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# NEW AGENDA

SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY

# Vote Shedding

## ANC power outage follows 27-year failure to address local government challenges

**Also inside:**

Black economic (dis)empowerment: regulations have created black investors' ghetto

Planning post-Covid-19 recovery: business as usual or pro-poor inclusive growth?

Battle of the titans: who will win the war on coal-powered energy?

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SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY

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**CONTACT US**
Email: **admin@ifaaza.org**
Website: **www.ifaaza.org**
Facebook: **www.facebook.com/newagendaonline**
Twitter: **@IFAACT or @NEWAGENDAZA**
Instagram: @**newagenda_ifaa**
Tel: **+27 21 461 2340**
Address: **Community House, 41 Salt River Road, Salt River Cape Town 7925**

**IFAA STAFF**
**Director**
Zunaid Moolla
**Guest Editor**
Martin Nicol
**Project Manager**
Christine Leibach
**Production Manager**
Moira Levy
**Senior Researcher**
Hibist Kassa
**Research and Events**
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Shamielah Booley
**Assistant Researcher**
Rachael Nyirongo
**Publisher**
Institute for African Alternatives (IFAA)
**Layout**
The Media Chilli

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Issue 82



# Not the end of our democracy - yet

*By Martin Nicol*

Citizens in democracies frequently choose not to vote. But candidates still get elected – and have the same duties and responsibilities, as representatives of the people, as they would have if they were the victors in a popular landslide.

As citizens, we can call on elected representatives to account for their actions and performance whether we voted for them or not.

After elections, whatever the percentage poll, our multi-party system of democratic government remains there "to ensure accountability, responsiveness and openness".

Even on election day registered voters still have a choice on whether or not to vote – or spoil their ballot.

In the local government election 2021, some 200,000 voters – about 2% of the total – submitted spoiled ballots, where their voting intention was not clear. This is not exceptional – it is in line with previous elections.

"Vote-shedding", a theme of our cover illustration, does not automatically mean that democracy takes a holiday. When the poll is low — and our universal adult suffrage, common voters roll and regular elections fail in their intended function of giving voice to the will of the people — there is a need for civil society to step up.

The enervated electorate have been drained of hope by politicians of all persuasions. Their low participation rate indicates a profound lack of confidence in the political class who have put themselves forward as national and local leaders.

UCT psychology professor, Wahbie Long, writes in a book that Moira Levy reviews, There is a brokenness at the heart of our nation that cannot be wished away.... South Africans feel alienated in almost every sense – from their loved ones, from their work activities, from their political leaders and, most of all, from each other."

Those who won the election in November 2021, really just took first prize in a lottery. They, and their discredited political parties, have no mandate from the citizenry.

But democracy has several strings to its bow. The Constitution and a whole raft of laws provide opportunities for citizens to participate in government, whether as individuals or as part of organised civil society.

This participation is more important now than ever before. There is a newly urgent need to organise more effectively outside the arena of political parties. The flawed citizens who the weak tides of fortune have washed up in the shallows as governors of our municipalities will indulge in new miseries unless they are lobbied, influenced and pressurised in favour of the public interest.

Tracy Ledger's article on local government after the elections is doubly bleak. She argues that municipalities so seriously lack access to money and resources that even honest administrations, unfettered by political infighting and corruption, would make little progress with service delivery. Our cities are in crisis and rural areas remain in distressing neglect, as they continue to decline.

Rural voices are given a hearing in

a research article on Jolukuqu, a village near Mthatha. Aphiwe Mgushelo and Alex Bara used information from satellite photographs to track the decline in the cultivation of traditional fields (*amasimi*) and then interviewed the community to find out why. People said they would cultivate again if they had fences to protect their land. But where would the money come from? Jolukuqu lies in a desecrated district municipality, long under ineffective administration, that bears, so unfairly, the name of Cde O.R. Tambo.

In something of an understatement, Asghar Adelzadeh says that "the overall growth and development outcomes of the post-1994 economic policy framework have been extremely disappointing". The strong signs are that disappointment is likely to continue. It is the result of poor policy leadership by the government that seems totally set in place. This is not necessary – Adelzadeh draws on comprehensive modelling of the SA economy to suggest that it is realistic and possible – even today – for bold policy interventions to shift the path of economic development onto a better route for the coming decade. In his most optimistic (but least probable!) scenario, 2030 unemployment will be 12% — not the zero promised by the defunct National Development Plan, but also not the 37% where we are headed at present, according to the forecasts of the economic model.

Gordon Young's contribution on Black Economic Disempowerment also points to the need for a policy shift – away from concentrating on black ownership as an end, towards black business success as the means for real, wider empowerment. Portraying our government as a well-meaning but blind, clumsy giant (new acronym BCG?) he points the way, but expresses no optimism for sense prevailing.

Eskom is the underlying theme of our cover illustration. *New Agenda* reflects on the cold war between the upfront CEO of Eskom and the obdurate and blinkered minister responsible for energy foresight and planning. There is no short-term recovery possible and the journey onwards – whoever comes out on top – will mean several more years of the self-created power blight that deadens our economic prospects.

Etienne Vlok points to the launch of the African Continental Free Trade Area as an impressive achievement that could assist economic regeneration. This will, however, require considerable investment in infrastructure, completely new attitudes to border controls and actual goodwill between countries. Free trade presents threats to labour standards for organised workers. The nature of many international supply chains also present major obstacles for link-climbing, particularly when some parties prioritise "localisation" strategies.

Finally, IFAA is delighted that world-renowned development economist, Professor Ha-Joon Chang of the University of Cambridge, accepted an invitation to deliver the inaugural Ben Turok Memorial lecture in Cape Town on 30 November. The full lecture will be available on the IFAA website and on the UWC Facebook page. NA

# Sustainability in all dimensions

## *and phantsi neo-liberalism, phantsi!*

*By Martin Nicol*

Dr Nicol is the guest editor of the Institute for African Alternative's flagship magazine, *New Agenda*, and the senior researcher on IFAA's Checks and Balances Project. With a background in trade unionism and political activism, he retired from the research unit of the South African Parliament in 2019.

*The inaugural Ben Turok Memorial Lecture was delivered in Cape Town on 30 November 2021 by the eminent economist and author, Ha-Joon Chang, Professor of Political Economy of Development at the University of Cambridge. The title of the lecture was "Structural Transformation and Sustainability – Changing Role of the State in Developing Countries." MARTIN NICOL provides a summary of what the professor had to say.*

*The lecture was given before an audience in the Ashley Kriel Memorial Hall at Community House, Salt River – the same complex as the IFAA offices. It was also streamed online via Zoom and Facebook. The lecture was introduced by Cde Kgalema Motlanthe in a recorded message. Introductory remarks were also made by Professor Tyrone Pretorius, Rector and Vice-Chancellor at the University of the Western Cape (UWC), Zunaid Moolla, Director of IFAA, Ivan Turok, representing the family, and Umesh Bawa, Director: International Relations, UWC. Professor Julian May, director of the Centre of Excellence in Food Security, UWC, introduced the keynote speaker.* ››

In the spirit of Ben Turok, the lecture was argumentative and challenging. Professor Chang did not pull any punches as he outlined the dire effects of economic orthodoxy, neo-liberalism and so-called independent institutions on the growth path of developing countries, particularly since 1980. As he has said elsewhere, for him, economics is a tool for changing the world, not for explaining why the world is as we find it. (Pilling, 2013). The key point of the lecture was that the first step in making the world a better place is to challenge conventional wisdom about what is possible.

This came after a concise but wide-ranging reflection on the role of the state in developing countries by examining the global history of capitalism in the last few centuries.

Professor Chang said he had first met Ben Turok in the early 1990s. Just a few years on, the initial hope of a new, progressive South Africa, embodied in the Reconstruction and Development Programme (RDP) of the early transition years, was fast fading away. As someone who had been involved – on the margins, he said – in South African policy debates since 1991, he was deeply upset by the neo-liberal turn that the country was taking under the iron grip of the Growth, Employment and Redistribution (GEAR) framework at that time.

Many people in the ANC, including Ben, were unhappy about this policy shift, but—unlike Ben!—most of them kept quiet. GEAR was said to be, as its promoters then put it, "non-negotiable". Professor Chang, in his first challenge to the audience, asked how something can be non-negotiable in a democracy.

In his tribute to Ben Turok, Professor Chang said Ben seemed to be one of the few people in the ANC who were willing to keep his "head above the parapet", as one of his book titles went, and to criticise GEAR openly. As a progressive thinker and actor, Ben

**"... economics is a tool for changing the world, not for explaining why the world is as we find it.**

was a great believer in the power of democratic collective action, where the national government, or the state, is the main theatre. He said Ben always fought for the South African state to implement economic and social policies that benefitted all citizens, and not just a small group of privileged people, whether it was under apartheid or under the ANC rule.

This explains the themes Professor Chang covered in the lecture: what the role of the state should be in developing societies, how it has been changing, and how it should change.

In a brief review of capitalism, Professor Chang said so-called developing countries today are all products of colonialism and imperialism by the core capitalist countries. Like South Africa, many of them were colonised, ruled and settled by people from the imperialist countries. Even countries that were not formally colonised, such as China, Iran, or Thailand, were not free from imperialism. They were subjected to so-called "unequal treaties" which deprived them of much of their autonomy.

Typically, the subjugated country would lose land to the invaders, he explained. It would be forced to sell natural resources, such as minerals and forests, at below-market prices. And it would be forced to practise free trade. The "free" in free trade only means freedom of those who are engaged in international trade from government interference – nothing more.

Given this history, it was natural that the oppressed countries sought to promote economic development through state intervention after they were decolonised or were free of unequal treaties. They abandoned the free-trade, free-market policies that had been imposed on them by their former colonial masters and started pursuing state-led economic development.

According to Professor Chang, by the 1960s and the 1970s, what came to be known as state-led industrialisation (SLI) or import-substitution industrialisation (ISI) was pursued in most developing countries – albeit with different degrees of success. Policy packages included economic planning (of varying effectiveness); state-ownership of key industries; import protection (through tariffs, quotas and bans); restrictions on foreign investments; and state control over foreign exchange.

However, most developing countries were forced to abandon their state-led development strategy, when the Third World Debt Crisis of 1982 hit and they were subject to the Structural Adjustment Program (SAP) of the International Monetary Fund (IMF) and the World Bank. This involved liberalisation of international trade

> **Ben always fought for the South African state to implement economic and social policies that benefitted all citizens, and not just a small group of privileged people.**


*At the rostrum: (left) Umesh Bawa, Director of International Relations, University of the Western Cape; (right) Zunaid Moolla, Director of the Institute for African Alternatives.*

and investments; deregulation of the domestic economy, including the financial market and the labour market; privatisation of state-owned enterprises (SOEs) and many government services; fiscal retrenchment, especially in relation to social spending; pro-cyclical macroeconomic policy (e.g. "austerity" in economic downturns); and giving disproportionate power to a politically independent central bank that pursues low inflation in a single-minded way.

"Neo-liberal policies that were introduced during the 1980s still dominate the policy-making scene in much of the developing world," the professor said.

Supporters of neo-liberalism claim that their policies "saved" the developing countries from the inefficiencies and stagnation of ISI policies. This is a total misrepresentation.

He referred to the records of neo-liberalism which instead tell stories of rising inequality and increasing economic instability. While price stability has generally – although not universally – increased under neo-liberalism, other forms of economic instability – output, employment and especially financial instabilities – have increased. The professor recalled the many major financial crises across the globe we have witnessed.

The ultimate problem, however, with neo-liberalism, said Professor Chang, is that it has failed to generate faster economic growth in whose name neo-liberal reforms were justified. In the "bad old days" of protectionism, regulation and higher taxes, between 1955 and 1980, the world economy was growing at 2.6% in per capita terms. In the next four decades of neo-liberalism, the growth rate was nearly halved to 1.5%.

Neo-liberalism cannot be good for growth because it discourages long-term investments, he said. Liberalisation of international trade and investments not only destroyed "infant" industries built up during the ISI period, but also made it extremely difficult, if not totally impossible, for developing countries to develop new high-productivity industries.

Indeed, economic theories and the history of capitalism tell us that neo-liberal policies are not going to lead to structural transformation and economic development, Professor Chang argued.

"There are numerous economic theories that tell us that leaving things to the market, as the neo-liberals recommend, is not going to encourage long-term investments, productivity growth and innovation, especially in developing countries."

Professor Chang said that virtually all of today's rich economies used trade and industrial policies that go against the neo-liberal orthodoxy in achieving their economic success (Chang, 2002 and 2007). In order to develop »

> **Neo-liberal policies that were introduced during the 1980s still dominate the policy-making scene in much of the developing world.**


themselves, rich countries relied on trade protectionism (especially, but not only, "infant industry" protection); government subsidies and procurement policies; regulation of foreign direct investments (FDI); active use of state-owned enterprises (SOEs); and lax intellectual property rights (IPR) laws.

The exact combination of these policies differed across countries, he said, but the principles were the same – you need the state to play an active role to achieve structural transformation towards higher-technology, higher-productivity sectors.

## *CHANGING ROLE OF THE STATE*

With characteristic irony Professor Chang said this does not mean that all that the developing countries of today have to do is to go back to the "good old days" of the 1960s and the 1970s. "The world has changed and there are new opportunities, challenges and constraints. Today's developing countries need to take those things into account in re-formulating the role of their states."

For instance, there have been changes in the rules of the global economy that have affected the policies that can be used. People have mistakenly claimed that, whatever their merits were in the past, the new global economic system – represented by the World Trade Organisation (WTO) and various Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs) – make it impossible to use most of the policies that could be used before the 1980s.

Professor Chang joked that the WTO has become the best friend of lazy government bureaucrats in developing countries. "Whenever a minister wants to introduce a new policy, the official is able to say 'Minister, that is banned by the WTO'. This is an overwhelming tendency, but it is not true! The policy space has by no means shrunk as much as people say."

As Professor Chang and his co-authors said in 2016, in a major report for the UNECA, that he referred to in the lecture:

> Many industrial policy measures are "domestic" and therefore not affected by the changes in global rules, while there is still a lot of room for manoeuvre even in areas covered by the new (more restrictive) global rules. Moreover, developing country industrial policy-makers need to fully understand the global rules, if they are not to give up on implementing certain policies simply because they think it may be banned. There are also grey areas to be exploited – rules that are *de facto* not observed by anyone (e.g. rules on R&D subsidies) or rules that are complex to interpret and thus ambiguous." (UNECA, 2016: 158)

Also, people argue that the rise of global value chains (GVCs) means that many "old-style" nationalistic industrial policies (especially regulation of FDI) are counter-productive and therefore that developing countries should develop their economies by liberalising FDI.

The professor's argument went: FDI *can* bring in additional capital, better technologies and higher quality standards. GVCs *can* make it easier for developing countries to enter a new industry without having to be able to conduct a huge range of activities. They can, but that does not mean they will!

The benefits of FDI can be fully reaped only if there are appropriate regulations regarding ownership, local sourcing, technology transfer, research and development (R&D) and worker training. Without such regulations of transnational corporations (TNCs), GVC participation is likely to result in an "enclave economy", he said. Developing countries need to be more innovative in dealing with TNCs in a more informal, negotiated way.

He added, there is a view that we now live in a post-industrial knowledge economy and therefore former industrial policies focused on manufacturing industries are outdated. People say the way forward is high-productivity services – like engineering, design, research, consulting, IT and finance.

This argument is based on misunderstanding and exaggeration, said the professor. Manufacturing is still by far the most important source of productivity growth and innovation. Most of the high-productivity services are actually not new. It is just that activities that used to be conducted in-house by manufacturing firms were spun off in corporate restructuring. Given this, it is not surprising the manufacturing sector is the main source of demands for these high-productivity services.

"At the same time, it is true that the boundaries between economic sectors (manufacturing, services, mining, agriculture) have become blurred, so industrial policy-makers need to think laterally when they decide what sectors to promote." Professor Chang said it would be much more productive to think in terms of *productive capabilities* rather than economic sectors when you are thinking of structural transformation.

The challenges of environmental sustainability open new "windows of opportunity" to carve out a space in new technological fields, like energy, production, and the organisation of living space and consumption, for a small number of technologically more advanced developing countries, such as China, Brazil and South Africa. "All developing country policy-makers need to pay more attention to the accumulation of technological capabilities than before," he said.

The professor made the point that there is a need for sustainability in all dimensions, not just environmental sustainability.

"First, we need economic sustainability, which means that developing countries need to develop their economies on the basis of greater productive capabilities, rather than simple access to greater amounts of resources, whether they are natural resources or financial flows.

"Second, we need political sustainability, for which we need to build durable political coalitions that can support a dynamic and fair economy.

"Third, we need social sustainability, for which developing countries need to more closely integrate the productive economy and the reproductive economy, care work, mostly done by women on an unpaid basis or at very low wages, while building a citizenship-based welfare state."

Professor Chang's conclusion, based on his clear historical survey, was that there are many pathways to change the world for the better. But people have to resist the glib contention that "structural factors" constrain the options open to developing countries so much that there is no point in trying to change anything significant. The WTO system, GVC, the so-called Fourth Industrial Revolution technologies, all need to be prodded and challenged. They are not insurmountable barriers or rigid channels – unless they are allowed to be. Developing country industrial policy-makers just have to be "smarter" than ever before! (UNECA, 2016:163)

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The presentation slides for the lecture are available on the IFAA website and on the UWC Facebook page. NA

### *THE BEGINNING OF A NEW PARTNERSHIP BETWEEN IFAA AND UWC*

The Institute for African Alternatives (IFAA) together with the Institute for Social Development (ISD) and the International Relations Office from the University of the Western Cape collaboratively hosted the Ben Turok Memorial Lecture to commemorate the contribution of Ben Turok to the development community and the discourse and practice on socioeconomic alternatives for development in South Africa and Africa as a whole.

The ISD and IFAA have formally entered into a collaborative relationship to strengthen the ties for a socially just society through the development of a cohort of new scholars equipped with the cognitive tools to give voice to the marginalised through progressive and alternative approaches to economic and social development. It is in this spirit that we co-hosted this event.

Through this collaboration the parties will strive to offer progressive perspectives on social and economic policies, stimulate debate and discussion on issues of national importance, advocate for an open and inclusive society, and provide a platform for youth to explore ideas on decolonising Africa.

This event was the first joint project of IFAA and UWC's ISD.

# Changing municipal leadership

## won't end one of the toughest challenges in local government

<u>*By Tracy Ledger*</u>

Dr Tracy Ledger is Head of the Energy and Society Programme at the Public Affairs Research Institute (PARI). This Programme undertakes research on the linkages between energy poverty and poverty in South Africa, and the institutional drivers of those outcomes.

*The local government election results confirm deep citizen discontent over basic service delivery. In this article, TRACY LEDGER points out that even if local service delivery was fully reliable, 80% of people could not afford to pay for it, which implies change at local government level requires far more than voting in new representatives. It needs fundamental adjustments to the local government funding model.*

> *South Africa has been given a rare and historic opportunity to transform local government to meet the challenges of the next century ... the existing local government system will be radically transformed ... (into) a system of local government which is centrally concerned with working with local citizens and communities to find sustainable ways to meet their needs and improve the quality of their lives.*
>
> White Paper on Local Government (1998)

The recent local government elections have resulted in a significant change to the leadership of many municipalities. This reflects voter discontent with the current state of local government in general and the delivery of basic services in particular. And voters had a lot to be discontented about: in some areas services have almost entirely disappeared, in many others they have become unreliable and of poor quality.

This situation should not just be viewed as something that drives voters to make different choices. Universal access to quality services – electricity and water in particular – is central to achieving the National Development Goals. Access to basic services increases standards of living and thus reduces poverty and inequality. Electricity is necessary for a wide range of economic activities, and therefore access to it facilitates new livelihood opportunities. Think about how many home- and community-based enterprises require electricity to operate, from food retail to small-scale manufacturing and personal services.

Facilitating access to these services for everyone is the primary function of local government – its most important reason for existing, and the most important reason why we should be deeply concerned about its failures.

The main hope of many South Africans is that new councillors will do a better job of achieving the goal of universal access than their predecessors did. All of us have a vested interest in this, even those who experience generally good quality and reliable services. Until the majority of us have access to basic services we are unlikely to reduce poverty and inequality or increase economic participation.

But is this a reasonable expectation? What are the chances that new management across local government will actually be able to make significant progress towards universal access to basic services?

Answer: Very low.

Of course, operationally efficient municipalities staffed with the right skills, and with a political consensus that the delivery of quality services are a priority, will almost certainly result in an improvement in the quality and reliability of services. But is that sufficient to achieve universal access of the kind envisaged in the National Development Plan? The kind of access that will make a meaningful impact on

> **Access to basic services increases standards of living and thus reduces poverty and inequality.**


poverty and inequality? Answer: No.

