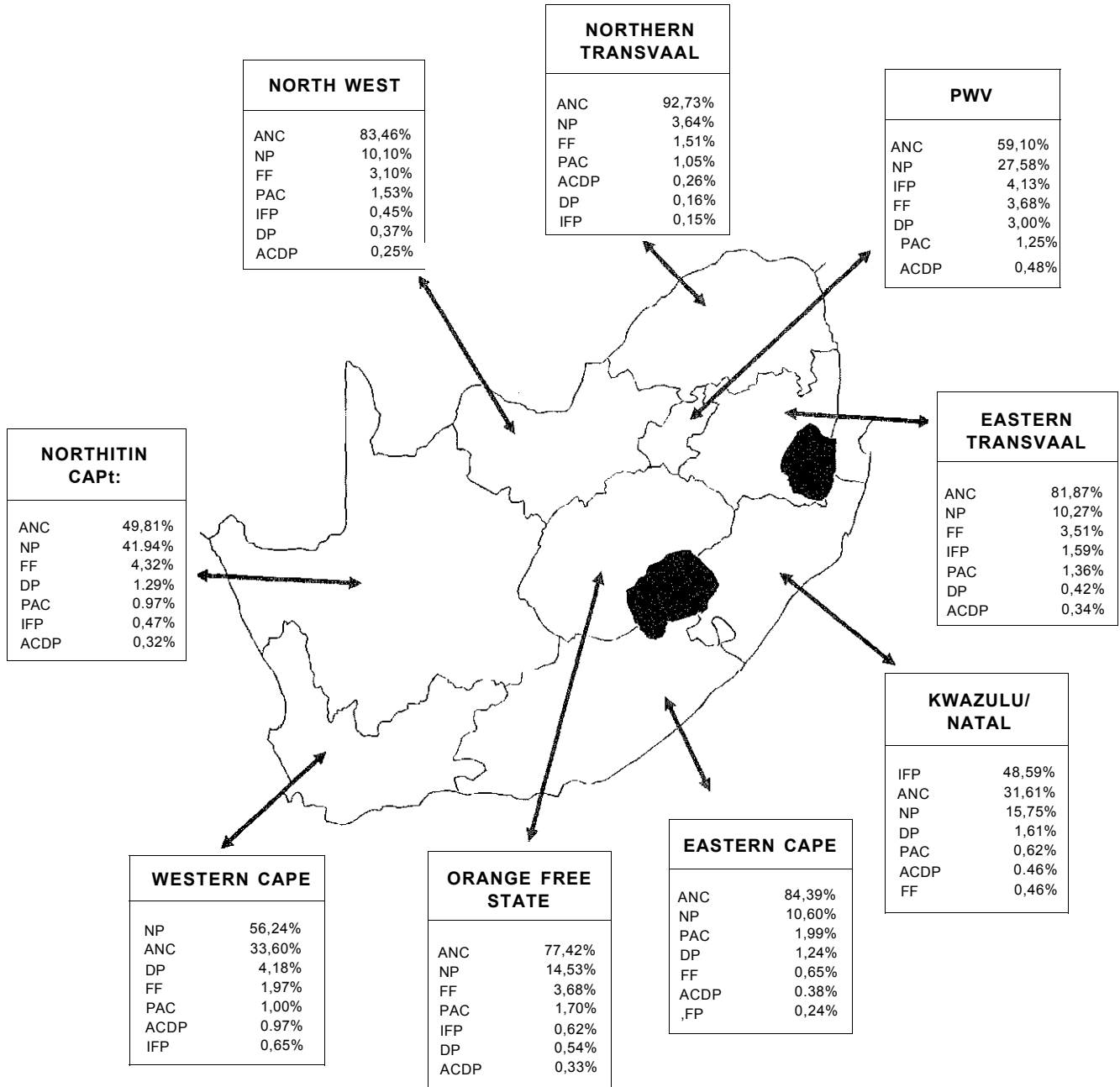
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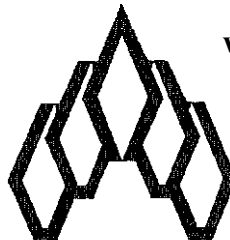
Parties that occupy seats in the national assembly							
	ANC	NP	IFP	FF	DP	PAC	ACDP
Total votes	12 237 655	3 983 690	2 058 294	424 555	338 426	243 478	88 104
Percentage	62,65	20,39	10,54	2,17	1,73	1,25	0,45
Total seats	252	82	43	9	7	5	2

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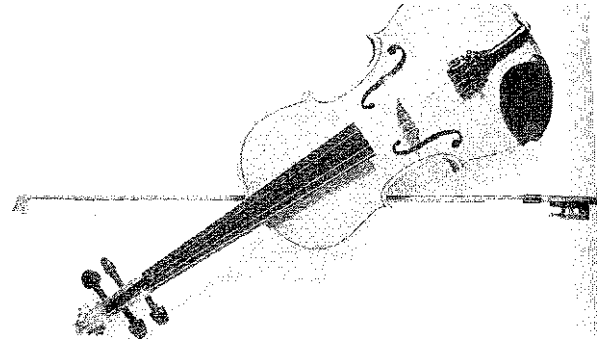
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The Final Transition

By Tom Lodge

Department of Political Studies, University of the Witwatersrand

South Africa's new Government will have its hands full with the tasks of alleviating poverty, promoting growth, meeting needs and securing loyalty. If our fragile democracy is to survive, it will also have to resist compelling temptation to sacrifice democratic principles and development goals to political expediency and a return to authoritarian rule.

until Africa's new Government will
^ ^ ^ li.tve in balance the needs of
programmes to diminish poverty
with policies which can help
promote growth. It will also be influenced
by the imperaliu'S of meeting the
expectations of its most powerful
constituencies and securing the loyalty - or
at least the acquiescence - of the
beneficiaries of apartheid.

A wealth of prescriptive literature suggests a set of ingredients for a 'social market' compromise between equity considerations and those of grow th. Within the framework of a social market compromise the most minimal strategy to address basic needs should include:

- Reallocating educational expenditure and reorganising institutions to benefit African schoolchildren;
- Expanding primary health care;
- Providing electricity and clean water through public employment programmes;
- Limited land reform and a redeployment of state agricultural subsidies;
- Promoting mass construction of cheap housing; and
- Creating safe neighbourhoods through better policing.

•Such a programme could relieve poverty significantly and might also help to stimulate growth. Space does not permit detailed discussion of the programme, but a couple of examples can demonstrate what can be achieved on the basis of existing resources.

Education

flte lbrmer Government's expenditure on education was high - about 7% of Gross National Product and 24% of the budget. It is unlikely that much more will now be spent.

White schoolchildren, 10% of the total, absorb about a third of the total education budget. Whites and black suburbanites will have to pay more for their access to public education if the high quality of the institutions their children attend is to be maintained.

Equalising per capita expenditure could release a substantial flow of funds to schools in black neighbourhoods - an increase of 50% in state expenditure on township and rural schools, educational economists believe. Administrative rationalisation of thirteen education departments may possibly produce financial savings in the long run, but in the short term this is most unlikely.

Improvements in African education are more likely to result from a systematic programme to upgrade African teachers, in particular equipping them with science and maths skills and employing the grossly under used white teacher training facilities.

An educational system which embraces all children of school going age and produces larger numbers of matriculants with economically useful skills is not an **Utopian** ideal. After all, most children already receive schooling of some kind or another.

But it would require considerable social discipline among teachers, many of whom are affiliated to one of the most militant public sector unions. The ending of class boycotts and teacher strikes in itself represents an important advance: in 1993 African urban schools were disrupted for 40% of the academic year.

Resources in tertiary education should be directed at black technical and scientific training. At the moment expenditure is skewed in favour of universities, and within them arts and social sciences subjects.

Literature suggests a 'social market' compromise between equity considerations and those of growth

A minimal stragtegy to address needs should include better education and health, providing electricity and water, land reform, housing and safety

Funding of black schools could increase by 50%



Chris Ledochowski - Southlight

Information will be vital in the new South Africa

Mass electrification would bring a visible improvement to people's lives and would enlarge the local market for appliances

Skilful political leadership will be vital to persuade organised labour to view social investment as an acceptable substitute for wage hikes

Basic needs

Low paid public employment schemes might help to reduce the costs of extensions to electrification, piped water and sanitation systems. Policy studies suggest that a doubling of the present rate of connection to the national electricity grid could be financed through administrative rationalisation of a Byzantine bureaucracy, the revision of tariff charges and their effective collection in townships, and a redirection of municipal expenditure.

At present white ratepayers are virtually the sole beneficiaries of services which are partly paid for by commercial and industrial rates. Townships do not have comparable tax bases to white governed cities. The racial integration of local authorities will change this.

Given the continuing predisposition of the larger municipal governments to spend huge sums of money on unnecessary infrastructure - Pretoria's city council, for example, recently announced plans to devote R200 * million to digging a lake in the main business district - it is obvious that local government could mobilise considerable sums for more useful projects if it chose to.

Mass electrification in the countryside would represent an especially visible improvement to people's lives and would of course considerably enlarge the local market for appliances. This could help boost employment in a more substantial fashion than could be achieved by any other public works programme.

Similarly, a modest programme of land reform and financial assistance for small farmers would not necessarily require a huge

outlay of resources over and above what is presently spent by the Government on agriculture.

Some state land is available for redistribution and sizeable expanses of commercial farmland in border areas have been abandoned by owners. Money to purchase land and establish black farmers might initially be derived from scaling down and redirecting existing government subsidies.

In fact white farms, since 1985, have experienced a sharp reduction of government support. Even so, farmers remain accustomed to receiving generous help at times of crisis: R4 billion was spent on drought relief to white farmers in 1992. White farmers are heavily indebted. Land reform oriented towards smallholders may help enhance the efficiency of agriculture generally.

Costs

Programmes like these suggest a minimal set of redistributive measures which would reduce the scope of poverty and inequality considerably without needing huge leaps in government spending or large flows of external aid. And, if properly directed, they could impact decisively on the lives of the 40% of South Africans who receive only 6% of the total income.

Skilful political leadership will be vital in any efforts to persuade organised labour to view social investment as an acceptable substitute for wage hikes. For wage restraint among industrial and public sector workers must be one crucial precondition for growth in an economy in which wages count for 71% of national income.

The remuneration of government employees at present uses up about half of Government expenditure, and raising this proportion would reduce funding available for social expenditure. Government revenues cannot be augmented by rises in personal taxation: even radical economists recognise that this has already reached desirable limits.

The 100 000 or so managers and technocrats who ran the economy have skills which are easily marketable elsewhere, as current emigration statistics demonstrate: 'soaking the rich' by reducing their real incomes through higher taxation would be very risky.

Government borrowing cannot be the main source of development capital. Though South Africa is under borrowed internationally, public debt to local lenders is very heavy and uses up 17% of the budget in interest payments.

Thnnt-h initially economic growth might
through public works programmes,
! X loii" icnn it will have to be fuelled by
^ expansion of manufacturing exports and
flow of foreign investment. Fuller
in -nrnora'ion into the international economy
2 iidlicinv: to GAIT regulations which
'inui'uc the abandonment of tariffs and
import cjuotas. Not all lactones will survive
exposure "o foreign competition.

A more liberal trade regime may need to be
•iceompanied by local currency devaluations
and hence inflation. An outwardly oriented
growth strategy will begin by imposing heavy
penalties on urban consumers and industrial
workers. HI Teeiive delivery of social reform
will be crucial if the government is to retain
its public credibility.

Promises

The African National Congress's (ANC)
Reconstruction and Development Programme
more or less balances equity concerns with
growth imperatives through a strategy of
reallocation and rationalisation of existing
resources. Understandably, its electoral
appeals placed more emphasis on expenditure
than finance: the ANC was not seeking the
votes of bankers and stockbrokers.

Before the election campaign, though, ANC
spokesmen often contended that public
spending under an ANC Government would
only increase slightly overall, that social
investments uould mainly be derived from
the redirection of available resources, and that
the civil service was already too large.

Specifically, tin- ANC pledged to: redistribute
state land; initiate a public works programme
to provide clean toilets and water for all
within two \ears; double electricity
connections b\ the end of the century; expand
primary health care with free access to
curative medicine for the aged, the young, the
disabled and i he unemployed; reduce class
sizes in schools and provide free textbooks;
and extend popular private home ownership
facilitated In promptings to the private sector
to supply finance.

Parastatal corporations will be deployed to
help establish small businesses and ANC
economic policies will seek to promote
manufacturing exports. The organisation is
committed to diversifying ownership,
through anti-cartel legislation if necessary.
1 ariffs and protection will be reduced, though
with 'minimum disruption to employment'.

The ANC has more faith than most academic
economists in the capacity of public sector
investment to produce Gross Domestic

Product gains. Its programme predicts an
annual increase of 5% as a consequence of
social expenditure. Its policies are not
calculated to entice external investors,
promising 'no special advantages' for foreign
companies.

Undertakings to reduce income tax for low
income earners and collect corporation tax
more efficiently are in the same vein. Here
the influence of Cosatu and South African
Communist Party advisors may have had a
decisive influence in drafting the RDP,
adopted on the eve of the ANC's electoral
campaign. Even so, for a manifesto in a
liberation election, the ANC's vision of 'A
Better Life for All' was hardly spendthrift.

Expectations

If surveys are to be believed, the ANC
proposals fall well short of popular
expectations. A *Sunday Times* poll in
September 1993 discovered that 80% of its
black respondents thought that government
should supply free housing. Nationalisation
was also a popular option and, indeed, the
National Union of Mineworkers recently
renewed its commitment to public ownership
of the gold mining industry.

Specialists debate the extent of land hunger.
John Sender argues that a relatively small
number of black people want to be
commercial farmers, and that the land needs
of the rural poor could be met with 200 000
hectares, on which families could grow food
for consumption and a little extra for sale
while remaining chiefly dependent on wages.

Other researchers dispute this view. Richard
Levin, for example, found that 77% of people
surveyed in the Eastern Transvaal want to
participate in a land reform programme.
Whatever the case, the ANC's land reform
proposals look very restrained compared with
the PAC, which advocates confiscating two
thirds of 'settler' owned land.

An ANC-led coalition government will
encounter formidable difficulties in
implementing even a fairly conservative
'growth through redistribution' programme.
A necessary first condition is a streamlined,
cooperative, and competent civil service. This
may be quite difficult to attain.

Quite apart from the question of the
bureaucracy's present political proclivities,
there is disruption and inefficiency that might
result from badly managed affirmative
action¹. The new Government will be under
massive political pressure to create jobs
through the expansion of public service.

*The RDP more or
less balances
equity concerns
with growth
imperatives
through a strategy
of reallocation and
rationalisation of
existing resources*

*Surveys suggest
that the ANC
proposals fall well
short of
expectations*

*A necessary first
condition to
implementing a
'growth through
redistribution'
programme is a
streamlined,
cooperative, and
competent civil
service*

The new Constitution embodies a fairly restrictive form of representative democracy with its coalition cabinet and deputy presidents from minority parties

It has already conceded the demand for wage parity between employees of the former homeland bureaucracies and the old South African civil service, a concession which will considerably increase expenditure on salaries.

Opposition

Political opposition could also hinder progress. The ANC's National Party coalition partners may well resist cuts in the quality of schooling and health care available to whites. They might also resist efforts by the state to regulate private patterns of investment.

Cuts in commercial agricultural subsidies will further alienate 67 000 white farmers, most of whom have already signalled their opposition to power sharing. Political rivalries, which divide the labour movement may assume a more dangerous significance when the ANC attempts to negotiate limits to wage claims with its electoral partner, Cosatu.

Public works schemes, even if they do succeed in creating 300 000 jobs, as the ANC has promised, will hardly dent unemployment statistics. Three million people between the ages of 16 and 30 have no jobs and more than 80% of the 18 to 19 year old group are not working.

Surveys demonstrate that nearly half of the PAC's support comes from youths aged 17 to 24. The ANC should expect substantial defections of its own young supporters to its more radical rival as expectations of the new government are disappointed over the next five years. Even youth organisations which are nominally affiliated to the ANC have frequently defied party attempts to bring them to heel.

Civil Rights

Will the twin tasks of addressing social injustice and promoting growth be completed under democratic conditions?

The new Constitution embodies a fairly restrictive form of representative democracy with its stipulations for a coalition cabinet and deputy presidents from minority parties. Its Charter of Rights is weighted in favour of 'first generation' freedoms, that is individual civil rights and minority safeguards.

As Albie Sachs observed at an ANC constitutional seminar in Lusaka in 1988: "The push for a bill of rights comes not from the heart of the freedom struggle, but from people on the fringes."

Land reform advocacy groups and trade

unions opposed the inclusion of the Charter's property clause. Explicit and tacit guarantees of existing property relations are indeed an affront to democratic principles.

Adam Przeworsky wrote in *Transitions In Authoritarian Rule*: "It is within the nature of democracy that no one's interests can be guaranteed." His argument is that institutional guarantees involving political procedures and process - such as proportional representation - can be quite effective in protecting interests without offending democratic principles in the way that substantive guarantees would.

Human rights lawyers are concerned about what they see as implicit threats to Press freedom and academic autonomy in the constitution. Representation by parliamentarians selected by party leaderships removes any officially institutionalised element of their accountability to electors.

Consensus

The ANC's 62% majority in the election enabled it to appropriate most of the key policymaking portfolios in the new cabinet. If it feels compelled to, it will be able to dictate policies to its partners. Even so, ANC leaders probably know that coalitions function best through consensus.

By retaining Derek Keys as Minister of Finance and Chris Stals as Governor of the Reserve Bank, the new administration has already demonstrated significant commitment to consensual policy making. In the Transitional Executive Council, ANC representatives demonstrated their willingness to support unpopular policies, backing high pay rises for senior civil servants and agreeing to retain preventative detention.

In a similar vein, ANC parliamentarians have indicated support for generously increased remuneration for members of Parliament, regional assemblies and the national and regional cabinets. These recommendations have already come under fire from Cosatu leadership.

In the run-up to the election, the main threats to democratisation came from conservative political elites, white and black, and their organised political followings. These were sufficiently formidable for Inkatha and the volkstaats to extract symbolic concessions.

Conservative politicians have emerged from the election with considerable political strength, having demonstrated their capacity

Representation by parliamentarians selected by party leaderships removes any institutionalised element of their accountability to electors

The ANC will be able to dictate policies to its partners, but knows coalitions function best through consensus

substantial electoral support.

It is not while supremacist politics is likely to be established into the arena of politics - and as the more 'entrenched' forces, which animated the military and fascist movements, p. <> c chimerical.

At the time the threat of rightwing rebellion or terrorism has receded. Mere serious challenges to democratic stabilisation would be mass protests and upheavals requiring authoritarian measures on a large scale and over a long period to contain them. These are more likely to come from the left than the right, especially from organised labour and mobilised youth if the pace of reform is too slow.

Such challenges are not inevitable. For a while at least they can be averted by imaginative leadership and by public faith in the democratic process itself. If people feel that they can make meaningful choices in election's, they are less likely to contemplate rebellion.

Democracy

Democratic regimes are in certain respects less vulnerable than authoritarian administrations. A¹ Samuel Huntington has pointed out: "Trocen's and procedures ... can in substantial measure substitute for the dearth of more deterministic economic and sociological conditions of democracy in Third World nations".

The presence of Cosatu representatives in government may help ensure the loyalty of the better organised sections of the labour movement and facilitate the establishment of the institutionalised forms of corporatism between government, business and labour which the ANC leadership apparently favours.

Ironically, however, the very popularity at the polls of the ANC may be the undoing of democracy. A nationalist movement which can meet the aspirations of the burgeoning African middle class through affirmative action and enforced corporate 'unbundling', and at the same time retain the support of the most powerful labour unions through the deployment of government resources, can represent a formidable political force.

It is, despite the presently professed intentions of its leadership, the ANC's internal organisation might quite easily degenerate into a periodically mobilised vote-catching machine. In future, the movement will not be

sustained by large flows of foreign donations and many of its more competent and dedicated organisers will be absorbed into government.

As the party of Government it might always be able to out manoeuvre electoral opponents such as the PAC, whose support is likely to continue to be derived from more socially vulnerable or marginal groups. Its capacity, though, through its own democratic procedures to exert popular sanctions on leaders may weaken quite quickly.

One serious temptation for the ANC in power will be to sacrifice democratic principles and developmental goals to political expediency and to draw upon strong statist traditions in South African political culture to reconstruct the dominant one party system under which the country has been governed for so much of its history. The political imperatives to adopt such a course may be very compelling. Beside them structural constraints may seem very weak. f!?!f!fi

END NOTE

1. Affirmative action within the civil service might involve transferring senior administrators from homeland services to central government. It need not require external recruitment. The ANC and other mainly black political organisations have sent small batches of their members to the British Council Service College, but the scale of this exercise suggests political leaders expect that new appointments and overhaul of leadership will be made quite slowly.

Two developments may change this: resistance to reform among middle echelon bureaucrats and pressure from within the ANC's own ranks by recently acquired supporters and allies in homeland administrations. Black business elites have also adopted a fairly restrained policy to affirmative action. The Black Management Forum wants blacks to hold 30% of senior management posts by the year 2000. Foreign investors, especially American corporations, may feel compelled to adopt more ambitious targets.

Even moderate quotas, through, may encourage white managers to leave the country in large numbers. Certain companies have already reserved whole levels of employment for blacks only and whites are increasingly being relegated to contract or temporary employment.

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Ironically, the very popularity at the polls of the ANC may be the undoing of democracy

The ANC's internal organisation might degenerate into a periodically mobilised vote-catching machine

One serious temptation for the ANC will be to sacrifice democratic principles and developmental goals to political expediency

LAYING FOUNDATIONS¹

*By Ivor Sarakinsky
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The Transitional Executive Council's big achievement was consolidating consensus, laying the groundwork for a Government of National Unity and an efficient multi-party cabinet. The networks that developed will smooth decisionmaking, but if democracy is to succeed institutions must eventually transcend the personalities who created them.

Parties unsure of their support wanted the constitution drafted prior to an election, those with clear support wanted it drafted afterwards

South Africa's transition to democracy echoes many features of other countries' experiences of political change. Violence and uncertainty were unfortunately the most common characteristics of our roller coaster ride of profound social transformation. But at the level of government institutions, South Africa's politicians found innovative routes in their odyssey from the old to the new.

In the international context, breaks with old regimes come about in two ways. The existing authorities allow an election to be held in accordance with agreed upon principles. The new government either drafts a new constitution or works within a previously agreed upon pact.

Alternatively, the existing authorities allow a multi-party cabinet to run the country until an election is held. The elected representatives then write a new, legitimate constitution.

In South Africa, the form the transition to democracy took was largely determined by the balance of power between the various parties and blocs as well as their respective strategic objectives.

The National Party (NP) and Inkatha Freedom Party (IFP) initially called for a single phase transition. A final constitution would be negotiated by all the parties under which an election would be held. The African National Congress (ANC) and Pan African Congress called for a multi-party interim government that would rule until an election was held. The elected government would

both govern and draft the final constitution of the country.

Clearly, parties unsure of their political support wanted a constitution to be drafted before an election while those with clear-cut support wanted it to be drafted afterwards so they could shape it in their favour.

These starting positions were soon diluted as the parties engaged in negotiations at the Convention for a Democratic South Africa (Codesa) between December 1991 and May 1992. Agreement on the nature of the new constitution and how it would be adopted was not reached at Codesa, resulting in the collapse of multi-party talks.

Despite this, Codesa was not a complete failure as important agreements on how the transition would come about were reached in the other working groups.

Transition

Working group three, dealing with transitional arrangements, recommended a two stage transition coupled to the establishment of a multi-party Transitional Executive Council (TEC) with certain sub-councils. This meant that the transition to democracy would be divided into a pre-transition and a transition phase.

Events from February 1990 to the holding of an election would make up the pre-transition phase. Power-sharing arrangements or a Government of National Unity (GNU) would be in place under an interim constitution

Codesa was not a complete failure as important agreements on how the transition would come about were reached

while the final constitution was completed. The transition to democracy would only be complete once elections were held under the final constitution.

More importantly, the working group recommended the establishment of a TEC with powers to ensure that all the parties competed in a free and fair environment in the build up to the election for a GNU.

Instead of an interim government or the continuation of the NP government during the pre-transition phase, it was agreed that the TBC would have broad powers to ensure that a free and fair election was held.

Clearly, the main players at Codesa had made significant compromises. The skeleton of the TFC was set out, but agreements on its specific powers and mode of operation were not reached by the time of Codesa's collapse. These issues were only tackled once negotiations resumed 111 March 1993.

Technical committee

The Codesa working group dealing with transitional arrangements was successful because it established a technical committee that processed the inputs of the various parties and made recommendations.

This principle was applied across the board at the new negotiating forum at Kempton Park in March 1993. The TEC technical committee had six members nominated by political parties: Professors D van Wyk and Fink Haysom, Advocate J Heunis, Advocate K Rencne, Ms / . du Toit and Mr E Mapheto.

This technical committee was instructed by the negotiating council to take the Codesa agreement on transitional arrangements as the foundation for its work. In essence, it added the flesh onto the Codesa skeleton as agreements between the parties were reached.

This did not mean there were no hitches in the technical committee completing its tasks. There were still major disagreements between the ANC, the South African Government (SAG) and the IFP on the powers and very existence of the TEC.

The IFP declared that it had not accepted the principles behind the establishment of a TEC and proclaimed that it would not be bound by it. Its main concern was the separation of the phases of the transition. A compromise was reached when the negotiation council agreed that the principles of the interim constitution should be settled quickly and be binding on the constituent assembly that would write the final constitution.

The IFP agreed that progress had been made and indicated that it might participate in the TEC. However, when the IFP decided that the interim constitution did not meet its bottom line on regional powers and the status of the Zulu monarch it, with other members of the Freedom Alliance, withdrew from the negotiating forum.

The IFP's departure from negotiations set in motion another dimension to the negotiating process, leading to a precarious game of brinkmanship politics. However, it did remove an important barrier facing the TEC technical committee. Initially, rapid progress was made on deciding the less controversial

In essence, the TEC technical committee added flesh onto the Codesa skeleton, as agreements were reached

The IFP's departure set in motion a precarious game of brinkmanship

It would appear that the negotiators were acutely aware of each other's problems of holding onto their respective constituencies

The finance sub-council had to ensure that fiscal resources were not used to build patronage networks or clear out the cupboards

The short lifespan of the TEC prevented the regional/local government sub-council from fulfilling its potential

issues surrounding the functioning of the TEC.

The process became bogged down, however, as the tough issues of the powers of the TEC in relation to the existing government and the role of the defence force, police and intelligence agencies in the pre-election phase were approached.

The powers of the TEC as set out in the TEC Act were the condensation of the conflicts between the ANC and SAG. Compromises were reached in bilateral discussions behind closed doors, and the decisions were presented to the technical committee in a way that unsuccessfully disguised the signs of obvious collaboration.

Clause 3 asserts that the TEC had the objective of creating the conditions for holding a free and fair election. Clause 13 gave the TEC the power to rule on any governmental decision or action by any party if it can be shown to have an impact the election.

Whereas the Negotiating Council adopted decisions on the indeterminate notion of 'sufficient consensus', the TEC Act prescribed set majorities that had to be met if decisions on any matter were to be binding.

In the TEC itself and the sub-councils of defence, law and order and intelligence a 75% majority of members was necessary. In the finance, status of women, foreign affairs and local/regional government and traditional authorities sub-councils a 66,6% majority was necessary.

If disputes could not be resolved in this way, the special electoral court would adjudicate. Thus, internal to the TEC Act was a judicial mechanism for settling matters that could not be consensually resolved.

Powers

Although 'executive' appears in the name of the TEC, executive power was not clearly defined in the final agreement. It was sufficiently vague and ambiguous to allow the SAG to accept it without having to acknowledge that it had ceded too many powers, and it allowed the ANC to argue that it had won a significant say in governing the country in the run up to the election.

It would appear that the negotiators were acutely aware of each other's problems of holding onto their constituencies during the pre-transition phase. The ambiguity in the TEC Act also enabled the main parties to ward off criticism from the right that the

government had sold out and from the **leli** that the ANC had made too many compromises.

Although the objective of the TEC was to ensure that a free and fair election was held. Clause 7.5 gave significant policymaking powers to the sub-councils. These exemptions allowed them to plan and formulate policy on a range of matters that went beyond monitoring the actions of existing government departments.

This provision was inserted as the TEC was initially expected to be in operation for much longer than what eventually transpired. Although the agreement was passed into legislation in late September, the TEC onK came into being in late December, 1993. This delay marked a failed attempt to draw the IIP into its structures while constitutional issues were still being negotiated.

As the TEC would last until just after the election held on the 27 April 1994, its short lifespan meant that many of the innovative policymaking powers given to the sub-councils were not fully utilised.

When the TEC and its sub-councils met for the first time, there were expected teething problems and the Press was criticised for giving them publicity. More importantly, the deliberations of all of these bodies were shrouded in secrecy and little information on their decisions was forthcoming.

Sub-councils

The finance sub-council had an important watchdog role to ensure that fiscal resources were not transferred across departments to build patronage networks or clear out the cupboards before the election. It also had the task of preparing an interim budget as well as monitoring loans granted to the homelands, and it suspended a major Development Bank loan to Bophutatswana.

The regional/local government and traditional authorities sub-council was given substantial powers to begin implementing clauses in the interim constitution dealing with provincial borders and regional government structures. The short lifespan of the TEC prevented this sub-council from fulfilling its potential but it did resolve conflicts between traditional leaders and homeland authorities in some areas.

The sub-council on the status of women was given novel powers to ensure that rural women in particular could participate freely in the election. More importantly, it had the capacity to shape the interim budget so that

..... u(n,ld be made available for the
^npc>wenii^tnl of women at all levels of
government.

The significance of this sub-council lay in it
I Z , The produc. of lobbying by women
r r o m across the political spectrum It also
e women statutory rights which although
m l used due to the short life-span of the
T E C ' might act as a precedent for future
policy making on women's issues.

The foreign affair.- sub-council was ridiculed
in the Press as its members appeared to spend
more time on overseas jaunts than dealing
with foreign policy matters that might
influence the electi' >n. However, the
sub-council did meet more than 40 foreign
governments and international organisations.

It also played an important role in clearing
the way for South A frica to join a number of
international organisations once the new
Government was installed. It is no surprise
that within days after the election, South
Africa announced its intention to join the
Commonwealth of Nations and the
Organisation of African Unity (OAU).

Interestingly, one issue that did not escape the
attention >f (lie foreign affairs sub-council
was the international debate over the
restructuring of the United Nations Security
Council. This ivsii ucturing is expected to
develop momentum next year, which also
marks the 50th anniversary of the United
Nations.

The sub-council recommended that the
Government of National Unity, 'inclose
consultation' \ \ iih ihe OAU, participate in
debating ihe restructuring with a view to
securing an African permanent seat on the
Securiti) Council.

The intelligence sub-council did not achieve
much as there was too much distrust between
the main parties. However, it fulfilled its role
of monitoring all parlies' intelligence
agencies to prevent the misuse of past and
present intelligence.

I lie law and order sub-council was given the
power to make a number of policy decisions
that would affect policing after the election.

I his entailed setting up monitoring and
training structures. It also, after much debate,
recommended the repeal of Section 29 of the
interna! Security Act which allowed for
detention without trial.

I his sub-council, however, spent much of its
time dealing with political violence in the
pre-election period as well as conducting
investigations into allegations of hit squads
operating in the KwaZulu police force.



Negotiations in the workplace

The defence sub-council, since it was not
bogged down by day-to-day issues, took full
advantage of its powers to formulate policy
for a future national defence force. It
presented detailed plans for the integration of
all armed formations and the role of a unified
force. It also studied in detail the strategic
threats to South Africa and began to research
issues in the defence industry.

This sub-council prepared the way for the
consolidation of a new national defence force
before the new constitution came into force
and a new Minister of Defence assumed
office. It was also responsible for the ill-fated
National Peace-Keeping Force, the
provisions for which were added to the TEC
Act at the last minute in full realisation that
its success was not guaranteed in the time
available for training.

Crucial role

The sub-councils in general and the ones
connected to security in particular played a
crucial role in securing the transition as they
guaranteed continuity in the functioning of
the machinery of government. Unlike other
countries, there was no radical rupture
between the old and the new and this placated
the fears of civil servants, the police and the
military.

This is crucial to the transition as it allowed
the TEC, as it will allow the Government of
National Unity, to deal with policy issues and
not the threats posed by disgruntled powerful
interests within the state system.

In the short time of its existence, the TEC
quickly usurped a number of powers
exercised by the SAG. It wrested control over
the issuing of temporary broadcasting
licenses from the Department of Home

*The foreign affairs
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*Unlike other
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was no radical
rupture between
the old and the
new, placating
fears*

Despite appeals for transparency, the real decisions were made behind the scenes

Affairs and took over the South African Communication Service's advertising campaign to popularise the new constitution.

It took legal action against the Commissioner of the KwaZulu police, who eventually gave evidence before the TEC. It also assumed control of the former homelands of Bophutatswana and Ciskei once their administrations had collapsed.

The most important dispute dealt with by the TEC was the announcement of a housing plan by the NP Government prior to the election. The ANC argued that this fell within the ambit of the TEC as its announcement just before an election could influence the result.

The NP threatened to take the matter to the special electoral court after the TEC blocked the programme's implementation. However, the conflict was resolved behind closed doors when compromises and changes to the plan were made.

Despite appeals for transparency, this incident reveals that the real decisions were made - as was the case at Kempton Park - behind the scenes. This created the impression that the TEC was indeed operating on the principle of consensus.

This convention for conflict resolution has some positive implications for the GNU, as it allows for the swift and efficient resolution of disagreements. But there is also a negative dimension if important decisions that effect ordinary people's lives are taken by technocrats behind the scenes.

The practice of behind closed doors policy making is likely to be entrenched in the GNU as the system of proportional representation tends to enhance the power of party bosses at the expense of popular accountability.

The significance of the TEC does not lie in its and the sub-councils' day-to-day operations. It must not be judged according to strict legal principles or whether it achieved its stated objectives. Instead, there are two other aspects of the TEC which give it a unique character in the comparative study of transitions to democracy.

At a symbolic level, it cleared the way for getting from an undemocratic to a democratic

form of government. It served a bridging function, and this explains its ambiguity and vagueness. The open-endedness of its provisions allowed the main parties to accent - the principles behind the TEC so that important issues could be tackled.

Consensus

A more important dimension of the 1 IX; was the high percentages required for decision-making that forced the parties to ay consensually. The spirit of cooperation that" emerged during negotiations at Kempton Park was statutorily entrenched in the TEC. The TEC's main achievement was the consolidation of cooperation rather than opposition in South Africa's nascent political culture.

In doing this, it acted as a curtain raiser for the GNU that took office after South Africa's first fully democratic election. The structure of the sub-councils also hinged on statutory co-operation and this might well prepare- the ground for efficient multi-party cabinet and standing parliamentary committees that will deal with specific policy issues.

Of all the top appointments in the new government, nine cabinet ministers, two deputy ministers, one director general and the chairman and deputy chairman of the Constitutional Assembly sat on the TEC and its sub-councils. A number of other people who hold similar portfolios were important players in the negotiations at Kempton Park.

Although the Interim Constitution recommends that the multi-party cabinet should strive to reach consensus, no provisions and procedures are set out. Instead, the conventions, informal networks and personal relations that developed during negotiations and in the TEC will form the basis of decision-making in the GNU.