Effective access to services such as electricity and water comprises both physical access (which is determined by the extent and quality of the infrastructure that delivers the service and day-to-day management of it) and affordability. Research suggests that the minimum electricity that a household requires to make a positive impact on its standard of living is 200kWh per month, substantially more than the current free electricity amount of 50kWh per month (Earthlife Africa, 2010).

The equivalent amount of water is variously estimated to be around 50% higher than the current amount of free water permitted. Affordability is thus particularly important in South Africa where households' ability to access a level of services that will actually make a difference to their poverty is determined entirely on their ability to pay for those services.

If a household cannot afford to pay for the electricity that it requires to meet a basic standard of living, that service cannot really be considered "accessible" even if it has a functioning connection to the grid. It really does not matter how good the infrastructure is, or how well it is maintained, or the quality and reliability of the service it delivers if citizens can't pay for it.

Quality and reliable services are *necessary* for achieving the goal of universal access, but they are not *sufficient*. Therefore, the ability of any municipality to deliver universal access to services is determined both by the quality and reliability of the service *and* what it costs relative to household income.

The reality is that around 50% of South African households cannot afford to pay for the modest level of services that would improve their standard of living and allow them to participate in numerous livelihood opportunities (Ledger, 2021). Across the board, all municipal services have increased in price well above the rate of consumer price inflation over the last 10 years, making it clear that household affordability is *not* the priority in the current system. The South African Reserve Bank reported the following increases in municipal services costs from 2010 to 2020, during which period the increase in headline consumer inflation was 68%:

- rates and taxes: +118%;
- electricity: +177%; and
- water: +213%.

Low-income households are spending an average of 15% of their monthly income on electricity and 10% of their monthly income on water, to purchase the minimum amount that they require (Ledger, 2021).

The various free basic services policies are intended to ensure that all households have a basic minimum of electricity, water and sanitation — 50kWh of electricity, 6KL of water and a range of basic sanitation options. In theory, these should provide a minimum access level for all poor households, although the quantity of each service (particularly electricity) is well below what is actually required to make a meaningful impact on standards of living.

In reality, only a relatively small number of households actually benefit from these policies, due to poor oversight of implementation. And even those who do must still find the money to purchase the additional services (particularly electricity) that they actually require to meet a minimum standard of living. In summary, the free basic services policies have had only a marginal impact on affordability.

As a result, millions of poor »

> ... no clear benchmark for assessing affordability has ever been set or had the attention of policymakers.


households regularly reduce food expenditure to purchase small amounts of electricity and water. South Africa has high food insecurity and child malnutrition rates: slightly more than one in four children are so malnourished that they are classified as stunted (Ledger, 2016). Everyone carries the social cost of this situation.

Malnourished children struggle to learn in school, contributing to poor education outcomes. Childhood malnutrition contributes directly to the public health burden of non-communicable diseases such as diabetes (Ledger, 2016). Research has established a clear link between severe childhood malnutrition and an increased propensity for violence in adults (Vaughn et al., 2016).

The main reason for this is insufficient income, since almost all food consumed in South Africa is purchased. Only 20% of South African households spend enough money on food every month to purchase a nutritionally adequate basket of food (Ledger, 2016). One quarter of all households (approximately 4.3 million) live below the food poverty line, which means that their entire income is not sufficient to purchase basic food requirements. Fifty-five per cent of households live below the upper-bound poverty line, and competing demands on income (housing, transport) all limit the amount of money available for food. Clearly, any additional claim on households' income that reduces the amount of money a household has to spend on food exacerbates food insecurity, and thus poverty.

Although the 1998 White Paper on Local Government (RSA, 1998) repeatedly states the importance of affordable services in a developmental state, no clear benchmark for assessing affordability has ever been set or had the attention of policymakers. Instead, the focus has been on enforcing a cost-recovery model for basic services; the users of services must be charged the full cost of supplying that service. This model does allow for cross-subsidisation (the wealthier users pay higher tariffs so that poorer users pay lower tariffs), but it is clear that the resulting "lower" tariffs are still well beyond the affordability threshold of millions of households. Without affordability, universal access to services – and all the positive socio-economic implications that go with it – simply cannot materialise.

The unaffordability of services – particularly electricity, which is a significant burden on poor households' budgets – is the most important reason why people living in the metros are dissatisfied with their local municipality (StatsSA, 2017).

Given the centrality of affordability in effective access, and the importance of this issue to so many South Africans, a noticeable gap in the election promises of most political parties was precisely this: the affordability of services. How can we explain this silence?

Firstly, there is very little empirical research that examines the issue of affordability of municipal services in any detail. Almost all of the research around municipal services focuses on the quality and reliability of services, with the implicit assumption that this is the only barrier to universal access. As a result, the fact that the current financial model of service provision (payment for access) is exacerbating poverty and inequality is largely invisible. Those who complain that they cannot afford to pay for services are portrayed as being part of "the culture of non-payment" as if it is mere reluctance and not the spectre of hunger that makes them resist.

Secondly, local municipalities do not have the power to deliver genuinely affordable tariffs (a limitation that those few politicians who have promised significantly lower tariffs and more free services seem unaware of). Despite having a high level of discretion in many areas, municipalities do not have carte blanche to set tariffs at genuinely affordable levels, no matter how much they might like to, or to provide significantly more households with higher levels of free services.

If we believe that people should not be sacrificing basic food expenditure to pay for municipal services (a "Food First" approach to affordability (Ledger, 2021)) then approximately 9.5 million South African households (i.e. all those who live below the upper bound poverty line) should be receiving the bulk of their services for free, or at least at greatly reduced tariffs. This would have significant implications for municipal finances, implications that municipalities are unable to carry within the constraints of the current fiscal framework.

The sale of services such as electricity and water, together with property rates and taxes, is intended to be the main source of local government revenue and is meant to fund nearly three-quarters of all operating expenditure requirements (RSA, 1998). Because it is assumed that municipalities are able to raise their own revenue, they receive relatively low funding from national government. Any disruption to that flow of own revenue – such as significant tariff reductions or higher allowances of free services – will most likely put a municipality in a situation where it cannot raise enough revenue to cover its expenses.

That situation is strictly prohibited; a municipality may not have an unfunded budget. That is, it may not plan to spend more money than it will get as revenue, largely from services charges and property rates. Only a very small percentage of municipalities are able to borrow to cover funding gaps, and generally none of them can borrow to cover an income shortfall (rather than a capital investment). If a municipality attempts to pass an unfunded budget, provincial or national authorities are likely to intervene to correct the situation.

There is a common perception that if there was less corruption and frivolous expenditure in municipalities there would be room for significant cost savings. Surely lower expenditure as a result of cleaner government and better financial management would create the fiscal space for significantly cheaper tariffs? Unlikely.

Of course anything that reduces and/or improves the efficacy of expenditure in a municipality is positive. But there are many other claims on any potential savings, such as the considerable infrastructure maintenance backlog across electricity, water and sanitation. Funding that requirement from any expenditure savings is a far higher priority than reducing tariffs.

Even well-managed and governed municipalities – that regularly obtain clean audits – have many households that cannot afford to pay for the services that they require, and they must regularly choose between food and electricity. Good governance is necessary for the delivery of universal access to quality and reliable services but is very far from sufficient to guarantee affordability.

It is important to remember that we are not talking about a few free services for a small number of households. Instead, genuinely affordable access means that at least *half of all households* should be getting a basic level of services (which would need to be substantially higher than current free services levels to have a genuinely pro-poor impact) at no charge. There are no municipalities that would be in a position to deliver that outcome under the current fiscal framework within which local government operates.

In summary, the goal of universal access to services cannot be delivered by local municipalities because they are unable to deliver the affordability component. For that to materialise a fundamental reorientation of both the services delivery and municipal financial models is required, starting with the former. Until there is a clear policy direction from national government that shows access to services as a national priority and an acknowledgement that genuine affordability is an indivisible part of such access, no progress will be made.

Corresponding adjustments to the local government funding model will have to be made to accommodate this goal. This will be a complex task, and there are national fiscal implications since the subsidy for the extension of free services will need to come from the national budget. But the pay-off for that fiscal investment could be considerable: a higher level of service provision at zero or very low cost to all poor households might be the single most impactful intervention that could be made to increase standards of living, reduce household food insecurity, and facilitate millions of livelihood opportunities.

At the very least the idea deserves to be on the national agenda.


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# Continuity, consolidation and change

## Local government elections lead to politicised uncertainty and institutional ambiguity

*By Ebrahim Fakir*

Ebrahim Fakir is Director of Programmes at the Auwal Socio-Economic Research Institute (ASRI).

*South Africans entered the 2021 local government elections in a mood of despair. While elections frequently signal renewal and hope, or at least an opportunity for it, EBRAHIM FAKIR argues the 2021 elections appeared to be accompanied by an air of despondency characterised by institutional mistrust, social polarisation, economic decline, niggardly welfare expansionism and organisational attrition.*

At the November 2021 local government elections parties appeared to be seized with their own internal problems, petty issues and internecine internal squabbling. They were thus viewed as detached and insular and locked in battles with each other – frequently on issues that had little to do with solving seemingly intractable public policy and socio-economic problems.

This insular, self-interested approach appeared to lead to constantly shifting alliances within and between political parties and it appears parties used the most popular issues and populist measures as a basis for policy, and which exploit issues of identity as an organising principle of politics and policy. But this masks more immediate and narrow accumulative concerns and claims. This crisis of representation and responsiveness is manifested in a general crisis of democracy and democratic governance. This is manifested in low levels of trust and confidence in institutions.

This might account for the exponential rise in independent candidates who contested the local elections, often emerging from the factional and fractional credibility crisis emergent in political parties. But there are other more cynical reasons why independents emerge. Some may be genuinely independent. Some may emerge out of residents or ratepayers associations and yet others as proxies from within political parties themselves.

Institutionally local government fares really poorly with trust in local councils at 24%. Trust in political parties is just as bad – trust in the ruling ANC was at 27% and in opposition parties at 24%, and both figures continue to decline. These findings by Afrobarometer (Moosa and Hofmeyr, 2021) are unsurprising, given that political parties across the board tend towards significant fragmentation and fracture, factionalism and fractionalism, and by turns either suffer from an ideological identity crisis or descend into projects of accumulation pursued through the politics of destabilisation, disruption and destruction.

The 2021 election saw the electorate increasingly disillusioned and disengaged with the state of South Africa's electoral democracy generally and the state of South Africa's democratic governance system in particular.[1] The Afrobarometer 2021 survey found that two-thirds (67%) of South Africans would be willing to give up elections if a non-elected government could provide security, housing and jobs.

The decrease in confidence in public institutions ought to be of major concern

> **political parties … tend towards significant fragmentation and fracture, factionalism and fractionalism, and either suffer from an ideological identity crisis or descend into projects of accumulation …**


and arguably demonstrates why the rates of participation and voter turnout in 2021 were substantially lower than other elections. A loss of confidence in public institutions translates into a deterioration in the democratic process and in the accountability and responsiveness required in sustainable democratic governance systems. A continuous decline in trust and confidence in public institutions leads to a concomitant decline in voter participation and turnout, which consequently results in uneven representation and responsiveness from those in elected office.

As trust in politicians, political parties and the country's key institutions plummeted, the economy appeared to be on a downward spiral and evidence of poor governance abounded, symbolised by the massive fiscal and operational problems of key parastatals and state-owned enterprises. This shaped the context going into the elections, as did the trajectory of political party support and social dynamics from the 2016 local government elections and the 2019 national and provincial elections in which the seeds of the ANC's electoral decline can be traced (Calland & Dufour, 2016; Laterza & Van Wyk, 2016; Fakir & Potgieter, 2016; Fakir & Sarakinsky, 2019).

The 2021 South African local government elections consolidated an era of "substantive uncertainty" that was initiated after the 2016 local government elections (Fakir & Potgieter, 2016). In this era, no political party can now take voter allegiances for granted. This is a win for voters. It makes elections the repository of voters and not political parties and politicians, as the narrative crafted by the mainstream media and politicians in the lead-up to the election persistently pretended, and continue to do so in the post-election phase. That elections and the government(s) formed after them are in fact about people rather than parties appears to be a fact that both the media and political parties appear to forget.

But for "substantive uncertainty" to serve democracy, democratic governance and the interests of citizens, attitudes to power, authority and government have to change. Failure to do so may mean that the 2021 local government elections may in fact unintentionally but ineluctably usher in a period of intractable politicised uncertainty and institutionalised ambiguity. The immediate future of politics may shift from contestation and competition to outright political confrontation and social conflict.

In order to explicate this diagnostic and its implications, it will be necessary to consider the nature of the narrative constructed about the elections, and the detail and pattern of results, before considering their implications.

The first misnomer, even in the post-election analysis of the results, is that the local government election was in fact a national one. There were in reality 257 separate elections – eight in metropolitan municipalities, 205 in local municipalities and 44 in district municipalities – each with their own particularities and specificities in terms of issues, demographics, development, social dynamics and party support patterns.

The 2021 local government elections were misleadingly cast as a single national one because of the misunderstanding that it would be an indicator of the ANC's prospects of governing after the 2024 national elections. It was also interpreted as ›› a referendum on the ANC and its performance in government in general, and the leadership of President Cyril Ramaphosa in particular. Alternatively, it would be a gauge of what the repercussions inside the ANC would be, should the ANC perform poorly.

Overall, the outcome of the election provides a compelling story but no catch-all grand narrative emerged. This election tells a story of significant specificity and diversity across different spatial areas. Combined, it is a story of continuity, consolidation and change.

There is some continuity. The DA continues to control the City of Cape Town, even as it lost other municipalities in the Western Cape. The ANC commands control of the overwhelming number of councils, but has lost both control, authority and influence in the centres of commerce, industry, finance and technology – the drivers of advancement, growth and redistribution. This is the story of change, as is the fact that the established political parties both lost support in this election. It is also shown in the emergence of political parties such as ActionSA and the Patriotic Alliance and the incremental emergence of independents. The EFF's stabilisation at 10% of the vote but with an increase of 221 seats in councils across the country solidifies this trend of change.

The diversity of representation may be good for inclusivity, diversity and representation, but can potentially lead to instability and fragmentation in local democratic government when layered onto the latent and residual fractiousness within political parties. This encourages instability when minority governments are reliant on the potentially capricious support of smaller parties to remain in control of local governments.

The ANC achieved a majority in 161 municipalities. The main national opposition party, the DA, achieved a majority in 13 municipalities, followed by the IFP which achieved a majority in 10 municipalities. In 66 municipalities, no party achieved a majority, resulting in hung councils.

A significant number of metropolitan municipalities were hung. Of the eight metropolitan cities the ANC won Buffalo City in the Eastern Cape where the ANC received 59% of the vote, the DA 19.52% while the EFF got 12.06%. The DA won the City of Cape Town in the Western Cape, where it received a clear 58.22% majority, the ANC 18.63% and the EFF 4.13%.

In Ekurhuleni the ANC got 38.19%, the DA 28.72% and the EFF 13.57%, while in the City of Johannesburg the ANC got 33.60% of the vote, the DA 26.47% and ActionSA 16.05%. In the capital city of Tshwane, Gauteng the ANC achieved 34.31%, the DA 32.34% and the EFF 10.62%.

In each of these metro's in Gauteng, the DA was voted into government as a minority government, with the support of the EFF. This opens up an entirely new set of possibilities for South African politics and policy.

In eThekwini, KwaZulu-Natal the ANC got 42.02%, the DA 25.72% and the EFF 10.48%, but after a botched deal with the IFP, the ANC was elected into government after it made a deal with the Abantu Batho Congress.

In Mangaung in the Free State, the ANC was at 50.63%, the DA 25.73% and the EFF 11.31% controlling the metro by the slimmest of majorities. In Nelson Mandela Bay in the Eastern Cape the DA received 39.92%, the ANC 39.43% and the EFF received 6.40%. Despite the even split between the two major parties the ANC was elected by a majority of one, in what is essentially a minority government, to lead this metro council.

## *A CRISIS OF CREDIBILITY*

In 2021, of the 26.1 million voters registered for the elections, only 12.3 million South Africans voted. With declining participation has come declining institutional credibility leading to declining claims to legitimacy. More people stayed away than voted for the majority party. A retreat from participation and engagement limits political, social and economic representation and consequently opportunities through public policy for social mobility and advancement.

The joint effect of social marginalisation and economic exclusion has been in part perpetuated by 20 years of poor policy and a myopic and self-serving political governance elite colluding with a corrupt corporate business leadership. Endemic social pathologies have worsened the situation. This has been ameliorated, to a degree, through the period of post-apartheid democratic governance and the benefits of black empowerment policies, affirmative action and preferential procurement in ensuring some social mobility for a black managerial and occupational technical class.

The inception of a social wage and welfare transfers have absorbed the worst of persistent absolute poverty. A large and well-organised working class has also assisted in some social progress through democratic collective action. Changes in the global environment, with a food, fuel and finance crisis from the previous decade (2007-2008), together with a decade of corrupt state capture, have rolled back some of the progressive gains Johannesburg made.

> **A continuous decline in trust and confidence in public institutions leads to a concomitant decline in voter participation and turnout.**

On the social front, changes in the labour market brought about by the combination of weak economic growth, rapid technological changes and massive corporate restructuring saw increasing job losses and the consequent casualisation of work increasing part time work and the rise of the "gig economy". This affected forms of political organisation and collective mobilisation.

The outsourcing of local service provision and the corporatisation, subcontracting and outsourcing of core service delivery units, dating back to 2002, shaped a context in which increasing numbers of the hitherto well-organised working class joined the ranks of the urban "precariat", both because they got poorer and services got more expensive, but also because they could no longer rely on the formal organisation of unions to politically pressurise government, or collectively pressurise capital.

Of course, union organisation declined because of this, but was exacerbated by schisms and splits within the largest union federation – the Congress of South African Trade Unions (Cosatu) – mirroring the political, policy and personality clashes of the governing alliance with the ANC and the South African Communist Party. This left a once well-organised urban working class with fragmented organisational capacity and weaker representation.

Residents can be categorised into four distinct classes:[2]

1. The urban wealthy cosmopolitan sophisticated suburbanites, who are well resourced, highly mobile and connected to the global circuits of finance, trade, commerce and the professions. There is some variation and differentiation in the extent of wealth and the racial composition of this category. Though it is largely white, it is significantly deracialised, and its composition is changing to include an increasing number of highly skilled migrants – both African and from other parts of the world. They make few political demands, but wield a great degree of policy influence.

Their political loyalties are split between the ANC and the DA, with party loyalty slanted largely towards the DA. Middle-income voters in this group largely vote for the DA, while fragments vote for the Freedom Front+, the African Christian Democratic Party or other smaller parties. A portion of this cohort, largely black, actively vote for or otherwise tacitly support the EFF, in line with the rise of identity politics globally, or because they consider the pace of transformation too slow. Some find the relative novelty and nimbleness of the EFF a faster way of fulfilling their political ambitions. They participate in civic engagement through anti-corruption-focused, civil society, rights-based civil society, and through ratepayers associations, business chambers, professional organisations, guilds and potentially professional unions. They further engage with local Community Policing Forums and party leadership, but tend not to engage with ward committees or Integrated Development Plan processes.

2. The organised working class, including first generation technicians and professionals, are increasingly sophisticated but on the decline due the government's inability to preside over redistributive growth, job security and job creation by both government and the private sector. The cohort is largely black in general, and African in particular, and lives and works in the inner city, largely concentrated in the formalised and relatively better developed parts of previous dormitory townships, and increasingly in the lower middle class formerly white suburbs and Indian and coloured townships. It includes some semigrants, and technically skilled and semi-professional African continental migrants. This group is politically organised and though concentrated political support lies in the ANC and its alliance partners, it is split on the basis of factions within the alliance and the »

schism and new formations of the labour movement. There is also support for the EFF, IFP and incremental support for the DA and other smaller parties. Affiliated to civic organs, rights based services, welfare and developmental civil society, and strong union organisation, these citizens sometimes engage and even organise protests and direct-action activities.

3. The precarious proletariat (precariat) is increasing in number, resulting from outsourcing, casualisation and informalisation of work and increasing reliance on debt, even though some asset accumulation is evident. This is almost exclusively African and includes South African semigrants and African migrants. This group is almost exclusively found in townships, RDP housing developments and in the extensions and makeshift accommodation in the backyards of township homes. Many also live in the inner city, often in hijacked buildings and are thus dependent on the protection and patronage of local political entrepreneurs and informal strongmen, often with links to criminal networks.

This group is almost exclusively African and includes unskilled African migrants. Support is concentrated in the ANC and EFF, and potentially local, small, particularist parties. There is decreased and declining voter turnout in this cohort which is frequently engaged in protest and is susceptible to being manipulated by local political strongmen and political brokers. Civil organisation is through local civic or community-based organisations and/or burgeoning highly ideological social movements (anti-privatisation campaigns or movements whose activities border on illegality, for example conducting illegal electricity and water connections, and so on). This group often engages in protest action which is sporadic and violent.

4.The urban marginalised, which find themselves wholly in the informal sector or very lowly paid formal jobs, with no social protections lives almost exclusively in informal settlements and frequently experience metros as transient spaces. This group is exclusively African, with political support split between the ANC and EFF, and is organised through localised structures or shack dweller movements. It forms clientelist relationships with local politicians and is highly susceptible to local criminal strongmen.

The difficulty for formal political organisation and mobilisation for such a wide variety of urban voters with such widely differing racial cleavages, different densities of social relationships and networks and narrowly defined, limited social capital, is to mediate such divergent needs and interests and craft them into a coherent political programme that would appeal to the needs and interests of each. Inevitably, while class location plays a part, much political expression, equally, occurs on racial terms, especially in formal political processes as characterised by party support patterns in electoral results.

In a semi-proportional electoral system such as the one used at the municipal level in South Africa the staying away of potential voters of a specific party will show up the proportion of other contesting parties as larger – by virtue of proportionality – and consequently reducing the overall number of votes cast, thus increasing the margin for the party whose voters do turn up to vote for it, irrespective of whether it is the current incumbent or not. This does not necessarily require a shift of votes to other parties. This was the situation in the 2016 municipal elections in the Johannesburg, Tshwane and Nelson Mandela Bay metros, which was consolidated in the 2021 local government elections, with the ANC's loss of further metros and losses in other secondary cities and in councils across the board. The 2021 local government election was the sixth consecutive overall election in which the ANC lost support.

This is significant for a national governing party; losing support and influence weakens its influence and credibility – and is now becoming more reflective of the Labour Party in the 1979 British election where Margret Thatcher (Conservative Party) ousted James Callaghan (Labour Party) in the House of Commons winning with a majority of 43 seats. The Labour Party lost support and influence in the economic regions during the "Winter of Discontent" when several industrial disputes took place which led to a vote of no confidence against the sitting Labour Prime Minister James Callaghan.

The ANC, by losing support in areas that are drivers for economic growth, has followed the same trajectory. Historically, it would appear that losing influence in industrially rich, growth-driving areas will lead to a loss for the party at the polls.

## *THE PROBLEM OF 'POLITICS'*

In an era of schizophrenic parties pursuing self-referential policies in detached public institutions unresponsive to societal and citizen needs, it is unsurprising that citizens withdraw from political and public life and leave these parties to pursue policies that are aligned either with solely shoring up their support or aligning with others to shore up their mutual interests.

These approaches to politics have little to do with being responsive to social or citizen needs. This leaves a vacuum in which politicians are left to pursue narrow self-serving agendas unrestrained by citizen demands for responsiveness and accountability.

Institutional performance, oversight, accountability and responsiveness, in this case, is reduced to petty point-scoring, and "gotcha" exercises which are exclusively punitive in nature rather than a constructive exercise that seeks answers, assigns responsibilities, provides guidance and leads to rectification of error in government.

Political parties frequently need to tread the fine line between principle and expediency – often having to sacrifice an absolute commitment to principle in the interests of accommodating and expanding its support base. But rarely has the choice been as stark as it now is for parties to change their orientation to being competitive but co-operative, rather than combative and conflictual.

Given the precarious hold minority governments have in their councils, especially in the 66 hung municipalities, capricious parties and even individuals who may whimsically change allegiances could see local governments remain tenuous. In many instances the formation of minority local governments has distorted the democratic logic of representation in that parties with the largest proportion of votes have been left out of the formation of governments and where the law allows for supra national levels of government to impose a fair representational formation of local governments through collective executive government systems, rather than executive systems requiring coalitions or the formation of minority governments (Evans, 2021), there has been a reluctance to do so. In favour of the composition of local governments on the basis of a "majority take all approach", which defies the logic of the proportional nature of the system.

Overlaid on this system, South Africa's complex inter-governmental relations systems may find that provincial executive and treasuries controlled by one party may work against metro councils and municipalities controlled by other parties. This makes for both politicised uncertainty and institutional ambiguity.

Politically and socially, durable alliances for minority governments and sustainable coalition politics may require a restructuring of political and policy relationships based on the changed and changing social and class structure and the shifts in the social formation in society. When societal interests and claims are channelled on a class ideological basis, rather than an exclusively "race" or identity cleavage, which parties in any event resurface, even latent and residual social antagonisms based on identity cleavages, allow them to assume political primacy in perpetuating social antagonisms instead of solving and extinguishing them (Fakir, 2021).

Societal fault-lines and social cleavages – race, inequality, unemployment and poverty – are currently being used by parties to justify capricious policy and procedural process, and ultimately institutional manipulation and debasement that benefits a predatory elite and a seemingly retributive justice, rather than a redistributive or developmental agenda.

This serves to perpetuate the politics of victimhood and vengeance characterised by hysteria, scapegoating, conspiracy and paranoia that allows for institutional and process manipulation, institutional delegitimation, destabilisation and debasement and leaving a societal legacy of impunity in the exercise of power and authority, informality in decision making and governance without accountability and responsiveness and gaping under-development and inequality in the economy.

This may engender an institutional crisis of credibility, and if prolonged may raise the spectre of a legitimation crisis at the local level, leading to politicised uncertainty and institutionalised ambiguity.

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ENDNOTES

1. I distinguish between the concepts of "democracy" and "democratic governance". Democracy here refers to a normative form of politics in society and includes the conduct and free unencumbered contestation of free and fair elections, the ability to exercise fundamental political rights and freedoms and the liberties afforded to individuals as well as the ability to freely participate in public affairs and the agency to exercise voice and choice. Democratic governance includes all of the aspects of democracy and encompasses these in the manner in which power and authority are used in institutions of government, and focuses on the dimensions of the separation of powers, limits on authority, separation of functions, oversight, accountability, transparency in decision making and responsiveness to citizens and groups in society.
2. Though significant differentiation and cleavage will be evident in each social strata, these categories are suggested for ease of reference in relation to political practices and social mobilisation patterns. NA

# South Africa's long-term economic policy options beyond 2021

*From a presentation by Dr Asghar Adelzadeh*

Dr Adelzadeh is Director and Chief Economic Modeller at Applied Development Research Solutions (ADRS).

*Can South Africa achieve 6% growth per annum? Can it achieve this growth while maintaining social welfare benefits for its poorest citizens? Can it also expand essential services and social and physical infrastructure? "Yes," "yes" and "yes," said DR ASGHAR ADELZADEH, according to a new analysis by ADRS. In his presentation, he set about answering the next important question: How will this be done?*

*This is an edited transcription of a powerpoint presentation given by Dr Adelzadeh at the Macroeconomic Policy Dialogue hosted by the Human Sciences Research Council. IFAA thanks Dr Adelzadeh for granting permission to publish a shortened summary of his address.*

### *ECONOMIC MODELS:*

An economic model is a theoretical framework that explains how the real economy works. Due to the immense complexity of economic interrelationships, it is impossible to understand them all at once. And the importance of different factors will vary, depending on the particular economic phenomenon under scrutiny. So if your concern is unemployment, you will choose variables that relate to unemployment – such as wage levels, the availability of skills, the state of demand, inflation trends, investment trends and so on – which your theoretical framework links together. These are translated into mathematical equations, which may number in the thousands for a model of the entire economy. Using regression techniques, the behavioural equations of the model, that, for example, capture the private sector investment decisions or the household consumption behaviour, are empirically tested and expressed. By applying the equations to data inputs, the model will produce a set of conclusions that follow from the base assumptions. It is a huge and difficult task to develop and maintain an economic model – and its conclusions could be spot-on or wildly inaccurate when put to the test. Economic models do not pretend to foretell the future – as humans have attempted for five thousand years, aided by astrology and entrail reading. But they do make forecasts, and their figures are used to inform policy and business decisions - Editor.

## *SCENARIOS: PLOTTING PATHWAYS INTO THE FUTURE*

Scenarios are not predictive at all. They are devices for high-level strategic planning. Based on present facts, informed by experts, they are the outcome of a process to help a team to imagine different futures and question how the best could be achieved and the worst avoided. Scenarios have peppered and prodded South Africa since the high road/low road alternatives framed by Anglo American in the 1980s. Long a tool of business consultants, scenarios became an adjunct of the bosberaad/lekgotla/ indaba. Talk with a purpose. Evidence-based contrasts to spur negotiation and clarify mandates. The Nedcor/Old Mutual scenarios with ruddy-cheeked Bob Tucker (who had lied when he said the Perm would never be limited); the Mont Fleur scenarios with their themes of the ostrich, the lame duck, Icarus (flying too close to the sun) and the dawn-soaring pink flamingo's representing "inclusive democracy and growth." Since the unjust transition, scenarios have made frequent re-visits, often featuring some token original participants, perhaps to ground expectations. Worth re-reading is the searing analysis of the September Commission (Cosatu 1997) which identified every aspect of the impending fall of the proud trade union movement – except its imminence. Forgettable are the Presidency's Scenarios 2025 from the season of high hope in 2008, the chaotic Dinokeng Scenarios of 2009 and the careless employment scenarios presented in the National Development Plan in 2012. Moving out of the diversion of the Zuma years, a host of business donors funded the Indlulamithi (giraffe, above the trees) Scenarios to imagine pathways to 2030 (Indlulamithi South Africa Scenarios 2030 Trust, 2019). The three scenarios are *iSbhujwa* [based on continuing present trends]; — a nation torn by deepening social divides, daily protests and cynical self-interest – where the rich do well; *Gwara Gwara* — 'A floundering false dawn': a demoralised land of disorder and decay; and *Nayi le Walk* — 'a nation in step with itself', where growing social cohesion, economic expansion, and a renewed spirit of constitutionalism get SA going. – *Editor.*

In 2018, the Indlulamithi Scenarios 2030 released three non-technical socio-economic and political future scenarios for South Africa. In 2019, ADRS was commissioned to use its economic models of South Africa to identify and quantify possible policy roadmaps for the three Indlulamithi scenarios.[1] In 2020, ADRS used its Linked National-Provincial Model (SA-LNP) to examine the impact of Covid-19 and to put forward alternative post pandemic recovery plans, including a six-pillar policy proposal. The Indlulamithi Scenarios 2030 launched the ADRS Covid-19 report in February 2021 (Adelzadeh et al., 2021).

The focus of Dr Adelzadeh's HSRC presentation on 30 September 2021 was on three possible post-pandemic economic policy roadmaps and their likely implications for South Africa's chronic crises of low growth and high rates of unemployment, poverty and inequality.

### *UNDERSTANDING THE SA POST 1994 ECONOMIC POLICY FRAMEWORK*

Dr Adelzadeh began with a short, guided tour through the past 27 years of South African macroeconomic policy in order to understand how we have got to the undesirable situation in which we find ourselves.

He recalled that when the ANC embraced the market economy in the late 1980s and early 1990s, the question was which approach to capitalism would the new state adopt to build the post-apartheid economic system? Would it pursue:

- the free-market neoliberal capitalism of Margaret Thatcher and Ronald Reagan;
- the shock therapy approach of post-Soviet Union Russia;
- a social democracy model of northern Europe; or
- the East Asian state-led model of capitalism?

In the early 1990s, the Reconstruction and Development Programme (RDP) provided a broad consensus on reconstruction and redistribution as the way in which South Africa could achieve growth and development (ANC, 1994).

This was an integral element of the ANC manifesto for the first democratic elections in 1994. It rejected the trickle-down approach of free-market capitalism and sought to directly target the disadvantaged by developing government capacity and enabling it to undertake strategic interventions in social and economic development.

To build this post-apartheid system, the RDP stated: "the democratic government must play a leading and enabling role in guiding the economy and the market toward reconstruction and development" (ANC, 1994: Section 4.2.3).

However, between 1994 and 1996, the government gradually distanced itself from the RDP approach and embraced a variant of free-market capitalism for the country's post-apartheid economic system. This was achieved through at least the following five undertakings:

- In December 1993, the ANC approved a loan agreement with the International Monetary Fund (IMF) whose terms and conditions included "a package of macroeconomic and structural policies" similar to the IMF's much criticised Structural Adjustment Programme.
- In 1994, the RDP Green Paper and White Paper downplayed the central role of 'redistribution' in the RDP (Adelzadeh and Padayachee, 1994). At the same time, the government distanced itself from the report by the Macroeconomic Research Group (MERG) that provided the policy blueprint for implementing the RDP (MERG, 1993; Freund, 2013).
- In early 1995, South Africa joined the World Trade Organisation (WTO) as a 'developed' and not a 'developing' country, thus agreeing to a sharp liberalisation of its trade and investment policies.
- In 1996, the government submitted a non-negotiable policy framework on Growth, Employment and Redistribution (GEAR) to Parliament (RSA, 1996). GEAR postulated that the post-apartheid economic system would achieve transformation and development through economic growth that would result from the expansion of a free-market economy in the country. The proponents of GEAR argued that a higher growth rate would automatically deal with unemployment, which would also solve the problems of poverty and inequality. In essence, GEAR accepted the premise that the trickle-down effect would distribute the benefits of growth to the disadvantaged (Adelzadeh, 1996). Moreover, GEAR considered "the only way to improve growth is through the supply side. It advocated for lower tax rates, privatisation, liberalisation, deregulation and competition in the hope of stimulating private sector investment, higher growth and employment. The argument [was] that any alternative strategy would be counter-productive since it would limit or crowd out private sector potential" (MERG, 1993: 5-6).
- In 1999, the Reserve Bank adopted inflation targeting as its framework for monetary policy, making inflation – rather than employment, output or some other criterion or combination of criteria – the primary goal of monetary policy.

Therefore, by the end of the 1990s, the ANC government had basically adopted free-market ideology and its policy agenda for the post-apartheid South African economic system. Successive governments have since defended and implemented the core policy agenda of this ideology.

The adopted post-apartheid economic policy framework has consistently produced:

- low economic growth;
- high rates of unemployment;
- a high poverty rate;
- high inequality; and
- de-industrialisation.

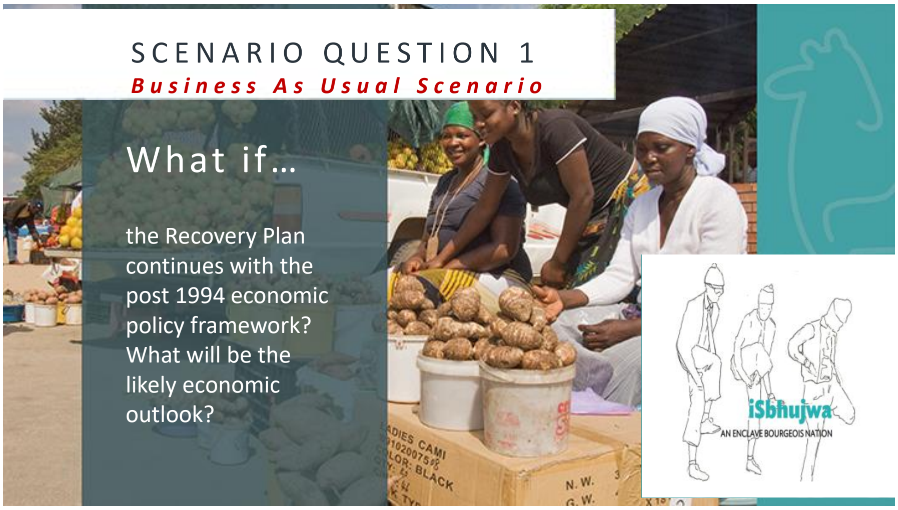
Between 1996 and 2020 the average annual growth of GDP was 2.2% and per capita GDP growth was 0.6%. The official unemployment rate in 2020 was 32.6%, although according to the expanded definition of unemployment (which includes those who had given up looking for work) the unemployment rate was 47.9%. The Poverty Headcount stood at 43.2% and income inequality was reflected in a Gini-coefficient of 0.71. The share of manufacturing in total employment declined from 15.6% in 1996 to 9.2% in 2020. The UNIDO Competitive Industrial Performance Index fell from 0.069 in 2000 to 0.057 in 2019.

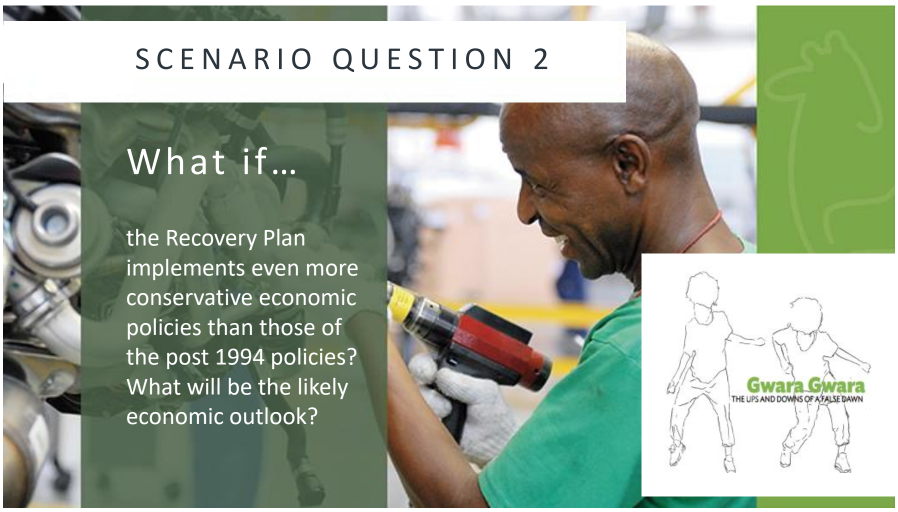
While there were positive aspects during this time, the overall growth and development outcomes of the post-1994 economic policy framework have been extremely disappointing. The economic policy framework that was adopted in the 1990s, and which has since informed policies, bears significant responsibility for these outcomes and the overall failed economic transformation. Moreover, the country's struggling economy was hit in 2020 by the ongoing coronavirus pandemic with extensive domestic and international negative shocks.

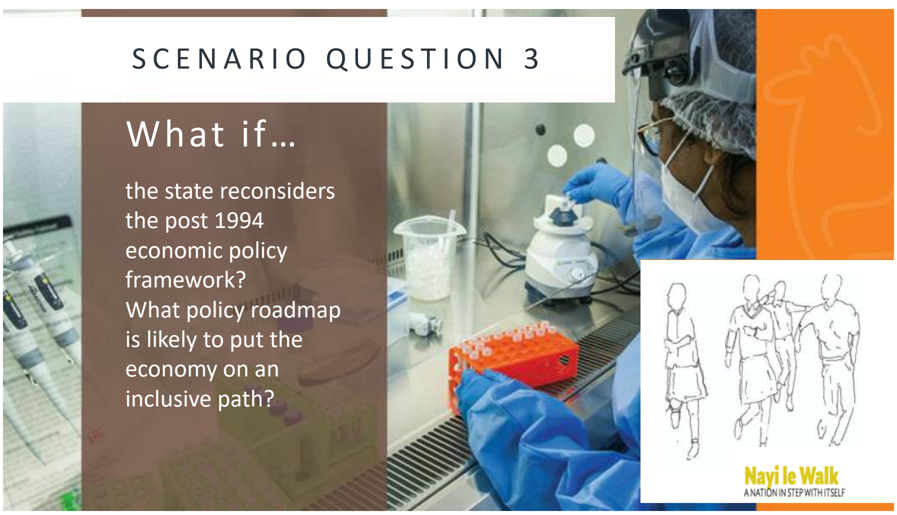
## *RECOVERY SCENARIOS*

As the country plans for the post-Covid-19 recovery, the most pressing question on everyone's minds is: What will that recovery look like and what will it mean to South Africans? Will the recovery mean a return to the weak economic performance of pre-Covid-19 levels with the benefit of growth mainly going to the top layer of the population, and only a relatively small amount trickling down to the rest? Or will the recovery mean recovery from the country's chronic crisis and realising pro-poor inclusive outcomes?

ADRS's SA-LNP model replicates the working of the South African economy, including its 52 districts and 234 municipalities. It is developed to identify policy choices and future possibilities and outcomes. Dr Adelzadeh has used the model to pose the question: What policy scenarios are available to South Africa during the next 10 years?