More importantly, these practices will energise the dry legal and institutional arrangements set out in the Interim Constitution. If, however, the new dispensation is to succeed in the medium and longer term, then the institutions must transcend the personalities involved in their creation. This can only be achieved, paradoxically, by the skill and political acumen of the actors themselves.

The practice of behind closed doors policy making is likely to be entrenched in the GNU

The TEC's main achievement was the consolidation of cooperation rather than opposition in South Africa's nascent political culture

Birth Democracy

*By Lawrence Schlemmer
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*'Democracy's ceremonial, its feast, its great function is the election'.
HG Wells*

The outcome of South Africa's first democratic election shows clearly that voter sentiments do not match the high ideals within which the election was negotiated and planned. As in most poor and deeply divided societies, our new democracy has yet to survive a number of complex challenges. Democratic consolidation may take a long time.

As indications up to March, 1994, were that to hold elections in South Africa was perhaps the country's greatest risk venture. Political violence mounted steadily. The stockpiling of tinned food by thousands of people, while eccentric, illustrated the fears that there could have been a rightwing rebellion, that there could have been civil war in KwaZulu-Natal, and that the excitement of the masses could have paralysed the country.

Not a few serious observers were very worried. Premier leader of the opposition, Frederick van der Sluis, a few months before the election, pleaded for a referendum as a way of avoiding a fight at the edge of the well of disaster. Others, this author included, wondered whether or not a Government of National Unity should not compose itself and govern the country by executive fiat until stability had been restored.

At the same time, however, most people also realised that the great ritual event in the establishment of a new democracy had to be risked. Without it the political nervous energy generated by both hopeful anticipation and fear could not be stilled.

Some public 'ceremonial' was required to settle aroused emotions in the society so that ordinary government could recommence. The election was also the means of marking the end of the long drawn out transition and the beginning of the new era.

Hence, whatever its particular features, the election had a vital symbolic function. This applied not only in South Africa but was also relevant to South Africa's international relations. One could not imagine the quick and decisive lifting of sanctions, readmission to international organisations and both tacit and overt acceptance of South Africa as the premier state of sub-Saharan Africa if a cabinet of national unity had been cobbled together in negotiations. The outcome would have smacked of provisionality; perhaps even of cooptation by the previous regime.

Thus the election served a function, whatever its particular features and characteristics. This notwithstanding, it was also the foundation for a new democracy and it has to be critically assessed in the light of the severe challenges of consolidating a democracy in a materially unequal, ethnically divided, highly politicised and violence prone developing society.

Most realised that an election, the great ritual event in establishing a new democracy, had to be risked

The election has to be assessed in the light of the challenges of consolidating a democracy in a materially unequal, ethnically divided, highly politicised and violence prone developing society

The election was the most elaborately planned and closely monitored electoral event in modern times

The election days were quite peaceful but this did not nullify the serious interference with freedom of choice before the event

It is important to note that ordinary voters are proud people who do not like to admit that their choices are constrained by external pressure

Regrettably, the election was not quite the unfettered exercise in evaluation of competing policies which democracy is ideally supposed to be

The campaign

As one would expect, the campaign in the weeks preceding the election was suffused with the rhetoric of unfettered choice. The Transitional Executive Committee, the Independent Media Commission and the Independent Electoral Commission were all established with the important purpose, *inter alia*, of 'levelling the playing field' for the election.

An army of international observers descended on the country from the United Nations, the Commonwealth, the European Community, the Organisation of African Unity (OAU) and individual countries. The Goldstone Commission (the Commission of Enquiry into Violence and Intimidation), with the participation of foreign experts, made extensive recommendations aimed at ensuring the elections would not be destabilised by violence.

The ill-fated National Peace-Keeping Force was hurriedly established, at great cost, to provide impartial security surveillance of the election. The election was the most elaborately planned and closely monitored electoral event in modern times.

This elaborate management of the election campaign, however, did not prevent incidents like the following:

- Democratic Party (DP), National Party (NP) and, in one or two instances, Pan African Congress (PAC), recruiting and mobilisation campaigns being forcefully disrupted by politically opposed township youth and young adults;
- Sabotage of NP and ANC offices, presumably by rightwing elements, and threatened attacks on ANC election linked marches in smaller towns;

An intensification of violent attacks on each other by Inkatha Freedom Party (IFP) and ANC factions, mainly on the East Rand and all over KwaZulu-Natal;

Linked to the high key controversies preceding the IFP's late entry into the elections, an IFP and Zulu show of force in central Johannesburg and violent retaliation in the vicinity of ANC Headquarters;

- 0 IFP activists preventing the use of a booked stadium in Durban by the ANC;
- Attacks on, or murders of, local leaders of the IFP, the ANC and other parties.

These were keynote events that exemplified a

much more widespread pattern of pressing politics and domination of political territory throughout the election campaign. OMI suspects that the more visible and reported outbreaks of conflict occurred where control of political territory was contested.

Vast areas of the country, where one or another party had established unchallengeable domination, did not get into the news, a pattern was anticipated by and described in greater detail in the article by Graeme Goty and this author in the previous issue of *Indicator SA*.

The fact that the elections themselves were almost miraculously peaceful does not countervail the evidence of extreme politics and duress in the run-up to the poll. It may merely have reflected the transfer of energy from subtle or less subtle intimidation to the collective act of voting. The election days were quite peaceful but this did not nullify the serious interference with freedom of choice before the event.

Views and sentiments

Prior to the election, the Institute for Multi-Party Democracy project *Launching Democracy*, conducted in conjunction with the HSRC by a team headed by RW Johnson, included two national pre-election surveys of voter opinion and two major surveys each in the Pretoria-Witwatersrand-Vereeniging (PWV) area, KwaZulu-Natal and the Western Cape.

All told, nearly 20 000 personal interviews with voters of all races were conducted by trained interviewers employed by Mark Daia of the HSRC, Data Research Africa of Durban, and Market and Opinion Surveys of Cape Town. The surveys were conducted between September 1993 and February 1994.

A large number of items bearing on freedom of choice in exercising a vote were included. A brief selection of typical findings is presented below. It is important to note that ordinary voters are proud people who do not like to admit that their choices are constrained by external pressure. Some of the percentage responses, therefore, are likely to underestimate the extent of constraint.

The results in Table 1 are a very sketchy overview of the range of results in the MPD study (forthcoming, Yale University Press). They very aptly illustrate the minimum extent to which the very muscular politics of local control had penetrated the consciousness of ordinary voters. The election, regrettably, was not quite the unfettered exercise in evaluation of

... which democracy is
... supposed to be.

policy relevance

The WC went even further afield than the "Peoples Forums" ... IS supporter, were encouraged to express IS demands and grievances. Hence the virtues the ANC especially, ... the election ... light on the brass lacks" of socio-economic needs and issues.

perhaps for understandable reasons, however, this was not entirely successful. The overarching symbolism and significance of a liberation election, an election about group-based power and an election which promised an end to violence, tended to submerge the socio-economic content and the class-based issues. One illustration among many findings comes from a national pre-election survey conducted by MarkData, as reflected in Table 2 overleaf.

The results in Table 2 are not presented in order to suggest that material and living conditions are unimportant. The table simply suggests that charisma, fear and race-based communal misperceptions were otherwise important more specific material concerns in the election.

Power

An opinion often expressed by activists is that the negotiated provisions for a government of national unity - an enforced coalition - is a hindrance to effective and incisive reconstruction of the country. Among those activists who recognise the need for a negotiated compromise in this period of power-sharing, it is a necessary evil.

Surprisingly, however, despite the competitiveness and emotion surrounding the election, the rank and file voters appear to have had different convictions. In Table 3, we present the results of a probe included in one of the PWV surveys on the issue.

The views of the population minorities in Table 3 - the whites, coloureds and Indians - are understandable. Realism may have tempered their desire to see an exclusive exercise of power by a majority party. In the case of African voters, and particularly ANC voters, the choices are significant in the light of the fact that these voters generally knew that their party could win.

Table 1: Proportions of voters indicating or endorsing constraints on freedom of party choice in pre-election opinion surveys of the Launching Democracy project

(Questions shortened and paraphrased. Areas and categories for which levels were significantly higher or lower are indicated.)

Pressure on respondent to vote for a party not supported:

African voters	20%
KwaZulu-Natal	32%

Neighbours seen to be hard on a person who disagrees politically:

African voters	24%
Eastern Cape	32%
OFS	28%

Respondents local area supports one party (as opposed to different parties):

African voters	49%
Eastern Cape	57%
Northern Transvaal	80%

(PWV survey, African voters) Member of political party which respondent dislikes most should be prevented from:

living in the local area	50%
canvassing support	59%
making a critical speech	68%

Belief that it is right to disallow certain parties from operating in a local area:

African voters	20%
Eastern Cape	28%
KwaZulu-Natal	25%

Yet, less than a third of African voters and fewer ANC voters appeared to want their party to dominate. The Government of National Unity seems to fit the sentiments of the majority perfectly.

For every majority there is a minority, however, and it will be from the roughly 20% of ANC supporters who would like to see their party imposing its will on other parties that problems may arise. These supporters obviously echo the sentiments of the activists referred to earlier.

A racial census?

It is in the overall result of the election, however, that the most significant implications for a future democracy lie. The pattern of results come uncomfortably close to being a census of mobilised racial-cum-ethnic categories in South Africa.

In analysing the outcome one would have wished to rely for certain insights on the published results of the election in specific

The GNU seems to fit the sentiments of the majority perfectly - less than a third of African voters wanted their party to dominate

The pattern of results come uncomfortably close to being a census of mobilised racial-cum-ethnic categories

Table 2: Most important single reason for supporting a particular political party

(National Survey, N = 2 000, fieldwork by MarkData, HSRC)

Items presented to respondents	Africans	Coloureds	Indians	Whites
Party will work to improve lives, jobs and living conditions	4	11	4	2
Party is powerful with a great and inspiring leader	32	15	31	13
Party is tough and strong in order to restore peace, law and order	21	38	27	13
Party will protect my language and culture	21	10	19	43
Party supports religious teaching and morality	12	19	9	22
Other, uncertain, etc.	9	8	10	7

towns, cities, sub regions and even suburbs. The chaos in the running of the election and the counting of votes, however, was such as to put paid to any refined assessment of published election results.

of IFP support once the party joined the election race on the platform of rights and powers for the Zulu King. In other respects the pre-election surveys seem to be a valid reflection of the outcome.

Except for the last-minute swing from rightwing parties to the NP and consolidation of IFP support once that party joined the election race, the pre-election surveys seem to be a valid reflection of the outcome

Apart from inaccuracies, votes were counted in counting stations far removed from the areas where they were cast, making any socio-geographic evaluation impossible.

In terms of this dataset, checked against oilier special surveys making up an additional dataset of over 14 000 respondents, the following patterns are apparent:

Instead, we have to rely on indications obtained from the merged dataset of all pre-election surveys conducted by the HSRC (MarkData Omnibus surveys) from February 1993 to February 1994. The merged representative sample size is over 10 000 South African voters and it allows fairly firm generalisations. These combined pre-election survey results compare closely with the final election outcome (Table 4).

- o Africans:
- Only between 1% and 2% of Africans supported the NP, and even fewer supported the DP. In fact, political parties associated with whites, or the old parliament, made virtually no inroads into the African vote.
- The ANC support, while dominant among all categories of Africans, was strongest among better-educated Africans. The support for the PAC, while at a veiy low level of 2%, also tended to increase slightly with education. IFP support among Aficans reflected the opposite trend, with the very poorest, least well-educated Africans being most inclined to support the party.

The results for pre-election surveys in the table obviously did not account for a last-minute swing from rightwing parties towards the NP - fearful whites finally opted to seek protection by voting for the larger "and more influential party - and a consolidation

- The only type of area *in the* country where the ANC did not have majority support among Africans was in very small towns and rural KwaZulu-Natal, where the IFP was clearly the majority party. Roughly half of the total Zulu-speaking group supported the IFP.

Table 3: Support for exclusive versus shared power (PWV region, N = 2 500)

Good government best served if:	Africans %	Coloureds %	Indians %	Whites %	ANC supporters %
One party governs alone	28	8	13	12	22
Winning party includes others in government	52	53	44	32	60
Largest party not strong enough to govern alone	14	26	13	48	16
Uncertain	6	12	30	8	2

- o Coloureds:
- Among coloured people the NP was the dominant party, as we know, but among coloureds with Std 10 educational qualifications, the NP and ANC support was about equal. Coloured people with

post-matric qualifications tended to favour the ANC over the NP in a ratio of about 48:42.

- coloured people in the very poorest districts and those with less than Std 3 education tended to favour the ANC slightly more than coloured people with standard 3 to 5 education. Hence the correlation between education and political preference among coloured people was not linear.
- Support among** coloured people for the DP and the IFP, while at a low level, tended to increase with education. This trend was reversed with coloured support for rightwing parties, with some 3% of coloureds with less than Std 5 supporting the AWB or the CP.
- Coloured** support for the ANC in the rural areas of the Western Cape was stronger than in smaller urban areas but not quite as strong as in metropolitan Cape Town.
- In the Northern Cape, coloureds (dominant!) supported the ANC in Kimberley and to a lesser extent in larger towns but overwhelmingly supported the NP in rural areas.
- The IFP enjoyed significant support from coloureds only in Port Elizabeth and East London, where it obtained almost a quarter of the coloured vote.
- On the PWV, coloureds favoured the ANC slightly more than the NP, in a ratio of roughly 5:4.

Indians:

Among Indians, about a third of voters supported the ANC, rising to a slight majority among people with post-matriculation qualifications. Conversely the NP obtained 60% of the Indian vote, rising to three-quarters among the poorest, least well-educated category.

Support for the ANC, as with coloureds, was stronger for the ANC among Indians in the PWV than in the area of greatest concentration, Natal in the case of Indians. Even in the PWV, however, the NP shaded the ANC in the ratio of some 5:4.

Whites:

Among whites slightly over two-thirds supported the NP. Roughly 12% to 15% each supported the IFP and the Freedom Front and some 6% or 7% supported the

Table 4: Combined results of five MarkData Omnibus surveys from February 1993 to February 1994 as compared with the final outcome of the election

Political party	Average of five MarkData surveys Feb.93-Feb 94	Election outcome
ANC Alliance	63	63
NP	18	20
IFP	9	11
Right-wing (in election the Freedom Front)	5	2
DP	2	2
PAC	1	1
Other	1	1

NOTE: In the February 1993 published results of the MarkData survey, the category 'other' included invalid and uncertain replies. This was corrected for the table above.

DP. The figure for the Freedom Front is very approximate since the party was not operating at the time of the final survey and support has to be assessed on the basis of the other rightwing parties which did not participate.

- Only some 2% of whites supported the ANC and this support was entirely concentrated in the better-educated categories.
- Support for the NP, DP, IFP and, as seen above, the ANC tends to increase at higher levels of education while the reverse is true among white supporters of the rightwing party, the Freedom Front.
- Contrary to stereotypes, support for the rightwing is not highest in deep rural areas but rather in small towns and in the poorer areas of the cities.
- White support for the IFP was generally no higher in Natal than it was in areas like the PWV, the Eastern Transvaal and elsewhere. Among whites the IFP has a wide geographic spread of support.

These are the major patterns in the election as judged from the datasets mentioned.

Democratic implications

I make the assumption that the maturing of democracy in a society is facilitated by a concern among voters with policies which affect their interests and by a reasonably coherent and consequential relationship between party platforms and the interests of their constituencies of support.

This is not to say that any party should be entirely trapped by an existing constituency but that its strategies should attempt to broaden out from a core support base which it

The DP enjoyed significant support from coloureds only in Port Elizabeth and East London, where it obtained almost a quarter of the coloured vote

Among Indians, about a third of voters supported the ANC, rising to a slight majority among people with post-matric qualifications

Support for the rightwing is not highest in deep rural areas, but in small towns and in the poorer areas of the cities

To a substantial degree the outcome was not based on the kind of pragmatic voter concerns for which political parties can be held accountable

continues to attempt to serve.

The further assumption can be made that ethnic, communal or identity concerns, where they contradict material interests, can create great difficulties for political parties. In order to resolve the contradiction parties have to become 'chauvinistic' as it were, playing on the symbolism of identity rather than specific interests in order to protect their support bases. The achievement of accountability for the material interests of voters is made problematic.

In these terms South Africa's first open general election poses severe dilemmas and challenges for the parties in achieving accountability. The following conclusions from the results presented are relevant:

- To a substantial degree the outcome was not based on the kind of pragmatic voter concerns for which political parties can be held accountable. This is not to say that such specific interests did not feature at all but that they were obscured by muscular mobilisation and control of territory and by some very vague, pervasive and powerful symbolic features.

These included party and leader charisma, reactions against violence, the anticipation of liberation, and uncertainty and fear of loss of status and privilege among minorities. While understandable, these motives do not provide a clear strategic map for political parties;

- Some parties have to surmount and deal with some formidable contradictions. The ANC, for example, derives most of its support from people who, while not necessarily the poorest, are generally disadvantaged and perceive the need for working class and 'underclass' needs to be addressed.

At the same time, however, the ANC's most articulate support, and its pool of talent, is found among coloureds, Indians, Africans and even some whites who have university qualifications and who represent what have been called 'new class' interests. They are 'yuppies' who, although they tend to pay lip service to welfare needs, really have other kinds of interests.

- Already this dilemma is beginning to show. The ANC has proposed increased taxes on liquor and tobacco and the fuel

price is set to rise. These policies appeal to the 'new class' - they are fundamentally politically correct - but these taxes will hit the rank-and-file ANC supporter far harder than, for example, NP supporters.

- The NP has a serious dilemma as well. Its support is strongest among better educated, middle-class whites but also among the poorer, less well educated coloureds and Indians. It has to serve two classes, doubly divided by income and race.
- Perhaps the greatest problem for democratic development is the artificial polarisation between Africans (excluding rural Zulus) who overwhelmingly support the ANC, and whites who support the NP very substantially and who generally would appear to have supported almost any party except the ANC and the PAC.

Africans and whites comprise voters with a wide diversity of pragmatic interests, some of which overlap. Yet the election outcome, as far as whites and non-Zulu Africans were concerned, was uncomfortably close to being a racial census.

The dilemma for the NP and the ANC is obvious. To maintain the solidarity of the respective white and African support bases, these parties cannot avoid playing on identity, no matter how subtly.

Since both parties have a stated commitment to non-racialism, the challenge of political communication will be very complex. Given the problems of ethnic and race-based reactions to failed political policies in Africa, including Zimbabwe, the implications here are quite serious.

There are many other problematic features which emerge from the results presented, but the need for brevity means that these have to be left to the reader. Broadly, however, our election took place under a multi-party commitment to accountable, non-racial and interest-based democracy.

The outcome of the election shows very clearly that the realities of voter sentiments do not match the high ideals within which this election was negotiated and planned. As in most poor and deeply divided societies, our new democracy has yet to survive a number of complex challenges. Democratic consolidation may take a long time. Q&A

The election outcome, as far as whites and non-Zulu Africans were concerned, was uncomfortably close to being a racial census

The outcome of the election shows very clearly that the realities of voter sentiments do not match the high ideals within which this election was negotiated and planned

Zulu Dawn

By Alexander Johnston
Department of Politics, University of Natal, Durban

As the new government of KwaZulu-Natal, the Inkatha Freedom Party should abandon the incendiary politics of culture and identity and lock itself into the politics of democracy and distribution. But with a constituency that tends to be rural, poorly educated and conservative, it faces the daunting task of satisfying expectations - under immense political pressure - without modernising itself out of existence.

The State of Emergency ordered by the Transitional Executive Council in KwaZulu-Natal in late March was in many respects the pivotal event in a dramatic six month period which saw tense negotiations, escalating violence, a dramatic 11th hour 'settlement' and a controversial election whose result confounded many predictions of the direction, never mind the degree of victory.

But apart from anything else, the state of emergency revealed the complex elements of conflict in South Africa which for years skulked behind the modernised veneer of the liberation struggle versus sophisticated politico-military counter insurgency.

It was an ironic and arresting sight to see settler regiments being ordered into action by an alliance of communists, African liberalisation and *quondam* Afrikaner nationalist to carry out the same task for which they were raised by the colonial authorities 10 years ago - to quell the threat of Zulu unrest.

It drew attention to the fact that despite all that industrialisation, apartheid and the struggle did not modernise and restructure the textures of South African life, colonial and pre colonial social forms, political institutions and identities remain relevant.

The regional victory of the Inkatha Freedom Party in the election demonstrates that these things - among them chiefly authority, ethnic identity and the prestige of the Zulu monarch - have a vitality and the ability to reproduce themselves well beyond the dependent status as surrogates of white power which main ascribed to them.

How all of this is mobilised for political purposes is another matter. KwaZulu

was a one party state in all but formal designation. Free political activity did not exist there and much of it was consumed by undeclared civil war until just before the election.

Despite these things, the election result makes the confident assertions of those who said that all that was required for the Inkatha phenomenon to disintegrate was for the taps of patronage to be turned off, look less than compelling.

Realities

The home truths offered by the election's outcome in this region do not end here. Democratic elections have a habit of giving political expression to demographic realities and emphasising them in ways that no statistical presentation can match.

The election result will, if nothing else, help to impose a clearer focus of what KwaZulu-Natal is really like. Urban Foundation projections of population in 1993, quoted in the South African Institute of Race Relations *Annual Survey 1994*, put the population of KwaZulu at more than twice that of Natal. More than five times as many Africans lived in areas administered by KwaZulu than in Natal.

Political and administrative relations between Natal and KwaZulu were better developed than between any other province and homeland, thanks to the Buthelezi Commission, the Indaba and the Joint Executive Authority.

Despite this, when the two were joined together in the new region it was tempting to assume that Natal would assume a leadership role, rather as a developed metropole would

Inkatha's victory demonstrates that chiefs, ethnic identity and the Zulu monarchy are more powerful than many people thought

KwaZulu was a one party state in all but formal designation. Free political activity did not exist there

More than five times as many Africans lived in areas administered by KwaZulu than in Natal

After 1990, paramilitary vigilantism and partisan policing helped achieve what the legal and security system had done before to deny free political activity

Extending the political culture of Ulundi to the whole region will be difficult, if not impossible

The essential issue in post election KwaZulu-Natal will be to create a unitary entity in politics, government and administration out of quite disparate parts

take responsibility for an underdeveloped periphery.

But it should not have been too surprising that whoever controlled the demographic and hence electoral centre of gravity would provide the political leadership of the new region, and this is what happened

One party rule

This apparently straightforward truth invites discussion of the nature of that political leadership and the consequences for regional and national politics. The political culture of Ulundi has been effectively that of a one party state, complemented by strong if at times volatile personal leadership.

Up until 1990, the absence of effective opposition was secured by repressive security laws, buttressed by patronage and indoctrination in schools. After the freeing of political activity in February 1990, paramilitary vigilantism and partisan policing helped to achieve unofficially what the legal and security system had done before to deny political space to rival political organisations.

The political and administrative culture of KwaZulu has been without the accountability that a vigilant and numerous opposition can bring, and without the spirit of bargaining and compromise necessary between Government and opposition for necessary democracy to function.

The IFP's victory in KwaZulu-Natal, founded as it was on a homeland base of mobilisation and control, adds the task of governing Natal to its established routines of administration and government.

Options

This poses complex political problems. Extending the political culture of Ulundi to the whole region would be difficult, if not impossible. Different public service traditions, a vigorous civil society including organised business and labour, opposition in the legislature and power-sharing in the regional government itself, would all be obstacles to that.

But, as a second alternative, if these manifestations of a stronger democratic culture are allowed to become the norm in KwaZulu itself, the effect will be to threaten the politics of mobilisation and control on which the IFP's victory was based.

A third possible outcome is for the IFP to preside over a divided administration in

which the more advanced and developed part of the region is governed in a modern and democratic way, with a populous, relatively backward rural hinterland held as a party fief with the express purpose of reproducing future electoral victories.

Several things stand in the way of this. With the end of apartheid and the merging of homeland and province, the *de jure* basis for administering parts of the same territory and population differently has gone.

Although the *de facto* separation will probably continue, the merging of the public service and security forces will make the continuation of divided standards and cultures difficult.

Another important effect will be that of an electoral system which does away with geographic representation at regional as well as at national level. Henceforth, ANC or any other opposition members can regard themselves as representatives of constituents in any part of KwaZulu-Natal, and in this way no party can control territory quite so effectively as in a system of geographic constituencies.

It is likely in any case that the ANC will press vigorously for the same things which preoccupied it before the election: free political activity and impartial administration throughout the region. The IFP's election victory greatly strengthens its hand, but does not remove these things from the agenda.

Before the election, the ANC's Natal regions were prepared to pursue this agenda with the full range of 'mass action' and paramilitary conflict. Whether they will renew these threats in the less volatile post election situation - in which their own party is the legitimate national government, and the IFP's position has been confirmed by popular vote - is not possible to say at this stage.

The essential issue in post election KwaZulu-Natal will be to create a unitary entity in politics, government and administration out of quite disparate parts. The socio-economic differences between rural and urban, rich and poor, developed and underdeveloped, are aggravated by differences in ideology and political culture.

These are themselves not always easily reducible to comfortable categories of left and right, traditional and modern, democratic and authoritarian. The prospects of creating such a synthesis will depend to a large extent on how the IFP develops in the aftermath of its victory and what it will become. This, in turn, depends on what it has been and how its most recent experiences have affected it.

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 Uneasily **between** tradition and modernity.

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 z11|u ethnicity and homelands
tronagc while it has enjoyed fluctuating
F-els of support among white business and
Sillical forces in the region, who have
 '(**cepted the** inevitability of black rule but are
 more **comfortable** with African aspirations
when they are clothed in traditional garb.

These ambiguities could be kept in play
under conditions of political repression,
secret wars and slush funds, when radical
black movements were forced underground.
It became more difficult from the mid-1980s
onwards when the United Democratic Front
began to challenge Inkatha for the allegiance
of blacks in Natal.

These difficulties were of course multiplied
 after the unbanning of the ANC in 1990 and
 greatly intensified from about mid 1992
 onwards, when it became clear that the ANC
 and the Government regarded an adversarial
 partnership between themselves as the only
 viable basis for progress in negotiations
 towards political transformation.

This development coincided with the failure
 of the IFP to mobilise effectively on a
 national base, a sharp decline in personal
 support for Chief Mangosuthu Buthelezi and
 clear indications that whatever support the
 party and its leader had enjoyed in white
 business circles had been seriously eroded.

Respond*

The IHP's responses to this deteriorating
 situation compensated in vigour for what they
 lacked in coherence. An essential part of the
 IFP's strategy v. as the formation of a
 negotiating alliance with the white right and
 conservative homelands interests which
 conducted a prolonged contest of attrition
 with the government-ANC axis in order to
 modify their negotiated settlement.

Another was to trade on the indisputable
 popularity of the Zulu monarchy by making
 the King's status, prerogatives and historical
 claims to territory central to the IFP's
 demands, while at the same time greatly
 emphasising issues of ethnic mobilisation like
 the carrying of 'cultural weapons' and the
 cause of Zulu hostel dwellers on the Reef.

A third was the implacable prosecution of a
 low level civil war with the ANC in Natal, a

conflict in which the paramilitary strategies
 of both sides were endemically obscured by
 communal, criminal, factional, warlord and
 other opportunistic elements.

Unlikely alliance

The logic of these strategies focused the
 confrontation between the IFP and its allies
 and the government-ANC axis - especially in
 its new institutional expressions, the
 Transitional Executive Council and the
 Independent Electoral Commission - on the
 holding of the April 27 elections.

This was an issue on which there was no
 room for compromise. One or other of the
 uneasy coalitions which made up the
 protagonists was always likely to unravel.
 Each side based its strategy on the belief that
 the other was an unnatural alliance whose
 internal contradictions would cause it to
 buckle under the pressure of intransigence.

In the end it was the rejectionist front which
 collapsed. Its weakest point was the
 homeland administration of Lucas Mangope
 in Bophuthatswana, which lacked the popular
 support and party structures that make the
 IFP a formidable regional force.

When the Bophuthatswana regime imploded,
 it took down the white right with it. The
 Bophuthatswana crisis cruelly exposed the
 contradictions on the right between the neo
 fascists of the Afrikaner Weerstandsbeweging
 and the reluctant militarists formed
 up behind General Constand Viljoen.

The incompatibility between the right's
 agenda of racial self determination and even
 conservative black interests was also
 exposed, while the threat of a descent into
 chaos if the fragile democratisation process
 was further derailed was made evident.

As the IFP's political situation deteriorated in
 the light of these events, the intensity of the
 conflict in Natal increased. According to the
 IFP's critics, this was the result of a strategic
 decision, while the IFP itself blames a
 generalised escalation of communal conflict
 out of the control of party leadership, in
 which local initiatives were decisive.

In the light of the mounting death toll,
 however, the state of emergency was
 declared. Sending the troops into KwaZulu
 had no immediate, dramatic effect on the
 situation on the ground. Casualties remained
 appallingly high.

This is scarcely surprising, given the small
 numbers of soldiers deployed - about 3 000 -
 the extent and nature of the terrain, the size of

*Inkatha's
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 negotiating
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 conservatives, the
 Zulu monarchy,
 ethnic mobilisation
 and low level civil
 war*

The state of emergency was an act of political will which signalled that the transitional coalition would hang together and that Inkatha's powers were devolved

the population and the degree to which violence had taken a hold over the preceding four years. But the political effect of the state of emergency was exemplary.

It was an act of political will which signalled that the transitional coalition would hang together, that it could rely on the professionalism of the security forces and that it was determined to make clear, by force of arms if necessary, that the KwaZulu government's jurisdiction and powers were devolved and not independent in nature.

In due course if necessary, under a new Government mandated by a nationwide victory at the polls, these 3 000 troops could become 30 000. It is likely that these considerations weighed heavily with the IFP leadership in making the dramatic last minute decision to participate in the election, accepting as a *quid pro quo* assurances on the status and prerogatives of the Zulu monarchy which had been offered and refused before.

This interpretation of the immediate pre election period relies heavily on perceptions of the IFP's isolation and the assertiveness of the transitional authorities.

Other interpretations differ, arguing that the IFP intended all along to join the electoral process, keeping the initiative throughout by intransigence in negotiations and violence on the ground, emphasising the cost of thwarting it until the moment of maximum impact. This difference of opinion boils down to whether one believes the IFP is led by Houdini or Machiavelli.

No matter how the recent past is understood, it cannot be said that the IFP's part in it is encouraging.

The party brings to government a sense of politics as life or death struggle in which the alternatives are victory or 'annihilation', a distrust of central government which borders on the morbid, a deep alienation from other major political forces and developments and a set of preoccupations which range from the narrowly ethnic and traditional to the broadly inclusive and modernised.

This incoherence is mirrored in the party's inability to articulate clearly what it means by 'federalism' and how far in the direction of confederalism its agenda stretches.

Survival

On the credit side, participation in the election has brought the IFP tangible rewards of public office and positions of influence for its leaders and, less tangibly but powerfully

important, a degree of recognition and status. The self perception that these things were being withheld by an indifferent or downright hostile world was largely responsible for the ugly streak of paranoia which has been all too evident in the IFP's leadership.

These dividends should lock the IFP into politics of distribution - roads, hospitals, houses - and offer less incentive for the potentially incendiary politics of culture and identity. The bread and butter issues of distribution raise interesting questions about the IFP's future development.

Social science surveys inform us of the differences between the ANC's support base and that of the IFP, whose constituency tends to be older, more rural, less well educated and more conservative.

Important as these revelations are, they should not obscure the fact that most Africans in the region, irrespective of political allegiance, lack the same basic developmental resources and that one of the basic political challenges of regional government is to satisfy the needs and aspirations of the majority of the population.

At its simplest, this will not be done by cultural weapons and the glorious past of the Zulu kingdom. The IFP faces the difficult task of satisfying the expectations for a better life of a deprived community, under the conditions of competitive democracy, without modernising itself out of existence.

It is not only material expectations which are high. As already discussed, political demands in the region are also pressing. These include accountable government, tolerance for opposition 'on the ground' as well as in legislature, an impartial public service and security forces, and a role for the monarch) free from partisan party politics.

It is never easy to deliver either political democracy or socio-economic development. Doing both at the same time is correspondingly more difficult. The problems are redoubled when a synthesis of traditional and modern, rural and urban, developed and undeveloped has to be created as well. But this is the daunting agenda which faces the regional government in KwaZulu-Natal.

Arguably, the IFP is the only major political force in the country that has not changed substantially since 1990. Certainly, the ANC and the National Party have done much more to fit themselves for the challenges of sharing the responsibility for changing South Africa. Now that victory in KwaZulu-Natal has given it the political space it so desperately craved, it is the IFP's turn.

Victory has brought the IFP tangible rewards which should lock it into the politics of distribution and offer less incentive for the politics of culture and identity

Now that victory has given Inkatha political space, it should change to fit the challenges of a changing South Africa

DIVIDED WE FALL

By Yvonne Muthien
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Member of the Demarcation Commission
Meshack Khosa

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South Africa's final provincial boundaries were drawn by experts but political parties tinkered with them behind closed doors. Their alterations conceal vested minority interests and reveal the complexity of meshing traditional and democratic structures. Any spatial policy which ignores production relations will fail, and add to uneven development which may set the scene for future conflicts.

- A useful test, regions may prove highly resistant to change, wrote
- United States scholar Ann Markusen. Yet the foundations may still or crack, the beams rot, roofs leak, the siding fall. And concerted human actions can raise the roof beams higher, knock out a constraining wall, or add an extension.

Markusen was writing about regionalism in America, but the citation neatly captures debates about regionalism in South Africa. Regions or provinces are sites of human drama: creatures of history and products of contemporary change. The boundaries of a region are set by the particular nature of political, economic and social struggles.

The aim of this article is to examine the process of regional demarcation which took place in South Africa between May and November 1994. It is organised in three parts. The first provides a conceptual framework on regionalism and draws from international literature. The second focuses on the process of regional demarcation in South Africa. The third appraises this process by comparing the South African and Namibian experiences.

Regional contestation

Literature from two dominant paradigms on regionalism help to understand regional debates in South Africa: namely, the materialist literature on regionalism, and literature on localities which came to

prominence in the United Kingdom in the 1980s.

o Materialist Conception

A materialist interpretation of regionalism insists on historical analysis to understand how the present is shaped by the past. This viewpoint emphasises antagonistic relationships among classes of people, and the methodical patterns of capitalist expansion that drive regional prosperity unevenly across regions.

The materialist understanding of regionalism has come under intense criticism from cultural critics and analysts for either ignoring or not fully conceptualising the role of culture in regional formation. Moreover, the evolved cultures and political structures with which regions meet external forces play a considerable role in filtering and modifying their course.