### *Scenario 1: Business As Usual – the iSbhujwa trickle-down outlook, for an enclave bourgeois nation*

What will the likely economic outlook be if the recovery plan continues with the post-1994 economic policy framework? This Business As Usual scenario is represented by the post-1994 economic and social policy roadmap that includes:

- General government's annual spending on goods and services increases by 7.5% with weak support for industrial policy.
- Economic and social infrastructure investment increases annually by 6%.
- Investment by public enterprises increases by 6% annually.
- The Reserve Bank continues with inflation targeting and credit extension to the private sector annually grows by 6%.
- The government continues the current Extended Public Works Programme and the social grants programme.

The model generated 10-year outlook under the Business As Usual scenario sees:

- GDP grow from R3.2 trillion in 2020 to R3.6 trillion in 2030 (economic growth of about 2.2% per annum).
- The unemployment rate falls from 33% in 2020 to 27% by 2030.
- The poverty rate moves from just under 40% in 2020 to 34% in 2030, effectively returning to the pre-Covid trend.

Overall, with the Business As Usual scenario, the low growth with high unemployment and poverty trends of the past 20 years are re-established. This would mean the economy will continue to disproportionately benefit the non-poor.

“

**By the end of the 1990s, the ANC government had basically adopted free market ideology and its policy agenda for the post-apartheid South African economic system.**

### *Scenario 2: Austerity – Gwara Gwara, the ups and downs of a false dawn*

Over the last two years, the Treasury and the Reserve Bank have proposed policy measures that are consistent with an even more conservative policy framework. In the face of the country's economic crisis, they have proposed mainly supply-side reforms, a much more austere fiscal policy, and a stricter target for the inflation rate for monetary policy. What will be the likely economic outlook if the recovery plan implements even more conservative economic policies than those of the post-1994 period?

This Gwara Gwara scenario is represented by the following austere policy roadmap:

- Government spending on goods and services are cut by 10%.
- Capital spending by the government is reduced by 5%.
- Monetary policy is tightened by lowering the current 6% upper bound for inflation to 4%.
- The localisation policy is abandoned and subsidies on products and production are cut by 5%.

Under this scenario, the model results show that over the coming decade:

- GDP growth will average 1.8% per annum to 2030.
- The unemployment rate stays high at 29% by 2030.
- The poverty rate initially declines but stays high at 37%.

Overall, the austerity scenario will make things worse for everyone – but the burden is felt the most by the poor.

### *Scenario 3: Six-Pillar Policy Framework – Nayi Le Walk, a nation in step with itself*

The third scenario postulates what could happen if the government reconsiders the post-1994 economic policy framework. It proposes a “six-pillar” policy roadmap to put the economy on an inclusive path? This involves co-ordinating:

- macro-economic policy reform;
- social policy reform;
- micro-economic policy reform;
- trade and industrial policy reform;
- private sector international support; and
- provincial growth and development plans.

**Pillar one: Macroeconomic policy reforms**

The key features of pillar one would be:

- Government and public corporations increase their investment in economic infrastructure, social infrastructure and economic services by 10% annually over the next 10 years (this is 4% above the Business As Usual scenario).
- The Reserve Bank's solitary mandate of targeting inflation is upgraded to a dual mandate of both targeting inflation and also targeting 6% economic growth.
- Government spending on goods and services increases annually by 10.5% to provide necessary funding to expand the delivery of individual and collective social services.
- Monetary authorities adopt the necessary measures to raise the annual growth of credit extension to the private sector to 15%.

**Pillar two: Social policy reforms**

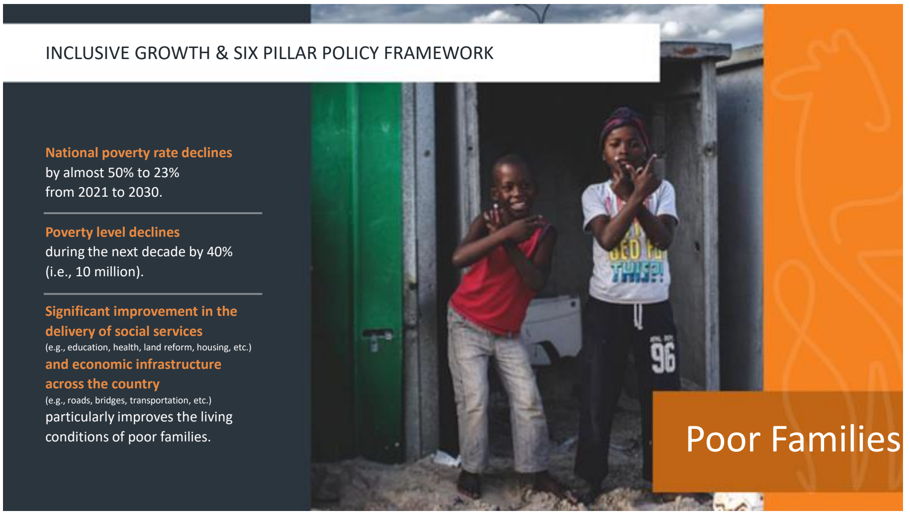
Interventions to build the social policy reform pillar require that:

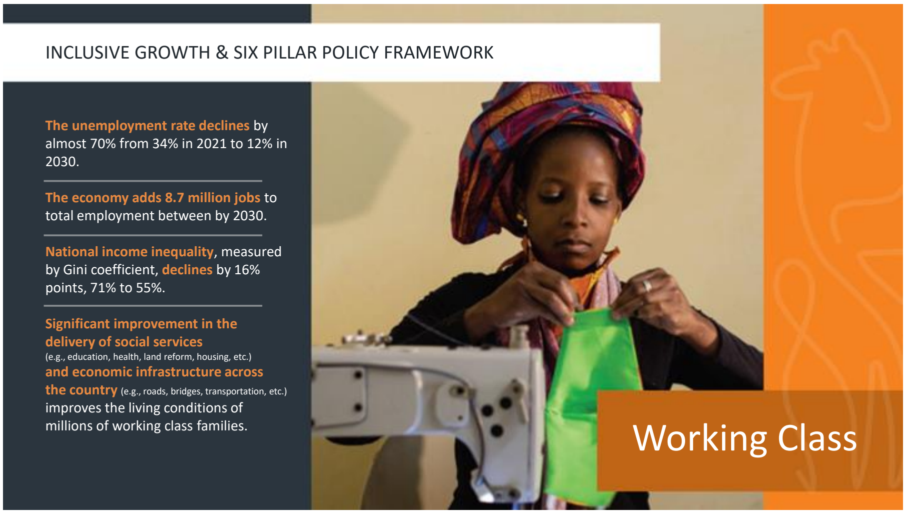
- Government begins to make Public Works the employer of last resort for the *unskilled* unemployed workers – with a daily pay rate of at least R160. The Expanded Public Works Programme expands to cover about 75% of the unskilled unemployed, with coverage growing by an additional 3% every year after 2021.
- Government immediately introduces an unemployment grant for *skilled* unemployed and for all who have become unemployed due to Covid-19 disruptions. The eligible unemployed workers will be entitled to R1000 a month, which increases by 6% annually.
- In light of the Covid crisis, government introduces a caregiver grant of R500 for a family member who takes care of a child who receives either a child support grant or a care dependency grant.
- The initial amount of the grants should increase by 6% annually.

**Pillar three: Microeconomic policy reforms**

Micro-economic policy reform measures for the next 10 years should include:

- Support policies that help exports from the agriculture





sector to grow by an additional 1% in 2021 and by an additional 0.5% every year thereafter. Thus, by 2030, exports from the agriculture sector are expected to be 6% higher.

- Lowering the price of the Transport, Storage and Communication Sector over the next 10 years by 5% to 10% initially (between 2021 and 2023) and then by an additional 5% annually.
- Direct boosts for labour productivity (an annual positive shock of 1%) in the following sectors: Transport, Storage and Communication; Agriculture; Food; Basic Chemicals; Iron and Steel; Trade; Catering and Accommodation.
- Improving competitiveness in the following sectors: Trade; Catering and Accommodation; Transport, Storage and Communication; Financial Intermediation; Insurance; Real Estate; Business Services – so that there is a gradual lowering of their mark-up, by two percentage points initially and by an additional one percentage point each subsequent year.

**Pillar four: Trade and industry policy reforms**

Trade and industrial policy measures include:

- Industrial financing incentives that will directly and indirectly increase total annual investment in the manufacturing sector by R10 billion (in 2010 prices) during the next 10 years.
- Special Economic Zone (SEZ) and African integration programmes to increase total exports by an additional 1.5% after 2021. »

> **[In] the six-pillar scenario, the future outlook will trend more towards an inclusive pro-poor path scenario.**

- Proudly SA and localisation policies to gradually reduce import dependency ratios of some sectors by 20% over the next 10 years.
- Public sector and public/private sector investment practices that gradually increase the employment intensity of economic growth in South Africa.

**Pillar five: Private and international support**

Private and international support should include:

- The Public Private Growth Initiative (PPGI) increasing investment in the South African economy by R500 billion over the next 10 years.
- The Public Investment Corporation (PIC) increasing its investment in the South African manufacturing sector by R100 billion between 2021 and 2025 (five years).
- The level of foreign direct investment in South Africa gradually increasing from 1% to 2.5% of GDP between 2021 and 2030.
- In the wake of the recovery from Covid-19, the nominal value of total world imports grows annually by 8%.

**Pillar six: Provincial growth and development plans**

Provincial growth and development plans need to complement national government interventions. Taking Gauteng as an example,

- The Growing Gauteng Together (GGT2030) industrial measures should increase Gauteng's total real output by 0.5% in 2021 and by an additional 0.5% each year thereafter.
- Provincial measures to promote African regional trade should increase Gauteng's exports to Africa by an extra 0.5% annually.
- Extensive provincial sector strategies and support measures should lead to an additional 0.5% annual investment increase in Gauteng's Agriculture, Food, Electricity, Water, Construction, and Transportation, Storage and Communication sectors.

Under the six-pillar policy scenario, the model projections show:

- GDP grows at an average of 6.2% per year over the period of 2021-2030.
- The unemployment rate drops to 12%, with 8.7 million additional jobs created by 2030.
- The poverty rate is cut by almost 50% to 23%.
- Income inequality is reduced by 16% points.

At the same time, the six-pillar policy option:

- Produces balanced growth, reflected in the simultaneous expansion of both aggregate demand and aggregate supply over the next 10 years.
- Generates the funds needed to pay for the scenario's expected increase in government expenditure, because government revenue will grow concurrently with the projected GDP growth.
- Produces, relative to the Business As Usual scenario, declining annual debt-GDP ratios due to the scenario's higher economic growth rates, lower real interest rates and better primary balance rates.
- Initially, during the pandemic, increases the cost of social grants relative to GDP, but the ratio will gradually fall during the rest of the decade because of the scenario's high economic growth outlook. By 2030, the cost of social grants relative to GDP will be 3.1% compared to 4% under the Business As Usual scenario.

**Six-pillar policy scenario impact on the poor and the working class**

The six-pillar policy framework will benefit the poor and the working class because:

- The national poverty rate declines by almost half between 2021 and 2030 as 10 million people are lifted out of poverty and the poverty level falls in the next decade by 40%.
- The unemployment rate declines from 34% in 2021 to 12% in 2030.
- The economy adds 8.7 million jobs to total employment by 2030.
- National income inequality, measured by the Gini coefficient, declines by 16% points, from 71% to 55%.
- Significant improvement in the delivery of social services (e.g., education, health, land reform, housing, etc.) and economic infrastructure across the country (e.g., roads, bridges, transportation, etc.) particularly improves the living conditions of poor and working class families.

**Six-pillar policy scenario impact on the business class and the non-poor**

For the rich and the business class:

- Real GDP will almost double over the next decade, which implies a significant expansion of the domestic market.
- Average profit rate remains above 16%.
- Improvements in the economy and overall well-being of the population improve average labour productivity growth.
- Government debt-GDP ratio will gradually decline, due to the high average annual growth rate, to less than 50%.
- Average investment-GDP increases to about 27%.
- Increase in social cohesion enables stable capital accumulation.

## CONCLUSION

The ADRS modelling work highlights three possible scenarios for South Africa after taking the Covid-19 shocks into account:

***iSbhujwa:*** Trickle-down outlook

If the recovery plan continues with the post-1994 policy status quo, i.e., the Business as Usual scenario, the past trickle-down path will resume after the pandemic with the economy stuck in low growth and high rates of unemployment, poverty and inequality during the next decade.

***Gwara Gwara:*** Immiserising outlook

If the recovery plan implements even more conservative policies than those of the post-1994 status quo policies, the future outlook will trend more towards an immiserising growth path.

***Nayi Le Walk:*** Pro-poor outlook

If the recovery plan policy framework reflects a shift from the post-1994 policy status quo and embraces a policy framework similar to the six-pillar scenario, the future outlook will trend more towards an inclusive pro-poor path scenario, enabling South Africa to recover from its chronic economic and development crisis.

South Africa was hit by the Covid-19 pandemic at a time when the country was already in the midst of an economic crisis. Since returning to the pre-coronavirus economic recession is not the most desirable recovery option, current policy challenges go beyond short-term Covid-19 mitigation measures. To help identify actionable recovery options, Dr Adelzadeh proposes a six-pillar policy framework that is promising but requires breaking away from the post-1994 economic policy framework that has consistently exacerbated South Africa's growth and development challenges.

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ENDNOTES

1. Indlulamithi Scenario 2030 developed and published the three scenarios. The names of the three scenarios discussed in this article come from the Indlulamithi Scenarios 2030. NA

Indlulamithi uses the "Indlulamithi Barometer" to collect information about the country's socio-economic and political progress. They report annually which scenario the country has been moving towards, or best represents the current path. In its latest presentation, in July 2021, it found that the evidence during the past year points to the Gwara Gwara scenario as South Africa's current actual scenario.

# Black Economic Disempowerment (BED)

## The case of the blind giant and the black investors' ghetto

<u>*By Gordon Young*</u>

R G Young is investment advisor to a Black Economic Empowerment (BEE) investment company. He writes in his personal capacity. This is a revised version of a paper first published in *Moneyweb*.

*GORDON YOUNG refers to the recent decision of government to stop black investors from selling Burger King to a foreign private investor. He explains how the BEE regulations, because of their narrow concentration on black ownership, effectively hamper black investors from getting the full economic benefit from BEE policies.*

The South African state has rightly devoted much attention to economic empowerment of black people who were prevented by the apartheid laws from accumulating capital, and indeed deprived of their capital in many instances by expropriation, over a very long period.

But our state is not very capable. It is certainly large and has considerable power, but sometimes it fails to see the wood for the trees. Well-intentioned policies get switched onto the wrong track. You may liken it to a blind giant destroying quite as much as it creates as its great clumsy feet trample on the very people it is trying to help. Its brain is slow and sometimes the neurons fuse and produce abnormal reactions.

The recent decision of the Competition Commission to bar the sale, by Grand Parade Investments, of Burger King to a foreign private equity fund (Wasserman, 2021) is just such a case of the blind giant at work. But it has served providentially to bring to the fore a key issue in the BEE terrain. What's it for? What is the real purpose of BEE?

For background, Grand Parade is 68% owned by BEE investors, including over 5,000 retail black investors with fewer than 10,000 shares each – mainly small investors who live on the Cape Flats and make Grand Parade genuinely broad-based.

When its application to the Competition Commission was rejected, therefore, and the price of Grand Parade shares dropped, these small black investors were the ones to suffer. The resultant furore caused the competition authorities to backpedal furiously and wiser counsel prevailed. The sale has now been approved, with but a tiny fig leaf to cover the Competition Commission's nakedness – a supplier to Burger King will be separated and it will be black owned.

The rejection of this deal, had wiser counsel not prevailed, would have created a precedent which would have continued to affect Grand Parade as well as every other black investor, since it seemed to mean that no sale would be approved unless the buyer was at least as empowered as the seller. Grand Parade, therefore, would have had to find a buyer that was 68% black-owned, or close, before it could sell Burger King, and this rule would surely be applied to every other instance where a black-owned company tried to sell an asset. The Competition authorities have not given any indication that they no longer promote this policy.

Obviously, the number of buyers who qualify as 68% black-owned is tiny, and those who want to buy a burger chain may be non-existent. This would have reduced the value of Burger King by a substantial amount, as Grand Parade would have had to reduce its price substantially to make it attractive to the few buyers who do qualify.

Did the Competition Commission have the slightest idea of what it almost did here? Had it succeeded, it

> “... black investors are invariably compelled to agree to sell their shares only to other black investors [to] keep[s] the company’s BEE rating intact. This imposes a discount on almost all black assets acquired under the BEE Codes.


would have cemented into competition practice a black discount on sales of assets, thereby only enforcing an existing consequence of the BEE Codes – a case of the Law of Unintended Consequences.

Let me explain.

Companies are encouraged by the BEE Codes to have 25% plus one black ownership, and indeed this is mandatory where government licences are required, or in transactions with government. The requirement in practice has risen to 50% plus one in many instances since state-owned enterprises and certain government departments tend to ignore the BEE Codes and apply their own Codes. This lack of central government discipline could itself be the subject of a long article, but is left aside here.

Companies selling these stakes to black investors naturally want to do it only once – it’s costly – so the black investors are invariably compelled to agree to sell their shares only to other black investors. That keeps the company’s BEE rating intact.

But what does it do for the black investors? It creates a segregated pool, or black investors’ ghetto, where only black investors may buy. This pool is obviously still today a rather small sub-set of the overall market. And the smaller the pool of buyers, the lower the price. This imposes a discount on almost all black assets acquired under the BEE Codes.

To illustrate, Sasol was trading in October 2021 at R265 per share. Its BEE share, known as Solbe1, was trading at R157, a discount of 40.8%. These two shares are identical in all respects except one. They have the same voting rights and dividend rights. But Solbe1 may be owned only by black persons. Hence the discount. Great when you want to buy, but not so great when you want to sell.

Most of the traded BEE shares, such as Vodacom Yebo Yethu, trade at large discounts to intrinsic value and 50%, in my estimate, is typical. One or two such shares are trading closer to fair value, such as MTN Futhi, because you cannot repress those traders’ instincts when they think they see a bargain. But amongst most black-owned assets, acquired under the rules of the BEE Codes and not listed or otherwise tradeable, the discount is vast.

It is difficult enough to sell a minority stake in any unlisted company; try doing it when the buyers must have the same or better BEE rating as you, the seller.

It is true that the Codes allow sales to non-black buyers in some cases, but only 40% of black ownership may be so counted (i.e., 10% out of the required 25%). And most companies simply forbid any such sales, particularly where they have provided vendor finance. Who can blame them when the BEE rating is so critical to their business?

The problem, like so many of our problems, is that the wood has not been seen for the trees. The state, our blind giant, does try to do the right thing, but often gets confused. In this case, his poor feeble brain has »

**… amongst most black-owned assets, acquired under the rules of the BEE Codes and not listed or otherwise tradeable, the discount is vast.**


fixed on ownership as the objective, when the correct objective is actually empowerment, specifically *empowerment through the accumulation of capital*. Ownership is surely the means to the end, not the end itself. Through ownership, black investors, large and small, are able to accumulate capital. Ownership is the means to the end being capital accumulation which is empowerment.

But the black investors' discount deprives them of the full value of their capital. It is not easy to say how much capital is locked up in the black investors' ghetto, but it must run to many tens of billions of rands even if the figure of 50% is used. But my experience is that the discount is probably larger on average.

Now imagine if the black discount were abolished, as it could be by the stroke of a pen. Vast amounts of capital would be released to black investors to do with as they pleased. Sounds empowering, doesn't it? To invest in their own businesses just for example, or to rotate into a sector more attractive to them. There would be *R683 million extra capital in black hands in the case of the Sasol Solbe1 shares alone* and that is one of the smaller schemes. It is difficult to calculate the value of the black discount in another prominent example, the case of MultiChoice, because their BEE scheme, Phuthuma Nathi, holds shares only in the unlisted but very profitable local operation, but it is probably more than R1 billion. And there are hundreds more BEE deals out there which would be repriced favourably.

The state would have to take a bold decision here of course. Ownership would have to take a back seat to capital accumulation. The state would have to fixate less on the simplistic percentage of shares owned by black people, as it does today, and encourage and indeed celebrate the accumulation of capital by black people instead.

A simple way of doing it would be to alter the Codes to permit companies to retain their ownership ratings even if the black investors sold their shares, provided certain conditions had been met. For example, it could be required that any finance would have been repaid, and the shares retained for a further five years after that. The black investor is not here being required to sell, only to have the right to sell to the highest bidder.

What will be the result? Black investors will be able to escape the black investors' ghetto. Companies will have done what they have been asked to do, which is provide the means for black people to accumulate capital. A very large uplift in the value of black-owned investments will occur overnight, with probably very positive overall impacts for the economy. Money trapped in old BEE schemes will be released. Black individuals and companies will have liquid capital at their disposal to invest in new ventures and expand their existing ventures.

Sure, the black ownership of many companies will drop as measured by percentage shareholding. So what, actually? Is black ownership to be seen merely as a statistic, or a means to the accumulation of capital? Only a blind giant would say, "What I want is that black people own 25% of all companies. I don't care if they never reap the benefits, as long as that statistic is observable." But that is what our blind giant is saying.

Of course no-one ever intended, when the BEE Codes were conceived, that there should be a black investors' ghetto, which reeks of apartheid and discrimination. To be fair, it is a symptom of the success of the Codes in enabling black investors to accumulate capital on a large scale. But it is past time to end this unintended consequence and free up that large portion trapped by the rules.


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ENDNOTE

1. "BEE Codes" is shorthand for the revised Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice issued in terms of the Broad-Based Black Economic Empowerment Act No. 53 of 2003, as amended. See the website of the B-BBEE Commission, available at https://www.bbbeecommission.co.za/b-bbee-codes-of-good-practice/ NA

# Who will gain from Africa free trade agreement promises?

By Etienne Vlok

Etienne Vlok is the National Industrial Policy Officer of the Southern African Clothing and Textile Workers' Union (Sactwu) and represents Sactwu and Cosatu on Nedlac and other government and industry task teams.

*The African Continental Free Trade Area, with its promises of a move away from a colonial trade model to real development on the continent, faces the risk of fraud and abuse by unscrupulous traders. ETIENNE VLOK sets out what must be done to ensure that the winners are the countries that are party to the agreement and not the drivers of international trade. He made this presentation at an Institute for African Alternatives Forum.*

### MOTIVATIONS FOR AfCFTA: LARGER MARKETS, MORE INTRA-TRADE, INDUSTRIALISATION

Many African countries and heads of state now recognise that there is great potential opportunity in the fact that there are 1.3 billion people on the African continent at present, and this is projected to grow to 2.5 billion by 2050. Their eyes light up when they realise that the African Continental Free Trade Area (AfCFTA) could create a much larger market, compared to the very small markets they currently produce for, which could provide real opportunities for job creation, deepened industrialisation, better economies of scale and enhanced competitiveness.

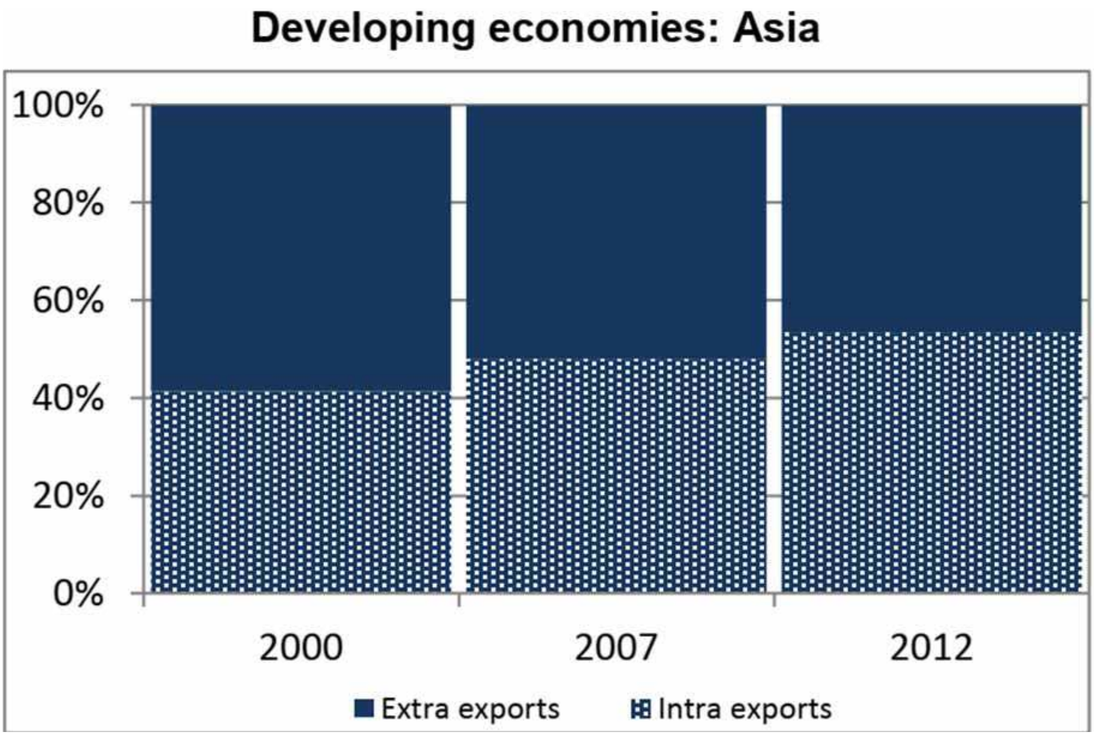
At present South Africa's exports sustain about 2.6 million jobs, or 22% of formal sector employment, according to figures from the Industrial Development Corporation (IDC). African exports currently constitute about 10% of these, or just 250,000 jobs. South Africa believes there is an opportunity to increase this number by expanding the African market and exporting more manufactured products and less raw materials and minerals.

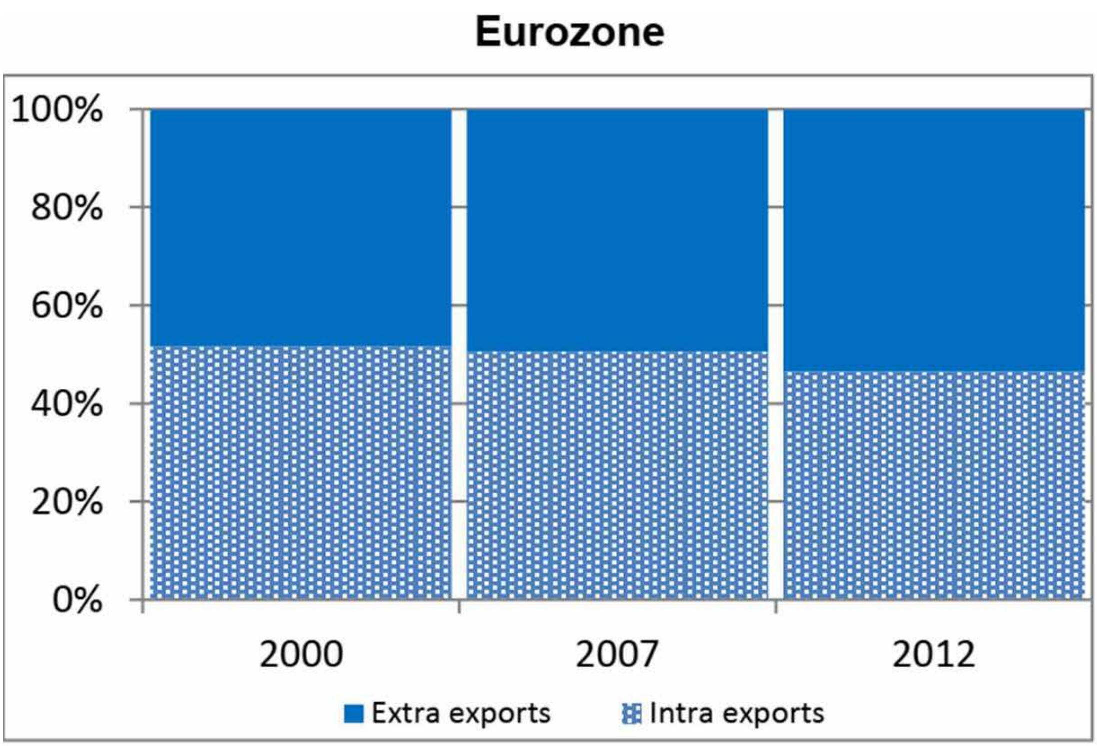
The AfCFTA presents the possibility of greater opportunity for African countries and blocs to engage in trade with each other. At present Africa's intra-trade remains stagnant and low. There are many reasons for this lag. One is that the market remains fragmented. There are barriers to the flow of goods between countries such as infrastructure deficiencies [broken roads, no rail, bad air and sea ports], inadequate economic diversification [many countries produce the same things and have no real need to trade with one another] and non-tariff barriers [complex phytosanitary regulations, unnecessary customs clearance procedures, sometimes requiring bribes]. All this stops the sort of intra-trade that happens in similar developing continents and blocs. These barriers stop the growth of supply chains across countries. They keep markets separated and fragmented.

The African Development Bank says that two out of every three countries in Africa find that they experience greater difficulties trading with their neighbours than they do with the rest of the world!

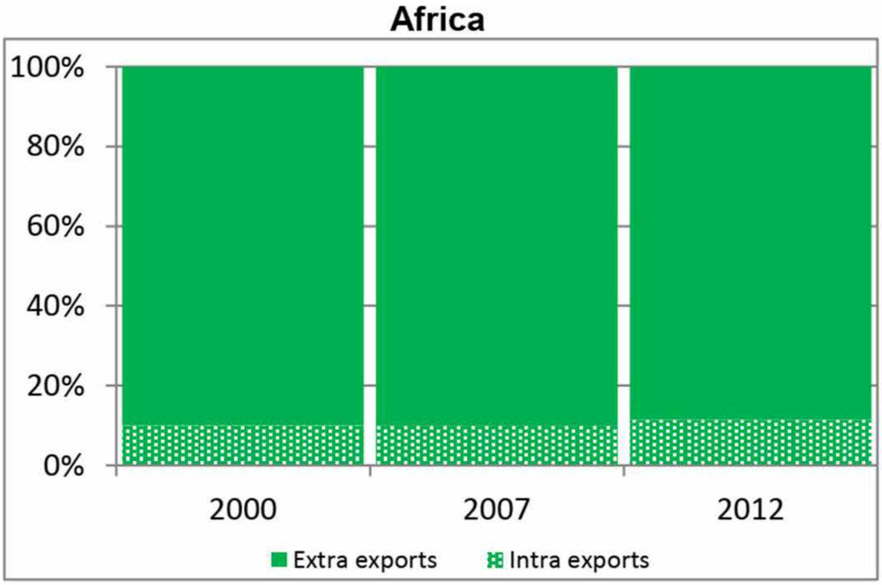
When a country encounters difficulties in sending products to neighbouring countries, compared to countries thousands of kilometres away, there is clearly a problem.

There is a significant amount of intra-trade exports among the developing countries in Asia, amounting to about 50% of exports in Asia in 2012. In the Eurozone there has been a slight downturn in recent years, but about half of the exports of Eurozone countries go to other Eurozone countries. ››




The problem is that Africa is not trading with itself. Instead it is largely trading with other countries. Only about 10% of its exports are moving between African countries (against the 50% benchmark for Europe and Asia). This discrepancy was major motivation for African countries to enter into agreements to launch the AfCFTA.

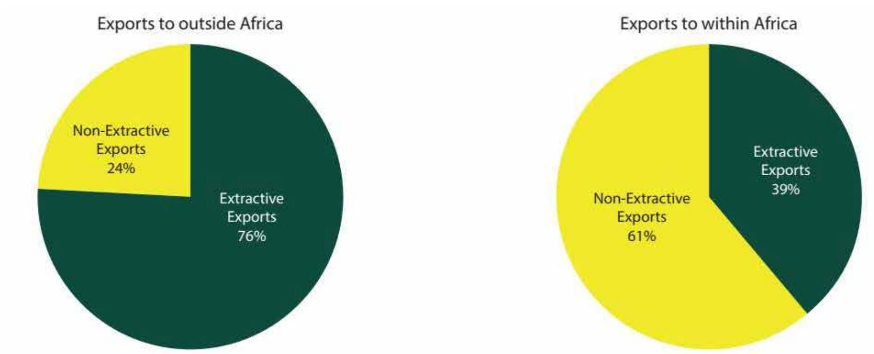



*Source: Trade report: Export opportunities for South Africa in selected African countries, May 2014, Industrial Development Corporation*

**African governments see this as an opportunity to move away from a colonial model of trade which largely involves the exports of extractive commodities.**

At Nedlac we identified industrialisation as another significant motivation for the AfCFTA. Trade forecasts suggest African industrial exports will benefit the most from the trade agreement. African governments see this as an opportunity to move away from a colonial model of trade which largely involves the export of extractive commodities such as raw agricultural product, timber, oils and minerals and the import of finished goods. The aim is to increase exports of manufactured goods produced inside the continent and decrease reliance on the exportation of extractive commodities. Until now, 76% of Africa's exports outside the continent have been extractives, while from 2012 to 2014 only 39% of intra-African trade were extractives.

When Africa trades with itself there are far fewer extractive exports and a much bigger proportion of non-extractive exports, which are goods to which some value has been added, on the continent. Clearly for African governments the possibility of adding value to goods is an attractive option. Developing manufacturing industries is far more likely when the continent trades with itself.




*Source: African Continental Free Trade Area: Questions & Answers by African Trade Policy Centre (ATPC) of the Economic Commission for Africa (ECA)*

South Africa's exports to China, for example, are almost exclusively raw materials, minerals, etc. But as soon as South Africa starts to trade with sub-Saharan African countries, more finished manufactured goods enter the picture, for instance trucks, vehicles, pumps for liquids and machinery. As soon as we trade more within Africa we can move away from the colonial model of trade.

### *FREE TRADE AGREEMENTS VERSUS PREFERENTIAL TRADE AGREEMENTS*

We traditionally have reservations about free trade agreements (FTAs). They usually require the removal of protective import duties, take away the policy space of governments to decide their own developmental paths, and obstruct developmental opportunities to grow local industries, jobs and ultimately economies. FTAs also aften result in damage to new and vulnerable industries and can set in place a downward push on wages and employment conditions. Countries then start competing on low wages and inevitably the losers are the workers and ›› working-class communities.

Preferential trade agreements (PTAs) are much more palatable to our minds. They usually involve a smaller, restricted group of products in the trade agreement and within that there is significant space created for defensive positions to protect vulnerable jobs and industries. In other words, there is space to say we are better at exporting certain products and are prepared to put those products into a trade agreement, but we are not interested in trading in products from smaller, vulnerable industries and we exclude them from the trade agreement. What a PTA typically does is take into account the various levels of development in countries that enter into trade agreements.

We believe that in conceptualising and negotiating the AfCFTA, industrial policy has not led trade policy. Countries first have to identify what they need to grow their industries and jobs. That should set the agenda for a trade agreement. But in the AfCFTA negotiations, political considerations have exerted pressure to conclude this agreement as soon as possible, especially in 2016, 2017 and 2018, even though it was not, and still is not, ready. Many details remain unsettled. We think that negotiations have largely been led by geo-political considerations, which could result in a greater negative impact on jobs and industry in the future.

However, what distinguishes the AfCFTA slightly from other free trade agreements is that there is still significant space for exclusions of certain products and for other products to phase duties down over longer periods to allow sectors to adjust. Within the AfCFTA, 10% of industrial tariff lines can be identified as sensitive and receive special treatment. This means they can either be totally excluded from the agreement and the requirement to reduce tariffs or they can be given a longer period to phase down, which means more time to reduce their duties to zero percent.

But we believe that the present exclusions aren't sufficient. We have made this argument often as Cosatu and Sactwu, saying that we need more space to protect sensitive industries and sensitive jobs. We think that at least 15% of industrial trade lines need to be regarded as sensitive and we have asked government to increase this, or we are at risk of losing thousands of jobs and significant industrial capacity.

## *WHAT CHALLENGES FACE THE AfCFTA?*

While we hear of potential huge new markets of 1.3 billion people, and new countries to export goods to, we think the picture being presented is way too rosy. The opportunities for trade depend on the purchasing power of consumers. The African Development Bank estimates that although we have 1.3 billion people on the continent, the middle class comprises fewer than 350 million people. KPMG, an accounting firm, using a higher threshold, estimates that only about 36 million people on the continent can be described as middle class. This means that there may be significantly less purchasing power for the kind of products that countries will be exporting. Of that middle class, about half resides in South Africa and an additional approximately one million people live in each of five other countries – Ghana, Ethiopia, Kenya, Ivory Coast and Uganda.

We also think that talk about a significant market fails to look at the nature of the retail market on the continent. Half of all African retailing occurs in five countries, Nigeria, Egypt, South Africa, Algeria and Morocco. Together these five constitute just more than half of the retail market, which means that there are much less opportunities for export beyond those markets.

The other important feature of the African retail market is that it is overwhelmingly informal. The UN Economic Commission for Africa said that about 90% of African retail transactions occur in the informal sector. It would therefore be difficult to export new finished products into those markets.

For us, one of the major challenges with the AfCFTA concerns customs. We have doubts about the capacity of South African customs service, and those across the continent, to implement and police trade agreements in Africa. Often, when new trade agreements are set up, especially multilateral agreements involving many countries, there is an increase in customs fraud, including transhipment, misclassification and other types of fraud that are largely intended to abuse the preferences that only the countries party to such agreements should enjoy.

For example, African countries may enjoy a lower duty under the agreement, but traders from countries that are not part of the agreement may try to tranship their goods. They could do this by claiming that goods made in Bangladesh or France, for example, were produced in an African country. They then try to tranship these products into countries such as South Africa at low-level duties. Similarly, traders may misclassify high duty products as products at a lower duty level to minimise or even evade duty. We are concerned that neither South African customs services nor those in other countries have the resources to detect and stop such fraud. This will undermine the objectives of the agreement and the major winners would then not be the African countries but instead traders in other countries who are illicitly claiming the trade preferences in the AfCFTA.

We have suggested some safeguards be built in to ensure that this does not happen, such as beefing up customs services and increased cooperation between African governments to ensure that such fraud can be detected and illegal imports stopped. We have proposed some suspensive conditions


and a review mechanism to be applied when it seems that the AfCFTA is benefitting traders from elsewhere in the world instead of African countries. In such cases, we need to be able to pull up the handbrake and review our capacity to police this agreement.

The other major shortcoming of the AfCFTA is that it doesn't support a social clause or a labour clause. We believe it should include such a clause. Participation in the free trade area should be conditional on the enforcement of workers' rights (such as the right to organise free trade unions, to negotiate conditions of employment and to strike under legal protection). Except for the obvious benefits for workers of a social clause, there are other benefits for countries as well, such as helping create the mass market that the AfCFTA promises by ensuring higher wages for workers as consumers. It will help deal with inequality, which impedes growth. It will have a positive impact on development, allowing for the provision of education and health services. It will also create favourable conditions for a stronger African labour movement and encourage linkages between unions across the continent.

While there has been some interest shown by the South African government in such a clause, across the rest of the continent there has been widespread resistance to it. We in Sactwu and Cosatu believe there may still be space to include a social or labour clause and we have not stopped agitating for this. [This proposal was made by Cosatu in the 1990s before the formation of the World Trade Organisation, at a time when the trade union movement was much stronger than it is today. The proposal died an early death – editor's note.]

## *POSSIBLE NEGATIVE OUTCOMES OF THE AfCFTA: MITIGATING FACTORS*

Like other free trade agreements we could well end up with workers and working-class communities as the main losers. How do we mitigate that? We could ensure sufficient space and rules of origin to protect vulnerable industries and jobs. Another mitigation strategy could be to introduce a social clause to stop a race to the bottom based on wages. A third mitigating factor could be an increased focus on industrialisation and the deepening of industrial value chains across countries, rather than just trading between countries.

Another possible outcome could be that all the promises the AfCFTA claims it will deliver could be undermined by various logistical problems. One of the major mitigating factors may be a significant focus on improving the quality and reach of industrial, trade and transport infrastructure within countries and also between countries. This will have a developmental outcome internally and will also assist countries trading across borders.

Finally, one of the major threats is transhipment and customs fraud with traders outside the continent benefitting from the AfCFTA. For us, the mitigating factor would be stronger and better customs management, cooperation between African countries and safeguards that can be triggered should we find that it is not African countries and African jobs that benefit but largely international traders. NA

# 'We only need a fence':
## Essentials for modern-day agriculture and rural development in the Eastern Cape

*By Aphiwe Mgushelo and Alex Bara*

Aphiwe Mgushelo is a PhD Candidate in the Department of Development Studies, Nelson Mandela University, Gqeberha, South Africa. Dr Alex Bara is a Senior Economist at the Agriculture Finance Corporation Holdings, Harare, Zimbabwe.