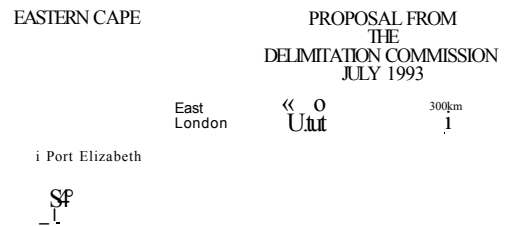
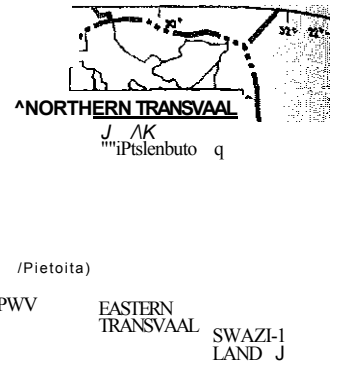
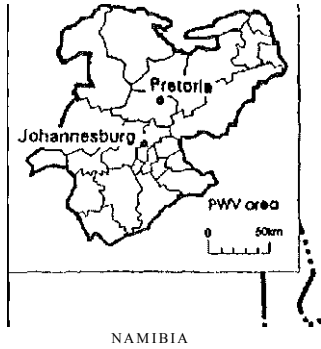
o Localities and cultures

A massive body of studies on localities which came to prominence in the 1980s recognises the potential significance of both the 'local' and the diversity of the production and reproduction of social life. Cultural commentators stress a specific set of cultural relations as the prime object of regionalism.

This view implies that there is a need to understand the role of culture and history in order to fully comprehend the social construction of regions. The importance of individuals and human agencies in this process and in the production and

Regions or provinces are sites of human drama, creatures of history and products of contemporary change

A massive body of studies on localities recognises the potential significance of both the 'local' and the diversity of social life



Regionalism should focus on how regions emerge, are transformed and disappear in the course of history

reproduction of socio-spatial consciousness, is recognised.

Cultural traits are often strong ingredients in the construction of regional consciousness. Cultural institutions - such as households, kinship, schools, churches, community activities - are important in the reproduction of daily life. Culture is seen as a significant system through which a social order is communicated, reproduced, experienced and explored.

For A Paasi, one of the critics of locality models, the study of regionalism should focus on how regions emerge, are transformed and disappear- in the course of history. The institutionalisation of regions is seen as consisting of stages which are either entirely or partly simultaneous, or ordered in multiple ways.

This framework seems insightful in understanding regionalism at a conceptual level and will enable us to appreciate the complex and contradictory process of regional demarcation in South Africa.

It is important to examine the process of demarcating or establishing new provinces in South Africa critically, and to reflect on the key issues facing a number of provinces that

emerged during this process and the regional elections.

In February 1990, with the unbanning of the liberation movements, the Government embarked on negotiations with the African National Congress (ANC), and others, that would lead to the establishment of a non-racial democratic South Africa.

Commission

Before the interim constitution for the new South Africa could be finalised and elections mounted, new provinces had to be demarcated. Consequently, in May 1993 the Multi-Party Negotiating Council set up a Commission on the Demarcation/ Delimitation of States, Provinces or Regions (CDDR).

This was a landmark event in South Africa, given that it was the first national demarcation process since 1910 and the most inclusive to date, involving some 26 parties at the negotiating forum.

The commission was also the most diverse ever appointed in the history of South African commissions and members were carefully selected to create a balance of

The demarcation commission of 1993 was the first since 1910 and the most inclusive and diverse to date

professional, race and gender
 Deliberation on the powers
 functions of the regions was assigned to a
 committee on constitutional issues.
 The commission was given six weeks within
 to complete the process, which
 took five months. The time

« Info were set by the pace of the
 the target; 27, 1994

election date. The process of demarcation
 occurred in two stages.

In the first phase, which took about a month,
 the commission travelled to major centres in
 the country to hear oral submissions from the
 public at large. Notices calling for written
 submissions were advertised widely. The
 commission received 304 written
 submissions and heard 80 oral presentations
 from different interest groups during the
 month.

The public hearings were dominated by white
 establishment interest groups and there was a
 significant absence of black and small
 community representation. In a limited
 number of cases local/regional negotiations
 fora, such as the Border-Kei Negotiating
 Forum, submitted proposals.

Change

The unwieldy size of the four provinces,
 together with the abolition of those provinces
 in 1986, made a return to the previous
 provincial system unlikely. The provincial
 system had been systematically displaced by
 the regional restructuring of the 1980s and
 the establishment of nine development
 regions, with nine Regional Development
 Advisory Councils.

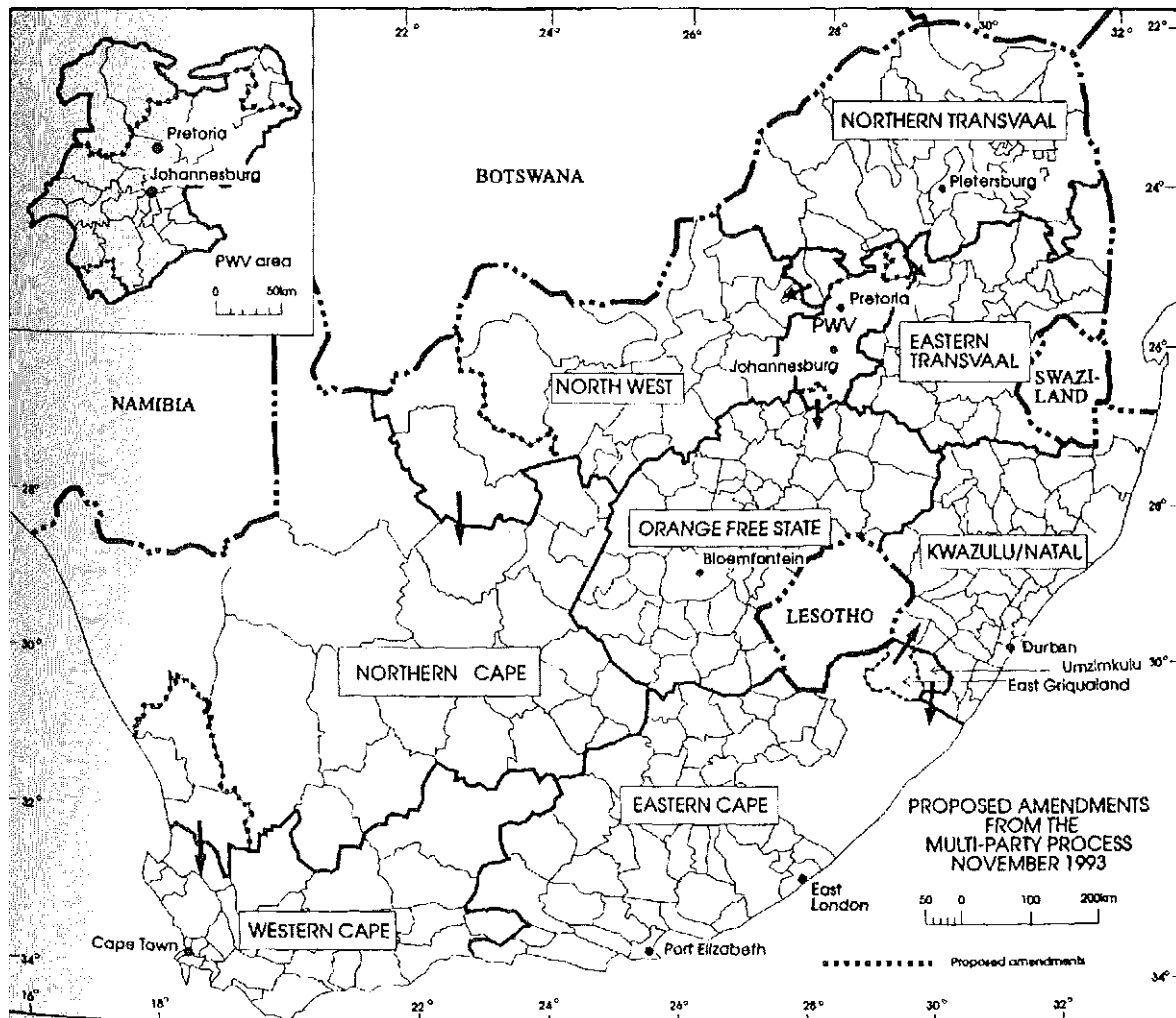
Significantly, a large number of submissions
 took the nine development regions as their
 point of departure. Only the Pan African
 Congress advocated a return to the four
 provinces in the interim. This was initially
 supported by the ANC, but it later submitted
 an eight regions proposal to the CDDR.

A key issue of concern for the commission
 was the historical fragmentation of the
 homelands as a result of apartheid. The
 commission was given an implicit brief to
 reintegrate the homelands and self-governing
 territories during demarcation.

Not unexpectedly, homeland governments
 made strong appeals to hold their territories

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Cartographic Studio, Department of Geographical and Environmental Sciences, University of Natal, Durban

Emotional appeals were made by traditional leaders to restore ethnic kingdoms that had been split asunder by white conquest and apartheid engineering

together, which proved an impossible task given the geographic spread of these areas. The issue of homeland territory was further complicated by historical land claims, in the wake of colonial and apartheid dispossession, as well as the symbolic appeal of ethnicity.

Emotional appeals were made by traditional leaders to restore ethnic kingdoms that had been split asunder by white conquest and apartheid engineering. Competing land claims by different ethnic groups over the same territory further complicated the reintegration of the homelands.

In its deliberations the commission applied criteria prescribed by the Multi-Party Negotiating Council, which included consideration of the economic and development potential, socio-cultural aspects, administrative and institutional capacity, as well as the geographical coherence of the proposed regions.

The commission considered the economic and development potential, socio-cultural aspects, administrative and institutional capacity, and geographical coherence of the proposed regions

Recommendations

In July 1993 the commission produced a nine region map as the basis for South Africa's new provincial system. Its recommendations were presented to the Negotiating Council on July 31, 1993, and adopted on the August 9. The report identified a number of disputed areas for further investigation, and the commission was mandated to hear further evidence on these areas.

In the second phase, the commission received 467 written submissions and 177 oral presentations. Having presented its map to the public for scrutiny and having satisfied no single party or interest group, the commission came under considerable pressure and criticism from the public, especially minority interest groups.

In some cases, however, the commission map produced very interesting shifts in reconciling opposing interest groups, such as in the Eastern Cape. Overall the second phase produced very little new information, but simply underscored the difficulty of managing diverse claims in a polarised society.

The commission seriously emphasised the importance of creating 'soft' and flexible boundaries for the regions, especially as demarcation was taking place within a volatile political climate with considerable violent socio-political upheaval. Hence its second report did not recommend new regions or boundaries, but instead provided the Negotiating Council with an extended report supporting the original demarcation.

The commission emphasised the importance of creating 'soft' and flexible boundaries, since demarcation was taking place within a volatile political climate

The second report was adopted by the Negotiating Council on October 18, and bilateral negotiations were recommended to resolve regional party claims. On November 15 the Council adopted some minor boundary claims on the commission map.

Several key issues faced the regions of the Northern and Western Cape, the Eastern Transvaal and the Eastern Cape.

o Northern Cape

The most serious disagreement in the commission revolved around the economic viability of the Northern Cape. The major onslaught for a separate region came from the white establishment groups aligned to the National Party (NP), while the ANC opposed a separate Northern Cape region. The continued depopulation of an already sparsely populated area also raised concern in the commission.

With its minute population size of 750,000 people the region scored through its demarcation. A constitutional provision required that regions qualify for a minimum of 30 and a maximum of 100 seats for provincial legislatures, with one seat per 50,000 of the population, so the specified minimum population size per region should have been 1.5 million.

Thus the Northern Cape secured 30 seats for 750,000 people, whilst the Orange Free State and the Eastern Transvaal also only qualified for 30 seats with populations of 2.7 million and 2.1 million respectively.

The multi-party committee on demarcation, chaired by Andre Fourie of the NP, increased the geographic size of the Northern Cape by adding Kuruman, Postmasburg and Hartswater to the region.

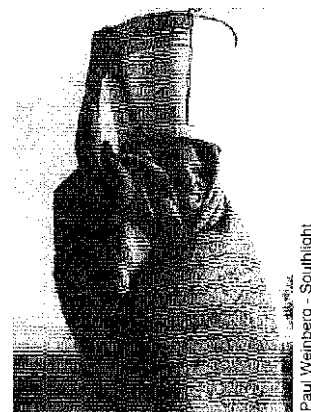
The excision of these areas from the North West, to which it is functionally and economically linked, made little sense except to statistically inflate the economic viability of the Northern Cape - especially after the trade-off incorporating Clanwilliam, Vredendal and Vanrhynsdorp into the Western Cape after vehement protests from affected communities there.

Given the demographics of the Northern Cape, where coloureds formed the majority of the population and Africans a minority, and where the majority of the population are illiterate or semi-literate rural or farmworkers, the NP was confident of gaining a victory in the region. Their initial tampering to increase the region's viability turned into an Achilles Heel, however, as it swelled the black population of the territory.

tip, V.S Ilms robbed of an anticipated
The NP 1210 ^ ANC's 15 seats.

v W? L Democratic Party (DP) gaining one
VV" i tie heedom Front (FF) two seats,
^ -nntion was delicately poised for a hung
t h e . ! r l he ANC-, however, managed to
p'iril f' vote of the DP and the FF declined
secure t.ic y
10 support t h c M.

«,-din» to the Constitution the people of
ie Northern Cape have to decide by
freendum whether they wish to continue as
separate province. However, despite the
ANC's critical opposition to a separate
province, **it is** unlikely that they will now
support its abolition.



o Western Cape

The Western Cape proved to be an interesting case for both the ANC and the NP. The coloured population constitutes 60% of the region's estimated population and the African population a mere 18%. NP 'swart gevaar' luetics, reminiscent of their first electoral victory campaign in 1948, were successful but devastating for race relations in the region.

The NP won 53% of the vote to the ANC's 3.7%. In many respects the large coloured vote for the NP was a defensive vote, fuelled by fear of recriminations from the African majority who had suffered under the NP's Coloured Labour Preference Policy and demonstrated how the occupation of houses designated for coloureds by African squatters.

The NP effectively harnessed decades of discrimination and prejudice, coupled with the systematic lining of fear of black majority rule. The region also suffered from inefficiencies in electoral administration as scores of votes from predominantly black areas went missing.

o Eastern Transvaal

The Eastern Transvaal faced issues of quite a different nature when white rightwing groups laid claim to parts of the region for a future volkstaat. There was no unanimity among the various rightwing groups on the precise location and extent of the volkstaat. In addition, some favoured an independent region whilst others were satisfied with some form of sub regional autonomy.

There was, however, consensus that Pretoria should form the heart of the volkstaat. The Afrikaner Volksunie (AVU) proposed an Afrikaner volkstaat which would include Jhonor and the surrounding districts in the Eastern Transvaal but exclude Kangwane and KwaNdebele, allegedly to give them a region with few whites.

In other terms, blacks constitute 85% of the population in the region and

whites a mere 14%. As it turned out, despite attempts by the Vryheidsfront to load the regional vote in the Eastern Transvaal by encouraging right-wingers to vote there, the ANC won 81% of the vote in this province, the NP 9% and the FF 6%.

o Eastern Cape

In the Eastern Cape the ANC won 84% of the regional vote, the NP 10% and the DP and PAC 2% each. This region faces a major decision in terms of provisions in the constitution: whether through a referendum to remain one large region or split into two. Business and white interests groups, including the NP and DP, insist on splitting the region in two.

Voting statistics for the two sub regions of the larger Eastern Cape reveal that the non African population constitute some 50% of the Eastern Cape sub region and only 5% in the Border-Kei area. This would give smaller political parties, which rely on non African voters a chance of winning half of the seats in the Eastern Cape. By merging the two sub regions the electoral chances of the smaller parties were diminished, as shown by the results.

Shaky foundations

The resolution accepted by the Multi-Party Negotiating Council on the establishment of the delimitation commission imposed a number of limitations on the process. The first difficulty was the criteria used to define boundaries. The compendium of criteria was contradictory and could not generate a single set of boundaries.

In general larger socio-political processes tend to run their course with little participation from ordinary people, unless they impinge significantly on their daily lives.

The under representation of African

Rightwing groups laid claim to parts of the Eastern Transvaal for a volkstaat, but could not agree on location and extent

The criteria used to define boundaries were contradictory and could not generate a single set of boundaries

Separating the tasks of delimiting boundaries, and of deciding the structures and powers of regions, was a serious weakness of the process

communities at the hearings should be contextualised within the conditions of their exclusion from mainstream political processes under apartheid, lack of infrastructure to produce technical submissions given high levels of illiteracy, and the commission's inability to reach and motivate most ordinary people to participate in the process.

Perhaps the most serious flaw rested in party political 'tinkering' after the process had been completed by an independent professional commission which was acceptable to all political parties. In the end, politicians realised how difficult it was to satisfy all constituencies and that, by altering at one end of the map, ripple effects were created elsewhere.

Namibia

More light can be shed by comparing the process of regional delimitation in South Africa with that of Namibia. The outcome of the drawing of regional boundaries in Namibia suggests an optimistic scenario.

Namibia's Constitution, hammered by the Constituent Assembly before independence in 1990, made provision for creating sub-national territorial units called regions and local authorities. But the task of determining their respective numbers, boundaries and precise powers was deliberately left until after independence.

In South Africa, the delimitation commission set up by the Multi-Party Negotiating Council had to determine the number of regions and to delimit boundaries for election purposes, and a separate commission was established to deal with structures and powers of the regions.

The separation of the two processes constituted a major weakness in the process of establishing regions in South Africa. Boundaries do not exist in a vacuum: they are defined by the social, economic and political context.

In contrast to South Africa, where the commission was given six weeks - later extended to five months - to present a report, the commission in Namibia was given 10 months. The timing of the process is critical: the fact that regional delimitation took place after the elections in Namibia limited the space for minorities to dominate the process.

Furthermore, the Namibian constitution granted regions an important national role in addition to the exercise of designated powers.

In contrast to the South African experience drawing boundaries, according to David Simon, Namibian delimitation reflected 'dispassionate analysis and local opinion' rather than 'central political priorities'. Establishment interest groups and political leadership played an important role in the drawing of South Africa's regional boundaries.

Conclusion

Regional and provincial boundaries are structural and political constructs and regionalism is mainly about the geographical distribution of power and wealth. The final boundaries on the provincial map of South Africa were neither drawn by the experts nor by the public, but by political parties behind closed doors.

The alterations of the provincial boundary map conceal the considerable degree of vested interest, political horse trading and electoral calculations of minority panics. The pugnacious claims on territory and land reveal the complexity of meshing traditional and democratic structures, and place on the agenda the urgency of land reform and restitution.

With three centuries of land expropriation and plunder in South Africa, there are dangers that regional contestation may take on an ethnic and chauvinistic character. Any spatial policy which ignores production relations will not only fail but also add to uneven development, which may set the scene for further confrontations and conflicts.'

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Alterations to the provincial map conceal vested interests, political horse trading and the electoral calculations of minority parties

There are dangers that regional contestation in South Africa may take on an ethnic and chauvinistic character

Capital Choice

*By Phillip Hattingh
Department of Geography, University of Pretoria*

The Eastern Transvaal resolved the thorny issue of choosing a capital by forming an independent committee to investigate the five towns contending and to propose one of them. Nelspruit was selected over close rivals Secunda and Middleburg-Witbank. Professor Hattingh was convenor of the committee.

Following the demise of apartheid and as a preamble to the new South Africa, the country was sub-divided through negotiation into nine provinces, five more than in the past. The interim Constitution defined the provincial boundaries, except in the case of 'affected areas', where boundaries still have to be finalised.

The decision of which cities or towns should become the capitals of the new provinces was left to the newly elected political decisionmakers of the provinces. The door was thus open for urban centres to vie for the position of provincial capital.

In some instances the choice was easy, as in the case of Pietersburg in the Northern Transvaal. In others, two or more centres could fulfil the role and became strong contenders in the race. Such was the case in the Eastern Transvaal.

Nelspruit, Secunda - as part of the TEKS area of Trichart, Iwanda, Kinross and Secunda - and Witbank-Middelburg were early contenders aspiring to become the capital of a province 816 km² in size with a population of 2,8 million. Each of these centres, in anticipation of the 'battle', built a strong case why it should become the capital.

To resolve a thorny issue which could be divisive to the people of the Eastern Transvaal, it was decided also to avoid a purely political decision. The Regional Economic and Development Forum (REDF), including three Regional Services Councils (RSCs) of the Eastern Transvaal, the Lowveld and Lowveld Escarpment, appointed an independent committee to propose a capital.

On the committee were the author, Professor Pieter Bekker, Dr Konstant Bruinette and consultative members Mr Job Mokgoro and

Ms BN Njoba. The investigation was conducted as a project of the Department of Geography, University of Pretoria. The instruction to the committee was twofold.

- Determine the criteria to be used for evaluating towns which could be considered as a capital for the Eastern Transvaal. The date of completion was to be not later than March 15, 1994.
- Conduct, after approval of the criteria by the REDF and RSCs, a detailed investigation to ascertain which towns might qualify, present a report and make a proposal. The planned date of completion of this phase was the end of April 1994, so that the report could be submitted to the new provincial government of Eastern Transvaal at its first meeting.

The implication was that any town could be considered for the position of provincial capital. In the final analysis, Bethal and Ermelo were added to the list of contenders.

Criteria

The committee drew up a list of potential criteria that could be used in selecting a capital. This list was based, firstly on reference material consulted and, secondly, on personal knowledge of both the new province as demarcated in the interim Constitution and relevant international examples. The list of criteria took cognisance of the role of capitals, be they national or provincial.

A capital is normally the seat of the government (centre of control), contains the official residence of the head of government (executive or ceremonial), the legislature and higher echelons of the executive departments of government, usually the heads of the

The implication was that any town could be considered for the position of provincial capital

Capitals are frequently prominent in the iconography of the state or province, and express the national or provincial capacity and feeling

Table 1: Criteria for selecting a capital, ranked in hierarchical order

RANK	CRITERIA
1	Economic potential
2	General development potential
3	Natural resource base
4	Financial aspects
5	National importance of centre/complex
5	Diversity of functions and services
5	Demography: population distribution
8	Quality and strength of leadership & vision
8	Administrative and infrastructure capacity
10	Historical attributes
11	Aesthetic and environmental quality
12	Structure of urban complex
12	Acceptability: provincial community
14	Location relative to PWV complex
14	Acceptability: local community
16	Communication and infrastructural links
17	Centrality: geographical and population

the population, where do people in its vicinity live and what is the urban and rural density structure?

- Historical and cultural attributes and features. Are there any significant historical factors and features which could be considered relevant, and what are the ethnic, political, religious etc factors may have to be taken into account?
- Economic viability and potential multiplier effect. Is there a potential for economic growth, and what will the multiplier effect of that potential be?
- Aesthetic and environmental attributes. Is the area attractive and pleasant in itself, for example, air quality, weather and climate, topography and scenery, and health?

The initially selected criteria submitted to the REDF for approval were listed without prejudice

judiciary, a variety of institutions that need frequent and speedy contact with government agencies, and official and non-official bodies involved in the welfare of the state or province.

Apart from the centralisation of political authority and related phenomena described here, capitals are frequently prominent in the iconography of the state or province, and express the national or provincial capacity and feeling.

The 13 initially selected criteria submitted to the REDF for approval were listed without prejudice. No form of weighting of individual criteria was applied, no hierarchical order was established, consideration of their negative or positive aspects were not given, motivation for their selection was not provided, and no reference was made to what possible procedures would or could be deployed to evaluate their individual or linked roles.

The following brief description of each criterion was given:

- Administrative and infrastructural availability and capacity. What is the capacity and availability of human resources in terms of administrative skills and experience, and what infrastructure (offices etc) exists on which provincial capital functions can be based?
- Natural resource base. What exists in terms of water supply, land (expansion space), underlying geological structure, soil, climate etc to support a capital?
- Demographic structure and population distribution. What is the growth rate, sex, age, income and employment structure of

- Location relative to the national capital and or the PWV complex. Will the provincial capital be dominated by Pretoria and the PWV complex, what links exist with the PWV complex and what are their quality?
- Development potential. What is the general development potential: natural environment, economic, social, political and human resources, also relative to a time framework?
- Communication and other infrastructural links. What media, telecommunications, postal, air and land links exist at the local, regional and national levels? How good is the link network?
- Financial aspects. What are the positive and negative financial implications for the province? among other things, optimising location and minimising negative impacts of a particular centre in terms of its role as capital, relocation of people, facilities, structures, institutions, infrastructural provision etc?
- Diversity of functions and services. How diverse is the existing functional and service structure: economic, social and recreational?
- Centrality. What is a potential capital's position relative to the geographic, population and functional structure of the province? and
- Acceptability of the proposed capital.

Subsequently, but before final application of the criteria to each potential capital, the last criterion in the list was subdivided and three more criteria added:

The criterion of acceptability was given substantial weight

Acceptability of the proposed capital by the provincial community. What is or will be the feeling and attitude of the people of the province towards a particular centre?

Acceptability of the proposed capital by the local community. How do the people feel if "their" place is to become the capital?

National importance of urban centre or urban complex. What position of importance does the centre or complex hold in South Africa? Is it a 'unique selling feature'?

Urban complex. Is the centre isolated or is it structurally and spatially an integrated part of a multi-focal urban complex? and

Quality and strength of leadership and vision. How strong, focused and far-sighted is the local leadership? How well developed is the vision to be the provincial capital?

Procedure

Once the initial 13 criteria were agreed by the XI I . . . thorough study was made of all the material supplied by the local and regional authorities of the five contending urban centres, as well as that collected independently by the committee.

The committee phrased a set of questions which it intended to address to appropriate authorities and individuals while meeting with them. Meetings were held with representatives of the five centres - Bethal, Knneb. Nelspruit, Secunda and Witbank-Middelburg - with the Chief Ministers of KaNgwane and KwaNdebele, and with the Eastern Transvaal premier candidates of the National Party and African National Congress.

The questions were primarily designed to determine the feeling and thinking at grassroots and leadership levels about, for example, the potential consequences of change following the selection of a provincial capital, be it their town or another centre; the apparent Highveld-Lowveld division within the province: (the issue of development, especially with reference to KwaNdebele and KaNgwane; and whether development associated with capital status should focus on ahead) developed areas or those lacking development.

A limited time was spent on empirical detail listing the elements, as these were readily available in the documents previously given¹⁰ and collected by the committee. The

stakeholders were granted permission to submit any additional documents in support of their quest.

Selection

Once the meetings were held, it became imperative that the 17 criteria be arranged in hierarchical order. This was done by each of the three members who had visited the five centres assigning a value out of five for each of the criteria based on their independent opinions.

The three values for each criterion were summed, and the totals (each out of 15) ranked hierarchically. The result of this exercise is in Table 1. In cases where totals were equal, the criteria are regarded as of similar importance.

Once the hierarchical order of criteria was established, the criteria were categorised into three groups, as an aid to finally evaluating which of the five urban centres or complexes needed to be considered as a potential capital (Table 2).

Proposing a capital

The committee was fully conscious that final responsibility for proclaiming a capital lay with Eastern Transvaal politicians; that ideally a capital as a symbol of unity and acceptability by the community is very important; that a major opinion rift exists between the Highveld and Lowveld as to where the capital should be, implying that whichever centre is proposed as capital, its acceptability is at stake; and that two opposing philosophical views are entertained.

The committee was fully conscious that final responsibility for proclaiming a capital lay with Eastern Transvaal politicians

Table 2: Categorization of criteria considered in selecting a provincial capital

ECONOMIC FACTORS
Economic potential
General development potential
Natural resource base
National importance of centre/complex
COLLECTIVE CONSUMPTION
Financial aspects
Diversity of functions and services
Demography: population distribution
Historical attributes
Aesthetic and Environmental quality
ORGANIZATION
Quality and strength of leadership and vision
Administrative and infrastructure capacity
Structure of urban complex
Acceptability: provincial community
Location relative to PWV complex
Acceptability: local community
Communication and infrastructural links
Centrality: geographical and population

The fear exists that areas which lack development will be relegated to marginal positions in the future

The first view is that the assumed development associated with the newly proclaimed capital should not be taken to a place already manifesting significant development, and the second is that a developed place should be selected as capital so as to stimulate outward growth to the rest of the province.

The committee was also aware that fear exists, particularly in KaNgwane and KwaNdebele; that the areas which lack development will be relegated to marginal positions in the future; that development issues are expected to receive major emphasis in a new dispensation; and that KwaNdebele finds itself in a quandary.

Culturally KwaNdebele is strongly linked to the Eastern Transvaal, but economically it is integrated with Pretoria, together with which it would very much like to be included as part of the Eastern Transvaal.

In addition, the committee was aware that strong conflicting opinions are sometimes held about a specific matter: one party sees it as an advantage, the other as a disadvantage. The distance of Middelburg-Witbank and TEKS from the PWV, for example, is perceived by them as an advantage, while other centres harbour very negative opinions on the matter, including that a provincial capital which lies close to a national or another provincial capital does not warrant the status of capital.

In the final analysis, weights were given to the three categories of criteria mentioned earlier. The weights initially ascribed to the individual criteria were automatically adjusted.

In the next step the committee members independently evaluated each of the five centres in terms of every one of the 17 criteria on a scale of zero to five. The mean values were then multiplied by the criterion factor.

The 17 magnified criterion values were aggregated, implying that the urban centre with the highest score, if significantly higher than any of the others, would probably be proposed as the capital. Having done this the scores for Bethal and Ermelo were markedly lower than the other three scores, signifying to the committee that these two towns were no longer contenders.

Nelspruit

The scores of Nelspruit, Secunda and Middelburg-Witbank in fact differed so little - 5% - that it was necessary to debate the

matter further, no longer relying only on the criteria. In the light of this turn of events the investigating committee proposed Nelspruit as capital of the Eastern Transvaal. ¹¹

This decision was based on a number of factors. Firstly, acceptance of the philosophical stance not to bring the growth expected to accompany a proclaimed capital to a well established area, but to Nelspruit with its location relative to KaNgwane and other adjacent areas in dire need of development, noting that it had 'passed' the criteria test.

Secondly, there was a viewpoint that with the political changes taking place in the sub-continent, Nelspruit's location relative to Mozambique and Swaziland gives it an edge above the other two urban complexes. *

Thirdly was the fact that the urban complex KaNyamazane-Nelspruit-White River offers a variety of residential opportunities, but this advantage is not necessarily better than those of Middelburg-Witbank and TEKS and, fourthly, the apparent ease and extent to which Nelspruit has opened opportunities for people previously excluded from 'white' towns.

The decision to propose Nelspruit as provincial capital does not meet the criterion of provincial acceptance because of the identified conflict of interests between the Lowveld and Highveld. This would, however, also be true if any of the Highveld centres were to be accepted as capital.

The new province will need to be governed with creativity and circumspection if it is to address this division, which could hamper the establishment of a regional character. Account will have to be taken of the province's current urban and industrial structure, the infrastructure it has inherited from the now defunct self-governing territories, the heterogeneous population, the diversity of its development needs and its agricultural and tourist potential. [PJf]

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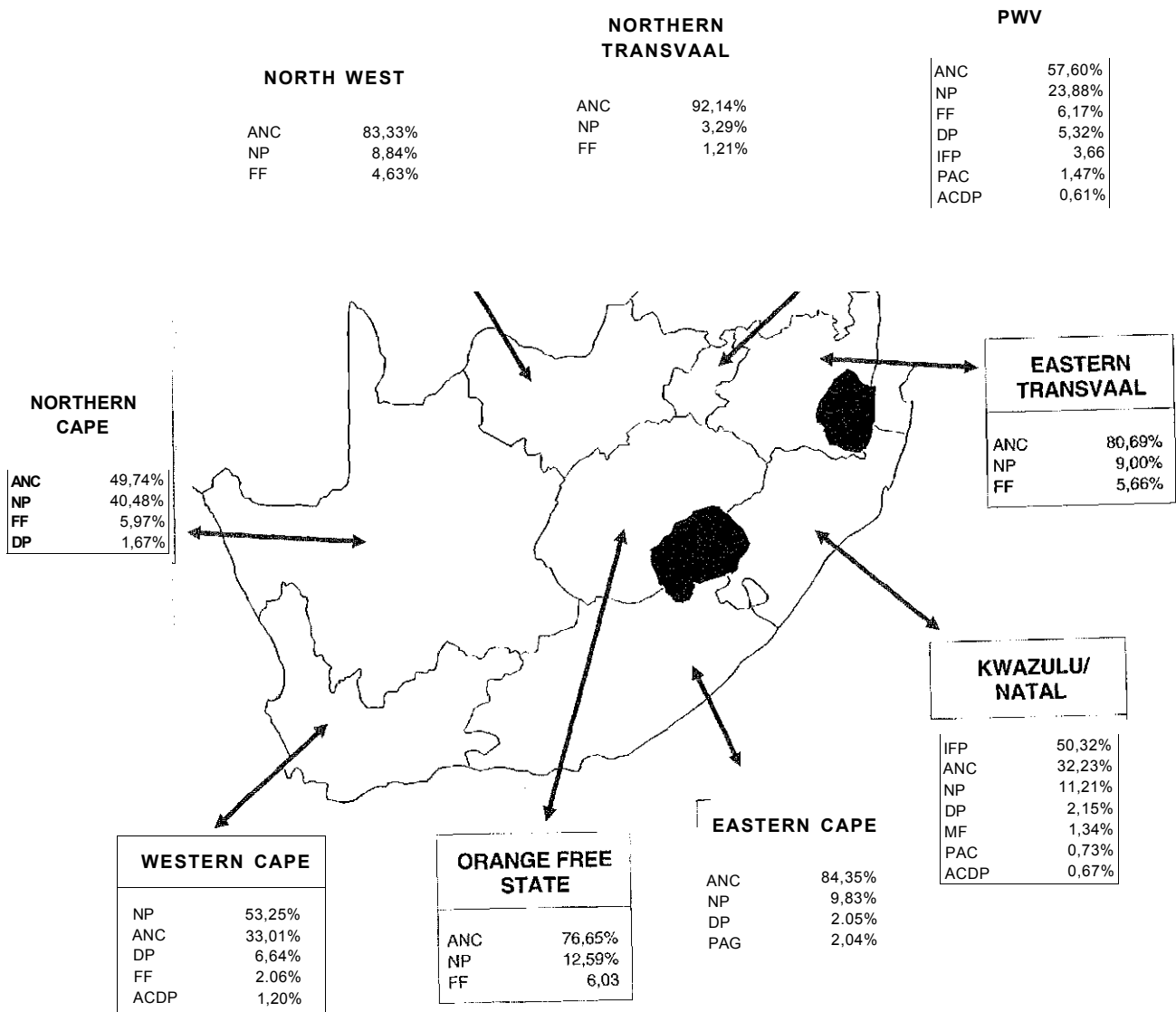
With the political changes taking place in the sub-continent, Nelspruit's location relative to Mozambique and Swaziland gives it an edge

The new province will need to be governed with creativity and with circumspection if it is to address divisions between Lowveld and Highveld

ECONOMIC

M o n i t o r

PROVINCIAL LEGISLATURES: ELECTION RESULTS BY REGION



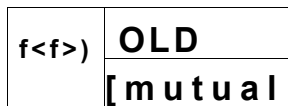
Seats by party In each of the provincial legislatures

	ANC	NP	IFP	PAC	DP	FF	ACDP	TOTAL	POLL (%)
Cape	14	23	--	--	3	1	1	42	87
Northern Cape	15	12	--	--	1	2	--	30	92
Eastern Cape	48	6	--	1	1	--	--	56	92
Natal/KwaZulu	26	9	41	1	2	--	1	81*	80
Orange Free State	24	4	--	--	--	2	--	30	83
PWV	50	21	3	1	5	5	1	86	86
North West	26	3	--	--	--	1	--	30	89
Eastern Transvaal	25	3	--	--	--	2	--	30	85
Northern Transvaal	38	1	--	--	--	1	--	40	84

_NOTE: The Minority Front won 1 seat in KwaZulu/Natal

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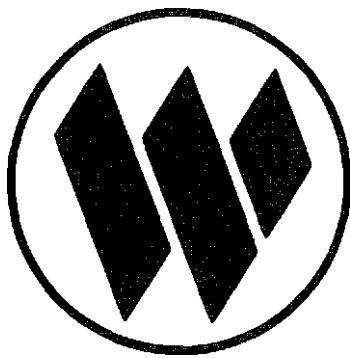
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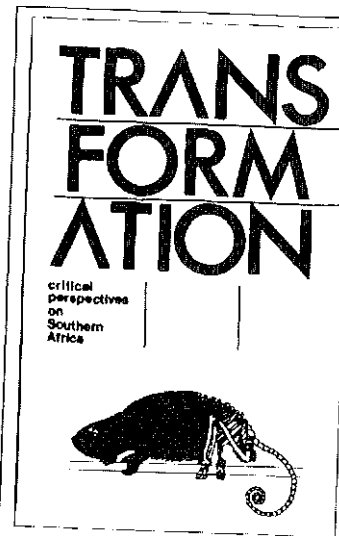
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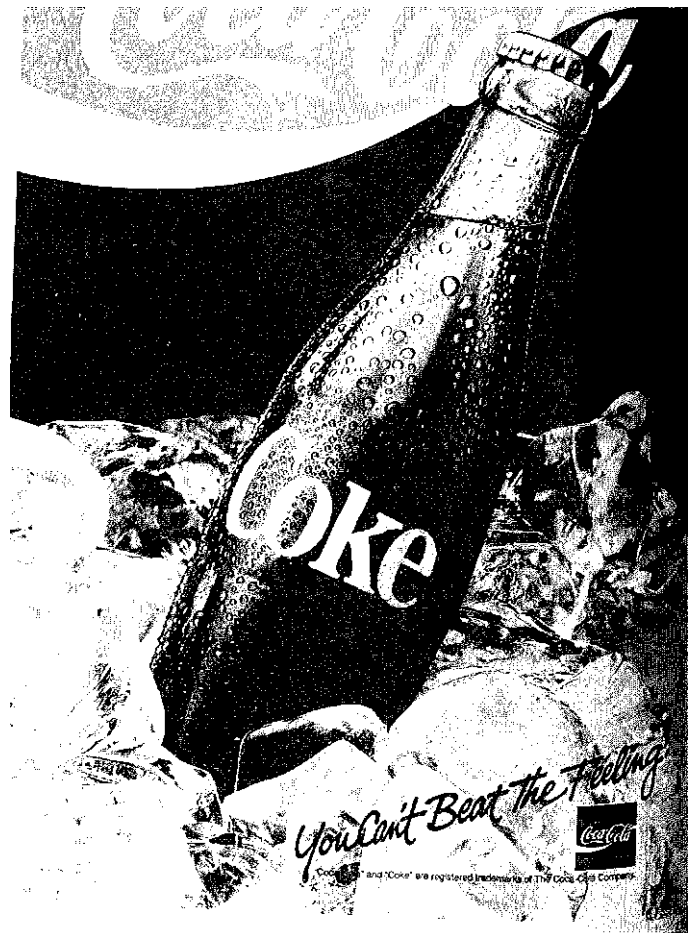
African society's potential for transformation it considers historical, and currently class nature of society; political cultural and ideological domination, then the constitution and the political options of different classes.