*Rural infrastructure – fencing and irrigation systems – are essentials for modern day rural agriculture. This is the conclusion of the authors, based on research on the abandonment of agricultural land in an Eastern Cape community.*

Vast tracts of agricultural lands have been abandoned, worldwide, over the last decades (Filho et al., 2016). Agricultural land abandonment (ALA) has been extensively studied in Europe, but it also exists in Africa (Tesfaye and Seifu, 2016). This phenomenon is apparent when you travel in rural areas of the Eastern Cape and see the scars of past cultivation carved into the landscape. Yet there is limited literature focusing on the extent, causes and socio-economic consequences of ALA in South Africa. Existing research mostly entails a variety of geomorphological studies focusing on ecological impacts such as vegetation changes and degradation, gully and soil erosion as well as a need for sound environmental or land management (Kakembo, 2001 and 2009; Kakembo and Rowntree, 2003). The Parliament of the Republic of South Africa's passing of a motion for "expropriation of land without compensation" (Parliament of RSA, 2018: 433) left analysts with a conundrum; politicians are seeking to expropriate land at the same time as much agricultural land is being abandoned.

Today, more than 66% of the total population live in urban areas and cities compared to 61% in 2009 (O'Neill, 2021). This raises a question: who will work the land and maintain the rural socio-economic infrastructure when available lands and agriculture are abandoned as the rural population relocates to towns? Yet, herein also lies an opportunity to tackle poverty, unemployment and inequality.

Agriculture retains a crucial role in the socio-economic development of the country, as enshrined in the National Development Plan (NDP). It is acknowledged as the primary rural economic activity with the potential to create close to one million new jobs in the sector by 2030. The NDP also sees an increase in agricultural production as a key requirement to address, mainly, rural poverty and food insecurity. Addressing ALA is also imperative for ultimately realising Sustainable Development Goal 1 – ending poverty in all its forms.

### CONSIDERATIONS FROM JULUKUQU

Julukuqu, the study area, is located in the Eastern Cape province in the King Sabata Dalindyebo local municipality. It is south-west of Mthatha. Census 2011 recorded a population of 664, in 135 households. Analysing satellite imagery of the area over a 15-year period has established the occurrence and extent of ALA. Purposive sampling was used for this study to help choose the respondents from the study population. Altogether, data collection yielded 17 usable interviews (ie one focus group discussion (or *Imbizo*) including the headman, Sibonda, and villagers as well as individual interviews with respondents (they have been given pseudonyms), including one of the most senior villagers, Nyange; one woman, Nontlutha; and the ward councillor, Ceba. The interviews were subjected to thematic analysis – to provide an understanding of the official positions and grassroots lived experiences. Their views are presented verbatim for discussion and to support the assertions, conclusions and recommendations we have made.

> **“The once totally cultivated croplands of Julukuqu are now almost totally abandoned with only one household still cultivating only a hectare of their cropland.**


### *FINDINGS AND DISCUSSION*

All the respondents were South Africans, of which only one was female. The respondents represented a generational mix of adults and youths between the ages of 18 and 80 years, with most between 40 and 60 years old. Lack of education is one of the prevailing challenges confronting Julukuqu and it was highlighted by the fact that none of the respondents completed schooling while some, such as the headman, Sibonda, never went to school: “I did not complete any standard, because my household had livestock. Therefore, I was not able to go to school because I had to herd the livestock.” Only two respondents were employed, Ceba and Nontlutha.

Notwithstanding the participation of only one woman, it was also evident that it is not the norm in Julukuqu to exclude women from attending and participating in *embizweni* or *kwimbizo,* particularly on the topic of agriculture, which affects everyone in the community.

> Concerning their work in the croplands, women are not different from men. Likewise, poverty is gripping all of us, including women – Imbizo.

The responses provided by Nontlutha did not contradict the responses provided by the rest of the respondents, but rather gave more detail and a feminine point of view. Given the dominance of males in the sample, interviewing a female respondent was very important and deliberate. As Peek and Fothergill (2009) found, individual interviews can be an advantage where the key informants may not be included in a focus group or where they may not be comfortable talking openly in a group. Separate interviews provided individualised experiences, perceptions and behaviours.

Key to the study is that all of the respondents had cropland in the area. However, none indicated agriculture (particularly crop production) was their source of income – which is indicative of a great fall from glory. The main sources of income in the community were identified in order: child support grant; old-age pension; casual labour and government programmes (eg the Extended Public Works Programme for road building); subsistence smallholding (eg pig and poultry farming); deceased pension fund annuity; and public service. The respondents said that they spent their money mostly on food and burials, debts and health care, among other basic expenses.

## *The extent of abandoned agricultural land*

### *The history of crop production in Julukuqu*

Crop production once thrived in Julukuqu as a key socio-economic activity and Julukuqu fed its inhabitants and the surrounding villages, selling surplus produce. The cultivation of the croplands (*amasimi* in isiXhosa) was, therefore, a source of household food security, income, development and pride. The indigenous practice of *ilima* (co-operativism) was Ubuntu in practice, wherein those with oxen and households with men or children extended help – free of charge – to cultivate each other’s land. The goal was to uplift everyone. *Ilima* is the antithesis of individualism – “we” the people rather than “I”, or concern only about oneself. Thus, Ubuntu was deeply embedded in the people and was a common way of life. The respondents indicated oxen were very useful in » cultivating the land, while school-age children played an instrumental role in crop production and in keeping livestock from grazing crops. Croplands were a lot more valued than gardens – which were relatively small and limited to providing for household sustenance – and people grew maize (mainly), soya beans and pumpkin.

### *Government intervention and the extent of agricultural land abandonment*

Globally – including in Europe and Asia – ALA has been prevalent in marginal areas, such as steep mountainous areas (Shengfa and Xiubin, 2017; European Commission, 2015). Julukuqu is relatively flat, but its location in the former homeland of Transkei makes it a marginal area. There has been an observable and significant change in the use and extent of croplands over time (2002-2017). According to the respondents, the croplands of Julukuqu were once fully cultivated (especially between 2002 and 2010), but they are now almost all abandoned. Only Sibonda, the headman, was still cultivating his reduced household's cropland, but even it is semi-abandoned given the reduction of the cultivation land area. Sibonda obtained an old fence, which is how he managed to fence off about a hectare of his household's cropland.

According to Mlomzale (2014) in rural areas family-owned croplands are underutilised to such an extent that in the Eastern Cape very little fertile arable land is used as many households have abandoned crop production. Yet, Africa could feed the world as it holds more than 60% of the worlds uncultivated arable land.[1] When people cultivate their land, the risk of food scarcity would be mitigated.

Government intervention projects played a huge role in the cultivation of the croplands. The Ntinga O.R. Tambo Development Agency (Ntinga)[2] was established at a time when people had stopped cultivating the croplands due to reduced cattle and the increased importance of sending children to school. Ntinga introduced fencing of the croplands and they were guarded by a government ranger. Modern fertilizers and pesticides were provided and replaced indigenous practices, such as the use of kraal manure (*umgquba*). Ntinga promoted the Green Revolution in the agricultural sector and for a period of nine years, from 2002/03, the croplands were cultivated. However, the Ntinga project ended in 2010 (due to lack of funds, according to Ceba) and the people stopped cultivating the croplands and abandoned them.

Today, there are signs of minor soil erosion, which follows ALA, although fortunately grass covering seems to be keeping much of the land from more severe erosion. The rivers are dry, signalling a lack of rainfall, water or irrigation in the area. One used to see cultivated household gardens next to the fallow croplands, especially in the November to March ploughing season. Now only contour lines are left of the croplands, a visible reminder of the lands' former glory.

### *Major causes of ALA*

*Lack of infrastructure: fencing and irrigation systems:*

The community of Julukuqu has abandoned the cultivation of the croplands, according to the respondents, due to the lack of fencing and non-availability of children who are now going to school, allowing the livestock to graze on the cultivated croplands with no one and nothing to stop them. Single women or widows are most vulnerable (especially at night when some people deliberately graze their livestock in the croplands). They suffer the most from both herded and free-ranging livestock (including horses). Women have always dominated crop production, given that most men 'are no more', said Sibonda.

> These croplands are not cultivated. I tried my best that we should be financed and fence them, but government [in] one of its policy statements said that a group of people … should be cultivating the croplands before it can help. This is also what disables us … the people cannot go and cultivate the croplands when they are not fenced off and their crops [are] grazed by livestock. And government says children must be at school. – Ceba

> The children are not here to herd. They are in schools … the Department of Agriculture says we must first cultivate. We see it does not trust us anymore and it has forgotten who we are. We stopped cultivating the croplands because they were not fenced …. – Nontlutha

This is the present as history. In the former Transkei sub-district of Shixini, Andrew and Fox (2004) observed an increase in abandoned agricultural land between 1962 and 1982. This was caused by cultivation intensification in gardens, the diminishing fertility of croplands and damage from livestock, as well as compulsory schooling that removed child herders from the rangeland. The lack of fencing and oxen to cultivate the land were also found to be the cause of the decline in agricultural production in the Cata rural community in the former Ciskei (Mlomzale, 2014). Other reasons for not practicing crop production in Cata, besides the lack of labour and the high production costs, included global warming (climate change) and lack of agricultural infrastructure (Mlomzale, 2014).

Yet, the cultivation intensification in gardens does not seem to be a cause

> **One of the conundrums for analysts is that politicians are seeking to expropriate land at the same time as much agricultural land is being abandoned.**

of ALA in Julukuqu, but rather it is a consequence due to food insecurity. Moreover, there was no indication of diminishing fertility in the croplands of Julukuqu. However, climate change and variability (erratic rainfall and drought) has led to land abandonment.

> We are troubled by drought and livestock … and few people continued to cultivate the croplands.You see that now they are no longer cultivating. – Sibonda

> It is possible that you will get a proper harvest when there is frequent rainfall, but when there is no rain, you will not get what is appropriate. Therefore, rain and drought contribute to the abandonment of the croplands. – Ceba

There is a shortage of water, and a lack of a reliable source of irrigation in the village. The respondents submitted that the community needs an irrigation system for the purpose of crop production.

*Co-operation: abandonment of ilima and the rise of individualism*

It seems that with government projects, such as Ntinga, co-operation among the people deteriorated and individualism arose. People no longer combined their resources and efforts, such as oxen and manpower, to cultivate their land.

### *Toward reviving agriculture and rural socio-economic development*

*The desire and will to cultivate the abandoned croplands*

The respondents were very keen to recultivate their croplands: Yet, their desire and willingness to cultivate their abandoned croplands clearly needs to be complemented with activism and co-operation on their part, as well as agri-infrastructure, for which agri-finance is required.

*Agri-infrastructure: fencing and irrigation system*

Due to the rising importance of education, children who would ordinarily be herding the livestock are going to school, making them unavailable for continuing with this heritage. Given that livestock farming is also an important livelihood in the rural areas, the respondents noted that the most logical and immediate thing to do was to fence their croplands to protect them from being grazed or encroached upon during crop production season by free-ranging or deliberately led livestock. Given that surrounding villages whose croplands were fenced were cultivated, there is a reason to believe that if the croplands of Julukuqu could be fenced off, crop production would thrive again in this rural village.

The respondents concluded that the only thing they need is their croplands to be fenced off – and they were frustrated by the chief's lack of support. There is hope for socio-economic development in Julukuqu, but the people were faced with the dilemma of being required according to the rules of government aid schemes to cultivate their unfenced croplands before they could get support. The cultivation of gardens serves as factual evidence that the people of Julukuqu have not abandoned crop production, but only their croplands – due to lack of fencing.

> … we concluded that what we needed was fencing, because cultivation is our enterprise … most of the croplands in other communities are fenced. We are actually part of Mqhekezweni and it is only the chief of Mqhekezweni that is yet to fence the »

> croplands. The fence that was first requested by us is now going to people who came later, because they have chiefs who support [them] ... we only need a fence. – Nyange

The respondents said that their primary need is fencing, but the scarcity of rainfall (especially during winter) and drought are also major challenges in the area. The respondents indicated that the community needs an irrigation system for their croplands and their gardens. To date, they are not able to cultivate even their gardens in dry seasons. Bank and Meyer (2006) found the climatic conditions in the Eastern Cape province not conducive for crop production, while grain is obtained from large commercial farmers and group projects under irrigation. Given that the provision of, and access to, water is an important determinant of crop yield, rural communities such as Julukuqu need to collectively adapt to the prevailing climatic conditions or fall victim to them. Perhaps group projects are a solution to the lack of irrigation.

*Conditions, limitations and benefits of fencing*

There have been difficulties with fencing communally used lands for centuries but it is important to appreciate the differences between the British 17th, 18th and early 19th century enclosures, and the continuing infringement of the people's land rights in, for example, northern Tanzania. The progressive enclosure of common lands over several centuries deprived British people of access to agricultural land. The Enclosure Acts essentially brought an end to the open field system of agriculture, which had been the practice in England for centuries. Any rights they had over the land were taken from them. The means and the method to achieve this were physical fences and hedges that staked out the private ownership of the fields of England. Ultimately, the aim was to turn open fields, pastures and wastelands into more productive arable and mixed farmland – under the name of 'improvement' – to both create and feed an increasingly large proletariat.

Indigenous people in Africa continue to suffer massive land loss with the arrival of international companies, including so-called safaris and exotic hunting companies (Cultural Survival, 2014). Over time, the Maasai in Tanzania have been marginalised from decisions regarding the management of land, making "Maasai throughout Tanzania strangers in their own land, whenever conservation concerns are involved" (Goldman, 2011). Their land had been taken by the *wazungu* or white people. According to Cultural Survival, whose work is predicated on the United Nations Declaration on the Rights of Indigenous Peoples, in Kenya and Tanzania several court cases are pending of indigenous Maasai pastoralist communities pressing charges against the illegal appropriation of their land. Borders and fences have delegitimised the Maasai's way of life in favour of permanent agricultural-based economies.

However, in South Africa, in village communities such as Julukuqu there would be no loss of land rights in fencing the land as it belongs to the people who live there. As landowners, the very poor people have collectively decided to co-operate to fence a portion of their household's croplands to meet their socio-economic needs. There is a memorandum of understanding by which the households will retain the ownership of their croplands, and their common pastoral land will not be fenced. This is a step towards local agricultural revival.

The community has been calling on their chief and the government to assist in providing fencing, but to no avail. The power of strong and effective fencing should not be underestimated in smaller-scale agricultural development. Without fencing, the villagers are reluctant to cultivate their croplands only for their crops to be grazed by uncontained livestock. When croplands are fenced and cultivated, livestock also benefit from maize stalks (*amadiza*) post-harvest. For this reason, 'good fences make good farming neighbours' and plant and animal production can co-exist (Zvomuya, 2012:10).

> We want to cultivate the croplands, but we do not have the power to do so. We do not herd our livestock well ... livestock grazes on our croplands ... If government could help and fence for us the area that we want to cultivate. – Imbizo

*Community pro-activism and co-operation*

The ward councillor, Ceba, explained that the government requires people to form a co-operative before funding is granted to support their activities. This means the prospects of agricultural revival and development in Julukuqu hinges on the community being proactive and co-operative. To this end, the people are consolidating a portion of their croplands that they can manage to cultivate. The people desire socio-economic development and they will form and register an agricultural co-operative as a catalyst for socio-economic development, economic growth and innovation. They have a history of pooling their resources and working together – ensuring that every household's land is cultivated using the indigenous practice of *ilima* – a socio-cultural approach to development. Co-operation is indigenous to the people of Julukuqu as an equaliser and a co-operative appears to be a modern-day *ilima*.

## CONCLUSION AND RECOMMENDATIONS

The compelling reason provided for the abandonment of croplands in Julukuqu was lack of co-operation and infrastructure, ie fencing and irrigation systems that are essentials for modern day agriculture. Without fencing, the villagers are reluctant to cultivate their croplands only for their crops to be grazed by uncontained livestock. Since water is an essential determinant of crop yield, an irrigation system is necessary to mitigate the risks of erratic rainfall and drought. Unfortunately, the rural socio-economic situation is such that the rural households are so poor that even collectively they cannot afford the fencing of their croplands. They need financial support for agricultural infrastructure, or the provision of agricultural infrastructure itself. With the land and willing people in place, co-operativism prevails as a necessary strategic means to attract the needed financial and non-financial support, especially from government.

Julukuqu is a typical case study of land abandonment in rural areas of South Africa. As foreign interest mounts in the land, the people in communities such as Julukuqu should:

- Form and register at least a primary co-operative as an extensive and intensive catalyst for socio-economic development, economic growth and innovation, with the assistance of government, and be capacitated by government financially and otherwise to develop the requisite rural agriculture infrastructure – including:
  - Strong and effective fence to protect their croplands;
  - An irrigation system (eg boreholes) to mitigate the risks of erratic rainfall and droughts; and
  - Security measures to secure the fence and irrigation system – which will also reduce the vulnerability of women at night.

For policy consideration, it is recommended that –

- Instead of viewing land abandonment only as a problem, government, researchers and development practitioners should see it as an opportunity to assist the community to implement these recommendations in order for them to advance socially and economically; and
- The role of kings and chiefs in community development needs to be investigated and enhanced.

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ENDNOTES

1. While Africa holds more than 60% of the world's uncultivated arable land, the continent's share in global agricultural production remains low… ' (Oxford Business Group, 2019). '… even if the pandemic slowed down economic activity, the agriculture sector showed a strong resilience' (senior programme officer for global policy and advocacy at the Bill & Melinda Gates Foundation, Faustine Wabwire, in News24, 2020).
2. Ntinga O.R. Tambo Development Agency is a state-owned company established by the O.R. Tambo District Municipality as a Special Purpose Vehicle responsible for spearheading local economic development in the O.R. Tambo district. See https://www.ntinga.org.za/ NA

# While the powerful fight their battle ...

## ... the rest of us may lose the war on climate change

*By Moira Levy*

MOIRA LEVY is the Production Manager of *New Agenda,* the flagship journal of the Institute for African Alternatives (IFAA)

*Two powerful individuals in South Africa's climate change debate are tugging in opposite directions. Eskom's CEO Andre de Ruyter has been mobilising support, including large-scale international funding, for a move away from coal-generated energy. As South African and global support for this gathers steam, Minister of Mineral Resources and Energy, Gwede Mantashe, has been just as determinedly proposing an energy policy that must include coal, which could derail Eskom's plans.*

A bloodless battle is being played out between two mighty opponents on the highly politicised field of South Africa's dismal record on carbon emissions. Neither of the combatants are likely to be injured in the fight; instead it is us, the citizens, who will take the blows.

The opponents are not seen to attack each other directly. Their weapons of choice are, on the whole, carefully phrased statements. These are never launched at each other but rather into the public arena so neither is clearly identified as the other's target.

The clash referred to is South Africa's very own titanomachy between the ever-diplomatic but unstoppable CEO of Eskom, Andre de Ruyter, and the pugnacious but politically astute Minister of Mineral Resources and Energy, Gwede Mantashe.

In his previous life, Mantashe was himself a coal miner, and he is aware of the potentially devastating consequences for coal mining communities of mine closures. Former coal-mining areas in Great Britain, Germany, France and the USA have seen social and economic ruin for working families accompany the closure of coal mines.

Until these present-day titans roll up their suit sleeves and fight it out at close range, South Africa will remain trapped in the no-man's land of policy that dithers between renewables versus coal-powered energy, or that tries, with ever more ambiguous results, to straddle both.

In response to Eskom's public proposal to decommission some of its coal-fired plants sooner than previously planned, Mantashe ordered De Ruyter to "stay in his lane". He went on to declare at a parliamentary meeting of the Portfolio Committee on Mineral Resources and Energy that the early closure of these power stations would amount to South Africa committing "economic suicide". This drew a response from De Ruyter stating that Eskom's decommissioning of coal plants was fully in alignment with the government's Integrated Resource Plan (IRP).

While these two super-stakeholders continued to circle each other, public endorsement of De Ruyter's efforts to achieve a "just energy transaction" have come from President Cyril Ramaphosa and the ANC's National Executive Committee (NEC).

A statement released after the NEC's legotla in September 2021 recognised that such efforts "would ensure that workers and community wellbeing was assured and advanced in this process. Transitioning to a low-carbon, ecologically friendly and socially sustainable economy presents opportunities to create jobs, inclusion and growth."

The President's own Eskom Sustainability Task Force has recommended that international climate finance is needed for Eskom to solve its debt crisis and get onto a

> **The historical role that coal mining has played in the South African economy cannot be disputed; what needs to be challenged is its role in the country's future development.**

sustainable path that introduces more renewable energy, as soon as possible.

This endorsement from the highest levels in South Africa was followed by the declaration of support from the big four of the developed world at the start of the COP26 summit in October. The US, UK, Germany and France made the dramatic announcement that they jointly intended to make available to South Africa $8.5bn (more than R130bn) to finance efforts to move away from coal, with possibly more investment to follow. Speaking at the international gathering, UK Prime Minister Boris Johnson called this "a game changer," which indeed it is, or will be if the funds are not mishandled or siphoned off for nefarious purposes.