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Tax Scenarios for South Africa

*By Dennis Davis
Centre for Applied Legal Studies, University of the Witwatersrand*

It is unlikely that South Africa's new Government will deviate much from the current tax framework in order to fund the Reconstruction and Development Programme. Consensual government, economic growth, proposed efficiency and productivity gains and improved tax collection should easily raise sufficient funds to cover the RDP's costs.

• In a few weeks ago the business community's reaction to taxation bordered on hysteria, with many self-appointed experts predicting higher tax rates and the adoption of macro economic populism.

The problem with these scenarios was that they were all predicated on a theory of a revolutionary break from apartheid South Africa. By contrast the adherents to the Schmitter/O'Donohue theory of pacted transitions have been proved correct.

As the new Constitution reminds South Africans, the new institutional arrangements are a solemn pact between the various political parties in terms of which the next five years will be the product of the consensus politics of national unity.

Once grasped this reality indicates that all the key elements of social and economic programmes, including fiscal policy, will be the product of the pact rather than the outcome of one party's political programme.

Doubtless it will be argued that the African National Congress's (ANC's) Reconstruction and Development Programme (RDP) will counter this trend towards consensus, thereby placing greater pressure on Government to "find the funds for delivery of RDP promises.

• In peering with the realisation that there is a "nil to funds from the central fiscus, the

RDP appears to rely less on tax as a source of delivery and more upon efficiency and productivity improvements.

In its report on the costs of the RDP, the National Institute for Economic Policy (NIEP) estimated the total costs at approximately R135 billion over five years of the first R96,2 billion needed to redress the infrastructural impoverishment caused by apartheid.

R57,8 billion was to be gleaned through productivity gains and R38,4 billion from cuts to the existing budget, which was biased in terms of National Party government priorities.

The maximum amount needed to be found from additional revenue amounts to approximately R10 billion per year for the next three years, of which a total of R2,8 billion must be found from increased tax collection.

In addition the NIEP has calculated additional revenues of R15 billion to R20 billion a year, derived from increased tax revenue generated because of a 3,5% increase in Gross Domestic Product, user charges for water and electricity, foreign aid and increased revenue capacity of legitimate local governments.

The NIEP report indicates that even with a conservative growth rate of 3,5% per annum

The RDP appears to rely less on tax as a source of delivery and more upon efficiency and productivity improvements

The bulk of additional tax contribution will be sourced through growth

South Africa would be ill advised to increase existing tax revenues by more than 1% to 1,5% of GDP

the bulk of the additional tax contribution to the RDP programme will be sourced through growth rather than through restructuring of the tax system.

Tax revenues

At present total tax revenue amounts to 24,1% of GDP, based on the present tax rates being maintained throughout 1994/95. A 1991 study by van Blerck in the *SA Tax Review* indicated that industrial countries levied central government taxes amounting on average to 27,4% of GDP while the equivalent for developing countries was 22,2% of GDP.

It appears as if South Africa would be ill advised to increase existing tax revenues by more than 1% to 1,5% of GDP, that is between R4 billion and R6 billion. Were South Africa to grow by 5% in 1995 it could easily raise R10 billion in additional revenue.

Before a new government begins to contemplate increased revenue, however, it has a number of structural changes to consider. There is a wide disparity between the number of individuals paying the greater part of personal income tax and the potential demand for revenue to pay for the goods and services outlined in the RDP.

In 1986/87, 31,4% of individuals assessed - 50 000 people - contributed 75% of personal income tax. More significantly, individuals earning between R25 000 to R50 000 per annum contributed 50% of all personal income tax collected.

By 1989 some 66% of all personal income tax was collected from individuals earning between R20 000 to R80 000 per annum. In addition, Value Added Tax contributed approximately 30% of revenue in the 1994/95 year of assessment, adding to the burden of middle income earners.

Clearly this disproportionate burden has to be addressed by having fewer income tax bands so as to make allowances for fiscal drag, and some additional relief needs to be given to those earning between R20 000 to R50 000 per annum.

During the election campaign, the ANC promised it would zero rate a greater range of foodstuffs.

Were a range of grain products including white bread and flour, and fresh meat, to be zero rated there would be a loss of more than R3 billion for a result which would benefit all consumers of meat and white bread rather than exclusively those who are in dire need.

An effective poverty relief programme becomes a necessity if a loss of R3 billion is to be prevented.

Section 8 of the Constitution prohibits discrimination, among other things on the grounds of gender and sex. There can be no doubt that the system of taxing married women more heavily than men fell foul of this section. Now that married women are to be taxed in the same manner as married men, the cost to the fiscus will be R1,6 billion.

The tax system will need to recoup these losses before any increases can be contemplated.

Tax collection

The most likely source of revenue is through improved tax collection. At present of approximately 0,25% of revenue collected. South Africa spends far less on revenue administration than do other countries.

The Revenue Department falls under the Department of Finance and is therefore only indirectly accountable to the Minister of Finance. Its salary structures are dependent entirely on the rules of the Commission for Administration.

Small wonder that the department is so short of technical skills and so dependent upon a few dedicated senior officials. As a consequence there is a loss of revenue which could be as high as R5 billion per annum.

A number of technical changes to the Income Tax Act need to be introduced. The ability of financial institutions to exploit timing differences between accounts and expenditure through a variety of interest instruments has caused a considerable loss of revenue.

If the recommendations of the Tax Advisory Committee are accepted, the scope for such deferrals will be limited and this in itself should contribute to a further closing of the gap between nominal and effective rates of company tax.

Pension funds

There has been considerable debate regarding the taxation of pension funds, in the light of research by the Tax Advisory Committee and the Report of the Mouton Commission on Pension Funds.

It would appear that the present system is favoured for the same reasons outlined by A Dilnot and Paul Johnson last year in the

The most likely source of revenue is through improved tax collection

The ability of financial institutions to exploit timing differences through a variety of interest instruments has caused a considerable loss of revenue

«nf the possible taxation regimes, one
• most popular throughout the world
' n I that is the Expenditure Tax regime.
This is essentially the regime current in
Britain It in\olves the tax deductibility
if contributions, the exemption of fund
income from taxation and the taxation
of pensions in payment.

The main alternative to this could be a
Comprehensive Income Tax under
which conti ihutions and fund income
would be taxable and pensions in
payment exempt from tax.

There are good reasons for the
popularity of the Expenditure Tax
treatment ol pensions. It avoids
problems associated with accurately
identifying and assigning contributions
from emploers, and of taxing fund
income at an appropriate rate.

It maintains .1 post-tax rate of return
equal to the pre-tax rate of return and
thus, unlike a Comprehensive Income
Tax. does not discourage consumption
in the futuie relative to consumption
now.

Nor does it suffer from the problems of
a system which taxes nominal returns
and is thus exposed to high levels of
inflation with the risk of causing
negatiu- real rates of return."

Nonetheless, as ihe Mouton Commission
noted, there is a need to cap the tax benefits
obtainable from pension payouts both by
ensuring a maximum lump that can be
subjected to ,i piel'ereential tax rate and by
setting an appiopi iate tax rate for such
confession.

At present a peison can retire on March 1 and
receive a R5 million lump sum payout and
pay tax of 17',. compared with a 43%
maximum marginal rate of tax. There has
been a major controversy regarding an annual
health tax. Again a report by the Institute for
nscaI Studies, of the Capital Taxes Group in

1988, is worth citing with approval.

"However, an annual wealth tax is
highly impractical. There are strong
arguments for taxing wealth only when
it is transferred, because that is the
moment when it can most readily be
identified and valued; when there are
resources available to meet the tax
charge; and when the distribution of
wealth can be influenced most
effectively by the tax system.

The arguments against an annual wealth
tax have strong parallels with the
arguments against taxing capital gains
on an accruals basis, and we can accept
both."

However, South African tax is characterised
by an absence of a meaningful capital tax. To
introduce Capital Gains Tax is problematic
because it is not a major money raiser and is
generally extremely complex, particularly if
there is a system for inflation indexation.

However, South Africa already has the basis
for capital transfer tax in the estate duty
imposed under the Estate Duty Act of 1955.

By increasing the rate significantly - a
maximum rate of 40% would not be
inappropriate - and introducing stiff
anti-avoidance measures to curb the use of
discretionary trusts and disguised donations,
the present system could become a
meaningful capital tax capable of raising
between R750 million to R1 billion.

If the technical changes and improved
collections fail to raise the targeted
revenue, then it is likely that VAT could rise by
between 1% to 3%. This will increase the
pressure for adequate poverty relief of greater
zero rating together with a multi-based VAT
system, itself the second choice because of
the attendant administrative complexity.

These are moderate proposals. But if
meaningful growth can result over the next
few years and delivery of the RDP succeeds -
which is the major question and challenge - it
is unlikely that there will be much deviation
from this framework.

*South Africa
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duty*

*If the technical
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raise the targeted
revenue, then
VAT could rise by
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Sharing Wealth

By Madoda Mbatha
Department of Business Administration, University of Natal

South Africans have gained political power but have a long way to go before they are nonvictims 'free'. Black economic empowerment through company takeovers, business affirmative action, privatisation, investment, skills acquisition, control of monopolies and other activities is needed to reverse the country's appalling legacy of economic disadvantage.

The enfranchisement of black South Africans was one in a series of steps in the very important process of dismantling apartheid. Blacks now have a legal right to vote and elect a person of their choice to represent their interests provincially and nationally.

But as former Tanzanian president, Julius Nyerere, pointed out on television's *Top Level* programme in May, Nelson Mandela and his new government have taken over office rather than power.

The legacy of apartheid, Nyerere pointed out, will not end until the majority of people share in South Africa's wealth, have housing, education, water and electricity. Until there is a sharing wealth, black South Africans will still feel unlive.

Apartheid created a lot of anomalies and inconsistencies. It created inequality and imbalances between blacks and whites in all spheres of life. The diagram, which I call the 'pendulum of inequality', illustrates this imbalance.

Whites are at the top of the scale. They own and control the big businesses which fuel the economy. They have enormous power in these companies. They make major decisions relating to investments, how profits are to be dispersed, who to hire, who to promote and who to fire. Blacks have little or no say.

Major universities are run and controlled by whites. Even in historically black universities, whites are still deans of major faculties and most heads of departments are white. All but one of the technikons, [excluding those that serve mainly blacks,] have white rectors.

Whites are in power everywhere. This situation is obviously a result of apartheid. My discussion focuses on the inequality in business and the economy.

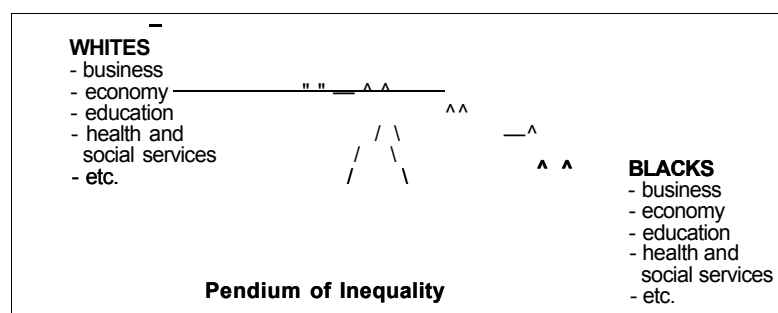
Apartheid legacy

One of the consequences of apartheid in South Africa has been the unequal distribution of income and wealth. It is a well known fact that most whites are economically where they are today, partly because of talent and work, but largely because of the protection afforded them by years of apartheid and discrimination.

For many years Africans could not own land, were prohibited from trading in 'white areas', and severe laws and restrictions were placed on their ability to practice commerce and participate in a free market economy. The result is that Africans are economically disadvantaged today, and always have been compared to whites.

Africans make up 70% of South Africa's population, yet in 1990 their total personal income was 33%. That of whites, who make up only 16% of the population, was 53,9%. The personal income of Indians and coloureds was 3,9% and 9,2% respectively.

Apartheid will not end until the majority of people share in South Africa's wealth, have housing, education, water and electricity



The combined market value of companies listed in the JSE is R750 billion. The majority of these companies are owned and controlled by whites

At the end of the 1980s, 74% of African households earned less than R700 a month compared with 7,9% of white households, and 2,4% of African households earned more than R2 000 a month compared with 65,8% of white households.

According to the *Financial Mail*, South Africa's richest families between them own shares valued at R13,5 billion. They are the Oppenheims, the Rupert/Hertzog family, Donald Gordon and family, the Krok twins, the Methvins, Christo Wiese, Raymond Ackerman, Neil and Cecil Jowell, and the Lewises. It also lists rich people whose fortunes are hard to quantify, including Sol Kerzner, Gary Player and Wilbur Smith.

There are no blacks who possess such wealth. National Sorghum Breweries (NSB), the largest black owned and controlled organisation, has a yearly turnover of R500 million. NSB's white counterpart, South African Breweries (SAB), has a yearly turnover of R5,25 billion.

In recent times we have seen blacks purchase stock in companies previously wholly owned by whites

On March 8, 1994, Donald Gordon's Liberty Life had a market capitalisation of R20,7 billion. This makes it the fourth largest South African based listed company on the Johannesburg Stock Exchange (JSE) in terms of market capitalisation after the Anglo American Corporation, De Beers and SAB. JSE-listed African Life and Metropolitan Life, both controlled by blacks, have a combined market value of R2 billion.

The combined market value of companies listed in the JSE is R750 billion. The majority of these companies are owned and controlled by whites. Examples of gross disparity in black and white business abound. Apartheid has indeed yielded good dividends for whites.

Empowering blacks

In recent times we have seen blacks purchase stock in companies previously wholly owned by whites. These are some of the transactions which have occurred:

- NSB was privatised in 1990 and sold to black investors;
- Ntatho Motlana headed a consortium of black businessmen who bought control of South Africa's largest daily newspaper, the *Sowetair*,
- In January, the black owned South African Investment Corporation acquired Prima Bank, which was renamed Merchant and Investment Bank (Miba). The deal was worth around R24 million;

There are many ways in which blacks could empower themselves economically

- A consortium took control of Metropolitan Life last May in a R117 million deal with Sankorp;
- Pepsi Cola International, together with African American business **people** to invest US\$100 million in South Africa over a period of three years. Khehbe Mthembu, formerly of Afgen, has been hired to run Pepsi locally. It is believed blacks will benefit from Pepsi's investment since around 3 000 jobs are expected to be created in the long term.
- Anglo American Corporation announced that it intends to 'unbundle' Johannesburg Consolidated Industries. Unbundled portions, we are told, will be sold to blacks.
- Thebe Investment Corporation holds 51% of shares in South African Express, a recently launched airline.
- Southern Life sold 51% of African Life to a black consortium in a R160 million deal.

The African Life deal, observed the *Sunday Times* business section in February, "has been likened to Anglo American's sale of General Mining (now Gencor) in 1985 to Afrikaners to give them a stake in mining".

Some National Party leaders had threatened to nationalise the 'Hoggenheimer' mines. "Anglo's offer was calculated to defuse tension between Afrikaners who had political control and English speakers who ran the economy."

The *Sunday Times* continued: "In what many see as a similar action, Anglo's 40% subsidiary Southern Life sold control of African Life to blacks headed by Anglo American and African Life director John Ncube.

"Blacks, on the verge of taking political power, own barely 2% of private sector assets in South Africa and 10% of managerial positions are held by blacks." The newspaper is incorrect. Blacks hold less than 4% of managerial positions.

Self empowerment

There are various ways in which blacks could empower themselves economically. Here are some of them:

o Business enterprises

Blacks could empower themselves by establishing their own businesses and supporting each other's enterprises. Despite

• | restrictions, blacks have engaged in
 ^r forms of business, albeit on a small
 vari!0U There are many examples of blacks
 . ding in business: the taxi industry is
 bufone example

dubits **should** also support one another. I am
 Al'uen would welcome rt if blacks
 SUfe<ferred their policies from Sanlam, Old
 Sirtl Metropolitan, Southern Life etc.
 Rlicks"could also 'buy black', which means
 supporting black owned businesses.

To attract clients, black business has to be as
 nod as or superior to non-black business.
 Blacks could also establish their own
management consultances specialising in
 aspects of business administration, ranging
from accounting, finance, training and
 development, human resource management,
 corporate strategy, organisational design and
 development, and general management.

.IJjiwative action

Affirmative action involves the Government
 passim: **legislation**, the intent of which is to
remedy the effects of past discrimination by
giving preference to individuals severely
disadvantaged by discriminatory practices.

In the United States affirmative action has
 been employed, with some success in ending
 discrimination in employment and in some
 situations encour aging and promoting the
 businesses of African Americans.

South Africa's new Government is expected
 to pass and enforce affirmative action
 legislation w lich not only encompasses the
 fields of employment and business, but most
 other aspects of people's lives.

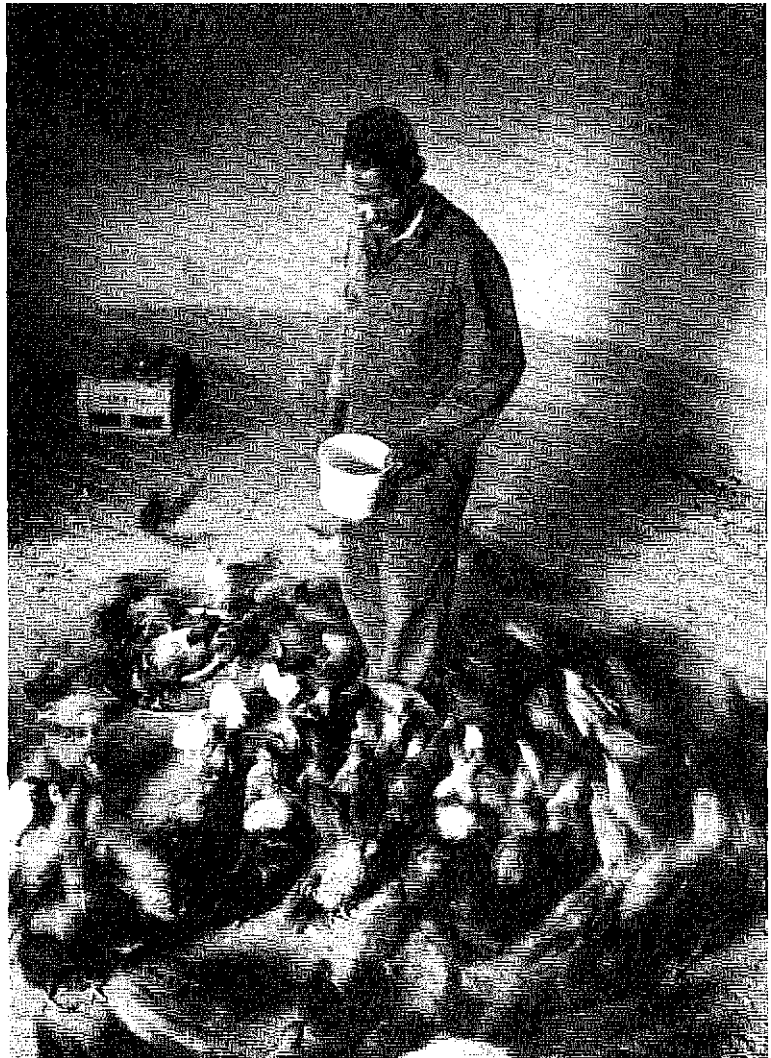
o Privatisation

The laic Don Caldwell said: "A simple way
 to redistribute wealth to blacks is to give
 them what Pretoria owns today." Well, the
 former Go\ ei nment did exactly that with
 National Sorghum Breweries.

Previously u lolly owned and controlled by
 the Government through the Industrial
 ^"-iopmeni Corporation, the majority of
 People who now own shares in this
 organisation are black, and so are senior and
 Middle management. Blacks now own and
 control the m ganisation.

There are many other Government controlled
 k! TV"hl.-" could be privatised and given to
 •acks. I hese include, among many others,

a n Xk,Ulls> Atlantis Diesel Engines,
 julantis Aluminium, Avon Wire, Canned
 £^{FI}int Control Board, Cape Town Iron and
 et Chickory Control Board, Citrus



Guy Tillum - Southlight

Chicken cooperative in the Transkei

Control Board, Dunswart Iron and Steel
 Works, Government Printing Works, Heavy
 Media Materials, Heckett SA, Industrial
 Development Corporation, Maize Control
 Board and South African Airways.

*Black business
 people should
 support one
 another*

As Caldwell observed: "The spinoffs of
 privatisation could be enormous for the
 Government that's bold enough to embark on
 it... If assets are given away, South Africans
 could use their new wealth as collateral for
 loans to go into business - ideal for today's
 poor blacks, who are millions of potential
 entrepreneurs."

o Joint ventures

Blacks could also go into business ventures
 with 'big business'. This could occur, for
 example, through sub-contracting. The
 'Matchmakers' fairs that are held annually at
 Nasrec are meant to achieve this goal.

*In the United
 States affirmative
 action has been
 employed, with
 some success in
 encouraging and
 promoting the
 businesses of
 African Americans*

The National Economic Initiative also has a
 Business Linkages programme which
 encourages big business to sub-contract to
 black businesses, and adopt affirmative

Blacks should lobby the present Government to exercise stricter control over monopolies

action practices when dealing with black businesses. Black owned businesses could also be involved in joint ventures with their local counterparts.

o **Franchising**

This is also a form of economic empowerment. Blacks who have the necessary capital could enter into franchising agreements with franchisers. Some black business people are already involved in such ventures, albeit on a small scale. Such participation could be increased in future.

o **Stokvels**

Stokvels and 'societies' have the potential to raise capital for their members, depending on the number of people and amount of money involved. Such capital could be used to start business ventures. Most financial institutions have recognised the economic significance of these schemes, hence the creation of investment accounts catering exclusively for them.

o **Worker cooperatives**

The Zenzeleni project is an example of a worker cooperative which was started, with the assistance of the company involved, by black workers who were retrenched by a textile company in Durban. Blacks could start similar ventures in other industries.

o **Small Business Development Corporation**

A number of black owned businesses have at one time or another made use of the services offered by the Small Business Development Corporation. The SBDC and other similar organisations could be used to start and enhance black businesses.

o **Foreign funding**

Linking up with American and European businesses, African businesses in other African countries, and making use of funding from foreign governments, banks, foundations and other interested groups abroad, are all means to empowerment.

According to James Berg, executive vice-president of the Overseas Private Investment Corporation, plans are underway for American companies backed by the United States government to be involved in joint ventures with local black owned businesses.

Black businesses in this country could also do business with their counterparts in other

African countries. There have already been trips by local black business people to sun¹⁰ African countries.

o **Skills acquisition**

Blacks in general and black business people in particular could acquire managerial skills and educational qualifications to enhance their marketability and improve their businesses. They could study for degrees such as BComs and MBAs, and diploma courses offered by various universities and private organisations locally and abroad.

o **Control of monopolies**

Finally, blacks should lobby the present Government to exercise stricter control over monopolies. Major monopolies in this country are controlled by whites, and they will make it difficult for blacks to establish themselves in certain industries. In any case monopolies are not good for competition and customers suffer from their complacency.

There are many strategies that Africans could employ to advance themselves economically. These examples are by no means the only ones that could be used.

I have always believed in self help. People acquire dignity and respect from other not through self pity and charity but through hard work and self-sufficiency. The Japanese showed it can be done. Africans can do the same.

Conclusion

Blacks have acquired political power. I believe it is largely symbolic at the moment. How blacks will use that political power is crucial, the circle is far from being complete. As the process of dismantling apartheid unfolds. The circle will only be completed when blacks have effective - and I mean effective - control of the various centres of power presently in white hands.

In the economic sphere, as in other spheres, it will take a long time before blacks are on par with whites. The disparity that presently exists was created over a long period of time. Helped by apartheid, whites have been able to amass wealth and riches.

Affirmative action in favour of blacks therefore is not an unfair act, as some whites are quick to react every time there is talk of it. For decades whites were the main beneficiaries of affirmative action in the form of apartheid.

People acquire dignity and respect from others not through self pity and charity but through hard work and self-sufficiency

Affirmative action in favour of blacks is not an unfair act. For decades whites benefitted from affirmative action in the form of apartheid

DISPARATE CIRCUMSTANCES

By Mike McGrath
Department of Economics, University of Natal
Andrew Whiteford
Human Sciences Research Council

South Africa still has the highest known levels of income inequality in the world, and the gap between rich and poor is growing. Equally disturbing is that the slight income flow from whites to blacks has gone to the richest echelons of black society, merely changing inequality from being race to class based.

Early studies of income distribution found that South Africa had the greatest disparities among countries for which similar studies had been conducted. Since then South Africans have witnessed the demise of apartheid in the economy.

With the move towards equal opportunities has grown the notion that the gap between rich and poor has diminished. There are two possible explanations for the rise of the belief in an improving income distribution.

Firstly, South Africans have long associated the gap between rich and poor with the gap between white and black, and the increase in the black share of total income since the early 1970s (Table 1) has been interpreted as a reduction in overall inequality.

However, the income which flowed from whites to blacks has accrued to the richest echelons of black society, which has merely resulted in existing inequality changing from being race to class based.

The second explanation is the misinterpretation of previous research on income distribution. Successive studies of income inequality by Simkins (1979), Mitchell (1983) and Devereaux (1984) showed a declining Gini coefficient - an indicator of income inequality which can range from zero in the case of perfect equality to one in the situation where a single household earns the total income.

This was interpreted by many researchers as proof that the distribution of income was becoming more equal. But these researchers failed to appreciate that the three studies

measured inequality using methodologies which were not strictly comparable, and that it was incorrect to conclude that the income gap in society as a whole was closing.

Against this background of confusion surrounding income inequality the Human Sciences Research Council and the University of Natal analysed the most up-to-date income data for South Africa and the four former homelands.

Various indicators of income inequality and the extent of poverty in South Africa were measured using this data. This paper, based on the more comprehensive *Distribution of income in South Africa* (1994), gives a synopsis of our findings.

Racial shares

Income distribution among races is one of the most basic indicators of inequality, and is especially significant in South Africa since inequality has historically had a strong racial aspect. Previous research showed that between 1917 and 1970 there was a remarkable constancy in the white share of total personal income. Whites earned in the region of 70% of the total income yet constituted less than 20% of the population. This historical constancy was broken between 1970 and 1975 when the white share of income decreased significantly.

Analysis of the 1991 data showed that the white share of total income continued to decline from 1980 to 1991, while the African, Coloured and Asian share increased (Table 1 and Figure 1).

It was incorrect to conclude that the income gap in society was closing

Income distribution is one of the most basic indicators of inequality

But the change in income distribution among population groups has been very gradual and the distribution is still heavily skewed in favour of whites. In 1991 whites comprised just over 13% of the population yet earned more than 60% of total income, while Africans comprised 75% of the population and earned a little over a quarter.

years of the 1980s. All other groups show small decreases in their per capita incomes. There was a slight decline in the disparity ratio between white and African incomes but the gap is still enormous. The white per capita income is more than 12 times higher than the African per capita income and the difference in the two values (absolute income gap) is almost R20 000

TABLE 1: RACIAL INCOME SHARES CALCULATED FROM CENSUS INCOME DATA (1960 -1991)

Researcher	Year	Racial percentage shares			
		African	White	Coloured	Asian
McGrath	1960	20.5	71.9	5.6	1.9
McGrath	1970	19.8	71.2	6.7	2.4
McGrath	1980	24.9	65.0	7.2	3.0
Whiteford and McGrath	1991	27.6	61.2	7.3	3.9

Source: McGrath (1983:42,151)

The 3,9% Asian share of total income was also substantially larger than their 2.6% share of total population, and the increase in their share from 1980 to 1991 was quite dramatic: from 3% to 3,9%.

The Asian group is the only one in which income growth exceeded population growth during the low economic growth years of the 1980s

Disparities

The table below shows the per capita incomes for 1980 and 1991 (in constant 1991 prices) and the growth in incomes over that period for each population group, as well as the disparity ratio and absolute income gap between whites and other population groups.

The Asian population group is the only one in which income growth exceeded population growth during the low economic growth

Income shares

Table 3 shows the share of total income accruing to the poorest 40% of households, the next 40%, next 10% and the richest 10% of households. The percentage shares are given for both 1975 and 1991, as well as the percentage change in the share.

The results show the very undesirable situation of the poorest households becoming poorer and the richest becoming richer. The poorest 40% of households earn less than 4% of total income while the richest 10% earn more than half.

In a list of 41 countries in the 1992 World Bank Development Report, no country had a distribution with a higher degree of inequality. In the World Bank tabulations Brazil is the next worst with the poorest 40% earning 8,1% of total income and the richest 10% earning 46,2%. However, World Bank coverage of developing countries is very scant.

The decrease in the share of total income of the poorest 40% of households can be explained by the rise in unemployment levels since 1975 and falling of rural incomes as a result of several periods of severe drought.

TABLE 2: PER CAPITA INCOMES AND RACIAL DISPARITY RATIOS

	Per capita income	Per capita income growth 1980-1991	Disparity ratio: white to other	Absolute income gap: white to other	
	1980	1991	1980	1991	1991
African	1742	1710	-0.2%	12.9	19411
White	22552	21121	-0.6%		
Coloured	4295	3885	-0.9%	5.3	17236
Asian	5742	6945	1.7%	3.9	14176

TABLE 3: INCOME SHARES OF HOUSEHOLDS

	Poorest 40%	Next 40%	Next 10%	Next 10%
1975	5.2%	23.9%	21.7%	49.2%
1991	3.9%	25.6%	19.3%	51.2%
Change	-25.0%	7.1%	-11.1%	4.1%

Source: 1975 data calculated from McGrath (1983:457-460).

Changes

The mean incomes of the poorest 40% and the next three quintiles of households of each population group have been calculated for both 1975 and 1991. The 1991 income level* are expressed as a percentage of the 1975 levels and these results are depicted graphically in Figure 1.

... show that most South Africans
• experienced a decrease in income, with
^aiiyVnischolds suffering from an
enormous drop.

The mean incomes of the lowest three
• liic.i ol' African households decreased
quibstantially between 1975 and 1991 while
the nil" in income of the richest quintile
increased by almost 40%.

The richest 20% of African households thus
enjoyed a larger increase in income than all
other sectors of all population groups, making
it the fastest moving sector of the total
population.

The bottom 140% of African households fared
extremely badly, with the mean income of
this group declining by almost 40% since
1975. Households in this group would no
doubt have been living in poverty in 1975 and
the worsening of their situation indicates a
deepening of poverty in South Africa over the
last two decades.

The mean income of the bottom 80% of
white households has decreased while the
mean income of the richest quintile has
remained constant. The income of the poorest
40% of white households has decreased by
around 40%, putting it almost on a par with
the poorest 40% of black households in terms
of percentage decrease.

The coloured community fared reasonably
well, with the mean income of the poorest
40% of households declining moderately
between 1975 and 1991, while the mean
incomes of the top three quintiles showed
good growth.

The Asian population is without doubt the
group which gained the largest increases in
income, with the mean incomes of all sectors
of the population growing substantially
between 1975 and 1991.

Gini coefficient

The Gini coefficient is the most commonly
used summary statistic of income inequality.

The Gini coefficient based on household
income was estimated at 0,676 from the 1991
data. This is very similar to the 0,68 result
obtained by McGrath using 1975 data,
suggesting that income distribution is more or
less unchanged. This refutes the commonly
held view that income distribution in South
Africa has improved.

South Africa fares very poorly when

(IS¹UVtI With other countries_In Fields,
compilation of studies on income

South Africa had the highest inequality, leading the list of 36 countries

distribution in developing countries, South Africa had the highest inequality, leading the list of 36 countries.

Jamaica, Bahamas and Brazil are next, while Taiwan is at the bottom of the list with a Gini coefficient of 0,28. Most South East Asian countries are low on the list, which dispels the myth that an even spread of incomes is not conducive to high economic growth.

The 1991 Gini coefficients (based on household income) for each population group are contrasted with the 1975 coefficients in Table 4.