It appears De Ruyter has been quietly busy behind the scenes to mobilise exactly this kind of massive international financial intervention to support the repurposing of decommissioned power stations and provide support and employment opportunities for workers and communities that will be negatively impacted by closing coal mines and coal-fired power stations.

Eskom's General Manager: Just Energy Transition (JET), Mandy Rambharos, confirmed that Eskom has been in discussions with various financiers about the options and innovations linked to climate financing. Before the Glasgow announcement she informed *New Agenda,* "The discussions have been proceeding based on the Eskom JET plans. We will continue these discussions with financiers to determine how we best address the climate challenge together.

"It is important to look at an overall electricity mix for South Africa, that addresses various imperatives – including job creation; emission reductions and cost considerations. The cost of renewable energy technologies have dropped drastically in the last decade – and given the potential for us to take advantage of local manufacturing linked to renewable technology development, it makes sense for us to commit to a large scale renewables rollout.

"The *just* part of the transition is crucial to address. As part of this transition, the creation of meaningful jobs is a key element that we will drive," she added.

Mantashe, who did not go to Glasgow, must have been gnashing his teeth back home. He regularly refers to the oxymoronic concept of "clean coal" and has tweeted, "We must continue to invest in cleaner coal technologies & innovation, and make sure that these options are not kept under the radar." While the worldwide focus is on investing in renewables, Mantashe regularly repeats his belief in the importance of South Africa using all its energy resources, including coal, going forward.

He has declared: "The transition is not and cannot be a one size fits all. It is a process and a journey, and must be considered from its short-, medium- and long-term perspectives and outlooks."

In July 2021 he tweeted, "we cannot avoid speaking about the role of gas and nuclear in our path towards lower carbon economy" and about the "critical role of nuclear fleets to low carbon transitions around the globe".

It's typical Mantashe-talk. To him, the problem is not global warming, it is all about international interests that are placing South Africa and the developing world under pressure to conform to the emerging status quo. He has told Bloomberg news that richer nations should not impose conditions on developing nations in order for climate funding to be released. An unsympathetic developed world, he suggests, is frequently the real driver of change and not the science behind the alarming rates and consequences of global warming.

What were probably the first signs of moves to put De Ruyter's plan in »

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**It is important to look at an overall electricity mix for South Africa, that addresses various imperatives – including job creation; emission reductions and cost considerations.**

place emerged back in September when Environment, Forestry and Fisheries Minister Barbara Creecy and other economic ministers engaged with envoys from the US, UK and the EU over the possibility of funding to help South Africa transition away from coal-sourced energy to renewables.

By not attending that meeting, on the rather questionable grounds of prior family commitments, Mantashe made his position clear. While not explicitly denying the need for a shift to renewable energy sources -- Mantashe is too politically astute to stand up against the growing tide of international environmental opinion -- he insists on the need to move slowly. Earlier in the year he told a virtual mining indaba, “let’s manage our transition step by step rather than being emotional”.

Minister Creecy has been quoted as saying, “If in due course we take a decision to leave coal underground, how is our country going to be supported in making that decision?” She has also said: “Other countries have developed their economies, they have developed their citizens, they have developed their infrastructure, they have created this crisis … we have indicated our intentions to be ambitious in helping the world to deal with the global problem of climate change. But we also have to ask -- how is the world going to help us?”

It’s a good question, and maybe she got answers from COP26. But Mantashe seems determined to preserve the carbon-heavy sector.

The historical role that coal mining has played in the South African economy cannot be disputed; what needs to be challenged is its role in the country’s future development.

And that is where De Ruyter comes in. He refrains from blaming the world’s richer countries for the current global energy crisis. Instead his starting point is Eskom’s role and responsibility in ameliorating the impact of South Africa’s carbon-intensive economy and the non-viability of pursuing growth and development based on it.

Soon after taking up his post early in 2020, De Ruyter announced that Eskom had established a Just Energy Transition Office to work with stakeholders such as labour and communities to convince them that there is a “meaningful future” in renewables.

“From a moral and economic and political perspective we have to create an alternative future that involves those communities and workers,” he said.

In August 2021, speaking at Pretoria University, De Ruyter nailed his colours firmly to the mast by declaring Eskom committed to a green future. He said, “it is clear that we have an opportunity to pivot away from Eskom’s carbon-intensive history, and lay the groundwork for a cleaner and greener electricity supply industry.

“Our economy, on a per capita basis, is 25% more carbon-intensive than China, and double the global average. South Africa emits roughly half the total carbon emitted by the African continent, and Eskom emits about 44% of the total South African carbon emissions. We therefore cannot ignore our carbon footprint.”

Pivoting to green energy will create a competitive advantage for South African exports, he said. He also expressed concern that as a heavy carbon emitter South African could find itself facing “another era of isolation and punitive trade measures” similar to that experienced under apartheid, “except, in this case, punitive trade measures won’t be directed against a racist state. They will be imposed on an environmental pariah.”

He spelled out his view that continuing along the current route leads to a dead end for Eskom, and South Africa.

Emphasising Eskom’s dire financial situation in this public address, he also warned that “insurance companies are targeting large carbon emitters with punitive premiums, or outright refusal

> **While the worldwide focus is on investing in renewables, Mantashe regularly repeats his belief in the importance of South Africa using all its energy resources, including coal.**


to cover. South Africa must also expect to face increasing duties on imports in carbon-intensive sectors.

"The costs for renewable energy technologies continue to decline and will add generation capacity sooner than other technologies, thus reducing the risk of load shedding. Solar photovoltaic projects take between 18 and 24 months to complete, wind projects have a lead time of between 24 and 36 months, and gas requires 24 to 60 months to complete … [while] coal and nuclear projects take between 10 and 12 years and 12 to 15 years, respectively.

"Funds can be used more effectively", he said, "in building renewable energy sources. To make current and ageing [coal-fired] power stations compliant, Eskom must spend more than R300-billion. Taking into account that Eskom does not have the money and that this exercise will not add any generation capacity, will consume significantly more water and require transportation of limestone, this is quite a difficult balancing act."

From the get-go, De Ruyter has been at pains to dispel any notion that Eskom would preserve or defend the coal-based energy sector. Speaking to the Cape Town Press Club soon after his appointment he declared that climate change was a reality that could not be ignored. "We accept and we understand that it poses a risk, not only to Eskom, but also the economy of South Africa, and we have to play our part," he said. "We are not climate change denialists."

We are reminded of South Africa's crisis during the HIV/Aids pandemic when our then Minister of Health was a publicly vocal Aids denialist. South Africans should be very concerned to have a minister at the helm of energy affairs who is calling for greater investment in coal, as well as nuclear, gas and oil exploration and extraction. This flies in the face of what science is telling us.

Alex Lenferna, secretary of the Climate Justice Coalition, has been reported as saying: "The world's leading climate science bodies have detailed why we must urgently transition away from polluting coal, oil and gas to keep global warming from going above 1.5°C above pre-industrial levels -- a target all the world's governments have agreed to and beyond which we would see increasingly catastrophic and irreversible climate change.

"Economists for their part have told us that meeting the 1.5°C target could 'create millions of new jobs, significantly lift global economic growth, and achieve universal access to electricity and clean cooking worldwide by the end of the decade'.[1]"

Lenferna argued Mantashe is "going in the opposite direction" by seeking new coal, gas and oil opportunities that could "lock our energy system into polluting and expensive new coal and gas projects. He is doing so not only in defiance of science and economics, but also civil society.

"Mantashe's actions are not only threatening the climate, but also the viability of Eskom and our entire economy," said Lenferna.

Not only is Mantashe's *de facto* denialism dangerously counterproductive, under the current circumstances, it also goes against strong evidence that what Eskom needs now is to redirect its efforts into renewables – not only to create millions of much-needed jobs, but to rescue Eskom itself as the country's chief supplier of electricity.

Mantashe not only threatens to turn his back on indisputable international scientific fact. His actions and utterances could derail Eskom's plans for moving forward. It is possible that in pitting himself against Andre de Ruyter he may win him the battle, but for the rest of us, in South Africa and elsewhere, it could mean losing the war.

ENDNOTE

1. Lenferna, A. 2021. "President Ramaphosa's vital climate test: Firing Gwede Mantashe." Available at: https://ewn.co.za/2021/10/15/alex-lenferna-president-ramaphosa-s-vital-climate-test-firing-gwede-mantashe NA

# Climate anxiety, generational rage:

## The disgruntled youth take centre stage

By Elana Astrud Kroneberg

*The mood among the youth is burning red-hot and getting even hotter as the planet heats up. Those who have inherited our climate catastrophe are speaking out loudly and the Institute for African Alternatives (IFAA) believes we must listen carefully to what they have to say. Young Climate Voices (YCV) is IFAA's new social media and digital platform for sharing the views of young people in Cape Town, in South Africa and beyond. The project, to be launched soon, calls on young people to 'tell your stories, amplify your voice'. ELANA ASTRUD KRONEBERG gives a taste of what they have to say.*

> *We say, no more 'blah, blah, blah.' No more exploitation of people and nature and the planet. No more whatever the f**ck they're doing inside there. We're sick and tired of it, and we're gonna make the change, whether they like it or not.*
> – Greta Thunberg, Swedish climate activist, outside COP26.

What do you think the media picked up in Greta Thunberg's public statement? The profanities of course. Looking past her message by focusing on her use of language is a deliberate choice to frame her as angry and incoherent.

I find it strange that when young people speak out in anger, adults often don't listen to what they are saying, but rather to how they are saying it. Meaning gets confused in the heat, things get lost in the fire. Reason, rationality, keeping your head and staying calm is *cool*. Anger, expletives and emotionally charged threats are hot. Right? Red-hot. We are meant to stay cool; it's easier to deal with.

But meanwhile guess what is also red-hot and getting hotter? The planet. We are not the only ones burning up.

Greta speaks for the deforested land, the acidifying oceans, the disappearing bees and the people poisoned by fossil fuel exploitation. At 18-years-old, Greta Thunberg speaks for us, expressing a generational rage that is fitting for our times. The temperature of red-hot anger, I feel, expresses the state of the atmosphere more clearly than the cool and calculating reason used by those inside the COP26 conference. To this day, this cool detachment of the UN's Framework Convention on Climate Change (FCCC), better known as the Paris Agreement, has done very little to cool the planet.

Instead of banning further fossil fuel exploration and phasing out existing fossil exploitation, the most powerful interests at the COP proceedings have put forward solutions such as planting enough trees to suck the $CO_2$ out of the atmosphere. Scientists warn there aren't enough trees in the world to offset society's carbon emissions – and there never will be. If relying on nature isn't enough, another suggestion is an air capture device that sucks carbon dioxide from the atmosphere, a technology already underway in Hokkaido, Japan.

The Climate Justice Charter Movement (CJCM) held a protest outside Parliament in Cape Town during COP26 demonstrating that young people, much closer to home, feel exactly as Greta does. This generational rage is a national, global mood and it is taking centre stage. And so, I focus on mental health among the youth, a world-wide pandemic as threatening as Covid-19.

Young Climate Voices is a new IFAA project, which was kickstarted by interviewing young people at the protest to share their views on the soon-to-be-launched social media platform. In preparation, I created a "climate anxiety lucky packet" of cue-cards as a conversational starting point. The young protesters were asked to pick one from a range of cards labelled "depressed," "anxious," "angry," "overwhelmed" and so on, to reflect their views on climate change.

Many chose "angry," others chose "overwhelmed," while some selected "pessimistic'' ("because we're all gonna die", said one protester). A Stellenbosch student, however, chose "optimistic," – the only positive card I had for the pack because "I believe that I can make a change," she said.

But overall my sentiments were confirmed. Young people are angry and many feel totally overwhelmed, simply because of the enormity of the problem.

We've all been there: on the eve of the exam, we are filled with anxiety as the clock begins to tick down, while the chapters in the textbook appear more and more ominous. It's overwhelming, but in the end its our anxiety, our utter panic at the thought of failing, which gets us through.

But anxiety overload, nervous system activation, comes at a price. A crash. We need a chance for our systems to recover. We are not designed to live under chronic stress, bombarded by stressors every single minute of every day. Chronic stress is something brand new to the animal kingdom.

An eland runs from a lion in the savannah, narrowly escaping death. Anxious, fearful, the eland's survival mode is activated, sending adrenalin to every muscle in its body. Fight or flight? The eland flees. Once the lion tires and the eland takes shelter, it shakes its body vigorously, releasing the tension stored in its muscles, releasing the flood of excess adrenalin in its system. And off it goes in search of grass to graze or whatever it is that elands do to chill.

Humans are rarely able to shake off that adrenalin before the next stressor hits our system. So much about modern living is a stress — the toxins in our food, the plastics in our oceans — bringing so many risks and hazards. Climate crisis is a stress we are all faced with. It's a stress we all have to deal with, and it grows ever more real, its threat ever greater. This is not paranoia it's really going to happen.


Young people, including generations unborn, are the inheritors of the climate catastrophe, created by a system we did not design. It is with us now and it will worsen with time if something isn't done to curb the race to the bottom. Both climate scientists and climate alarmists agree.

More youth are becoming enraged, depressed, anxious, overwhelmed, powerless, cynical, suspicious and disengaged. Is this the worst time to be alive and young? Hundreds of young people stood outside the gates of the South African Parliament shouting:

> What do we want?
> Climate justice!
> When do we want it?
> Now!

It reminded me of myself 10 years ago, standing in the same place, a 21-year-old Environmental and Geographical Science student, protesting against fracking. I remembered the older people who inspired me and shaped me into the person I am today. There I was, witnessing a fresh cohort of young people saying the same things I said 10 ten years ago ("The South African government are carbon criminals!" I shouted along with the crowd). But now they say it with more urgency, more rage and yes, more flair. We get better with time because we learn from those who came before us. With South Africa's long history of struggle we stand on the shoulders of giants.

Yes, it is all doom and gloom, and we are no closer to solving the climate crisis than we were before COP26. However, "negative" emotions have always been a force for change because activists don't only fight because something is wrong. They also fight because they see what lies on the other side of their rage: another world that is possible.

In these times of climate crisis, young people all around the world take their righteous anger, the baton of generational rage, to centre stage. And, just as Greta said, we also tell the world: "You can shove your climate crisis up your a**e." NA

# Watch this space!

## IFAA set to research psycho-social disorders that beset SA

By Zunaid Moolla

Zunaid Moolla is Director of the Institute for African Alternatives (IFAA).

*IFAA is planning to introduce a programme that focuses on psycho-social disorders in South Africa. Our aim is to assemble clinical studies and analyses of some of the best psychologists in the country and undertake groundbreaking research on how psycho-social disorders manifest themselves in different communities, writes Director ZUNAID MOOLLA.*

The buoyancy of the first decade of South Africa's transition to a democracy has given way to pessimism, despondency and a huge drop in confidence levels by all sections of the population. Among the many factors that caused this ship to sink are the inappropriate economic policies, poor governance in State-Owned Enterprises, changes in the global economy that have led to deindustrialisation and financialisation, the ease with which elites and insiders were able to loot state coffers, state capture, and latterly, the climate crisis and the Covid pandemic.

As the country drifts towards total economic collapse, increasingly high levels of social disorganisation are manifesting in communities across the country. Violent protests now flare up almost on a daily basis and the few gains that were made in previous years seem to erode before our eyes with whole sectors of the economy sliding into paralysis.

Attempts at social and economic improvement seem to encounter obstacles at every turn. The burning of schools, libraries, clinics and other social infrastructure proceeds with painful regularity, which prompts us to ask: how do we fix this?

Two broad approaches will likely influence the choice we make. The first says "change the structures (or the system of capitalism) and people will change." The other argues that economic progress won't make a difference because we're dealing with a wounded society and we have not attended to these wounds.

The former approach is advocated by a small but significant minority and there is merit in their demands. After all, would the creation of jobs not alleviate some of the poverty in the country? Would that, in turn, not change behaviour as the prospect of hope for a better life rises? Yes, very likely. Consider though, a society after being at war for years, with thousands suffering physical disabilities. Without medical attention, including the provision of prosthetics, rehab programmes and support with mobility, productivity may take years to improve regardless of the number of jobs created.

This brings us to the latter approach which has not been a subject of much discussion in mainstream discourse but is gaining traction from some analysts and academics. A few psychologists have recently presented research which purports to show that trauma is lodged in the amygdala and victims are prone to act out anti-social behaviour for successive generations. If this is true, we can see why the effect is likely to be much worse in a society such as ours which has experienced centuries of trauma.

The ideas flowing from this approach offer a fresh perspective on South African society. They are particularly relevant to a society that presents as a toxic cocktail of trauma and material deprivation. Violence is often associated with high levels of poverty but not all countries with large sections of extremely poor people exhibit violent patterns of behaviour.

In his recently published book, *Nation on the Couch*, Professor Wahbie Long explores the psychological make-up of South African society (see extract below and book review on page 49). He delves into the history of colonial conquest and its effects on the psyche of its victims and enters that realm so potently captured in the works of Frantz Fanon that argues colonialism is not just the military and economic subjugation of a country but also the psychological occupation of its people. Fanon counselled us 60 years ago that the complex path of identity and material progress is paved with interruptions and disturbances that all too often scupper the best plans of politicians and bureaucrats. We would do well to heed Fanon's counsel and take note of Prof Wahbie Long's pioneering analysis of South African society. NA

# Nation on the Couch:
## Extract from a book by Wahbie Long

In the world beyond therapy, however, intersubjective hope demands nourishment at two levels — first, at a social-psychological level defined by reciprocal recognition, and second, at a social-material level involving an equitable distribution of the resources required for dignified living. This is easier said than done: what I am describing, after all, is a virtual utopia in which each of us feels recognised in our humanity, and in which our basic needs are adequately satisfied. In fact, when placing this quandary in proper historical context, one realises that the history of our *species* — never mind South Africa — is a history of masters and slaves.

In his account of social organisation from the Stone Age to the present, Stanford historian Walter Scheidel contends that a combination of domesticated food production, sedentism, state formation and hereditary property rights ensured that material inequality became a central feature of human coexistence.[1] A fundamental part of the civilising process, in other words, was inequality itself — but history has not been without surprises. What Scheidel calls the *Four Horsemen of Levelling* is proof that unequal societies can be levelled — in exchange for a monumental loss of life.

Mass mobilisation warfare is one of those horsemen involving the kind of killing contract that more or less seeps into every segment of society. The two world wars are fitting examples of where industrial-scale warfare, aggressive taxation, rising costs of living, state involvement in the economy and trade disruptions ravaged the wealth of the rich, leading to unionisation and the creation of welfare states that would level inequality on a scale almost unparalleled in human history. Transformative revolution is another notable leveller. Communist takeovers — exemplified by expropriation, redistribution and collectivisation — succeeded in challenging inequality in extraordinary ways, rivalling even the world wars for number of fatalities and human suffering in general. State failure is the third horseman: when states fall apart, the rich simply have more to lose, so the playing fields get evened out. And finally, there are lethal pandemics: when sufficient numbers of people die, the balance between capital and labour can shift so dramatically that one can be left with Black Death-type situations where the workers make merry on meat and beer while the nobles run around trying to maintain appearances.

Acts of God aside, Scheidel is clear that exemplary violence alone has been shown to address inequality in tangible ways — not democracy, not macroeconomic crises, not modern economic development, not even radical policy reforms.[2] Fanon may well have intuited this when he declared that "decolonisation is always a violent phenomenon".[3] Naturally, the irony of seeking to end structural and symbolic violence with revolutionary violence is not lost on anyone; indeed, the wellsprings of life-giving hope may have to be sought elsewhere. But the basic point is this: the intersubjective cultivation of hope — in the absence of actual material prospects — amounts to little more than another cheap *kumbaya* moment for the masses. Hope cannot exist within a psychological matrix of shame, envy and impasse while a material base marked by rampant inequality remains locked in place. As for the observable correlates of everyday violence, *ressentiment*-driven value delusions and alienated consumerism, these should remind us that nothing less than our shared humanity is at stake.

To be clear, the only way to dissolve the master-slave dialectic is to resolve the problem of unreciprocated recognition in which the master insists on remaining the master. Fanon, again, envisioned a certain breaking of the deadlock, but it is not a strategy that inspires hopefulness. As for psychologists, they tend to treat misrecognition as a "psychical deformation", whereas philosophers regard it as a matter of "ethical self-realisation".[4] Neither of these positions will suffice either. Instead, the question of misrecognition has to be reframed as a question of *justice* — because misrecognition involves "an institutionalised relation of *subordination*",[5] a relation that prevents South Africans from participating as peers in a dignified social life.

What, then, constitutes a life of dignity, what makes a life incontrovertibly human? One can hardly do better than Martha Nussbaum's catalogue of ten central human capabilities.[6] This is not the occasion to repeat the entire list, so allow me to quote only those of her reflections that are of immediate relevance. For Nussbaum, being human means: "… Being able to move freely from place to place … Being able to use the senses; being able to imagine, to think, and to reason and to do these things in a 'truly human' way, a way informed and cultivated by an adequate education ... Being able to form a conception of the good and to engage in critical reflection about the planning of one's own life ... Being able to live for and in relation to others, to recognise and show concern for other human beings, to engage in various forms of social interaction; being able to imagine the situation of another and to have compassion for that situation; having the capability for both justice and friendship ... Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others ... being able to participate effectively in political choices that govern one's life ... being able to hold property ... being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers."[7] Anything less — and the life under consideration is no longer a human life.

Notice Nussbaum's emphasis on *material* space: the freedom to move from one place to another, the experience of owning property. These are among the attributes that not only make us human but also allow for the promotion of intersubjective hope. For the millions of disenfranchised South Africans, that is, the question of landlessness is not only of practical importance: it is an existential question. To own land is to own oneself, to live with confidence in the world, to have the freedom to pursue questions of meaning rather than survival, to have the sense that one is ontologically real, and to find within oneself the wherewithal to create networks of life-giving hope.[8] To deny a people their land, therefore, is to deny them all of these potential achievements. Ominously, Scheidel makes the point that land reform — when accompanied by violence or the threat of violence — is an effective strategy for levelling inequality, because no one will give up anything worthwhile without a struggle. One can only hope that it does not come to that, that the power elites in this country will recognise that the interests of the dispossessed are the interests of us all.

But Nussbaum also discusses *psychological* capacities in her account of what it is to be human. We should not make the error, therefore, of imagining that the psychological is trivial in contexts of massive material deprivation. The land question is critical — and its resolution will go some way towards restoring dignity to the lives of South Africans — but we must not underestimate the political relevance of recognising and validating the mental states of others. Treat others as you wish to be treated and do not treat others in a manner that you do not wish to be treated: this is the so-called 'Golden Rule' that underpins almost every religious, cultural and ethical system known to humankind.

Yet one cannot realise this principle without the capacity for empathy — a cornerstone in any helping relationship. Psychotherapists are experts here, at holding minds in mind, at perspective-taking — a prerequisite for ethical living. But it is just as true that empathic sensitivity becomes damaging when it is oblivious to the political struggles of ordinary people. Indeed, the splitting-off of the psychological from the social domain weakens the moral authority of psychotherapists in the struggles of the everyday. On the other hand, the tendency among many activists to dismiss psychotherapy as false consciousness is premature to say the least. As Johanna Hedva asks in her essay, *Sick Woman Theory*, "How do you throw a brick through the window of a bank if you can't get out of bed?"[9] In the pursuit of collective hope, the bottom line is that personal change and social transformation are inseparable: as much as we need programmes for social improvement, we also need to remember that the small things still matter.

The relational school in psychoanalysis teaches us valuable lessons about the exercise of power — and its democratisation — in settings rife with inequality. It all begins with a therapist wielding real authority over a patient who — if they are not to be frozen into a relationship of dependency — must attack the therapist's understanding of them at some point in the process. The therapist, in turn, needs to show up consistently in receiving those attacks if they are both to live freer, fuller and richer lives. Similarly, whatever our current station in life — be it master or slave — each of us has to front up for the battle with the Other, over and over again. And just as therapist and patient must negotiate their hopes in dialectical conversation with one another, we, too, have to nurture between us that most fragile of cargoes, with the realisation that what each of us does in our lives on a moment-to-moment basis will ripple through the ages. There has to be a revolt and a sincere engagement with it — failing which there can be no shared hopes, only selfish ones.

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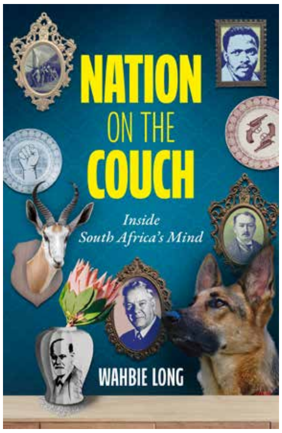



# Nation on the Couch Inside South Africa's mind

*Wahbie Long*

Published by Melinda Ferguson Books: Cape Town. 2021. 198 pgs.

R287.00

*Review by Moira Levy*

Reading the daily news or watching eNCA or SABC1, 2 or 3 can often leave us wondering if everyone in our country has gone slightly mad. The corruption and boundless greed of our leaders; the senseless and brutal violence, especially against women and children; the apparently thoughtless destruction of infrastructure such as schools and universities ... and you've got to ask yourself "what the hell is going on?"

How do we make sense of the actions of a serial rapist, random shootings in poor neighbourhoods, looting of copper wire from train lines which leaves taxis as the last means of transport, even though it takes a kind of madness to travel in those minibus juggernauts, a (former) president and leader of the (formerly) much loved ANC who appears to care nought for the people.

How does the ordinary citizen come to terms with all of this? Does anyone understand any of this?

And just when you feel the onset of a panic attack, here comes Wahbie Long, clinical psychologist and associate professor of psychology at the University of Cape Town.

"There is a brokenness at the heart of our nation that cannot be wished away," writes Long in his book, *Nation on the Couch: Inside South Africa's Mind.*

It takes a brave person to travel inside South Africa's mind – at a time of mind-numbing poverty, hunger, joblessness, homelessness, landlessness, and all the attendant consequences these socio-economic ills visit on our society. Perhaps it's not wise to visit the mind of South Africa at any time; certainly not the South Africa of the past where decades of colonialism and then apartheid shows us, South Africans, to be either a brutal or brutalised people, and sometimes both.

Long takes the conventions of psychology and stretches them to include aspects of the lived experiences of human beings that the discipline tends to ignore. The American Psychological Association defines psychology as "the study of the mind and behavior;" Long reminds us that to fully understand human thought and behaviour we need to also look at the material and social conditions which shape – and sometimes misshape – human thinking and actions.

It's a bold leap for psychology and South Africa should be grateful to Long for attempting, in this important book, to understand apparently incomprehensible conduct. He returns to the experts in his discipline to extract tools that can be applied to our sometimes sociopathic present day experience.

When protesting "Fallist" students exclaim in their posters "We can't breathe!" says Long, they are exhibiting a classic symptom of a panic attack, albeit *en masse*. Long reminds us that Freud reminds us of "reaction formation," which Long offers as "the most elegant" explanation. It's not that whites are feared; it is black subjects who fear their desire to be white. And while Fallists may decry this Freudian thinking, Long draws on Franz Fanon's *Black Skins, White Masks* when he writes: "There is no fear of whiteness *per se* -- but there is an overwhelming fear of the *desire* for whiteness." Using Fanon's terminology, Long writes it is not the black subject but the white subject that then becomes "a phobogenic object, a stimulus to anxiety."

In other words, whiteness becomes a phobia; "The reaction formation shows itself in the anxious deprecation of whiteness, which attenuates the very desire for it." Here Long is drawing on the 1954 classic by C S Hall, *A Primer of Freudian Psychology*.

It's all about Envy, says Long. Not envy as we colloquially understand it, but the Envy of psycho-speak, which he elaborates on in a comprehensive chapter on this sort of Envy. He explains in his Introduction this is what happens when shame turns to resentment, "a phenomenon not uncommon to people from poor and working-class backgrounds when they enter the middle classes for the first time."

He employs the concept of Freudian »

urges and "drives" to explain South Africa's endemic violence. Using as an example the almost daily service delivery protests, and their apparent – to the outsider – illogic, he argues that the inevitable outcome has "an internal logic of its own." These eruptions start with the shame created by relative deprivation, which turns into "righteous suffering" and resentment, which builds up over time and, as Freud warned, seeks an outlet.

Says Long: "with the resentment incapable of regulating itself, it finally explodes in the form of *envy*, taking shape in the seemingly wanton destruction of property and the apparently senseless resort to interpersonal violence."

The book also includes a chapter called "Impasse," which considers the predicament of many white people in post-apartheid South Africa who struggle to come to terms with assimilation with the former underclass. Posits Long, this explains their (the whites') "over the top" affection for their dogs who they turn into mediators in their dealings with black people.

Here Long refers mainly to the "colonial dog," who was used to tame and control indigenous populations, the typical violent police dog or the dog bred for fighting: "The hostility of the erstwhile colonial master – his virulent racism – must not be allowed to see the light of day. In psychological terms, sublimation in the form of dog fighting – the translation of darker impulses into socially less-abhorrent pursuits – becomes his vehicle for psychic release."

Long appears to struggle to explain the post-apartheid switch of white people's choice of fierce German Shepherds and Dobermann Pinschers to the "more chummy" Labradors and Golden Retrievers. He says, "this does not amount to proof that white South Africans have turned the corner."

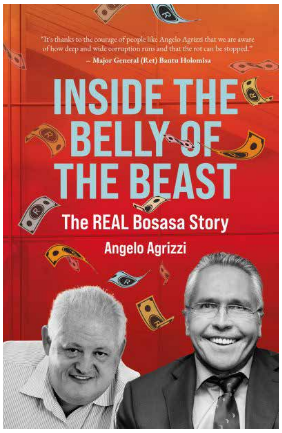
In summary, Long explains that in this chapter, "What I have attempted to demonstrate … is the psychological and practical significance of dogs in the lives of people who struggle to cope with the demands of the world … When it comes to … mind-blindness or Other-blindness -- dogs are capable of serving as assuring surrogates for humans thus afflicted. … They can investigate, interpret and negotiate the world on behalf of uncertain masters."

Long's argument unfolds carefully throughout the book, starting with a chapter on "Shame" and, encouragingly, ending with one on "Hope." Running through the narrative is the familiar concept of "alienation," a psychological condition that he uses to good effect in understanding our troubled nation: "South Africans feel alienated in almost every sense – from their loved ones, from their work activities, from their political leaders and, most of all, from each other."

Long says he uses the concept as a "bridging" notion to emphasise the "interconnectedness of social structures and individual experiences."

"Alienation is built into capitalist structures as much as it is a feature of subjective life under those structures. It is by treating alienation, then, as a connecting device that one is able to hold the social and individual domains in creative tension instead of collapsing the dichotomy. In my view, this 'mutualist' approach to alienation is an important corrective to the damaging dualities of insideness–outsideness, interiority–exteriority, or psychism–materialism.

"On a more practical note, it also avoids reducing alienation theory to an investigation of *either* its sociological causes *or* its psychological effects, an unnecessary antagonism that has proved harmful to alienation research in the past." NA




# Inside the Belly of the Beast: The REAL Bosasa Story

*Angelo Agrizzi*

as told to Phillipa Mitchell

Publisher: Johannesburg: Truth Be Told Publishing, 2020, 318 pgs

*Review by Moira Levy*

The immediate value of this book lies in the summary guide it provides of the Bosasa debacle. We have learned of so many shocking exposés of corruption and state capture that it is difficult to keep track of who stole what from whom, how much, and for whose benefit. This is a record of two decades of mindblowing greed, fraud, bribery, elaborate money laundering schemes and corruption at the highest levels of government, not only of the Bosasa company, but of the extensive empire run by its Chief Executive Officer and at times cult leader, Gavin Watson.

This is a good book, but it was very likely mostly written as a response to the earlier Bosasa expose by Adriaan Basson: *Blessed by Bosasa: Inside Gavin Watson's State Capture Cult*. (Jonathan Ball Publishers: SA, 2019), and perhaps not necessarily as Agrizzi's heartfelt need to 'fess up.

It's the story of a personal vendetta by one man, Angelo Agrizzi, against another, Gavin Watson, who in hindsight proved to be his nemesis – but more of that later.

First the reader has to get through about a third of the book which is a rambling tale about Agrizzi himself. The poor son of an even poorer Italian immigrant, Agrizzi gave up his schooling in pursuit of … well, money. The book expects us to be impressed, even admire this self-made businessman who started out cleaning pots in a bakery for 75c an hour, and who eventually became Chief Operating Officer of the vast, multi-faceted Bosasa empire. Much of this book is about Agrizzi, Mr Nice Guy, the company's COO, and the colourful characters he encounters at Bosasa. He is the family man, the man who cares for his staff, who works really hard and does his very best, but he just can't escape that mean bully, Gavin Watson. Well, that is what we are told.

The book is subtitled "The REAL Bosasa Story" (emphasis by the publisher, not this reviewer), but we have much to read before we reach the REAL stuff. The book tells of the impressive growth of Bosasa, through bigger and better contracts – mainly in security and catering services. The result of honest, hard work? That's seems to be what is suggested. Early on in the story we only encounter suggestions about those on the periphery of Bosasa who did the "running around" for the Watsons.

Only later do we get to read of fascinating subplots concerning extremely lucrative bribes – Watson preferred to call them deals – as this multi-headed corporate hydra grew, from roots primarily in mass catering and security control for the prison service (including the notorious Lindela Repatriation Centre for "illegal migrants"). The multi-million rand deals are not spelt out in any detail; we are left knowing only that there is lots we don't know. And, it is implied, Agrizzi was often also in the dark.

He knew only that "bags containing between ten and twenty thousand rands, were being dished out to the key players … the union had Gavin wrapped around their fingers. The total amount going out to Correctional Services staff must have been in the region of R3 million a month … Some months the amounts were higher than others – especially when I wasn't around to check up on them," writes Agrizzi.

This brave whistleblower risked all to expose what he apparently didn't really know much about. All along, the real culprit – that would be Watson – was giving loads of cash to political figures, with whom he, Agrizzi, had no direct dealings. »

In the book Agrizzi concedes that “we were no different from the politicians we were bribing. The multi-million rand contracts that were handed to us afforded us a lifestyle that was well beyond the reach of the average white-collar worker. And so I was torn,” he writes. Reading the book, you have to feel for him. He writes that walking away would have meant an end to the Ferraris, designer clothing, exotic travel, “bulging bank accounts.” What was he to do?

We know from the evidence presented to the state capture inquiry that it took a near-death experience (in the form of a “pancake-sized” tumour in his heart), followed by emergency surgery and four days in a coma, for Agrizzi to comprehend the wickedness of his ways. We also read that the first thing he heard as he emerged from the coma was a shocking truth. His master and mentor, Watson, after taking one look at his long-term COO surrounded by tubes and drips, in ICU and hooked up to a ventilator, had wasted no time in attempting to move in on Agrizzi’s R30 million death and dread disease cover.

It was then – and only then when we are only 50 pages from the end of this more than 300-page life story, that “the stark reality of Gavin’s true motives [began] sinking in”. It has taken the reader, and apparently took Agrizzi himself, a rather long time to realise the extent of the criminality we are talking about.

But he got there at last, and it led to some tough thinking. “What kind of legacy was I leaving my children and grandchildren if I sat back and watched South Africa being plundered even further, knowing that I’d reaped the benefits without making reparations.”

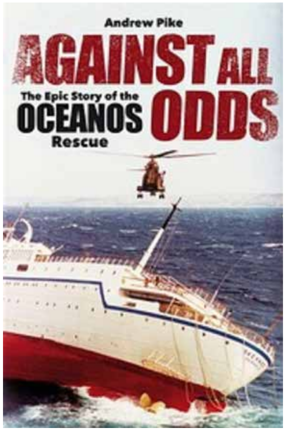
Ah ha! Agrizzi had seen the light! Also, the company was R50 million in the red by then and Gavin had let it slip that he planned to liquidate. Agrizzi did what he had to do. He parted company with Gavin Watson, and the rest of the book is about how he sets about mobilising staff to join him in “extricating ourselves out of the web of Bosasa”.

We learn that Agrizzi had secretly been amassing evidence against Watson for some years – more life insurance, perhaps – and that he had convinced a colleague to carry out “a plan fraught with danger”, using his cell phone to film Watson in a company vault, counting out millions of rands of cash to be distributed to regular beneficiaries. (You can see this video at www.itbotb.com).

That footage woke everybody. Agrizzi was probably hoping that this would be his get out of jail free card. But this triumphant moment in his appearance before judge Zondo was not what he had hoped for. Instead our hero was jailed, and after a short stint in jail suffered a heart attack and was rushed to ICU. As we all know, Watson died, under curious circumstances in a car crash, days before he was due to testify at an inquiry regarding his tax.

The Agrizzi story has an unhappy ending – but read it anyway, if for no other reason than it casts some light on the shady criminal parallel system of governance that places our constitutional democracy at great risk.

And also to appreciate the extraordinary skills of Agrizzi’s ghost writer, Phillipa Mitchell, who writes a real page turner! NA




# Against All Odds: The Epic Story of the Oceanos Rescue

*Andrew Pike*

Publisher: Jonathan Ball, South Africa. 2019. 242 pgs

*Review by Martin Nicol*

The *Oceanos* was a cruise ship with 600 passengers that sank in a severe storm off the coast of the then Transkei in 1991. Everyone was rescued (including a dog and a canary). No one died. "Against all odds" is the title of an enthralling book about the disaster by Andrew Pike. He is a lawyer specialising in marine law who represented the owners of the ship. Years later he has added this first-hand knowledge to interviews of survivors and newly discovered facts about why the ship sank.

In October 2021, I spent a ten day camping holiday at Bulungula - an estuary just 10 km from where the *Oceanos* sank, where there is a tourist lodge operated by the local community. Even today, almost 30 years after the *Oceanos* rescue, this is an extremely remote place. Deep river gorges mean that the main N2 "coastal highway" is 60 or 100km inland. Rutted, bouldered, unmaintained roads run down steep land spurs to scattered villages along the sheer ocean cliffs. Travel to the metropolis of Mthatha takes three hours of jarring, jolting, discomfort - and much longer if roads are wet and rivers flooded. You don't have to camp: there are traditional mud huts with beds and curtains (amazingly decorated), and a lodge library — with the Diaries of Samuel Pepys — and there is solar energy for your cell phone charger.

The *Oceanos* was on a cruise from East London to Durban. But it got into trouble in the "foreign" waters of the independent Transkei apartheid "homeland". The Transkei, then under the rule of General Bantu Holomisa, could not consider mounting a sea rescue. It had "no assets, insufficient manpower and no experience".

The Department of Transport of the apartheid government of the time was responsible for maritime issues, but it was not prepared. In the years of tourism boycotts, cruise ships had been rare. The government had "never planned fully for the sinking of a passenger ship" (p.192)

The sea was too rough to launch all the lifeboats, as the *Oceanos* began to list and as night fell. And those in the lifeboats faced a perilous time in the dark, plunging ocean, waiting for merchant ships to approach and then being battered along the sides of these huge vessels as the waves rose and fell. Passengers who could not fit in the lifeboats (some of which were taken away half full by the crew!) were rescued the next morning. One by one, they were lifted into SA defence force helicopters which had been sent 100s of kilometres from Durban and Pretoria. (OK, the Department of Transport did have resourceful leaders at its base at Silvermine, Cape Town, who called in for urgent help).

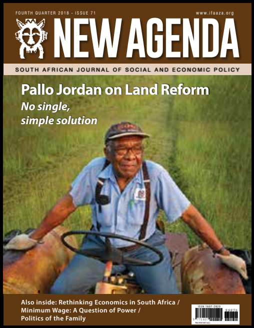
Incredibly, the captain of the ship sat idly by as the entertainment consort of magicians, musicians and singers organised the passengers on deck and spoke to rescue vessels on the radio.

### Policy Point for New Agenda:

One wonders whether a cruise ship in difficulty today off the same part of the Wild Coast would have the same luck?

Today we have a sophisticated integrated National Disaster Management Centre in place, we have the Disaster Management Institute of Southern Africa, as well as world-class risk management legislation, and we have the helicopters bought as part of the 1999 arms deal.

But General Holomisa is now in Parliament. He has no power to approve helicopter rescues, or to meet the helicopters in person at the then Umtata Airport as he did in 1991. And surely supply chain issues would require three independent quotes before any expenditure of disaster funds could be considered for approval. Twenty hours would not be enough time and it was on a weekend. The last person, a navy diver, was hoisted off the *Oceanos* barely 90 minutes before it sank – all the deck chairs tumbling in a rush into the waves as the ship suddenly up-ended. The rescue was totally against all odds. NA

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"All this points to an urgent need for civil society and progressive intellectuals to raise their voices and demand a much more serious effort by all concerned to rebuild our country on a better foundation. Let us work on that."
Prof Ben Turok, 26 June 1927 – 9 December 2019
Former editor of *New Agenda*

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