TABLE 4: GINI COEFFICIENT ACCORDING TO POPULATION GROUP

Population Group	1975	1991
African	0.47	0.62
White	0.36	0.46
Coloured	0.51	0.52
Asian	0.45	0.49
All population groups	0.68	0.68

Source: 1975 data from McGrath (1983:319)

The results show stark increases in inequality among African and white households and much smaller increases in inequality within the coloured and Asian communities.

The increasing inequality within the African community can be explained in terms of both decreasing incomes of the poorest African households and rising incomes of the richest households.

Poor urban households have been affected by rising unemployment and rural households by several seasons of severe drought. Wealthy African households, on the other hand, have benefited from the erosion of apartheid in the economy resulting in rising incomes of upwardly mobile professionals, skilled workers and entrepreneurs.

Inequality within the white community has also risen substantially, the Gini coefficient having risen from 0,36 to 0,46. Considering that the white population has a mean income and occupations which are similar to First World economies, the extent of inequality as

measured by the Gini coefficient is fairly high. The Gini coefficient of 0,46 is substantially higher than the average coefficient of 0,39 for developing countries as measured by Paukert (1973).

Conclusion

In 1975 McGrath recorded that South Africa had the most unequal distribution of income among countries for which national household income data is available. The decade and a half which followed saw the gradual erosion of apartheid in the economy

The findings of this study show, however, that this has had little or no effect on the overall reduction of income inequality. The poor growth performance of the economy has meant that relatively few African households have benefited from economic changes, while at the same time many have suffered as a result of rising unemployment and low agricultural output.

Wide income gaps are emerging within both the white and African communities, and together these growing income gaps are gradually taking over from the black-white income gap as a major explanation of income inequality in South Africa.

There should be little solace in the hiding that the country's maldistribution is increasingly shifting from being race > class based. Irrespective of the racial dimension of income inequality, the gap between rich and poor is so wide as to mitigate against long-term social stability. The responsibility for the new government to reduce this gap cannot be overestimated.

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The gap between rich and poor is so wide as to mitigate against long-term social stability

INDUSTRIAL

M O N I T O R

Average US\$ per cubic ft

Comparative international wood prices

Selected regions 1992
(delivered roundwood)

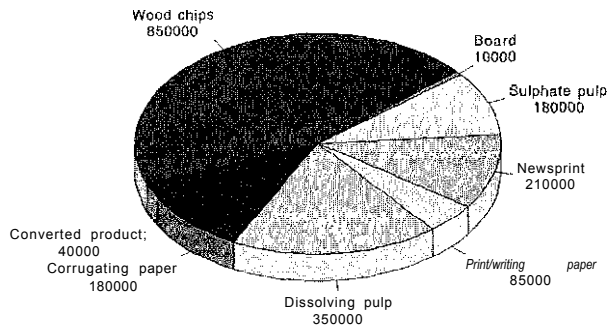
Source: Wood Resources International

j Softwood Li Hardwood

SA paper sector exports 1991

By volume (metric tons)

Source: PPI and own estimates



Thousands of tons

Fine paper imports

1986 - 1992

Source: Customs & Excise: Sappi

1936 1987 1988 1930 1991 1992

A Shaky Alliance

Cosatu and the ANC

By Mike Murphy
Guest Editor, South African Labour Bulletin

The African National Congress and its major ally, the Congress of South African Trade Unions, are bound to drift apart now the ANC is in Government. Future alliances are likely to be determined by constituency interests, economic policies, delivery on the Reconstruction and Development Programme and the need for consensus in a reforming Government of National Unity.

The ANC's class character made entirely predictable the attempt to subsume Cosatu under its political hegemony

On the night FW De Klerk conceded defeat in South Africa's first democratic elections, the African National Congress threw a victory party to celebrate coming to power after some 80 years of dogged opposition.

In close formation around Mandela on the podium at this high point in the ANC's history stood Congress of South African Trade Union (Cosatu) leaders representing the ANC linked trade union movement, whose contribution during the 1980s was a key determinant in the demise of the 'old' National Party of PW Botha.

It was fitting they should be there at that moment in view of Cosatu's role in the liberation struggle. Yet it is not stretching the imagination too far to suggest their invited presence at that juncture was as relevant to the future of the ANC-Cosatu relationship as to its past.

This article reflects firstly on the ANC-Cosatu relationship during the Alliance stage. It then considers their relationship in the next, the Reconstruction and Development (RDP) stage. Economic and political challenges will confront old Alliance partners in a new South Africa which is subject to the geo-economics of the post Cold War period.

Allies then

Any attempt to predict the course of the ANC-Cosatu relationship over the next few years must look to the character of the relationship as it has existed up to now, as latterly expressed in the 'Freedom Alliance' configuration.

The 1980s wooing of Cosatu by the ANC was never surprising: the ANC's broad cross-class character made entirely predictable the attempt to subsume the mass trade union organisation under its political hegemony.

Yet the fierce nationalism versus socialism debate within Cosatu's ranks at the time meant that the compromise arrived at in the relationship between Cosatu and the AM embodied a dynamic tension between the two organisations.

Cosatu support for the ANC, as expressed in the Alliance, was a critical support dependent on the partners' sharing of similar perspectives.

Most pertinently, Cosatu maintained the ^ structural independence that allowed it - "the best organised sector of the oppressed people', as the ANC acknowledged - to provide or withhold the shock troops for Alliance assaults on the status quo: the

Cosatu maintained the independence that allowed it to provide or withhold the shock troops for Alliance assaults on the status quo

...S and campaigns that served time
 ^Tnie demonstrate the political
 illegality of the minority government in
 the eyes of the most of South Africans,

Allies now?

with the ANC now in government, the
 tendency will lie for a greater distance to
 develop between the Alliance partners. In
 fact this flows from the character of the
 Alliance: a partnership based on the common
 search for 'freedom' defined as a vote in a
universal franchise election, now achieved.

Although some in the ANC and Cosatu will
 argue for a continuation of the Alliance until
 a time when the ANC is the sole party in
 government (as the theory goes, the next
 election), this argument is likely to carry little
 weight.

In practice, the ANC will stand or fall by
 what it does in government. A distinction
 between the ANC as party and the ANC as
 government may be argued for by those
 within the ANC who, on the basis of old
 alliances, seek to retain a left constituency
 loyal to the ANC as party in the face of the
 probability of the ANC in government
 moving towards the right.

But Cosatu will want to develop its existing
 National Industrial Federation-government
 relationship immediately, and will certainly
 not consider putting this somehow 'on ice'
 until 1994, precisely because it has already
 established such a relationship with the
 previous government over a number of years.

The range of forums on which Cosatu has
 participated as a major independent actor -
 the National Economic Forum and the
 National Manpower Commission for
 example - has been such that Cosatu will
 expect to play at least as much a role under
 the ANC (independent).

Looking back to the 1980s and early 1990s, a
 distinction can be drawn between the more
 overtly 'political' Cosatu-supported mass
 actions and the more 'issue-related'
 campaigns, also involving mass action, in
 which the congress was less the ANC's
 Partner and more the driving force. The
 Labour Relations Act campaign and the
 Value Added Tax campaigns are the most
 obvious examples.

These latter, more narrowly focused
 campaigns represent mechanisms which
 to represent the interests of the
 government in their members' interest.

While it is inconceivable at this juncture

B R



John Woodroof

to envisage a Cosatu stayaway against the
 ANC on a political issue *a la* the 1980s, the
 strategic use of trade union led mass
 campaigns over, for example, aspects of
 Government economic policy is by no means
 out of the question if the ANC turns a deaf
 ear to Cosatu's representations on such matters.

*Trade union led
 mass campaigns
 are by no means
 out of the question
 if the ANC turns a
 deaf ear to Cosatu*

Referee

Nor is it out of the question to classify as
 more than electoral posturing Mandela's
 advice to Cosatu's special congress in late
 1993: 'If the ANC Government does not
 deliver you must do to us what you did to the
 Nationalist Government.'

The ANC may be the biggest party in the
 Government of National Unity (GNU) but
 powerful forces in the country - the army, the
 police, business - are not ANC loyalists. The
 tactical use by the ANC of its 'militant trade
 union wing', ie the threat that if such and
 such an economic policy is insisted upon by
 neo-liberals in the GNU there will be
 widespread disruption, in fact requires a
 measure of distance between it and Cosatu.

*That the ANC will
 play referee,
 rather than
 policeman or
 enforcer of the
 new 'liberated'
 order, has not yet
 dawned upon
 some in Cosatu*

It is precisely Cosatu's independence that
 would make such ANC tactical ploys
 possible. Looked at from the opposite angle
 there is no reason to expect the ANC would

One can predict occasions when Cosatu and organised business will form a temporary alliance against the Government

hesitate to push Cosatu 'into line' by playing upon the pressures that it is itself under from, for example, big business.

The notion that the ANC will play referee at times rather than policeman or enforcer of the new 'liberated' order in the GNU has not yet dawned upon some in Cosatu. But when this behaviour manifests itself it will undoubtedly strengthen the pro-independence arguments within the federation.

The RDP

However, while the ANC in government may find it useful to play business off against labour at one moment and labour off against business at another, there are limits to this option.

At one level Cosatu and business will continue to engage in the bipartisan consensus arrangements that have developed to date. Thus one can predict certain occasions when Cosatu and organised business will form a temporary alliance against the Government to push, for example, for industry policy priorities when the government is seeking to address land reform priorities.

But if we go beyond such tactical arrangements and political gamesmanship to a more fundamental level, alliances will be determined by the degree of common ground on the RDP.

Cosatu's expectations

The RDP is effectively the brainchild of Cosatu. It is an attempt to tie the ANC in Government to a reforming course, and the prominence of the RDP in the 1994 election campaign will make it impossible for the ANC to abandon it.

The essence of the argument will reduce to what is or what is not economically feasible and the extent to which the ANC feels obliged to water down the RDP in practice. It will assist the ANC considerably, in the face of Cosatu pressure for rigid interpretation of the RDP mandate, that the RDP is a rather vaguely phrased program.

But the room for manoeuvre is limited: the RDP is already a considerable watering down of Cosatu's earlier positions. It is a compromise which both the ANC and Cosatu were obliged to accept in the heat of the election campaign at a moment when a serious fracture in the Alliance was not something either party could have easily justified.

Delivery pressures

With the election hubris over, the Government will be from the side of business, whose immediate response to the RDP on its publication was to brand it a 'wish list', 'Utopian' etc.

At the time of writing, business was very polite and supportive of the RDP principle. The problems will emerge when the RDP comes to be costed in detail and when implementation looms closer.

It is a measure of business success in back the ANC's economic policy since February 1990 that, whereas four years ago the barrage of capital's propaganda was directed against the 'folly' of nationalisation it is now able in similar vein to decry as **Utopian** a policy which does not propose one iota of even fiscal redistribution mechanisms against the wealthy.

It is also a measure of the degree of incorporation of Cosatu leadership into the future planning consensus - that the ANC and big business - that "socialist" policies reaffirmed at union conferences less than a year ago have been quietly swept under the carpet.

This clear gap between Cosatu leadership and its most active membership rankings, shop steward cadres, will cause friction within the Federation as soon as the election 'honeymoon' is over. But more of this later.

If, as I have suggested, it is the extent to which the ANC led government delivers on the RDP which will to a large extent determine the ANC/Cosatu relationship in the coming years, then it is appropriate to examine briefly whether or not some reasonably satisfactory RDP can be delivered.

It must be noted immediately that the new Government's burden is far from being an easy one. The task of restructuring an economy in deep structural crisis according to a new development model at the same time as permitting the flowering of the new blooms of democracy will require skilful handling.

Changed realities

Speculation as to whether South Africa should follow models such as the Korean growth path overlook the changed global realities as well as the changed domestic reality. A dirigiste State, such as the Korea state in its crucial growth phase, would not be acceptable to parties to the shaky compromise government, and lurching

ANC room for manoeuvre is limited: the RDP is already a considerable watering down of Cosatu's earlier positions

There is a clear gap between Cosatu leadership and its most active membership rankings

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new government will have to coax and
to a large extent rather than instruct;
specialty when it comes to unblocking
antagonism to Cosatu's
inSremtion of the ANC's duties regarding
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r tprnationalb. the Cold War dollar supply is
er South A'Trica will not get a Marshall
- or e\en a Korean-level input, in the
new world of geo-economics.

Simply translated, as South Africa is not to be
a bulwark against Russian bear or Chinese
dragon, it will get precious little special
treatment and will be left to attract capital
according to its own resources: a medium
sized country with a huge human resources
development backlog, situated far from the
hub of global economic activity at the foot of
the most economically depressed continent
on the planet.

Whether justified or not, the ANC
Government tendency will be to appear as
squeaky clean as possible in terms of
International Monetary Fund A World Bank
guidelines to ensure that its attractiveness to
investors is maximised.

A diluted RDP

How will Cosatu respond to an RDP program
which limited finances force the ANC to
interpret in a minimalist way? Will there be
mass action seeking to enforce Cosatu's
interpi elation

This is far mm e difficult to predict than six
months ago because Cosatu itself is in a state
of flux. e\en crisis. Almost the entire senior
leadership cadre in the Federation and its
"major alliliate>- has gone into national and
regional go\ei nment, or will soon filter
through into the new Civil Service or are
Simply, for pel sonal reasons, moving off to
Pastures i v u.

The loss of ihis experienced leadership is all
ine more noteworthy because their
Wperience u ,is simply managing the
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living but. ei ucially for RDP delivery, was
cn man_ h1,artJte and bipartite fora where
nsensus u>i ,l least clearly articulated
nations as ,i basis for serious negotiation)
f'ls de\eloped in respect of the actual
'W'oiings of control and governance in a
Ul Pitahst economy.

rflc bctu een this level of departing

leadership and those below them is very
considerable. The next generation of leaders
will inherit high membership expectations at
a time when the unions, for internal structural
reasons, will be largely unable to convene
sufficient meetings, discuss adequately with
members, educate its constituency nationally,
or decide democratically on best options
available.

If we add to this scenario of considerable
confusion the large numbers of
semi-unionised and non-unionised workers in
the public sector, many of whom have recent
experience of toppling governments by strike
action, then we have a recipe for considerable
disruption.



Anna Zieminski - Atrapix

Managing dissent

There are, however, various indicators
suggesting that the post-elections transition
between the old ANC-Cosatu relationship
and the new version could nevertheless be
manageable in the ANC Government's terms.

For example, the ANC can expect a
reasonable honeymoon period after a popular
election victory and the subsumption of so
many union leaders into Government will
make it easier for the ANC to 'lean' on
Cosatu and its affiliates to allow breathing
space for an RDP lift-off.

- The manufacturing and mineral extraction
sectors, which are by far the most
intensively unionised, can be left to
establish a degree of self-government
between unions and management.
Cosatu's Industrial Strategy Project is
already some distance down this road.
- Provided that disquiet about pensions can
be satisfactorily addressed, the processes
of restructuring and affirmative action

*Cosatu itself is in
a state of flux,
even crisis, with a
loss of
experienced
leadership*

*The gap between
the level of
departing
leadership and
those below is
very considerable*

There is a danger of a new sort of Cosatu - a less structured, more anarchic, and a leadership which manipulates worker discontent for personal gain

within the public service may deflect attention and energy towards less confrontational responses than strikes.

The likely moves by Cosatu towards merger with established bodies like Fedral could exert a 'moderating' influence and focus Cosatu's attention on internal restructuring issues for some time.

Tripartite role

From Cosatu's perspective the crucial question is whether the federation and its affiliates can overcome the setbacks of the enormous capacity loss they are undergoing and recruit new staff from the shopfloor, attract intellectual skills from other sources, rebuild union structures and begin once again, after years of absorption in the 'overthrow of Apartheid', to service their members to the degree that organisational loyalty is reestablished.

If this can be done then there is no reason why Cosatu cannot enter into sophisticated negotiations with capital and government to secure the best deal possible for its members - and the broader class constituency it speaks for - in these difficult times, and persuade its constituency that the deal on offer is the best that can be achieved at present.

If this important internal work in Cosatu is neglected then the danger exists of a new sort of Cosatu emerging, far less structured, more anarchic, with less coherent policy positions and a tendency to demagoguery amongst leadership who seek not to organise workers but to manipulate workers' discontent and sporadic disruptive outbreaks for personal political gain.

The gradual decline of Cosatu and its likely splintering, in this scenario, should not be viewed with anything less than grave concern by an ANC led Government whose trajectory of a mildly reforming social democratic consensus requires coherent and stable social partners.

To the extent that the ANC is committed to this trajectory - and certainly the ex-Cosatu leadership now in government will be pushing along this path - there is good reason why the ANC should follow a policy of actively promoting the health of its closest social partner. This could involve a range of

facilitatory interventions, for example-

- Legislation for paid time off for union sponsored training courses on the basis of trade unionism;
- State promotion of funding for mechanisms whereby unions could inform/be mandated by their members regarding macro level issues such as economic restructuring.

Towards consensus

The implied goal of 'social partnership' is soon likely to be the norm of ANC Government public policy statements in this area. It is of the essence that the talk of partnership be more than rhetoric,

If middle ranking leadership cadres in Cosatu conclude that partnership talk is merely an attempt to demobilise them, then the seeds will be sown for a return to class conflict rhetoric on the Cosatu side.

Rhetoric is used here advisedly: there has been no development within Cosatu of an ideological revision bridging the gap between Gorbachev era socialism and the *de facto* political standpoint of the federation's present leadership.

For Cosatu, in the absence of a coherent neo-socialist or post-socialist vision (and Cosatu is not the only 'left' organisation in the world to lack such a vision at this time) the immediate task must be serious attention to the basics of reconstruction and development.

It should be possible for the ANC and Cosatu to walk this road together with a reasonable degree of common purpose for the foreseeable future. The frustration which this scaled down version of 'liberation' will engender within Cosatu has an obvious counterpoint which will favour step by step reformers.

The models of Bosnia and Rwanda continue to remind us that the Pax Americana/Pax Sovietica is over, and all too fresh memories of the pre-election violence bear witness to the end of the Pax Pretoriana. The arguments for the ANC and Cosatu to construct a consensus conducive to social peace will be very compelling.

For Cosatu, in the absence of a coherent post-socialist vision, the immediate task must be attention to the basics of its reconstruction

K NEW CHAPTER

**By Lael Bethlehem
Industrial Strategy Project**

The restructuring of the manufacturing sector is crucial to the renewal of the South African economy- The experiences of the pulp and paper industry highlight industrial weaknesses but also suggest new strategies for the future

Rhe manufacturing sector has a key role to play in the renewal of the South African economy. But restructuring is needed if it is to make a sustained contribution to reconstruction and development. Not only will our industries have to compete with international markets, but they will also have to meet the changing needs of local consumers.

In attempting to develop strategies for industrial restructuring we have much to learn from the experience of the paper sector. The successes and failures of the manufacturers and converters of paper in South Africa illustrate some of the fundamental opportunities and limitations of the country's development path over the past 40 years.

The experience of the sector also suggests new strategies for the future. An understanding of the industry therefore not only helps to chart the way forward for the sector itself, but also for manufacturing more generally.

The paper sector

Paper production was first attempted in South Africa in the 1820s, but the first commercial Paper mill only began to operate in 1920. The Alliance's first fully fledged pulp and Paper company, South African Pulp and Paper (Sappi), was established in 1971.

Sappi produced very few paper grades at the time, making it necessary for South Africa to import the bulk of its paper requirements. Imports were cut off during World War II. There were chronic shortages of paper

and this gave impetus to the further development of the local industry.

Seven new mills were established between 1948 and 1970, and South Africa's first newsprint was produced in 1952. In 1967 a second major paper company, Mondi Paper, was established.

The South African state played an important role in developing the paper industry. Firstly, as early as the 1920s the state began to establish plantation forestry as a result of the scarcity of indigenous timber in the country.

This laid the basis for development of the industry, and the state continued to be the major supplier of pulpwood until the late 1960s. The state also facilitated development through finance from the Industrial Development Corporation and through investment incentives and tariff barriers.

Growth

By the early 1970s the industry was well established, and the decade saw a period of consolidation with continued growth in capital stock, employment and output.

In the mid 1980s the industry entered a period of spectacular growth, despite the country's persistent economic and political crises, because large quantities of mature timber were coming on stream. Given the prolonged weakness of the local economy, however, new markets had to be found for the mature timber supplies.

The solution came in the form of export-led growth following largely from the establishment of two world scale pulp and paper mills in 1984: Sappi's Ngodwana mill

The state facilitated development through investment incentives and tariff barriers

The mid 1980s saw spectacular growth, despite the country's persistent economic and political crises

Ngodwana paper mill was the country's largest private investment ever

and Mondi's Richards Bay mill. Each of these were massive constructions requiring investments of over R1 billion. Ngodwana was, in fact, the largest private investment in the country's history.

The 1980s also saw the expansion of a number of other mills, an annual average increase of 7,9% in the industry's fixed capital stock and a steady growth in employment, averaging 3,2% per annum.

By 1990, 17 310 workers were employed directly in the pulp and paper industry, and 60 000 were employed in forestry. The growth in capital stock and employment were both in sharp contrast to trends in the manufacturing sector as a whole.

The physical output of the industry also showed striking growth in this period. The volume of pulp production increased by 40% between 1980 and 1990, while paper and board production expanded by 33%. Growth was largely due to exports but also reflected the deepening of import substitution. The volume of pulp imports declined by 90% and paper and board imports fell by 45%.

But overall growth in the local market was limited. Although total consumption of paper and board increased by 12,5% between 1980 and 1990, per capita consumption declined. This reflected the poor economic position in the country as a whole.

The 1980s also saw a rise in the overall profitability of the industry, although profit levels fluctuated due to international trading conditions and local levels of investment. Wages saw a steady growth as did labour and capital productivity. Given the rise in labour productivity, the unit cost of labour declined in real terms.

By the end of the 1980s, South Africa had become a small but significant player in the international pulp and paper industry. By 1990, it was the 12th largest exporter of pulp and the 20th largest exporter of paper and board in the world.

The industry's position was consolidated when both Sappi and Mondi bought interests in the European pulp and paper market between 1990 and 1992.

Critical role

The pulp and paper industry has established a significant presence in the manufacturing sector, and its future development is important to a number of economic and social objectives. The industry has the capacity to make a meaningful contribution

to employment growth, investment and improved position in the balance of payments. It also has an important role in reconstruction and development

Firstly, much of the industry is located in rural areas and its development will improve the future of regions such as the Eastern Transvaal and northern KwaZulu-Natal.

Secondly, the industry's performance has a critical impact on educational expansion because of its influence on the price and quality of textbooks and other learning materials. Paper contributes about 20% of the price of an average school textbook, so that even a small saving in the cost of paper would translate into a substantial benefit for the national education budget.

Thirdly, the price and quality of packaging paper has wide effects throughout the economy since a vast proportion of consumer goods are packaged or transported in paper or cardboard boxes.

Given these factors, the development of the industry has important economic and strategic implications. It also has significant implications for labour and the environment.

Perhaps the most urgent issue for labour is the continued low level of wages in the forestry industry and the increase in subcontracting which has led to a decline in pay, organisation and working conditions. Organised labour also faces conflicts over bargaining levels, work organisation and health and safety.

The industry's impact on the environment is substantial and includes the effect of commercial forests on biodiversity and water supply, and the effect of pulp and paper mills on river systems and air quality.

Intervention

There is clearly a large economic, social and environmental burden resting on the paper sector. Given the successes of the 1980s, one might argue that the industry is doing well enough and that little is required in the way of strategic or policy intervention.

But the fact is that for all its recent development, the industry is trapped in a familiar South African cycle: it relies on raw material advantages for its competitive position and fails to add value to local materials before exporting them.

As a result the industry follows a pattern of exporting low value goods and importing value added items. In addition, the price of

Wages saw a steady growth in the 1980s, as did labour and capital productivity

The industry has an important strategic role in economic reconstruction

The industry is trapped in a familiar South African cycle: it relies on raw material advantages for its competitive position and fails to add value prior to export

... costs in South Africa is high despite its competitive advantages.

The source of competitive advantage in the sector is cheap timber. South Africa has a great advantage when it comes to growing wood. Because of our hot, moist climate trees grow much more quickly here than they do in northern countries, and at present our wood costs are around 25% cheaper than theirs.

The cost of wood has an enormous influence on the cost of producing pulp and paper, since wood is the most important raw material for these products. A second important advantage is the low cost of industrial energy.

As a result of these advantages South Africa is a highly competitive producer of wood chips, pulp and low value papers such as newsprint and packaging paper. Our exports are concentrated in products fairly close to raw material stage, and are growing.

South African companies have been much less successful in manufacturing higher value products such as fine papers, tissue products and printed goods. South Africa imports a relatively large proportion of these. Our significant raw materials advantages are not passed on to the South African consumer, who continues to pay high prices for paper products which suffer quality problems.

Strategy

A comprehensive strategy is needed to shift the industry towards a value added strategy. There would be a number of advantages in doing this.

A steady climb up the value chain would: create new employment in a sector which invites significant human resource development and pays wages above the manufacturing average; create greater foreign exchange earnings and savings; and lower the price of paper and paper products in the local market.

Here are four main reasons why the industry has been unable to move significantly up the value chain:

Inefficiency

(given the high overhead costs of running pulp and paper mills, production efficiency is critical. South African mills tend to produce at lower rates of efficiency than comparative mills, for example in Europe (Table 1).

Local mills produce higher levels of defects and waste, and achieve lower yields on their capital and raw material inputs. They require

Table One: Comparative efficiency of South African and European kraft pulp mills 1992/3¹

	SA pulp mills	European pulp mills
Planned downtime	4.4%	2%
Unplanned downtime	5.4%	0.9%
Raw material yield	87%	96%
Person hours per ton	5.1	2.07

NOTES

1: Based on a sample of local and European kraft pulp mills.

more person hours per ton of product, but are forced to discount goods more often as a result of quality problems.

Local mills also have higher levels of 'downtime', when machines are not running due to production problems. In a capital intensive environment, this is very costly and points, among other things, to a paucity of problem solving skills.

These inefficiencies are linked to the way that work is organised and managed in South African mills. We tend to have many more levels of management, more supervisors, less teamwork and more conflict than international mills. Our skill levels also tend to be much lower, as a result of poor education and low levels of industry training.

Small market

The market for printing and writing papers in South Africa is relatively small because most South Africans have had limited access to books, magazines, printed materials and writing papers.

The market is also highly fragmented and local paper companies have to produce many different types of paper in order to meet local demand. It is much less efficient for a mill to produce a very wide variety of papers than it is to produce long runs of a limited range. Companies must sacrifice economies of scale and produce at low levels of efficiency.

The idea of producing small quantities of a wide variety of products has its roots in import substitution, where local manufacturers are protected by tariff barriers. It is unlikely this could continue in a free trade environment.

Inadequate technology

While most of South Africa's pulp mills are relatively new and employ state of the art technology, many of the board mills, and printing and writing paper mills, are old, rely on outdated technology and are inadequate compared with newer world scale mills. Substantial investment will be required to make them more internationally competitive.

Competition

The price of paper is not only determined by

The price of paper goods in South Africa is high despite our competitive advantages

A comprehensive strategy is needed to shift the industry towards a value added strategy

Many of the mills are old, rely on outdated technology and are inadequate compared with newer overseas mills

Despite environmental and some economic disadvantages, there are compelling reasons to encourage development of the sector

The commitment of state funds through the Industrial Development Corporation should be considered

the actual cost of producing paper, but also by competition in the market. Certain categories of paper are produced by only one company in South Africa, giving them a local monopoly and inflating prices.

In addition, foreign competition is limited by tariff barriers and by our physical distance from other major producers. As a result, local producers are relatively protected from international competition. Until recently this situation was exacerbated by sanctions. Since their lifting imports have increased steadily, particularly in the fine paper market.

One implication of limited competition is that local paper converters are forced to pay prices above the prevailing world market price for their paper inputs, even when (as with packaging paper) South Africa is a low cost producer of those papers. This is one factor which constrain the performance of local manufacturers of converted paper products.

We can conclude that at present our enormous raw material advantages are used to offset the costs of inefficiency and of our peculiar market structure, rather than to build comparative advantage throughout the paper pipeline.

Development

It is important to assess whether it is in South Africa's interests to use public resources, financial and otherwise, to assist the development of the paper pipeline. It is possible to argue that capital, land and water resources would be better utilised elsewhere, and that the development of this industry is not a priority.

In particular, it may be argued that given the environmental problems associated with both commercial forestry and pulp and paper manufacture, the further development of the sector should be constrained. The low profitability rates of the pulp and paper industry since 1989 could also be interpreted as a reason to discourage further investment.

But there are compelling reasons why development of this sector should be encouraged. The first of these is the need to meet the expected growth in local demand for paper and paper products, without placing undue pressure on the balance of payments.

The second is that the sector is already an important earner of foreign exchange, and could increase its contribution. Thirdly, important employment opportunities would arise from the expansion of the sector. Finally, the medium term profitability of the

international market for paper is expected to recover.

Improvement

What would it take to improve the position of the pulp and paper industry and to begin translating our raw material advantages into successful manufactured products? A long term strategy would need to be centred around the following:

- A programme of efficiency improvement codetermined by management and organised labour. This would be designed to improve defect downtime, yield and quality performance and would need to empower factory workers and their trade unions. A simple strategy of wage restraint would not help since the cost of labour is a small proportion of total costs in this capital intensive sector.
- A plan to lower the price of locally produced papers, particularly for those papers which serve as key inputs to the converting industries. This could be achieved through a combination of tariff reduction and encouraging economies of scale in the manufacture of key commodity papers.
- A program of investment in the local industry, particularly in the board, fine paper, and printing sectors. Partnerships between local and international firms should be considered.
- Given these and given adequate environmental assessment, it should be possible to begin to expand capacity in certain areas. It is recommended, for example, that another pulp mill be built in order to take up available timber resources currently being exported in the form of wood chips. The commitment of state funds through the Industrial Development Corporation should be considered.
- Strategic direction could be given by an industry task force similar to those in the auto, clothing and textile, and electronics industries. A task force could operate under the auspices of the National Economic Forum and include companies, unions, state departments and interested parties such as environmental groups.

Whatever the final policy package, it is important that a comprehensive approach be taken to the strategic development of the sector. Without sustained strategic planning we will be unable to maximise the immense potential of the paper related industries.

* This article is based on Lael Bethlehem's study of the paper sector, conducted for the Industrial Strategy Project. The full study will be published shortly by the University of Cape Town Press.

COMPARATIVE

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Southern Africa: Comparative Economic Indicators

Country	Popul. 1990 (million)	GNP per capita 1990 (\$)	GDP ,1990 (\$bn)	Real GDP growth 1986-90 (annual ave. % change)	Total external debt 1990 (\$mitl)	External debt service as % of exports 1990	Food product. per capita 1986-90 (1979-81 = 100)	Manuf as % of GDP 1990
Angola	10	n.a.*	7,7	4,1	7,710	n.a.	83	4
Botswana	1,3	2,040	2,7	8,4	516	4,4	71	(6)
Lesotho	1,8	530	0,34	6,4	390	2,4	80	(14)
Malawi	8,5	200	1,67	2,7	1,544	22,5	83	14
Mozambique)	15,7	80	1,32	3,6	4,718	14,4	84	n.a.
Namibia"	n.a.	n.a.	n.a.	2,9	n.a.	n.a.	94	(5)
Swaziland	0,8	810	n.a.	5,1	n.a.	n.a.	100	n.a.
Tanzania	24,5	110	2,06	3,7	5,866	25,8	90	(10)
Zambia	8,1	420	3,12	-0,2	7,223	12,3	97	43
Zimbabwe	9,8	640	5,31	3,1	3,199	22,6	94	26
South Africa	35,9	2,530	90,72	15	n.a.	n.a.	88	26

NOTES:

Figures in brackets are for years other than those specified
n.a. means not available in the source.

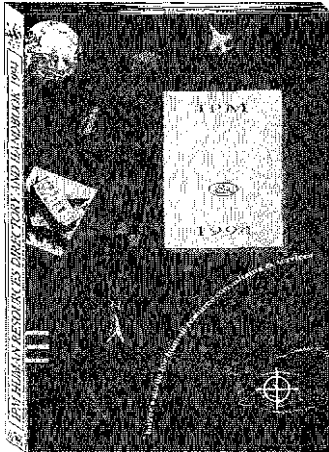
GNP per capita is estimated to be around US\$600-650

Reliable data are not available for 1990. The population is estimated to be 1,3 million and the GNP per capita is estimated at US\$1,1-1,2mil.

SOURCE

From the World Bank: *World Development Report 1992*. New York: Oxford University Press, 1992
and (for columns on GDP growth rates and food production) United Nations *Africa Recovery Paper No 4, 1991*.

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Integrating Africa

By Junior Potloane
General manager, Nedcor Bank

South Africa's role in Southern Africa is a hotly debated issue. There is definite potential for mutually beneficial cooperation, but this country's involvement is likely to depend on its ability to overcome its own vast economic and development challenges. Whatever transpires, South Africa's reconstruction must take account of economic cooperation.

Over the last three decades, the international political and economic order has been characterised by transition towards new global structures. The political process has been dominated by East-West tensions and growing North-South conflict.

Meanwhile, popular participation has replaced ideologically driven policies in Africa. On the economic front there has been increasing integration, regional trade bloc formation, vigorous competition for export markets and capital, and declining commodity prices of manufactured goods.

Economic cooperation and integration has gone through various thresholds as reflected by the North American Free Trade Agreement, Canadian-American Agreement, Maasriel Treaty and the recently concluded General Agreement on Trade and Tariffs. Africa has been marginalised in this international process.

Cooperation

Both Africa and in particular Southern Africa has moved towards closer cooperation. The Southern African Customs Union is being reviewed, the Southern African Development Community was recently reviewed, the Lagos Plan of Action, the Economic Community of West Africa, and the Preferential Trade Area for Eastern and Southern African States all stand in African developmental history as benchmarks towards closer cooperation.

Today, after decades of estrangement and turmoil. South Africa's relations with its neighbours and more distant African countries are being normalised. This will be the most important threshold thus far for

closer cooperation and integration between South Africa and her neighbours, and is essential to stimulating economic development within the region.

A counter argument is that South Africa's interaction will result in economic domination leading to the weakening and dependency of her neighbouring economies.

The dimensions of this debate centre around the issues of present regional cooperation institutions, the positive and negative effects of transition with regard to regional integration, and the relationship between economic restructuring in South Africa and regional integration.

All major parties in South Africa appear to agree that the post-apartheid period will bring closer regional cooperation and economic integration between Southern African countries. However, differences have emerged over the approaches and the terms on which cooperation should be built.

The important breakpoint in the debate is the extent to which South Africa's own development challenges, which are vast, will entrench the country's dominant position and result in policies that are harmful to our neighbours.

Development

The South African economy has been characterised by declining economic growth and growing unemployment. There has been a massive and sustained deterioration of the country's economic performance in the last two to three decades, and especially in the last decade. It is also clear that the poor performance is of a structural rather than a cyclical nature.

Economic cooperation and integration has gone through various thresholds. Africa has been marginalised

South Africa's development challenges could entrench the country's dominant position and result in policies harmful to our neighbours

It is clear that South Africa's poor economic performance is of a structural rather than a cyclical nature

It is estimated that there will be 18,4 million people living in poverty by 1995

These problems have been exacerbated by the need to address income and welfare inequalities. It will be crucial for a future Government to ensure higher levels of economic growth, and to reconcile efficiency and equity. The major question is how South Africa can be moved onto a higher growth path while simultaneously addressing backlogs and inequalities.

South Africa faces structural economic problems which require adjustment and deep seated socio-economic, political and security challenges which require transformation. Development and economic constraints must be addressed together.

Two categories of inequalities can be identified: structural inequality in the distribution of property, power and control of other productive resources, and the unequal opportunities, income and consumption available to different race groups.

Inequalities

Inequalities in the distribution of income and high incidence of poverty are rife in South Africa. Apartheid policies resulted in a sharp divergence in per capita income and spending across racial groups. Social indicators for whites are comparable with developed countries, but for Africans they compare with poorer countries.

South Africa has one of the most inequalitarian income distributions in the world. Whites receive incomes of around 9,5 times those of Africans and per capita social spending for whites was 3,7 times higher than for blacks. It is estimated that there will be 18,4 million people living in poverty by 1995, most of them black.

There are stark differences between spending in white and black areas. An estimated 5,3 million people are functionally illiterate and around 1,8 million people, of whom 90% are black, have no education at all. Four times more is spent on educating white children than black children. South Africa spends R550 per capita annually on health care, yet the majority are without such services.

While 55% of the urban population have good water and sanitation, less than 40% of rural people have adequate water supplies and less than 10% have any sanitation. Lack of shelter for black South Africans has reached crisis proportions. The housing backlog is estimated at 1,2 to 1,3 million units. Black people have limited access to electricity and telecommunications. Only 29% of black houses in urban areas are electrified and 13% of rural homes.

A policy to rapidly urbanise a substantial proportion of the rural population is important

The challenge is to ensure parity and participation together with the macro economic goal of growth in the economy

The major task now is to achieve consensus on the adjustment and transformation programme

Addressing the skewed distribution of land is a major challenge. There are around 1,2 million subsistence farmers on 16 million hectares against 60 000 white commercial farmers on 11 million hectares. White farmers earn 75% of total gross income from agriculture.

A policy to rapidly urbanise a substantial proportion of the rural population is important. It could stimulate economic growth while allowing for social objectives to be met efficiently and relieving rural areas of 'surplus' people.

The challenges of poverty and inequality must be urgently addressed in South Africa, and this will have far-reaching implications for the economic and social dynamics of the Southern African interaction.

Progress in the political sphere leads to progress in the economic sphere and vice versa. In South Africa especially the legitimacy of any economic system is important. Hence, the challenge is to ensure parity and participation together with the macro economic goal of growth in the economy. No government will gain legitimacy or stability if not committed to addressing economic and social injustices.

It is significant that the major role players in South Africa have reached consensus on socio-economic and political challenges. The major challenge now is to achieve consensus on the adjustment and transformation programme.

Regional cooperation

One of two approaches to regional cooperation emphasises the economic integration of markets. Four types of mechanisms are identified.

Firstly, a free trade area which eliminates customs tariffs and quotas between neighbouring countries. Preferential access to markets, seen in the Preferential Trade Area (PTA) for Eastern and Southern Africa, is a step towards such an arrangement.

Secondly, a customs union where live trade conditions are extended to include adoption of a common external tariff. The Southern African Customs Union (SACU) is an example of this.

Thirdly, a common market where customs union arrangements are extended to include the abolition of all restrictions on movements of capital and labour among members. The Common Monetary Area (CMA) moves in this direction but does not allow for the free movement of labour.

The final step is economic union, with integration of the national economic policies of the member states.

The earlier approach to regional cooperation is based on development or planned

coordination. This is associated with attempts by the Southern African Development Community (SADC) to coordinate the development of its members. This strategy emphasises the need to direct trade and investment flows to achieve balanced development.

The Southern African Development Community

SADC emerged in 1980 with nine members: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Namibia joined in 1990.

These states were concerned about the extent of the region's dependence on South Africa and the rest of the world. Reducing this dependence became the main goal, to be achieved through the coordination of regional development. Priority was given to transport and communications, and later to food and security. In 1992, the emphasis shifted to trade integration, bringing an overlap with the aims of the PTA.

The Preferential Trade Area for Eastern and Southern African States

While SADC's origins were political, the PTA was designed to establish a preferential trade area. The main objective was to eliminate tariffs and other obstacles to member countries to achieve a free trade area.

This was seen as a first step towards establishing a customs union, subsequently a common market and eventually economic union between the countries of Eastern and Southern Africa. The PTA has 19 members which cover a geographic area from Lesotho to the Sudan, and from Mauritius to Angola, but the SADC countries, only Botswana is not a member.

The PTA concentrates on intra-regional trade and has set up a clearing house to facilitate trade. However, trade is dominated by Zimbabwe and Kenya and is limited because trade deficits through the clearing house must be balanced in scarce hard currency.

On the positive side, the PTA has had significant success in lowering trade tariffs between member countries and is aiming at a common market by the year 2000.

While SADC is associated with the planned coordination approach, with some measure of state intervention to steer the investment process. The PTA is associated with a market

based approach, where market forces largely produce regional integrative processes.

The Southern African Customs Union

The SACU, a customs and excise union between South Africa, Botswana, Lesotho, Namibia and Swaziland, is the oldest trade agreement in the region. The present SACU Agreement was negotiated in 1969, with Namibia becoming a formal member in 1990.

It provides for duty free movement of goods and services between member countries and also for a common external tariff against the rest of the world. It goes beyond a pure customs union because it includes excise duties as well. SACU is the only economic integration arrangement in Southern Africa.

SACU survived despite South Africa's economic dominance because Botswana, Lesotho and Swaziland, in recognition of the disadvantages of being in a custom union with a more developed country, receive increased shares from the common revenue pool. The agreement also includes measures to encourage industrialisation in smaller countries while retaining their access to the South African market.

The advantages to South Africa have generally been regarded as political rather than economic. SACU is a visible sign of cooperation between South Africa and her neighbours. But recently there has been doubt about the balance between political advantages and the financial costs to South Africa of the revenue sharing formula.

The Common Monetary Area

An agreement in 1974 created the Rand Monetary Area (RMA) between South Africa, Lesotho and Swaziland which formalised monetary integration. It gave smaller countries some influence over their own monetary policy and control over their own financial institutions. But South Africa had the decisive role.

This was superseded by the Common Monetary Area in 1986, which allowed Lesotho and Swaziland to hold all or part of their foreign exchange reserves in non-Rand currency and allowed Swaziland to vary the exchange rate of its currency.

The CMA led to the Multilateral Monetary Agreement (MMA) of 1992 which includes Namibia. The MMA is accompanied by bilateral agreements between South Africa and each of its partners. Common exchange controls apply in that the CMA retains the free movement of funds among member countries and Swaziland, Lesotho and Namibia have access to South Africa's capital market.

The SADC states were concerned about the extent of the region's dependence on South Africa and the rest of the world

The PTA has had significant success in lowering trade tariffs between member countries and is aiming at a common market by the year 2000

SACU is the only economic integration arrangement in Southern Africa

The advantages to South Africa of SACU have generally been political rather than economic

South Africa is seen as the engine of growth for the economies of Southern Africa and even for the whole continent

South Africa may may block economic transformation, attracting investable resources away from the periphery

Improving transport infrastructure between South Africa and the region has benefits to all players

Cooperation with Lesotho on the Lesotho Highlands Water Scheme will not be sufficient to meet South Africa's increasing water demand

Mutual benefit

The importance of regional cooperation for South Africa has been realised. ANC statements have indicated willingness to foster economic cooperation through the Organisation of African Unity, SADC and the PTA. But at present the extent, form and ways of regional cooperation for post-apartheid South Africa are undecided.

Decisions on South Africa's approach to regional cooperation will depend on what the prospects for cooperation are. Cooperation should contribute to the economic development and growth of South Africa and her neighbours, but should not lead to dependence on the country. Mutual benefit should be strived for.

The prospects for regional cooperation must be viewed within the context of South Africa's economic role within the region. South Africa is clearly the regional economic power and is likely to remain so in the foreseeable future.

It accounts for three quarters of the region's GDP and about 57% if East and North East Africa is included. South Africa's Gross National Product is almost seven times that of other Southern African countries.

South Africa is seen as the engine of growth for the economies of Southern Africa and even, along with Nigeria and Egypt, for the whole continent. Underlying this theory is the belief that there will not be conflict of interest between a dominant centre and the periphery, and that there will be an equal distribution of benefits to ensure equitable regional development.

South Africa may may block economic transformation, providing no new trade opportunities for the periphery and attracting investable resources away from the periphery to the centre.

It must be borne in mind that the South African economy is weak and has been stagnating. It faces enormous challenges addressing massive backlogs with limited resources, so has limited prospects of making its own resources available to the region. The new Government could be so preoccupied with domestic socio-economic reconstruction that it has little political will to focus on regional policies.

Nevertheless, in the course of South Africa's reconstruction, additional access to capital, increased trade and the improvement of the economy and its human resources will contribute to economic development of the Southern African region.

While the nature and extent of regional cooperation has yet to be decided, potential areas of cooperation within the region can be identified. Five major areas stand out: hydroelectric power, transport, water, telecommunications and financial institution

o *Hydroelectric power*

In 1985 South Africa accounted for 76% of Southern Africa's total electricity supply generated and for 79% of the total installed capacity. Botswana, Lesotho and Swaziland are on this country's electricity supply.

The existing and potential electricity generating capacity of Southern arid Central African states has not been fully exploited, so there is capacity for cooperation between South Africa and the region

o *Transport*

Improving transport infrastructure between South Africa and the region has benefits to all players. Transport costs will be lower and existing infrastructure fully utilised. The use of all harbours within Southern Africa will allow for maximum efficiency of transport infrastructure. Regional utilisation of South African railway stock and expertise will improve bulk transport within the region.

o *Water*

Water shortages in South Africa are a major problem. Cooperation with Lesotho on the Lesotho Highlands Water Scheme has been undertaken, but that will not be sufficient to meet South Africa's increasing water demand. The possibility has been raised of channelling water from the Kariba Basin, which would benefit all in terms of additional revenue and infrastructure.

There is also potential to increase trade already taking place between South Africa and the region, consisting mainly of primary and manufactured products exported from South Africa and imports of agricultural products into the country. Tourism also constitutes a significant two way trade.

o *Telecommunications*

Cooperation in the sphere of telecommunications goes hand in glove with establishing communication links. Potential for cooperation includes technical, financial administrative and training areas. The scope for cooperation over air links, telecommunications and road transport has major potential.

o *Financial institutions*

Cooperation between financial institutions is another major area that could be exploited in sub-Saharan Africa. South Africa clearly has the most sophisticated financial markets and institutions. They could support international

- do regionally and allow regional countries to play a significant role in international finance and markets, South Africa would play an important role in developing sophisticated financial systems and institutions within the region.

Other areas

Creating a Southern African Development Bank to fund industrial development, infrastructure and equity capital in the least developed areas of the region should be given serious thought. It could be funded by a common revenue pool as well as by concessionary funds from international institutions such as the World Bank.

There is potential for interaction between South Africa and the region in areas such as medical and veterinary research, conservation, involvement of professionals and companies in specific projects and capacity building.

A local resource beneficiary policy, industrial location policy, and infant industry protection could be applied for mutual benefit of the region. Potential benefits of economic cooperation between South Africa and the region clearly exist. Mechanisms would be required to ensure that the benefits of cooperation are equitably distributed.

It is important to note that cooperation will require political will. In South Africa's case this will be dependent on the nature and extent of internal challenges and the extent to which South Africa will be able to release scarce resources to foster cooperation.

Economic integration

Regional integration of markets is encouraged as part of South Africa's reconstruction programme. It will allow economies to open up, leading to economic liberalisation within the region.

Coordinated action is expected to assist mutual adjustment programmes, and to present a united regional front able to withstand international competition.

It is important for South Africa to realise that regional economies are interdependent, and with adjustment programmes in one country will affect other economies in the region. It is necessary for reconstruction and adjustment programmes to take cognisance of this, and to embed regional economic cooperation into these programmes.

South Africa is to develop a meaningful reconstruction and development programme

the following must be focused on:

- Regional interdependence and the effects of adjustment measures beyond national borders;
- The harmonisation and coordination of macro-economic and sectoral policies to achieve the objectives of integration and adjustment;
- Encouraging and supporting sectoral reform policies at regional level; and
- Promoting regional interdependence through trade liberalisation and the creation of sub-regional preferences.

Conclusion

While the need for regional integration has been given priority, the extent to which South Africa should involve itself is still hotly debated. The new socio-economic and political situation in South Africa will have a definite influence on the country's regional role. South Africa's own economic and developmental challenges may force the regional integration issue to become a less urgent priority.

The extent and level of South Africa's role within the region will depend on its own progress in the socio-economic spheres. But while South Africa's challenges seem daunting, the potential for cooperation in various identified fields must be pursued.

This will not only contribute to South Africa's economic growth, but will also make markets, expertise and infrastructure available to the region. Cooperation will contribute to regional political stability while fostering mutual economic linkages. Mutual benefit should be the guiding principle of regional integration and cooperation.

Finally, individual countries in Southern Africa would have to pursue the national processes in which they are engaged to restructure and develop their economies. Regional integration should not be viewed as the answer to individual countries' economic woes, but as one of the strategies for regional economic growth and development.

NOTE

This article is extracted from a paper 'Relating the Internal and External Dimensions of Integration: the South African Case' delivered at the Integration and Regionalism International Colloquium in Talence, France, April 1994.

The potential for cooperation in various identified fields must be pursued

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Trading Places

*By Claire Allen and Rolf-Joachim Otto
Department of Economics, University of Natal*

Reforming Eastern European countries are experiencing rapid economic change. Their markets are expanding and their trade is increasing. South African entrepreneurs should grasp the opportunity to establish themselves in these emerging markets, opening up trade and gaining a foothold in the increasingly inaccessible markets of Western Europe.

Relatively liberal countries such as Poland and Hungary have made substantial progress towards market based economic systems

With the fall of the Iron Curtain in 1989, East European countries such as Poland, Czechoslovakia and Hungary severed their traditionally close ties with the Soviet Union, seeking a closer association with Western Europe.¹

This necessitated a move away from centrally planned to more market oriented economic systems. The extent to which this was achieved depended on the political environment in each country.

Relatively liberal countries such as Poland and Hungary have made substantial progress towards market based economic systems while those which are maintaining their socialist/Marxist ideologies, for example Romania, are still operating relatively centrally planned economies. These changes have had a significant impact on trade patterns.

Formerly, Eastern European trade was conducted on a bilateral basis, primarily among Council for Mutual Assistance (Comecom) members. The disintegration of the East European bloc altered this pattern. Trade, especially with Western Europe, has increased while trade with neighbouring Eastern Europe has deteriorated.

Trade patterns

At the end of World War II, the world was divided into a bipolar, politico-ideological system based on the two superpowers. At one pole was the North Atlantic Treaty Organisation and its allies, characterised by market oriented economies and relatively democratic governments, while the other pole was made up of centrally planned economies, consisting of Warsaw Pact countries: the Soviet Union and its East European allies.

Naturally this arrangement had an effect on the World trading patterns which developed. The centrally planned economies maintained a separation between foreign and domestic markets through state monopolisation of foreign trade and payments, and by domestic price autonomy which only intermittently equalised domestic and foreign price levels.

These features served to isolate Eastern Europe from the rest of the world, in particular its geographical regional neighbour, Western Europe. This situation was further compounded by the founding of Comecom, which aimed to promote the improvement of cooperation between member countries and the development of socialist economic integration.

However, as member countries pursued self-sufficiency, with national economic policies formulated under the supervision of the Soviet Union rather than the Council. Comecom failed to achieve its objective of region wide economic integration.

One of the major problems leading to the demise of Comecom was the fact that trade between member countries was strictly controlled, preventing the market from functioning freely. The composition and volumes of trade were negotiated between members, often failing to reflect prices which equated supply and demand. This resulted in chronic shortages of some goods and chronic surpluses of other goods.

It also led to a trade pattern where Eastern Europe, in trading with socialist countries, strengthened its position as an exporter of manufactures, while its imports from these countries consisted mainly of primary products and fuels. This pattern was replaced for non-socialist trade, where the proportion of manufactures exports was comparatively low and imports high.

The centrally planned economies separated foreign and domestic markets through state monopolisation and domestic price autonomy

... patterns that emerged, most countries attempted to balance their trade by exchanging goods within the same categories - barter trade. Because of current inconvertibility, where foreigners faced severe restrictions in holding currencies of Comecon countries, these arrangements were sometimes extended to trade with Western countries as well. But trade with non-socialist countries was restricted.

The prevailing situation in Eastern Europe was not unilaterally favoured by all Comecon members, many of whom resented the restrictive influence of the Soviet Union and the Council.

The demise of Comecon was therefore aided by the eagerness of most of its member countries to normalise their trading patterns, and to increase their trade with Western Europe and other Western countries.

Changes

By 1990 many were able to establish new economic and political systems, allowing them to expand trade with the rest of the world and in particular to strengthen their association with Western Europe. Rigidities in the old order made this a complex task.

In the past, central planners strived to balance trade by minimising imports. As a result domestic producers were protected from import competition, allowing them to concentrate on satisfying the objectives spelled out by central planners.

Most of these goods were decidedly inferior to those available on world markets: misallocation of resources was widespread while low productivity further decreased the competitiveness of Eastern producers relative to their counterparts in the West.

Inherent in the centrally planned systems was also a lack of price structure compatible with competitive markets, reflecting the demands for goods and services, plus realistic production costs.

These problems have led to severe economic and social turmoil in East Europe. Formerly uncompetitive state-run enterprises have closed down, leading to high unemployment and increases in price inflation. While reform is an outdated idea, it is costing more than expected. The result is increased nationalism, has led to instability in the region, manifesting in civil unrest and war.

For the first time to be successfully expanded, trade has moved outside the former Comecon bloc,

significant economic reforms have to be and are being implemented to facilitate more market oriented structures.

These include doing away with multiple pricing, direct and cross subsidisation and the absorption of resources by non-economic activities, a decrease in inflation and unemployment, the introduction of a creditable banking system, and the elimination of price fixing.

Trade potential

The changes in Eastern Europe led to changing trade patterns in the region. They were accompanied by two major adjustments in how trade was conducted.

The first adjustment was achieved by internal market reforms, with a freeing up of restricted and controlled markets. The state had a monopoly on trade, with the inbred inefficiencies of such monopolies, which made trade very cumbersome and ineffective and state run industries uncompetitive.

As reforms were introduced markets were opened for foreign competitors, leading to an influx of goods and services which were formerly difficult to come by. This increased supply on domestic markets significantly and also led to price increases, fuelling inflation.

Inflation was fuelled even more by the second adjustment. Until 1990, most countries operated two separate exchange rate systems, one with the convertible currency area and the other with the rouble area. The former regulated trade in goods and services with mainly Western nations, pegging the currency against a basket of currencies.

The rouble area used a separate exchange rate linked to the transferable rouble. This rate was fixed and traded goods were valued at foreign currency prices multiplied by the exchange rate. This rate was used until January 1991 when Comecon countries adopted the convertible exchange rate regime for all their transactions. The exchange rate was allowed to be more market related, which meant a rapid devaluation of currencies in many cases, which in turn meant an increase in average price levels.

Trading trends

Although inflation and currency devaluation is a serious problem in the region, the opening of markets to foreign producers also implies increased trade possibilities. Table 1 gives an overview of selected East European countries' trade since 1985.

A major problem of Comecon was the strict control of trade between member countries, preventing the market from functioning freely

The demise of Comecon was aided by the eagerness of most of its member countries to normalise their trading patterns, and to increase their trade

Reform of an outdated infrastructure is costing more than expected

Inflation has been fueled by an influx of goods and services

Table 1: Trade of selected eastern European countries since 1985. (Millions of US dollars.)

	Exports				Imports			
	1985	1987	1990	1992	1985	1987	1990	1992
Hungary	8543	9555	9407	10705	8228	9340	8102	11066
Poland	11489	12205	14913	14046	10836	10844	15531	18738
Romania	11218	11521	6027	4469	8655	9135	9538	5582
Eastern Europe	57123	62862	54871	43255	53632	60609	61307	52489
U.S.S.R. (former)	43986	40235	46641	48836	54107	46452	58808	47986

NOTE: Eastern Europe includes: Hungary, Poland Romania, Yugoslavia and Eastern Germany (until June 1990).

SOURCE: IMF, Direction of trade statistics yearbook, 1992 and 1993. Various tables.

Although inflation and currency devaluation is a serious problem, the opening of markets to foreign producers also implies increased trade possibilities

It shows an increase in trade for both Hungary and Poland and a decrease in trade for Romania, and indicates that imports have increased relatively more than exports. This might be ascribable to the problems experienced by economies in transition.

It is interesting to note that Hungary and Poland have been relatively more successful in implementing market reforms and democratic systems than Romania, which seems to manifest itself in the emerging trade patterns as well. But these statistics might be inconclusive in presenting a clear picture of emerging trade patterns in the region.

The breakup of countries like Yugoslavia and Czechoslovakia, as well as the emergence of countries that formerly formed part of the Soviet Union, will change trade patterns significantly over the next few years.

An additional problem relates to the change in the exchange rate regime. Transferable rouble trade lost much of its significance in 1990 as it became clear that the old trading system would be replaced by a market regime.

This has led to serious measurement problems. In an attempt to overcome this, national currency values for the latter years are converted to dollars at the applicable national conversion coefficient without any adjustments.

This may lead to inaccurate results given that separate exchange rates were applied vis-a-vis rouble trade. This meant that the exchange rates used were inconsistent, so using the 'commercial' exchange rate against the dollar may result in distortions, especially in the 1992 figures.

A third problem is the fact that although changes are depicted, no indication is given of any change in the direction of trade. From Table 2, which tries to address this problem, it becomes obvious that there is a definite shift in the direction of trade in the region.

In 1985, trade with Eastern Europe and the USSR accounted for between 40% and 50%

of total trade, while trade with industrialised nations, especially the European Community (EC), accounted for only 30%. However, in 1992, trade with the EC accounted for more than 65% in the case of Poland and Hungary, and 42% in Romania, while trade with the Eastern Bloc declined to around 20% of total trade in all cases.

The opening up of markets therefore induced a shift in trade away from the traditional partners to the industrial nations, especially the EC, which now takes up between 40% and 55% of all trade.

Another observation is that in Poland and Hungary, where economic reforms have been relatively successful, this shift is more obvious than in Romania, which is still relatively centrally planned and dealing relatively less with the industrialised nations and more with the Eastern Bloc and developed nations.

It can further be assumed that similar trends will emerge for the other East European countries, once their internal problems have been overcome and their transitions to full free-market democracies completed.

Hungary and SA

Hungary seems to have been very successful in its transition from a centrally planned state to a free-market democracy. As it already had a history of closer affiliation with the West than its Comecom allies, its transition seems to have been less painful.

At present, Hungary is closely affiliated with the EC. This is evidenced by the existence of trade agreements such as the EC Association Agreement, effective from January 1992, which allows for reciprocal market access. Hungary's association may in the future be extended to full membership of the EA.

Despite Hungary's growing association with Western Europe it is presently facing protectionist barriers from the EC. These barriers are especially prevalent in the

The opening of markets brought a shift in trade to the industrial nations, especially the EC

... cultural sector and could act as a further ...
 Horrent to East-West European trade during
 recessionary periods. Such barriers provide a
 stimulus to develop trade relations with other
 countries both in and outside of Europe, for
 example South Africa.

Opportunities for South African-Hungarian
 trade do exist. In 1990 trade relations
 between the two countries, which were
 severed in 1968, were officially revived by a
 bilateral trade agreement. In 1991 trade
 valued at around US\$11 million took place
 between the two countries.

Hungarian exports to South Africa amounted
 to about US\$6 million while imports from
 South Africa accounted for US \$5 million.
 The highest valued export categories for both
 countries were machinery, professional
 equipment and prepared food. In 1992 trade
 with Hungary represented 0,05% of South
 Africa's total trade, but this can be expected
 to increase as trade relations are normalised.

A high level of foreign investment, mainly
 originating in Western Europe, acts as a
 strong stimulus for economic growth in
 Hungary. Improvements are also taking place
 in the country's foreign debt ratios with the
 help of international institutions such as the
 World Bank and the IMF

In addition, in 1992 the EC offered Hungary
 a three year loan of ECU 820 million if it is
 able to service its debt commitments. This
 backing provides security not only to foreign
 investors but also to Hungary's present and
 potential trading partners.

On the other hand, the country is currently
 facing an excessively high inflation rate -
 recorded as 36% per annum in 1991 - a
 steadily declining Gross Domestic Product, a
 negative growth of 0,5% in 1990 and a high
 rate of unemployment. In 1991, 9,7% of the
 economically active population were
 unemployed.

The unemployment rate is expected to rise
 further as more state owned enterprises are
 forced to shut down. The uncertainty of
 unemployment has led to a decrease in
 private consumption. This effect is
 compounded by the high levels of household
 savings in response to the favourable interest
 rates on savings.

Between 1990 and 1992 private consumption
 fell by 2,5%. This impacted on the nature of
 consumer demand, which is now
 concentrated on basic, low value added
 necessities. A further disadvantage is that the
 Hungarian forint is not as yet fully
 convertible, although full convertibility is
 anticipated by the end of this year.

Table 2a: Hungary: Direction of trade, 1985 to 1992.
 (Percent distribution of total trade.)

	Exports			Imports		
	1985	1990	1992	1985	1990	1992
Industrial Countries	27.9	51.7	69.0	37.1	54.4	68.7
EEC	16.0	34.1	49.5	21.6	32.8	42.4
USA	2.3	3.6	3.2	3.0	2.6	2.9
Japan	0.3	1.2	0.9	1.7	2.2	2.4
Developing Countries	30.0	22.4	15.7	24.4	21.8	12.1
Africa	2.6	1.0	0.3	0.9	2.7	0.2
Asia	3.4	3.6	1.4	2.6	3.7	2.1
Europe ¹	17.7	13.9	10.9	16.3	11.2	8.0
Eastern Europe	17.1	12.6	9.3	16.1	10.8	7.7
Middle East	5.6	3.4	2.9	1.6	1.7	0.4
Western Hemisphere ²	0.6	0.5	0.4	3.0	2.6	1.5
Other countries n.i.e.	42.2	25.9	15.3	38.5	23.7	19.1
U.S.S.R.	33.5	20.5	13.1	30.0	20.3	16.8

Table 2b: Poland: Direction of trade, 1985 to 1992.
 (Percent distribution of total trade.)

	Exports			Imports		
	1985	1990	1992	1985	1990	1992
Industrial Countries	32.4	64.7	68.5	30.7	63.7	68.7
EEC	22.6	46.8	55.6	19.5	42.5	53.1
USA	2.0	2.8	2.6	1.2	1.6	3.4
Japan	0.5	0.8	1.0	0.6	0.4	1.3
Developing Countries	24.1	17.9	17.2	22.0	15.0	16.5
Africa	0.9	1.1	1.4	0.7	0.5	0.2
Asia	3.4	3.3	4.8	3.2	3.0	5.9
Europe ¹	14.5	9.0	7.3	14.5	7.5	5.9
Eastern Europe	13.2	7.6	6.3	14.4	6.9	5.1
Middle East	3.6	3.1	2.3	1.0	3.1	3.7
Western Hemisphere ²	1.8	1.4	1.4	2.5	0.9	0.9
Other countries n.i.e.	43.5	17.4	14.4	47.2	21.3	14.7
U.S.S.R.	24.6	15.3	12.8	29.8	19.8	12.8

Table 2c: Romania: Direction of trade, 1985 to 1992.
 (Percent distribution of total trade.)

	Exports			Imports		
	1985	1990	1992	1985	1990	1992
Industrial Countries		33.7	43.0	42.1	17.2	30.4
EEC	24.1	31.4	32.5	10.2	19.6	37.5
USA	5.8	5.8	2.0	3.1	4.6	3.8
Japan	0.6	1.6	1.4	1.1	0.8	1.3
Developing Countries	31.4	27.2	40.0	48.5	42.2	32.3
Africa	1.9	1.5	1.8	1.2	0.5	0.5
Asia	6.0	5.0	8.7	5.5	3.5	3.0
Europe 1.)	10.4	12.5	14.4	13.7	13.1	11.5
Eastern Europe	9.6	9.6	8.1	13.2	12.2	8.1
Middle East	12.1	7.4	13.6	26.6	23.6	15.5
Western Hemisphere 2.)	1.1	0.8	1.5	1.5	1.5	1.7
Other countries n.i.e.	34.8	29.8	17.8	34.3	27.4	17.6
U.S.S.R.	21.4	25.2	13.0	22.4	23.6	14.5

NOTES: 1. Cyprus, Malta, Turkey, Eastern Europe (as defined earlier), and other European countries.
 2. Latin and South American countries.

SOURCE: IMF, Direction of trade statistics yearbook, 1992 and 1993.

South Africa rates among the most highly protected countries in the world. Barriers must be reduced to successfully pursue export oriented growth.

Traders may be able to take advantage of generous tax concessions offered by Hungary as well as the relatively cheap cost of skilled labour

The South African economy is also facing internal problems impinging negatively on its foreign trade ability. Terms of trade are weak and the exchange rate system is characterised by strict exchange controls which have led to distortions in the South Africa economy.

Steps are, however, being taken in accordance with the GATT agreement to rectify the situation. At present the average tariff barrier stands at 21%, which is further increased to 27% when the protective effect of import surcharges is added.

This tariff barrier is comparable to protective levels adhered to in developing countries, yet the 27% level ensures that South Africa rates among the most highly protected countries in the world. Barriers must be substantially reduced if South Africa wishes to successfully pursue export-oriented growth.

Advantages

With regard to Hungary, South Africa's has a comparative advantage in the production of mineral products, jewellery and precious stones. The first category offers particular scope to South African traders.

Hungary's mining sector is small, which means that almost all minerals have to be imported. In particular there is a great demand for coal and iron ore. These minerals represent South Africa's third largest export category. Hungary does not levy Value Added Tax or impose duties on minerals.

Acting as a constraint, however, is the country's landlocked position which makes the transportation of bulk commodities cumbersome and expensive. Also, Russia and some East European countries offer strong competition to South Africa in these products because of lower prices and geographical proximity. Gold and precious metals and stones are less viable exports to Hungary as they are subject to high excise duties.

In the agricultural sector, the opportunity for expanding South African-Hungarian trade is restricted by the perishable nature of these products. Nevertheless, the closure of EC markets to foreign agricultural products, together with technological advances in preservation, could offer agricultural trade opportunities to South Africa.

Deciduous and fresh fruit and South African wines could prove a definite trade prospect as living standards in Hungary are expected to rise significantly in the near future, increasing the demand for more luxurious products. The Hungarian demand for industrial goods is highly specialised. The country's economy

suffers a bias towards heavy industry, n_{KIS} of which is concentrated in the field of energy and raw materials. There have been few developments in light industry.

This offers opportunities to South African exporters, especially in the production of machinery. In 1992, South African exports of these products to Hungary contributed most to its total trade with the country, about R22 million.

Expanding this and other industries would stimulate South Africa's industrial sector, but reducing production costs and thereby increasing South Africa's competitiveness is essential, with the threat of foreign competitors reaping the benefits which are characteristic of trade blocs.

Investing in Hungary through the establishment of company bases may enable South African traders to avoid the protective barriers imposed by trade blocs on outsiders. Hungary can provide access to markets in the EC as well as in Eastern Europe. Relations with the latter are facilitated by the Hungarian's understanding of the language, cultures and business of these countries.

South African traders may also be able to take advantage of the generous tax concessions offered by Hungary with respect to foreign investment as well as the relatively cheap cost of skilled labour.

Conclusion

Eastern European nations are experiencing a rapid change in their economic systems. Markets are expanding and trade is increasing, especially in countries with a relatively smooth and successful transition.

This presents opportunities for entrepreneur to establish themselves in these emerging markets. The new South African Government stated that to improve the economy and ensure sufficient economic growth over the long term, export growth has to be promoted.

Eastern Europe presents itself as a good opportunity in this regard, while it can also be used to gain a foothold in EC markets. Many Eastern European countries are seeking a closer association with the Community while simultaneously providing excellent benefits for countries and companies wishing to invest in their economies.

As it will be very difficult for South Africa to access the European market in the future, even if it is granted special status in many regards, Eastern Europe presents an opportunity not to be missed. tPS&i

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DEVELOPMENT

M O N I T O R

Herb Plot Model¹

population Density	High	Medium	Low
Fam Size²	0.5 ha.	0.5 - 1 ha.	2 - 5 ha.
Labour Requirements	Family Labour	1 - 2 labourers	4 - 15 labourers
Crop Type	A wide range of conventional herbs such as parsley and sage, as well as herbs for specific population groups, such as coriander, chilli and curry leaf. Perfumed herbs such as lavender and scented geranium could also be grown.	As before	As before
Support System	NGO's and herb companies. Specialist input from horticulturists may also be required. Training especially needed in aspects of quality control in processing.	As before, with the support of a Farmers Co-operatives and specialist input.	As before.
Capital Cost	R2 500 ³	R22 500 ⁴	R35 500 ⁵
Operating Costs	R2 000	R4 000	R4 000
Net Farm Income p/ha	R5 000 to R10 000 according to crop	R5 000 to R10 000 according to crop	R5 000 to R10 000 according to crop
Technology	Fertilisers, sprays and irrigation. Crop sun-dried.	As before.	As before, storage facilities needed.
Marketing	Marketing can either be undertaken directly through the herb companies, as already done on the Natal South Coast with Robertson's Spices, or through middlemen contacts with companies. Co-operative marketing might best ensure consistent supply and quality.	As before	As before, although most marketing will probably be undertaken directly with the spice company.
Constraints	Irrigation essential. Can be low tech, such as watering cans, but access to consistent water supply is critical. Technical support is required at start-up. There is no government extension in this field. Spice companies may be best able to assist through NGO's. Diseases and pests will be a problem in some areas, although most of these crops are hardy.	As before.	At this scale of production, departmental assistance would need to be provided.

NOTES:

- 1- There is considerable potential for herb production. There are some 35 spice and herb companies in South Africa which import most of their products, thus both import substitution and exports are possible. Examples of success are to be found in Zimbabwe and Kenya. Little technology transfer is needed as the growing, processing and marketing of Cannabis sativa leaves is well established in most KwaZulu and Transkeian communities as a major cash crop, and herb production would require very similar processes.
- " his crop is particularly suited to dense conditions since urban fringe penalties are low and useful quantities can be produced on small plots.
- 3- R1000 plant establishment costs + R1 000 irrigation equipment + R500 sprayers. A LDV could be co-operatively owned.
R2000 plant establishment costs + R2 000 irrigation equipment + R500 sprayers + LDV at R18 000.
- 5- R2000 plant establishment costs + R4 000 irrigation equipment + R1500 sprayers + LDV at R18 000 + Storage facility at R10 000.

Who will fill the gap⁹

Sanlam have for years been quietly funding tertiary education in our country.

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For sure!

Healing Health

By Max Price
Centre for Health Policy, Department of Community Health,
University of the Witwatersrand

African National Congress health plans will be criticised for setting naive and unaffordable goals, for being unimplementable and for selecting some programmes over others which are arguably more important. Nevertheless, its priority programmes address basic needs, are highly visible, beneficial, generally achievable - and will probably never have a better chance of being funded.

The Reconstruction and Development Programme (RDP) is committed to meeting basic needs as a primary development strategy. Improving health and health care is clearly part of a basic needs approach.

The health and nutrition chapters of the RDP, which was published in March 1994, were based on the second draft National Health Plan, distributed by the African National Congress (ANC) health department in December 1993.

However, the plan underwent some further substantial modification before the final draft was released in May 1994. This analysis is based on the RDP but updated to reflect the final ANC health plan. This will be referred to as the 'RDP health plan'.

The article firstly reviews very briefly aspects of the RDP health plan which do not require significant resources. Secondly, from a more theoretical perspective, it looks at dilemmas faced by health sector economists in deciding the relative allocation to health as opposed to other sectors: alternatively, in absolute terms, how much is needed for health care?

Finally, meeting the population's health care needs is unaffordable, what else can guide spending in the health sector? The strategy for identifying priority programmes within the RDP health plan are discussed. However, the RDP health plan did not attempt any of these programmes.

Thirdly, the article briefly describes the resource intensive priority programmes, with

some estimates of their costs, and fourthly, it analyses the sources of funding contemplated by the RDP health plan.

The conclusion points to the major problems with the plan, assesses its prospects for acceptance by the Government of National Unity and other stakeholders, and prospects for implementation.

POLICIES NEEDING LIMITED RESOURCES

The health services must be restructured towards a primary health care (PHC) approach. Much of the RDP health plan focuses on restructuring the inherited health system to make it more effective and efficient. This includes integrating the homeland health services and a new division of responsibility for health amongst different levels of government.

Key among these are the devolution of substantial responsibility and authority to district health authorities via local authorities, and the integration of preventive and curative health care at all levels.

Another component is the reorientation of the system towards primary health care. Achieving universal access to basic services not only requires a shift in the allocation of resources to basic services, but also the development of institutions which emphasise community participation, the relationship between health and other sectors, and health management information systems.

Much of the RDP health plan focuses on restructuring the inherited health system to make it more effective and efficient

Another component is the reorientation of the system towards primary health care

The plan pays considerable attention to the paucity of management skills

The RDP health plan pays considerable attention to the personnel problems of the health sector: in terms of their training, distribution, the paucity of management skills, and the absence of a PHC orientation, and identifies the need to reorient and/or retrain large numbers of personnel rapidly.

A variety of other policies in the RDP health plan relate primarily to legislative and regulatory changes, with limited financial implications. The rights of women to abortion, decriminalisation of and cooperation with traditional healers, research and technology policies, implementing occupational health legislation, gun control, promoting non-governmental organisation activities; and regulating private sector providers are all examples of such policies.

Some are planned with a view to improving efficiency and reducing costs, particularly in the public sector. The policies around essential drug lists, national procurement and pricing of pharmaceuticals, are examples of these.

The policies identified above tend to receive less attention in public debates precisely because they are not competing for scarce resources. Yet this is going to make them more feasible in the short term, particularly if the government is straggling to deliver on its other health sector policies.

Intersectoral

The intersectoral approach adopted by the RDP health plan is reflected not only in the proposal for intersectoral development committees, but also in the identification of programmes in other sectors which will promote health.

These are mentioned here because, although they will require massive resources, these » resources would fall outside of the health budget, and so they have not been costed nor included in the R2 billion (recurrent) that is being requested for the health component of the RDP.

For example, most of the interventions proposed as part of the nutrition component to promote food security would fall outside of the health sector's direct responsibility and budget. These include increasing employment levels and incomes, reducing VAT on a wider range of basic foodstuffs and targeted income transfers. Only feeding programmes and nutritional surveillance would be part of the health budget.

Similarly, increasing female literacy is recognised as probably the most

cost-effective intervention to improve child health outcomes. Other development initiatives such as household electrification and improved access to clean water, not only have a direct impact on health but also indirect benefits through reducing the time and energy burdens on women. Housing and sanitation are also mentioned, as is health education and promotion, much of which would happen in the schools and therefore be funded through the education budget.

The department most closely related to health, and which could end up carrying the costs of many of the programmes in the RDP health plan, is welfare.

The plan argues for the need for shelters for victims of violence, counselling and rehabilitation services for people who have been raped or psychologically scarred by violence, support for people with HIV, community services for people with AIDS, people who are mentally ill and for the care of the elderly, and much more.

All these services would traditionally fall within the welfare department and, generally, have not been costed as part of the proposed increase in health spending.

DETERMINING SPENDING TARGETS

Assuming for the moment that the government only has control over public-expenditure, the first dilemma faced by health policymakers is to decide whether to allocate new resources to the health sector or to other sectors that benefit health. What proportion of public spending, or of Gross Domestic Product, should be allocated to the health sector?

There is no objective way of determining what allocation optimises national welfare. There is little doubt that for many people in South Africa today that improvement in water supplies, food security, agriculture, better housing in a family environment, and improved education would have far greater impact on their health than investment in health services.

With few exceptions - such as obstetric care and child immunisation - investment in health services only becomes justifiable as a cost effective measure for improving health, once communities have exceeded a certain threshold of 'development'.

It is therefore difficult to make a case for increasing expenditure in the health sector on the basis of rational resource allocation to

The welfare sector could end up carrying the costs of many of the programmes in the health plan

Investment in health services usually only becomes a justifiable cost effective measure once communities have exceeded a certain threshold of 'development'

maximise the health of society. The argument for spending anything above the barest minimum turns rather on two other issues: equity, and the fact that health is regarded as a merit good.

Equity

Many communities do have access to reasonable, publicly funded basic health services. It would be politically impossible to reinove funding from those services since these are communities which have come to expect access to at least this level of health care, and they would not be able to fund it themselves.

Moreover, in these communities, which already have access to healthier environments, better income, moderate nutrition and some education, health care makes a substantial contribution to improved quality of life and is a cost-effective use of resources to improve health further.

It would obviously be unacceptable from an equity point of view to provide health services only to the better off, largely urban communities, while refusing to fund similar services in poor rural communities.

Merit

Moreover, as a society we believe that people are entitled to have their suffering minimised, to maximise their quality of life should they become ill and not to be left to die in the streets for lack of money or facilities.

For better or worse, our society has chosen to rescue people from motor vehicle accidents even though this is among the most cost-ineffective use of resources from a health outcome point of view.

If then, there is no economically rational answer to the health economist's first dilemma - 'How much should South Africa spend on health care relative to other sectors?' - can one at least calculate how much should be spent to meet all legitimate needs for health care, where the provision of care has been shown to improve quality of

The answer is still no. The legitimate need for health care far exceeds what any industrialised country can afford, let alone a developing one.

^ 'early limited resources means the society, particularly the public sector, has to ration health care, both in terms of the scope health problems that the public health



Pats Mayet - New African

sector will take on, and in terms of who gets access to services. Most rationing at present occurs through queuing, with clinicians taking decisions daily about whom to treat and whom not, and with what intensity of resources.

It would be politically impossible to remove funding from the basic health services which many have access to

Basic Package

However, a more rational, planned approach would attempt to spell out what services should be available through the public sector and the criteria for individual eligibility where services are rationed. Once the basic package has been specified, equity would again require that it be provided to all communities on the basis of equal access.

The approach usually adopted, more or less consciously, is to make a judgment about what type of health service would be acceptable and slightly above average for a country, and then to set that as a target for the whole country.

This implies a more realistic incremental approach to health service development, rather than an idealistic blueprint approach. It also sets as targets models which are already available in the country, and argues on the basis of equity for raising the average to those targets.

The legitimate need for health care exceeds what any industrialised country can afford, let alone a developing one

The RDP health plan has attempted to define this rationed range of services by listing types of service to which everyone should have access.

The plan has avoided specifying what should constitute the basic package of health care to which all should have access

For example, everyone should have access to the listed services provided through community health centres; there should be at least one 24 hour emergency service with per health district; all women should be able to have their babies delivered by a professionally trained attendant with access to caesarian section facilities.

The plan advocates the provision of mental health services, rehabilitation care, health promotion, and the prevention, early detection and treatment of specific diseases including tuberculosis, sexually transmitted diseases, cervical cancer, hypertension and diabetes.

The list is far longer, much of it is so vaguely stated that it could require a service that would consume two or three times what we presently spend on health, or less than we currently spend. As a result, the plan has in fact avoided specifying what should constitute the basic package of health care to which all should have access.

The World Health Organisation guideline of 5% of GDP by the year 2000 is often hauled out as the basis for determining our spending targets

Unknowns

Could the RDP health plan have done otherwise? It would obviously have been necessary to start costing the proposals before much more could have been said. This has not been done, and the data does not exist to do this.

In fact, for many of the targets, not only are unit costs not known, but the extent of access and cover by health services at present is not known. Thus the gap to achieve the targets is not calculable even in terms of proportional increases, let alone absolute costs.

For example, the target for women to have attended deliveries is 50% by the end of 1995, and over 60% of pregnant women should be attending ante-natal care at least once. Yet, there is no national data to identify what the current situation is.

Ironically, for this set of indicators, the country is probably already far better than the targets set for 1995. Isolated studies from rural areas show that about 60% of women have attended deliveries, and 90% attend ante-natal care at least once. The national averages are probably better.

The achievement of minimum standards so far exceeds the budget that they can safely be used for advocacy within the cabinet

But we are left with the problem of having no indication of what the total allocation to health should be. Most planners resort at this point to the argument of international practice and norms.

This can be derived by locating South Africa in the international development league

tables and comparing our health spending with countries close to us on the ladder, in addition, the World Health Organisation (WHO) guideline of 5% of GDP in the year 2000 is often hauled out as the basis for determining our spending targets.

There is, of course, no reason why we should be spending what other countries spend given the unique development of our services, and the particular cost structure of our health sector.

The 5% target is itself not clear and is subject to different interpretations in South Africa because of the large private sector. Total spending on health in this country is about 6.4% of GDP, but 50% of this is private spending benefiting only 20% of the population.

Thus, while the WHO figure should translate into average spending per head of 5% of per capita GDP, in South Africa the 3.2% of GDP being spent in the public sector on 80% of the population is equivalent to about 4% of per capita GDP. To raise this to 5% of per capita GDP therefore requires that public health spending be increased to 4% of GDP. This is an increase of about R2 billion.

This would still not be enough to provide the basic package of care universally, so the next problem is to prioritise health sector improvements and programmes, and then to assess how these benefits would compare with alternative uses of that two billion, either in the health sector or in other sectors.

In summary, then, the approach apparently adopted in the RDP health plan was not to cost the priority programmes and work out how much was needed, but to combine two separate parallel processes. One identified a target expenditure based largely on international patterns for an overall increased budget allocation.

The second identified priority health programmes that would be **uncontroversial** since they propose absolute minima and ought to be provided in a country with South Africa's level of development and health service sophistication.

Table 1: Child Treatment Costs

	Total R million	Gap R million
Cost of immunisation	84	30
Cost of curative care	499	175
Total	583	205

The achievement of these minimum standards, though unrelated to the budget being requested, so far exceeds the budget that they can safely be used for advocacy purposes within the cabinet, for at least the increase requested.

PRIORITY PROGRAMME COSTS

The following programmes, projects and extensions to services have been identified as the most likely to have capital and recurrent cost implications. In many cases services already exist and the proposed targets do not take account of present levels of service.

Where possible I have indicated the total annual costs for a programme as well as annual costs of closing the gap between the present level and the 1999 target.

- *Extending child health services.* Treating all children below the age of six for free at all public sector facilities, provided the child is not covered by a medical aid. The revenue losses from declaring these services free at the point of service are not significant since most children using the public sector do not pay at present. The main costs are those of extending the services to children who do not yet have access to them (Table 1)
- *Maternal health care.* Pre- and post-natal care and delivery provided free of charge by 1997 and coverage extended to 80% by 1999. The total recurrent costs at target levels of 80%, 90% and 100% are presented as well as the gap between these targets and estimated coverage at present (Table 2).

Table 2: Extending maternal care

Target coverage	Total R million	Gap R million
80%*	347	38
90%..	391	82
100%	434	125

- *Providing nutrition supplementation to vulnerable groups.* The cost of providing a nutrition programme to those most in need - estimated at 2,5 million in 1993 - based on an average cost of R2 per person per day, is R1,83 billion a year. This is the most expensive component of the RDP health plan. On the other hand, if the supplemental programme targeted only children under six, the cost would be •1683 million per year.

- *Clinic services.* Expanding access to basic clinic services requires, in the medium term, at least another 150 clinics. Assuming 50 large clinics and 100 small clinics, the capital and recurrent costs would be R176 million and R73 million respectively. In other programmes which also include capital costs, such as expanding 24 hour maternity and emergency services, these have been annualised into an average cost per unit of activity. If the same is done here the annual costs of this programme are approximately R85 million.
- *Providing emergency care.* According to the ANC, all health districts should have at least one 24 hour facility by the end of 1995. The costs are fairly difficult to estimate as it includes providing trauma facilities, communications infrastructure, as well as ambulance services. We estimate an additional annual recurrent expenditure of around R206 million.
- *Immunising programme against hepatitis B.* This has been estimated by the ANC health department to cost R25 million annually. Note that the extension of the other routine childhood immunisations are covered within the child health programme.
- *The National Aids Congress of South Africa programme.* Nacosa has developed and costed a comprehensive AIDS strategy. Although this programme is not spelt out in the RDP health plan, we assume that this strategy would be incorporated into the RDP.

The programme will cost approximately R100 million in 1994/95 and will involve both the health and education department budgets. The health function would be responsible for funding around R50 to R60 million of the programme, part of which would be a re- allocation of the existing budget for AIDS prevention within the health department of around R45 million. The gap is therefore R15 million in the health sector.

- *Mental health programme for the victims of violence.* This programme involves the training, supervision and support of primary care workers, teachers and volunteers to identify and treat psychological problems, especially those related to exposure to violence. Much of the programme could be run through NGOs, but dedicated professionals are needed to set up, coordinate and provide training and support. The initial set up costs for the first year are estimated at R10 million.

The most expensive component is the R1,83 billion cost of providing nutrition supplementation to those most in need

Expanding access to basic clinic services requires at least another 150 clinics

It is not possible to cost the net impact of a rural extension programme due to the many factors involved

Health managers should be allowed to retain the savings derived from efficiency improvements, for facility and service improvements

- *Improving health services in rural areas.* On the whole it is not possible to cost the net impact of a rural extension programme due to the many factors involved. Some of the components of this are already included in the expansion of clinics, maternal and child health services, and emergency services. However, one particular intervention proposed is to increase salaries of professional staff in rural areas as an incentive to attract staff into these underserved communities. A very crude estimate of the additional costs, assuming a 15% increase on the salary bill of the former homelands, is R256 million.
- *Improving and strengthening existing health services.* This largely implies a general increase in maintenance expenditure as well as improvements in the conditions of service. This could absorb as much money as was available and therefore cannot be costed as such.

It should probably be managed through a planned, real increase in this expenditure derived largely out of efficiency improvements by managers, who should then be allowed to retain the savings made for facility and service improvement.

The total additional cost of the above priority programmes is R990 million excluding the nutrition programme and R2,82 billion including the nutrition programme. Neither figure includes any allocation for the last item, improving and strengthening existing health services.

SOURCES OF FINANCE

It is not, strictly speaking, the concern of the health sector how the additional R2 billion is generated. Since state financing and expenditure are usually quite separate processes, the individual sector should not get involved in taxation or deficit funding policy.

However, there are three sets of health policies which have been motivated primarily for their health and health service management consequences, and which have revenue implications which might therefore be useful in providing funding for the sector too.

The first is increased taxes - either excise, or higher VAT rates - on tobacco products and alcohol. There is plenty of research to show that increasing the price of tobacco products

is the most effective way of reducing consumption.

The negative health effects of smoking are well established and the consequent costs to the health services have been calculated for a number of countries. Thus the argument for increased tobacco taxes is primarily a public health argument to improve health

Secondarily, it reduces costs to the health services, but only in the long term - after 20 or more years, since this is the lead time between starting smoking and the manifestation of smoking related diseases.

The possibility of using this revenue for the health sector is therefore not the motivation for the tax, but can be defended on the principle that those who generate additional costs to the health services, particularly through consumption choices, should foot the bill for those services.

Since the health service is today burdened with disease caused by past smoking habits, it is appropriate to use taxes collected from smokers to offset these costs. This does not necessarily require earmarking the revenue to go to health, but simply an increase in the health budget to match the increase revenue from these taxes.

Incentives

The second cluster of policies relates to the need to change management incentives within the public sector by allowing facilities to retain a portion of the revenue they generate from paying (insured) patients.

At present, all revenue generated from fees is returned to the Central Revenue Fund (CRF). This creates incentives for hospital managers to turn away any patient who can afford to go elsewhere, since these patients generate costs which are not recovered from their fees. If a hospital simply goes further over budget. Moreover, if paying patients do come, there is no incentive to collect their bills - since this also costs the health service money which it does not recover. Hence the revenue to the CRF is also reduced.

If facilities were allowed to retain revenue generated, and if managers were given the autonomy to adjust staffing levels according to need and to spend the revenue they generate in improving the facilities, the quality of care, and perhaps even bonuses for staff, they would attempt to attract paying patients, would improve the quality of care and patient friendliness of the services, and perhaps also be able to improve the conditions of employment of their staff.

The argument for increased tobacco taxes is primarily a public health argument

The total additional cost of priority programmes is R990 million excluding the nutrition programme

It is mainly hospitals, and particularly tertiary hospitals, that would be able to attract insured patients. This revenue could cross subsidise non-paying patients, thus allowing the health authorities to divert some of the funding from hospital services to primary care.

The third set of policies relate to the development of a national health insurance system. The proposal is explained in some detail in the ANC National Health Plan. Of relevance here is the principle that anyone able to afford his/her own health care should have to pay for it.

To realise this, membership of a medical aid that is part of a national health insurance system would become mandatory. The public sector would reduce the number of people for whom it is responsible, perhaps by several million, and per capita expenditure would increase proportionately even if public spending on those services remained fixed.

Conclusion

One can criticise the RDP health plan priorities for having selected these nine programmes rather than others which some would argue are of greater urgency, such as a population programme, mental health services, rehabilitation of the physically disabled etc.

The ANC National Health Plan, on the other hand, is far more comprehensive than the health and nutrition components of the RDP, and will be criticised for setting goals which resemble something of a naive wish list, far longer than the priority programmes described here - and obviously also less affordable.

But although the programmes are described and costed almost as vertical independent activities, this is largely a result of the RDP's principal role as an instrument for advocacy, aimed both at the public to garner support and at the other members of the cabinet, where each petition for resources will depend on the government being able to describe its plans in terms of concrete activities.

Demanding R2 billion for a general expansion of the primary health care system

just does not sound as sexy. Yet in reality, there cannot be a singular expansion of child health services without expanding access for adults, treating sexually transmitted diseases, detecting tuberculosis, reducing deafness through treatment of ear infections and the whole gamut of health care provision.

This in turn will generate referrals to hospitals for higher level care, since clearly one cannot send home abused or disabled children presenting to newly established clinics just because the programme focuses on basic clinic services.

Thus the programmatic definition of the RDP health plan belies the practical implementation, and to a large extent, also makes a mockery of the attempts to cost it.

What chance does the RDP health plan have of being funded at the levels described above, given competing demands from other sectors, many of which also improve health outcome?

In my view, the priority programmes address such basic needs, needs which many would almost consider rights fundamental to a society which respects human dignity, that they are uncontroversial. Moreover, from a politician's perspective, they are highly visible, generally achievable within a five year period and would indeed have long term benefits.

They will probably never have a better chance of being funded. Perhaps that applies to all the other sectors too?

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Membership of a medical aid that is part of a national health insurance system would become mandatory

Demanding R2 billion for a general expansion of the primary health care system just does not sound sexy enough

Lessons in Democracy

**By Ran Greenstein, Leon Tikly, Shireen Motala,
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The African National Congress policy proposals for education and training show a clear commitment to restructuring the system and a significant move away from apartheid education. Some revisions are needed, as well as an agenda for implementation which addresses the financing, content and control of the new system.

It is questionable whether education can or should be a key instrument for transforming labour markets and growth rates

The African National Congress education department released its draft *Policy Framework for Education and Training* in January 1994. The framework puts forward a vision of a new system of education and training based on democratic participation, redress of imbalances and empowerment of all citizens.

It defines the goals to be pursued by a new Government concerned with the final laying to rest of apartheid legacy. Although it does not offer a programme of implementation, it constitutes the results of at least three years of intensive work by policy forums, and provides the basis from which any strategy for social change will proceed.

This article attempts to contribute to the debate over the reconstruction of education through a constructive but critical engagement with the ANC policy framework. We see the document as an important landmark but, at the same time, have reservations about some of its assumptions.

In what follows we outline our approach with a view to stimulating debate on the task of building a democratic education system for South Africa. We deal with some areas prioritised by the document which have emerged as critical to the reconstruction and development of education and training.

Education and economy

A central theme running through the document is the link between education, training and the economy. This reflects both

the time and context of its production, as well as themes dominant in the restructuring of education globally. Two related assumptions are prominent:

- Education and training are seen as the 'fundamental levers' through which the labour market can be restructured, productivity increased and the legacy of apartheid addressed; and
- The planning of education is focused on the acquisition of skills necessary for participation in the labour market.

But whether education can or should be a key instrument for transforming labour markets and growth rates is questionable. International experience shows that education rarely functions as a panacea for economic ills.

A sound system of education is a prerequisite for economic growth, but it does not automatically lead to greater economic-competitiveness. Direct intervention in the labour market is needed to achieve that goal. Unrealistic expectations might result in making education the scapegoat for economic failure.

Although other goals, such as education for human growth, community awareness, citizenship and democracy are present, the document tends to focus on education for economic growth. The result is an emphasis on adult basic education (ABE), vocational training and technical skills, all desirable goals which should not come at the expense of other concerns.

Many will be dissatisfied with the short shrill given to post-compulsory schooling and to

Unrealistic expectations might result in making education the scapegoat for economic failure

Higher education, both complex and conflict-ridden arenas. The National Commission on Higher Education mooted by the document will need to be given more flesh in subsequent versions.

The document draws heavily on the Congress of South African Trade Union's contributions, reflecting its interest in flexibility and mobility between sectors, to be achieved by a national qualifications authority.

While this is important, the focus appears to be on structures rather than the content of education and training and leads, as in the sections on post-compulsory secondary schooling (further education) and teacher education, to an underplaying of policies and strategies to address racism, sexism and authoritarian control.

In addition, proposed policies will mean little unless a culture of learning and teaching is restored in schools. The restoration of learning and quality teaching and policies to deal with out of school youth are dealt with only marginally.

The document rests on a substantial process of policy discussion, much broader than the former Government's *Education Renewal Strategy*, and is significantly more concrete than the democratic movement's *National Education Policy Initiative* in its proposals. Yet, it comes across as insufficiently balanced.

Administration

The strategic goal of the ANC programme is to integrate education and training in a national system. Two features of the proposed system are notable. First, the document envisages a four-tier system.

At the national level it calls for the establishment of a single ministry for education and training responsible for national policy, norms, standards, planning and finance. At the provincial level authorities will implement national policies, adapting them to provincial needs, and deliver primary and secondary education. Local and institutional authorities will operate at lower levels.

Alongside the administrative structures, statutory councils at the national and Provincial levels will provide channels for the representation of stakeholders and their participation in the formulation of policy. Participatory structures such as school boards will operate at lower levels.

Table 1: Education Expenditure: 1990/91 -1993/94

	1990/91	1991/92	1992/93	1993/94
Pre-primary, primary and secondary	14 863	17 093	21 018	23 328
Tertiary	2 495	2 836	3 375	3 935
Total	17 358	19 929	24 393	27 263

SOURCE: South African Institute of Race Relations. Race Relations Survey 1993/1994. Johannesburg: SAIRR, 1994.

In advocating the need for a unified system the document opens the way for overcoming the legacy of fragmentation and racial divisions which resulted in duplication of functions and waste. Statutory councils will enable the participation of civil society in formulating state policy.

These achievements coexist, however, with certain weaknesses. First, the underlying assumption is that the national level is best suited for addressing the legacy of racial inequalities, and therefore it is where meaningful transformation will take place.

But the most persistent inequalities are to be found locally. It is the relations between, say, Sandton and Alexandra that show the greatest disparities in the quality and quantity of services, though these are obviously related to the racial allocation of resources nationwide.

The local level presents an acute challenge and to address it properly one cannot rely on change at the top trickling down. More attention should be paid to local transformation.

Second, the tendency to adopt a top down approach is evident in the way with which the national ministry is dealt. The diagnosis of the current situation is followed by the cure: a unified system. The question of how to get from one to the other is left obscure. A strategy for merger at the local and provincial levels should be developed.

Third, the idea of Statutory Councils is laudable, but their tasks are not clearly specified. Will they be advisory or have decision-making powers? Without clarifying the mechanisms that will allow councils to have meaningful input they are likely to be sidelined in the policy process.

Another problem is the representation of stakeholders. Two challenges emerge in this respect: to ensure that the entire constituency, rather than a few spokespersons, be represented and to effect meaningful participation in policy formulation.

The focus chosen underplays policies and strategies to address racism, sexism and authoritarian control

The local level presents an acute challenge and to address it properly one cannot rely on change at the top trickling down

The task is to ensure that the entire constituency is represented, rather than a few spokespersons

Table 2: Per capita expenditure: 1992/93

	Amount (R)
Department of Education and Training	1 659
House of Assembly	4372
House of Delegates	3 702
House of Representatives	2 902
Non-independent homelands	
Gazankulu	1214
KaNgwane	1 046
KwaNdebele	1297
KwaZulu	1 080
Lebowa	1 201
QwaQwa	1 784

SOURCE: South African Institute of Race Relations. Race Relations Survey 1993/1994. Johannesburg: SAIRR, 1994.

Left open is the possibility of user fees preserving white educational exclusivity and privilege

In the absence of institutional channels of representation, the process can be hijacked by a small number of people who do not speak for most of the constituency: parents, teachers and students. In addition, the authoritarian and technocratic legacies of state bureaucracy pose an obstacle for popular participation. These issues should be tackled seriously.

Finances

No plan for change can possibly be put into action without a financial framework which sets priorities and specifies the availability of resources and their likely (re)distribution. The ANC policy framework asserts the need for net additional public expenditures on the school system in coming years, raised through greater efficiency and reorganising priorities within the education budget.

It calls for the participation of other partners - employers, local government, community organisations, non-governmental organisations, donors and individual households - in contributing financial and human resources to ensure effective and widespread provision of education services.

Compulsory schooling will be financed through an equal state subsidy to all children, whether in departmental, community managed, or state aided schools. At the post-compulsory stage parents and students will be expected to make a contribution through fees.

Educational activities bestowing substantial benefits will be priced through fees, levies, repayments in cash or in kind. Educational privilege will be reduced as former white schools will lower per capita subsidisation through open admissions, increased class sizes and 'greater dependence on other-sources of finance'.

In general the financial framework is welcome, especially in its strong commitment to high state expenditure compared to other countries, the provision of ten years of free and compulsory education and the equalisation of enrolment patterns and subsidies. But as with the proposals on governance and administration, there are several weaknesses.

First, the framework does not indicate the cost of the policy proposals in relation to the current education budget. It lacks a time frame in which policies are to be implemented and does not prioritise policy initiatives.

Second, the equalisation of per capita subsidisations of schooling does not sufficiently address equity and redress. It leaves open the possibility of parents paying for schooling over and above the basic state subsidy, and the use of user fees as mechanisms for preserving white educational exclusivity and privilege.

Third, the funding proposals for special needs, rural education and education for the unemployed are weakly developed. The marginalisation of these areas appears to continue their past neglect.

New policy

Whereas NEPI was largely interested in the reconstruction of education and training institutions and building a cadre of quality teachers, the ANC has broadened these concerns to include policies for teacher management and support, and a framework for collective bargaining which guarantees teachers the rights to freedom of association and to strike.

The guiding ethos of a reconstructed system of teacher education, management and support is development. The right to strike is promoted alongside a commitment to 'protecting and advancing the rights of students to learn in a stable and peaceful environment'.

The document prioritises some relatively uncontroversial policies such as increasing the number of teachers to include teachers of ABE, special education and early childhood education; distance education; training and professional development geared to developing 'a culture of enquiry, innovation and engagement with the learning needs of the society'.

It proposes a national core curriculum, linked to a revised system of inspection and supervision of schools and teachers, and a

Special needs, rural education and education for the unemployed continue to be neglected

opening up of career paths. A proposed Industrial Council for Education will be vested with a great deal of power in developing a framework for collective bargaining.

More controversially, it aims to de-link upgrading of qualifications from pay increases. The financial implications of this *Map*, given that teachers' salaries constitute die highest item in the education budget, are likely to be a contested issue.

How exactly curricula are to be freed from die grip of fundamental pedagogics remains elusive. One suspects this is a question of power relations as much as of policy, a nettle which will have to be grasped firmly.

Qualifications

The Policy Framework allocates the primary responsibility for the organisation and financing of workers' education and training to employers and organised labour, though in association with state supported colleges and other training providers. The state will also have responsibility for underwriting education and training of the unemployed.

Since ABE and school-based general education will lead to a common qualification, the General Education Certificate, mechanisms will be required to ensure the articulation and equivalence of the curriculum in both modes of learning. ABE policy will be formulated by the ABE Board, a sub-structure of the General Education Council, in which stakeholders will play a central role.

A central body measuring and certifying educational attainment will be formed, the South African Qualifications Authority (SAQA), operating at levels of the system with multiple entry and exit points. This is a way of integrating education conducted at different sites, preventing waste of unaccredited work and encouraging further learning.

The section on ABE and training leaves open the possibility of moving away from the dominant authoritarian planning models to more interactive planning. It attempts to address structural imbalances of power through the participation of a wide range of stakeholders. These are major advances over the existing system, but there are some problems in its approach,

- The proposals on ABE are promising, particularly the state commitment to coordinating a national system. But the funding base for ABE is not clear and will

Table 3: Pupil enrolment by race: 1993^a

	African	Coloured	Indian	White	Total
Primary	4 420 854	152 039	638 178	564 657	5 775 728
Secondary	1 972 561	88 885	238 316	364 827	2 664 589
Other ^b	39	6	2 256	22	2 323
Total	6 393 454	240 930	878 750	929 506	8 442 640

NOTES: a. Excludes enrolment at pre-primary and special schools, and excludes the 'independent' homelands
b. Unclassified

SOURCE: South African Institute of Race Relations. Race Relations Survey 1993/1994. Johannesburg: SAIRR, 1994.

largely depend employers and organised labour providing opportunities for adult workers to participate in ABE. The absence of a costing formula does not allow us to prioritise between the major concerns of the framework.

How exactly curricula are to be freed from the grip of fundamental pedagogics remains elusive

The centralisation of ABE activity within the state must be balanced with the current decentralised activities of literacy and ABE in rural areas, community initiatives and in civil society in general. The emphasis on national structures indicates a top-down approach that might stifle local initiative.

The formation of SAQA requires a method of comparing the relative merits of given life experiences and a given number of years in formal institutions. Cross articulation between different education paths in a highly differentiated and fragmented education system, and without national standards or qualifications, would be a complex process. A careful study of the implications of SAQA is needed.

The emphasis on national structures for ABE indicates a top-down approach that might stifle local initiative

Resources

In a section on Resources for Learning, the ANC deals with language in education; curriculum, pedagogy, assessment and certification; open learning; educational

Table 4: Level of education of the economically active population: 1991

	Number (000)	Proportion
Non and unspecified	1 824	15,7%
Grade 1 - standard 4	2 293	19,7%
Standard 5 - standard 9	4 705	40,5%
Standard 10	1 831	15,8%
Diplomas and degrees	971	8,4%
Total	11 624	100,0%

NOTE: a. Figures may not add up owing to rounding.
SOURCE: South African Institute of Race Relations. Race Relations Survey 1993/1994. Johannesburg: SAIRR, 1994.

In the short term, constituencies who choose to be educated in a non European language will be unable to compete on equal basis in the economy

The ANC proposals amount to a substantial restructuring of education and training and a significant move away from apartheid

The different policies should be guided by a concerted anti-racist, anti-sexist and anti authoritarian drive

publishing; library and information services; and science, mathematics and technology. Only some of these will be highlighted here.

As far as language is concerned, the policy framework asserts the right of the individual to choose the language of learning. It foresees different options at schools, including using a language of wider communication, whether it is the home language of learners or not, the use of the home language of most learners in the school, without discriminating against those who speak another language at home, and the use of different languages for different subjects. These options are premised on the need to develop previously neglected indigenous South African languages.

The document proposes a national core curriculum for the General Education Certificate and the Further Education Certificate. The first will provide general education based on the integration of academic and vocational skills and the second will differentiate between compulsory core subjects and optional vocational or academic subjects.

In the curriculum itself science and mathematics education will be linked to a national science and technology policy which maps out their role in the overall development of the country. The curriculum will teach students the value of the sciences, how scientifically informed decisions are made and the risks these entail, and it will confront gender bias.

Access to science and technology programmes, particularly among disadvantaged students and women, will be increased through developing programmes to build the science and technological skills of students currently in secondary and higher education, and the provision of adequate infrastructure. Teachers' skills will be upgraded. Contentious issues are:

- The policy framework does not take into account the fact that knowledge of many subject disciplines has been acquired in an European language. For a meaningful use of indigenous languages in instruction, teachers will have to be re-trained.
- Without a language of learning that has been historically developed and widely used internationally, in the short term constituencies who choose to be educated in a non European language will be unable to compete on equal basis in the economy. Time and resources are necessary to develop indigenous languages to avoid their continuing marginalisation.

The concept of a core curriculum in all areas of education and training needs to be supplemented with clear- strategies to address racism, sexism and dogmatism in the curriculum.

Conclusion

The ANC proposals in Policy Framework amount to a rich and complex document with a clear commitment to a substantial restructuring of education and training and a significant movement away from apartheid education.

Arising from these policy proposals and the critique advanced is a clear argument for some revisions, as well as an agenda for implementation which addresses the financing content and control of the new system. This is offered as a contribution to the work on policy implementation currently being carried out.

- The financial framework should be costed as accurately as possible, evaluating different financing mechanisms such as user fees versus local authority taxation: priorities should be set and located within a time frame.
- More attention needs to be paid to marginalised areas such as special needs, rural education and education for the unemployed.
- Strategies of administrative transformation, specific to each level, should be devised. A focus on mechanisms of change attempting to identify and extract elements (individuals and structures) from the existing systems and phase out the rest.
- Institutional channels of representation of stakeholders with the capacity for meaningful participation should be created, and their role in policy formulation specified.
- With regard to ABE there is a need for training human resources for the new system, establishing governance structures, harnessing local and NGO initiatives to participate in the national effort, conducting a survey to determine the needs of adult learners, and addressing the needs of the unemployed and the unorganised.
- The different policies should be guided by a concerted anti-racist, anti-sexist and anti authoritarian drive to make the transformation of the system meaningful in form as well as in content.

CUSS OF '94

By Jonathan D. Jansen
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The Reconstruction and Development Programme's proposals for integrating education and training are likely to encounter political and practical difficulties. They are driven by people more familiar with the workplace than the classroom, are not anchored in the realities of teaching, and do not reconcile the deep differences between education and training or the under-qualification of many teachers.

Policy documents are frustrating things.

They represent, in essence, a set of slogans. Canadian scholar Walter Werner could have had South Africa in mind when he wrote that slogans often arise when policy is managed primarily for administrative and political reasons. Slogans are by definition vague and visionary: they primarily serve political rather than planning functions, such as to mobilise popular support behind an idea or to serve as instruments for political negotiation. They are seldom implementable in the form or on the scale proposed.

The third chapter of the Reconstruction and Development Programme (RDP) of the African National Congress (ANC) contains slogans, in the form of broad policy proposals, for education and training.

This is an exceptionally well written 'policy framework' based on a coherent set of development principles and driven by a commitment to equality and democracy. For these reasons alone the RDP deserves serious reflection, if not support.

Proposals

The education proposals offer a distillation of ideas prefaced in ANC documents such as *Ready to Govern* and developed more fully in *A Policy Framework for Education & Training*, published in January this year by an ANC think-tank, the Centre for Education Policy Development. The proposals contain seven fundamental standpoints, or slogans:

- Education and training should be integrated via a national qualifications framework which enables learners to progress through and across the different levels of the education and training system;

- Education and training should form part of a national human resources strategy based on the principles of non-racism, non-sexism, equity and redress, and committed to the goal of lifelong learning.
- New structures and legislation should be instituted to manage change, including a single national ministry and a statutory South African Qualifications Authority;
- Education should be free and compulsory for the first 10 years of schooling, which includes a 'pre-school reception year';
- Specific education sub-sectors neglected under apartheid should receive special policy attention, for example early childhood education, adult basic education and training, special education, and the education and training of girls and women;
- Specific areas should be 'restructured' and 'overhauled' given distortions and inadequacies in the existing structure, namely further education and training (post-compulsory education leading to a matric equivalent National Higher Certificate), higher education, the training of 'teachers, educators and trainers', and the role of training within an integrated education and training system; and
- The entire process of restructuring should be characterised by transparency, participation and consultation with all stakeholders and 'the restructured bodies of civil society'.

Despite its comprehensive and coherent proposals, the RDP's recommendations for education and training could be criticised from many angles. This assessment is limited to what is perhaps the RDP's central proposition, or slogan: the proposed integration of education and training. This

The RDP's education proposals are comprehensive, coherent and committed to equality and democracy

Education and training should be integrated to enable learners to progress through different levels of the system

It is unlikely that education stakeholders will support the integration proposal. This will impact on its implementation

critique is written from the perspective of education practice, using as reference point the most important unit of education policy implementation - the classroom.

According to the RDP, a national qualifications structure will recognise (accredit) prior learning and experience, and provide equivalent qualifications in both education and training. In theory, a junior wiring technician should be able to progress across the integrated system (for example to a technician to study electrical engineering) and through the training system (for example to become a senior electrician in his or her firm).

This is an admirable goal, and the plan as explained by Congress of South African Trade Unions and ANC consultants is a neat-and-tidy representation which cannot be faulted for elegance. But on closer examination this proposal reflects serious limitations which, if attended to, could enhance the potential impact of the RDP.

Limitations

Firstly, the thrust of the integration proposal derives primarily if not exclusively from union workers and union education officials with little consultation and support from the broad education constituency of teachers, parents and students. It is therefore driven by the interests and orientations of those intimate with training in the workplace rather than with the programmatic and behavioural regularities of the classroom.

Given the origins of the proposal and lack of participation in its substantive development by important constituencies, it is unlikely that education stakeholders would support it. This has direct implications for implementation of the plan.

Secondly, the proposal assumes that by declaring equivalence between education and training - through a national qualifications structure - one in fact achieves it. But education in schools and training in the workplace are two distinct events, with different purposes, different methods of teaching, learning and assessment, different pedagogical goals, and different orientations towards knowledge, curriculum and society.

For example, it is quite different to learn a specific skill in the workplace through 'modular and outcome-based' curricula than to develop a broad understanding of art, the humanities and social sciences in the classroom.

To declare equivalent outcomes for education and training is to dismiss the deep qualitative

differences which define the respective experiences and make 'non-equivalent' the outcomes for those travelling through these different routes.

Thirdly, even if the resources were found to reorientate South Africa's teachers towards a curriculum based on skills and competencies linked to a national qualifications structure, there is no reason to believe such a fundamental shift - which requires considerable confidence, skills and insights - is remotely possible among our large reserves of under-qualified teachers.

Existing pedagogy is tied to a limited but very familiar and stable mode of conducting classroom practice. Major shifts of curriculum and pedagogy are strongly desirable but extremely risky unless they take as their starting point the realities of day to day classroom practices.

The single most important lesson from decades of curriculum implementation studies is that policy intentions seldom define classroom practice, irrespective of the level of resources. Yet there is no indication in any of the RDP's education proposals of a classroom-anchored implementation strategy which would make an elegant linkage of education and training even modestly workable in South African classrooms.

Conclusion

The implementation of the RDP proposals, as a set of slogans, will encounter several political and practical difficulties in the next few months. The authors are conscious of this dilemma, which may explain the many ambiguities expressed throughout the proposal in statements such as 'special steps must be taken' or 'we *must* find points of entry to' or 'should give special emphasis to'.

Such phrases are notorious for their non-consideration in the implementation arena. Then there is the added problem of a transition marked by negotiated settlements: the education system which emerges will be a product of compromise, conflict and contradictions in which the ideas of any one group are transformed and subverted from the original intentions.

Despite all of this, policy slogans are important devices used in all societies and cannot be dismissed as useless or irrelevant. In fact, it is precisely because of the political significance of slogans that they should be carefully scrutinised. "If not critically unpacked", cautions Werner, "a slogan's promise of reform and potential for significant change are easily lost".

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How Green is Your Gardeofr

4

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Urban agriculture is a new strategy for managing poverty in South African cities which urgently needs to be placed on the urban planning agenda. It is an environmentally friendly way of promoting sustainable development, supplementing low incomes and making more and cheaper food available to the urban poor.

The political changes taking place in South Africa are necessary conditions for improving the lives of the urban poor, but they are by no means sufficient ones. New programmes are urgently required to spearhead a war against poverty in the cities.

It is against this backdrop of 'redefining the urban game', and of new policy thinking towards poverty in South Africa's cities, that calls have been made to permit or even encourage urban agriculture. City managers should be sensitive to the use of 'nature' by the poor in their struggle to meet basic needs.

The promotion of urban agriculture is significant in South Africa because, due to lack of alternative forms of income generation, many people have no option but to seek sustenance from the soil.

The growing international literature on urban agriculture suggests many issues that may be applied to agricultural production and distribution on the urban fringes of our cities.

These include viewing urban agriculture as a resource and not a problem, the need for comprehensive land use plans that incorporate food production and socio-economic structures, and promoting a productive agricultural sector that can integrate and encourage other informal activities.

Not while food production provides a crucial¹⁵ at least useful food supplement for many families, there is insufficient information to evaluate the extent to which urban food production can satisfy household basic needs.

Before advocating more widespread cultivation it is essential to evaluate its benefits compared to alternative economic initiatives aimed at augmenting the incomes of poor households.

In particular it is necessary to assess its impact upon low income women, who are mostly not in formal employment and are crucial to sustaining urban agriculture among low income households.

Despite this, there remain strong grounds for extending the prospects for peri-urban cultivation in South African. Planning for urban and peri-urban agriculture must be recognised as an important part of the policy agenda for the 1990s.

The urban managers of the new South Africa will have to confront the needs of growing numbers of poor households in a scenario of limited formal employment opportunities and mounting pressures on informal income pursuits.

Planning

The international record indicates the importance of incorporating planning for urban agriculture as an element of achieving 'sustainable cities', a likely significant theme in the era of post-apartheid urban reconstruction.

Certain policy lessons can be gleaned from the experience of other countries. In particular, at the urban periphery several possible measures can be applied to provide support for informal cultivators in sustainable urbanisation initiatives.

City managers should be sensitive to the use of 'nature' by the poor in their struggle to meet basic needs

Urban managers will have to confront the needs of poor households in a scenario of limited formal employment opportunities and mounting pressures on informal income

Urban cultivators could move from growing only for supplementary consumption, to production for formal markets and agro industry

No clearly defined type of urban farming emerges from a scan of case studies and literature. It seems more appropriate to identify a number of farming characteristics which can be said to be typical of urban fringes. Yeung contrasts urban with rural agriculture in the following ways:

- Higher productivity per unit of space;
- Lower capital per unit of production;
- Lower energy consumption;
- Lower marketing costs;
- Greater incidence of specialised crops.

To this list the following could safely be added:

- Significant urban fringe penalties which increase costs;
- Diverse formal and informal marketing opportunities;
- A rapidly changing social, demographic, spatial and economic environment;
- High opportunity cost of alternative land usages.

Permaculture provides an affirmative action example for sustainable agriculture

Table 1 presents a preliminary typology of urban agriculture in South Africa using these characteristics. Clearly the tables do not contain all the data required for policy formation, but they could help direct further research into promoting urban agriculture.

In essence, the premise is that access to additional land, skills, capital, support services and, critically, markets could facilitate the move of urban cultivators from growing only for supplementary home consumption to production for formal markets and agro industry.

The development options for production on the urban fringes are both vast and varied. The tables for broiler production and cut flowers and herbs are just two among numerous other possibilities.

For example, in the Durban Functional Region (DFR) there are already some 200 hectares of arabica coffee under cultivation which produce about a tonne of unroasted beans per hectare. Tongaat Hullet engages in mushroom production on an industrial basis.

In Marianhill, on the DFR fringe, it may be more profitable for farmers with trees on their land to sell fuelwood to local stores than to timber mills, which they currently do. This demand is likely to remain for some time, since research indicates that newly electrified households do not convert immediately to electricity for all purposes.

Cultivating medicinal herbs is another possibility that has been investigated in the DFR. Inanda was assessed to identify an area

suitable for producing medicinal herbs. Close liaison with the chief and local community was adhered to at all times.

Initial studies showed that the most suitable area for agricultural development was the area immediately surrounding the homestead, since problems such as livestock and people encroachment, as well as general security and management, were best controlled from "this position.

Eight female herbalists were identified as participants in the project. All of them were advised and three were directly assisted: they in turn would assist the others. The women paid a token fee of around R3 each for a variety of medicinal plants. The project has been running for about a year and seems to be relatively successful.

The southern boundary of the Silverglen Nature Reserve on the Umlaas River, has traditionally been used by Indian market gardeners, especially for growing ginger. About 100 hectares are available but, due to the proliferation of informal settlements south of the river and consequent security worries, most of the gardens have been abandoned.

This land could be made available for agricultural purposes if the community so wishes. A major condition would be that locals would have use but non-residential rights to land in the Reserve. With financial backing the project could be viable. Sludge for fertiliser is available from the nearby sewerage works, the soils are good and water is available.

Permaculture provides an example of affirmative action for sustainable agriculture by basing its design around the needs and resources of communities, and by taking what is really useful in modern agricultural technology and weaving it together with traditional production systems.

The use of tunnels has shown enormous potential. At a cost of R7 000 to R8 000 and utilising relatively simple technology, it has been estimated that the sale of tomatoes produced would be sufficient to pay off a tunnel in one year.

A wide range of other crops are reported in the urban fringes of South African cities, including nurseries supplying indoor anil garden plants, pigmies, wine production, lawn, fruit - especially sub-tropical such as mangoes, pawpaws and bananas - fresh vegetables and sugar cane. Even beef and dairy cattle with feedlots are a potential form of production due to the availability of cane residues for feed.

A wide range of crops are already cultivated on the fringes of South African cities

Table 1: Farm Models for Urban Areas

	Low Market Penetration ¹	Medium Market Penetration ²	High Market Penetration ³
High Population Densities (1000 or more people per square kilometre)	Home consumption; Kitchen or community gardens (200 -300m ²); Vegetable crops ⁴ ; Adjacent to home; Supplementary food source; Low technology ⁵ ; No overheads Church/NGO support; Family labour ⁶ ; Invasions of 'passive land' are likely High urban fringe penalties up to 50% of crop; ⁷ Gross Farm Income = R1.50/m ² ; ⁸ Net Farm Income = R1,30/m ² ; ⁹	Sale of surplus crops from home; Home Gardens (400-500m ²); Vegetables, fruit and medicinal plants; Adjacent to home; Supplementary income and food source; Fertilisers and sprays ¹⁰ ; Low overheads (R1 200 p/a) ¹¹ Church/NGO support; 1 -2 hired labourers; Land invasions of 'passive land' are likely High urban fringe penalties up to 50% of crop Gross Farm Income = R5.25/m ² Net Farm Income = R2.60/m ² net.	Sale of specialist crops to markets and retailers; Home Gardens (400 - 500m ²); Salad vegetables, sub-tropical fruit, herbs, ornamentals ¹² ; Supplementary income source; Fertilisers, sprays, irrigation; Medium overheads (R10 000- R15 000) ¹³ Private sector/Department support; 3-5 hired labourers; Land rental likely High urban fringe penalties up to 33% of crop depending on type. Annual income will depend upon crops.

NOTES

1. Production is for home consumption, with some sales when there is over-production. No marketing system.
2. Up to three quarters of production is sold through informal channels. Direct marketing to consumers is undertaken by family members.
3. Over three quarters of production is sold through a range of marketing channels. Marketing may use fresh produce models, and contract arrangements may be made with chain stores.
4. Three crops per annum are assumed for all food crop models. Staple food crops include beetroot, cabbage, carrot, cauliflower, green beans, sugar beans, green mealie, onion, potato, sweet potato, spinach, pumpkins and squash.
5. A seed/seedling cost of R0.40/m² is assumed for garden plots, bought from retail outlets. For larger plots, economies of scale have been allowed for using Cedara data. (Prices adjusted for inflation)
6. Eberhard estimates that 45 minutes labour per m² is needed per month for a home garden.
7. Crop losses due to theft of this scale were reported in Tembisa and Groutville. It is assumed urban fringe penalties decline as population density declines, and that more commercial ventures have fenced land with greater crop security.
8. Gross farm income equals the value of the yield.
9. For gardens. Net Farm Income is Gross Farm Income less input costs.
10. Eberhard assumes a fertiliser cost of R0.08 per m² per crop, a compost cost of R0.25 per m² per crop, and a spray cost of R0.08 per m². (Prices adjusted for inflation).
11. One full time labourer at R100 per month or 2 part time labourers.
12. Additional non-staple food crops include peas, okra, cucumber, lima and broad beans, chillies, eggplant, lettuce and tomatoes.
13. Three full time labourers at R100 per month. One second hand LDV. Irrigation equipment R2 000; Tools R4000. Tools and vehicles are depreciated over 5 years.

A number of critical issues need to be singled out as policy considerations particular to cultivation in the urban fringes. These are urban management systems; community participation; the food retail environment; and land redistribution. It is essential that they are properly dealt with in any rural restructuring programme promoting urban agriculture.

ecosystems in combination with appropriate technologies to perform the service functions usually associated with expensive infrastructure, and not on the alleviation of poverty as a critical ecosystems issue.

Urban management

Internationally, the policy trend for promoting urban agriculture is towards creating more supportive environments. In both First and Third World countries, municipal authorities are developing approaches that integrate ecosystem principles and constraints into development and public management decisions.

However, there is growing evidence that a more integrated, participatory and people-centred approach to ecology is emerging. When environmental concerns are tied inextricably to issues of poverty and social injustice, urban agriculture becomes a strategy with the potential to address basic needs, ecological integrity and social empowerment.

This approach emphasises locally generated solutions to ecosystem problems supported through the development of informal and grassroots innovations.

In focusing on poverty and urbanisation, the sustainable development debate targets satisfying essential needs, improving local environmental conditions, accelerating economic development and generating employment as mutually reinforcing actions.

Elements of this approach are emerging in South Africa, although the emphasis is on using the natural environment and

To this end the Sustainable Cities Programme advocates as a primary goal providing municipal authorities and their partners in the public, private and popular sectors with an improved environmental planning and management capacity.

Urban agriculture has the potential to address basic needs, ecological Integrity and social empowerment

Table 2: Farm Models for Peri-Urban Areas

	Low Market Penetration	Medium Market Penetration	High Market Penetration
Medium Population Densities (400 to 800 people per square kilometre)	Home consumption Home gardens (400 - 1000m ²); Vegetables and maize; Supplementary food source; Low technology; No overheads Church/NGO support Family labour; Land invasions of 'passive land' are likely Moderate urban fringe penalties up to 25% of crop Gross Farm Income = R1,80/m ² Net Farm Income = R1,30/m ² net.	Sale of surplus crop from home and in town; Fields (1000 - 2000m ²) Vegetables and maize Supplementary food and income source; Fertilisers, sprays and ploughing; Low overheads (R4 000 p/a) ¹ NGO/Private sector support; 1-5 hired labourers Land rental is likely Moderate urban fringe penalties up to 25% of crop Gross Margin = R4 500 p/ha ² Net Farm Income = R2 500 p/ha. ³	Sale of mixed crops to formal markets and retailers; Fields (10000-50000m ²) Quality vegetables, flowers, medicinal plants, sub-tropical fruit, herbs & broilers ⁴ ; Primary income source; Fertilisers, sprays or 'organically' grown, tunnels, etc. Medium overheads (R15 000- R25 000) ⁵ Private sector and Department support 5-15 hired labourers Individual purchase of land is likely Low urban fringe penalties up to 10% of crop Gross Margin = R8 300.00 p/ha. Net Farm Income = R3 300.00 p/ha.

NOTES

1. Three full time labourers at R100 per month. Tools R2 000.
2. Gross Margin are based on the value of yields achieved by Indian market gardeners in Natal, less costs for seeds, fertiliser, chemicals, packing materials, fuel and repairs and interest paid on operating expenses.
3. Net farm income equals Gross Margin less overheads, which include depreciation, labour, and business charges.
4. Herbs include mini, coriander, curry leaf and garlic as well as conventional herbs such as parsley, sweet basil, marjoram, origanum, thyme and sage.
5. Five full time labourers at R100 per month. One second hand LDV. Irrigation equipment R6 000; Tools R6 000; Storage and store room to value of R10 000. Buildings are depreciated over 25 years.

At present, there is no appropriate linkage to resolve competition between urban and rural land users

The theory of comparative advantage as applied to food production is being shown to be unsustainable, on environmental as well as economic and political grounds. Improved sustainability by encouraging urban areas and local hinterlands to produce more food for the cities is being advocated. Urban agriculture thus presents itself as part of wider food security goal and an important challenge to urban managers.

A better understanding of rural-urban relations requires moving away from dichotomies. A more holistic view, promoting an integrated and balanced urban environment, provides opportunities to achieve synergies in joint efforts to integrate agricultural programmes in urban areas. This emphasises the role of urban managers in influencing the viability of urban agriculture.

In South Africa, the concept of integrated and mutual development of urban and rural societies is already being promoted in both government urban (White Paper on Urbanisation, 1986) and rural (Physical Planning Directorate 1992) policy.

Work on the positive influence of small urban centres on rural development and agricultural productivity can be translated to the urban fringe. The locational advantage of the fringe provides for the splitting of households into rural and urban components without disruptions to family units.

An holistic approach demands that power struggles are played out in economic, cultural, environmental, social and political arenas and that they consider the nature of tenure systems, government agricultural policies, and taxation and subsidy schemes.

Likewise, the need for technical training and education, health services, access to credit, and appropriate services and infrastructure, must take account of structures, processes, actors and behaviours as well as the importance of networks, enterprises and entrepreneurship.

Greater concern for land management tools to address multiple objectives offers potential for a vision of multi-use open space systems that increase the availability and accessibility of resources to all of the city's residents.

At present, there is no appropriate linkage to resolve competition between urban and rural land users. Land use planning has traditionally been based upon a command/control model which dichotomises urban and rural land use and makes no provision for either traditional or mixed use.

Appropriate structures do not exist to facilitate the transition between rural and urban land use. Thus, the urban sprawl and previous tight control over settlement patterns has meant that substantial land is available on the fringe.

Agricultural land lies fallow in many cases, forming a buffer between larger scale agriculture and dense settlements. More effective control over peri-urban land markets requires land use conversion legislation, processes that respond to the damage and cost of sprawl, and that curb speculation and reduce land prices while promoting flexible implementation of urban management.

Establishing more accurately the demands being placed on land and water is another area for future urban management policy, which will need to provide a more sound basis for the planning and managing these resources.

However, matching supply with demand presents itself as the more pressing concern. The complexities of the allocation and control of land and water extend far beyond technical and economic considerations.

These complexities are even further heightened on the urban fringe, where there exist a wide range of administrative and political structures, and varying degrees and types of control over settlements.

Given that increased demand for both land and water need to form part of a wider concern for the allocation and productive use of resources, sensitivity to social, political, economic and physical issues is necessary.

The concept of 'municipal self-sufficiency' adopted in China holds some appeal. While such a policy would require intensive analysis, it correctly emphasises the important role which can be played by urban authorities. Meanwhile, it may be appropriate to introduce incentives which encourage urban authorities to actively support urban agriculture.

More effective control over peri-urban land markets requires land use conversion legislation

Community participation

The environmental benefits of urban agriculture are nullified if social and economic changes in favour of local communities are not made. Participatory approaches recognise the needs, perceptions and expectations of a broad spectrum of the population and include them in the design and management of urban development.

In searching for new principles upon which to base relationships between users and actors within a city's land-use arena, grassroots control and management are key urbanisation issues.

While not firmly established as a primary goal, part of the agenda of increasing local institutional capacity will lie with establishing more participatory structures and government efforts that support community and non-government organisation initiatives.

The environmental benefits of urban agriculture are nullified if social and economic changes in favour of local communities are not made

Table 3: Farm Models for Semi-Rural Areas

	Low Market Penetration	Medium Market Penetration	High Market Penetration
Low Population Densities (200 to 400 people per square kilometre)	Home consumption - some sales; Fields (1000-20000m ²); Vegetables, gourds and maize & stock; Supplementary income source; Low technology; Low overheads (R1 000 p/a) ¹ NGO/Department support; Family labour; With subsidy, group purchase of land is possible Low urban fringe penalties up to 10% of crop Gross <i>Farm Income</i> = R1.80/m ² Net Farm Income = R1.30/m ² .	Sale of surplus crop from home, in town and to informal markets; Fields (10000-50000m ²); Bulky vegetables and maize & stock; Supplementary food and income source; Fertilisers, sprays and ploughing; Medium overheads (R8 000-R12 000) ² NGO/Department support; 1-5 hired labourers; With subsidy, group purchase of land is likely Low urban fringe penalties up to 10 percent of crop Gross Margin = R5 900 p/ha. Net Farm Income = R3 500 p/ha.	Sale of mixed crops to formal markets and retailers and cash crops to agro-industry; Fields (50000-200000m ²); Bulky and salad vegetables, fruit trees & broilers and small stock also cane, coffee etc.; Primary income source; Fertilisers, sprays or 'organically' grown, tunnels, etc.; High overheads (R50 000-R70 000) ³ Private sector and Department support; 10-20 hired labourers; Low urban fringe penalties, up to 10 percent of crop Individual purchase of land is likely Gross Margin = R12 000.00 p/ha. ⁴ Net Farm Income = R2 900.00 p/ha. ⁵ Short term loans of R5000.00 may be required to smooth cash flow

NOTES

1. Tools R4 000.
2. Three full time labourers at R100 per month. One second hand LDV. Tools R4 000: Storage and store room R10 000.
3. Twelve full time labourers at R100 per month. One second hand lorry; One LDV; 35 kw tractor; Irrigation equipment R20 000; Tools R6 000; Storage and store room R15 000.
4. Gross Margin are based on yields achieved by Indian market gardeners in Natal, less costs for seeds, fertiliser, chemicals, packing materials, fuel and repairs and interest paid on operating expenses (Adjusted for inflation.)
5. Net farm income equals Gross Margin less overheads, which include depreciation, labour, and business charges.

Table 4: Cut-Flower Model¹

Population Density	High	Medium	Low
Farm Size Labour Requirements Crop Type	0.5 ha. Family Labour Annuals, such as statice, chrysanthemums and flowers used in festivals such as marigolds.	0,5 -1 ha. 1 - 2 labourers Mixed annuals and perennials, such as roses and strelitzia.	2 - 5 ha. 4- 15 labourers As before.
Support System	Farmers Co-op and NGO's ² . Specialist input from horticulturists will be needed.	Farmers Co-operatives and specialist input ³ .	Farmer's Co-ops, Marketing Network and Departmental Assistance
Capital Cost ⁴ Operating Costs ⁵ Net Farm Income p/ha	R73 750 R12 190 R37 362	R145 500 R24 300 R26 566	R747 500 R123 900 R17 047
Technology ⁶	Fertilisers, sprays and irrigation. Cold storage facility essential given high temperatures in Natal. Frost protection may be required in Region H. This facility could be co-operatively owned. Around 60 litres per m ² should be allowed for	Fertilisers, sprays and irrigation Cold storage facility co-operatively owned	Fertilisers, sprays and irrigation Cold storage facility is needed which will be individually owned
Marketing	Establishing a marketing network is critical. A system of growers and buyers needed as it is unlikely that growers would have the time or expertise to market. The buyers would sell to consumers or retail outlets such as supermarkets and florists.	International agency. As before, although buyers would also need to link to international agents such as the Von Egmont Agency in Durban who then ship the flowers to Holland.	As before. Most of the crop would be exported. South Africa has about 60 intercontinental flights per week, and freight charges are competitive. Minimum weights must be considered, 500kg or more is cheapest.
Constraints	Irrigation essential. Can be low tech, such as watering cans, but access to consistent water supply is critical. Technical support is required at start-up, but there are few horticulturists or plant pathologists in South Africa trained in these crops. The crops are prone to diseases and pests, and in Natal this is particularly problematic.	As before and quality standards must be consistent	As before, and quality must meet international standards. Careful packaging and transportation is essential. Freight charges will be borne by the farmer, with possible negative consequences for cash flow.

NOTES

1. In the USA and EC, labour costs have reduced the viability of cut-flower cultivation, and Columbia and Kenya are now the second and third biggest flower exporters in the world, despite limited infrastructure and international airlines. In addition, the key international period is over the northern hemisphere's winter, when peak production can be achieved in South Africa. Finally, indigenous flowers such as *Agapanthus gloriosa* lily (flame lily) and *Sandersonia* (Christmas Bells) have yet to be fully exploited as cut-flowers.
2. A Farmer's Co-operative of 10 members is assumed which would provide cold storage, storage, grading and packaging facilities.
3. A farmers co-operative is assumed, consisting of five members.
4. The calculations for capital cost are in the Appendix.
5. The calculations for operating cost are in the Appendix. Depreciation and finance charges are included.
6. It is assumed that full greenhouse production will not take place, and that yield will be one third of those possible from production under ideal conditions.

People living on the fringe are not static, and should rather be seen as being on some kind of trajectory

In areas where civic structures have been organised and are legitimate, establishing connections and negotiations with adjacent local authorities has resulted in visible and positive improvement to communities. Such processes may enable communities to negotiate for urban agriculture as part of the open space system of resource-rich municipalities.

Community involvement will also help deal with the transitory nature of urban cultivation. People living on the fringe are not static, and should rather be seen as being on some kind of trajectory. So while they may engage in agricultural production now, changing opportunities may mean that they move onto different forms of economic activity in the future.

Finally, community gardens promote social co-existence and co-operation. Being indigenous and welcomed by communities, they not only provide food but also demonstrate an immense amount of local expertise, which needs to be acknowledged and developed by agencies.

An interesting opportunity for community participation is linked to water. The extension of voting rights to all people in South Africa will impact on the ability of black households to enforce their riparian rights. This will have a number of implications including:

Sale of water. Local authorities and water boards will probably have to review their abstraction and re-sale of water in the light of hitherto ignored riparian rights.

The inclusion of previously excluded riparian rights holders will significantly increase the political influence of non-white land holders and affect the composition of water and irrigation boards.

The reassertion of riparian rights should lead to a greater supply of water for non-white communities. This will undermine the selling of water as part of a local informal economy, and the use by political or quasi-political structures of control of water as a power base.

- Local authority structure. The redrawing of local authority boundaries and the definitions of local communities could be substantially affected by the reassertion of rights holders.
- Economic. Economically marginal land could become viable through the application and restoration of riparian rights.
- Impact. It is difficult to assess the impact of applying riparian rights on potential agricultural production. In some cases there are political reasons for not reasserting these rights.

In one case the potential of riparian rights is engaging a community in the process of accessing water for both domestic and agricultural purposes. In another case, lack of skills is limiting the demand for water, which can be met through existing structures. One can tentatively draw the conclusion that riparian rights will not have any significant impact on peri-urban agricultural initiatives.

Food retail environment

Urban agriculture is clearly tightly bound to the supply of fresh produce to urban consumers, whether directly through formal fresh produce markets, or indirectly via street hawkers or the the formal marketing channels of producer-transporter-packager-chain store.

Understanding the nature of urban food supply systems, particularly those used by low income households, is critical if urban agriculture is to be promoted as a viable option for producers and consumers. A two-fold action on marketing and distribution could benefit both.

Firstly, the 'food retail environment' could be changed through measures such as restoring produce markets, influencing consumer preferences and redirecting institutional purchasing patterns.

Restoring farmers markets, for example, could help reduce the substantial handling costs of produce distribution and mitigate

against higher food costs. If located in lower income areas, this could aid the poor.

The market could offer producers a range of agricultural services, such as warehousing and cold storage, and attract suppliers of agricultural inputs such as seeds and fertilisers. Most pertinent would be the revival of local urban and peri-urban agriculture.

It must be cautioned, however, that emphasising urban agriculture in urban food supply strategies will be opposed by a number of powerful interest groups, including the holding companies of the major-food retail outlets, of the major fresh produce transportation companies, and a host of food packaging companies.

Analysis of the decline of the Indian market gardener sector illustrates how large capitalist-based development squeezed out small producers while the attraction of wage employment enticed producers to abandon this form of production.

Should urban agriculture be identified as a viable alternative to meeting the food needs of urban dwellers, an understanding of the social, economic and political processes of the food retail environment will be essential, and will imply fundamental restructuring of the agricultural production, distribution and marketing industries.

Despite all this, it is argued that if land was to be made available at a sufficiently low cost, and credit and transport were provided, urban agriculture could offer a relatively inexpensive way of life for producers in which agricultural incomes could be combined with other earning activities.

There are also a number of short term options for promoting urban agriculture, such as redirecting the purchasing patterns of a number of organisations. For example, state institutions are significant purchasers of food and could redirect their buying to enhance urban agriculture.

It would be possible to identify potential producer/suppliers who provide produce to institutions such as hospitals, schools, cafeterias and other state institutions. Other marketing possibilities include promoting small-scale canning and preserving production to mop up seasonal surpluses.

Should a market-based approach to land redistribution be adopted at the national level, a number of unique features of land on the urban fringes come into play, of which the determinants of land price are perhaps the most important.

Local authorities and water boards will probably have to review their re-sale of water in the light of previously ignored riparian rights

Urban agriculture will be opposed by a number of powerful interest groups, including the holding companies of major food retail outlets

State institutions are significant buyers of food and could redirect their buying to enhance urban agriculture

Studies have shown that on the urban fringe land price depends upon general site characteristics such as soil/quality/productivity, land parcel size and location, and debt capital issues such as interest rates and the availability of subsidies or incentives. As with all other land transaction, expectations of future conditions are critical in determining prices.

Unique issues for the fringe include the impact of government intervention such as zoning legislation, changing population densities and population growth, the availability or lack of services such as water, sewerage, electricity and roads, access to employment in nearby industrial or commercial enterprises, and the likelihood of expansion of such activities onto the purchased land.

Prices may fluctuate according to the way in which these issues interact, and may be inflated or deflated in a way that is not desirable promoting sustainable urban agriculture or development. So the way in which land ownership is transferred on the fringe requires careful attention and may need specific mechanisms.

An additional concern for land redistribution is unused public land. In South Africa, experience has shown that passive open space should be avoided as land-hungry people will simply occupy it.

Allowing crop production may be a way of holding land and at least ensuring that it is not used for more permanent purposes before planned use, such as schools or housing development, can take place. Obviously, the granting of crop rights should be seasonally based.

Finally, as with the communities living on the urban fringe, land use itself is on a trajectory. Land may be currently vacant, but in time might become developed into housing or industrial estates. This has a direct bearing on issues the appropriate form of security of tenure.

Freehold may not be the best form of tenure for fringe agriculture as people may not wish to continue production over time. Alternative forms of leasehold may be more appropriate.

The question which needs to be resolved is: What level of security of tenure is needed to promote cultivation? Community involvement in determining sufficient conditions of tenure could be more effective than blueprint style planning procedures.

Conclusion

Agricultural production on the urban fringe is part of a wider attempt to manage a city's natural assets to promote ecological, economic and social objectives. Officially sanctioned and promoted, such agricultural production could become an important component of urban development and make more food available to the urban poor.

Urban food supply is a vital but neglected area for policy. Important aspects of such a policy should include increased urban production as well as better access to food through transfer systems or an improved supply system.

The necessity for city dwellers to obtain most of their food from outside the city is a fundamental condition of urban life. Recent events in Zambia and Zaire indicate that urban social protest is more likely to be initiated by food shortages or food price rises than by housing shortages.

While studies from Asia, Africa and the developed economies of Europe and North America place different emphases on the prospects of urban agriculture as more than a subsistence activity, there does appear to be agreement that this form of production would have substantial benefits for South Africa.

These benefits include provision of both fresher, cheaper and more nutritious produce for the urban population. Numerous other benefits are given, including environmental ones such as increasing available green space, clearing garbage dumps and recycling household waste, moderating climate, buffering against noise, reducing groundwater pollution and greater awareness of environmental concerns.

Urban agriculture also extends the role of habitats to include provision of renewable fuel, shelter, fodder and medicines. At the municipal level it can promote a multi-functional, self-sustaining landscape that provides social, economic and environmental benefits. Production can benefit local economies and ecologies.

An integral and participatory approach to ecological concerns raises community awareness of the connection between individual action and long-term environmental outcomes, and between economic, environmental and social sustainability principles. In this way, urban agriculture can serve as an example of sustainable development. Q@B

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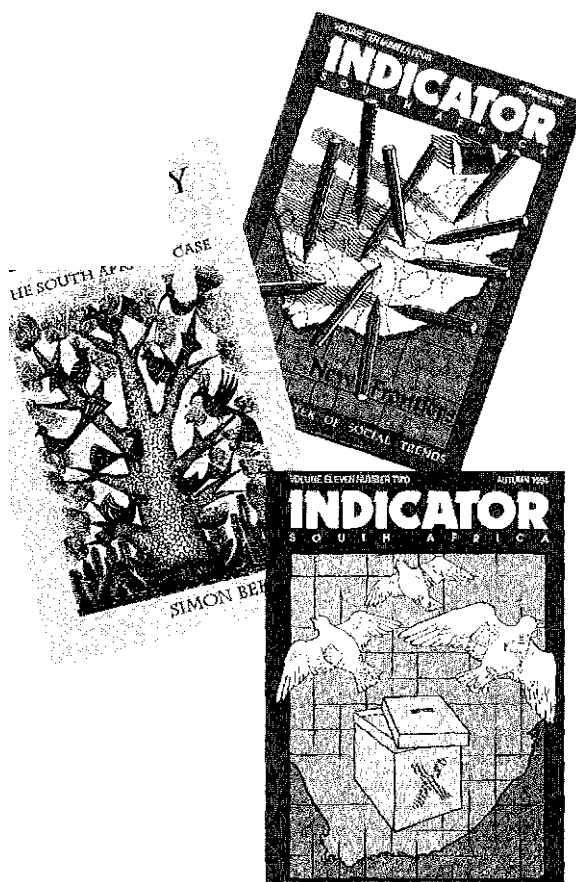
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