NEW AGENDA ISSUE 37 FIRST QUARTER 2010

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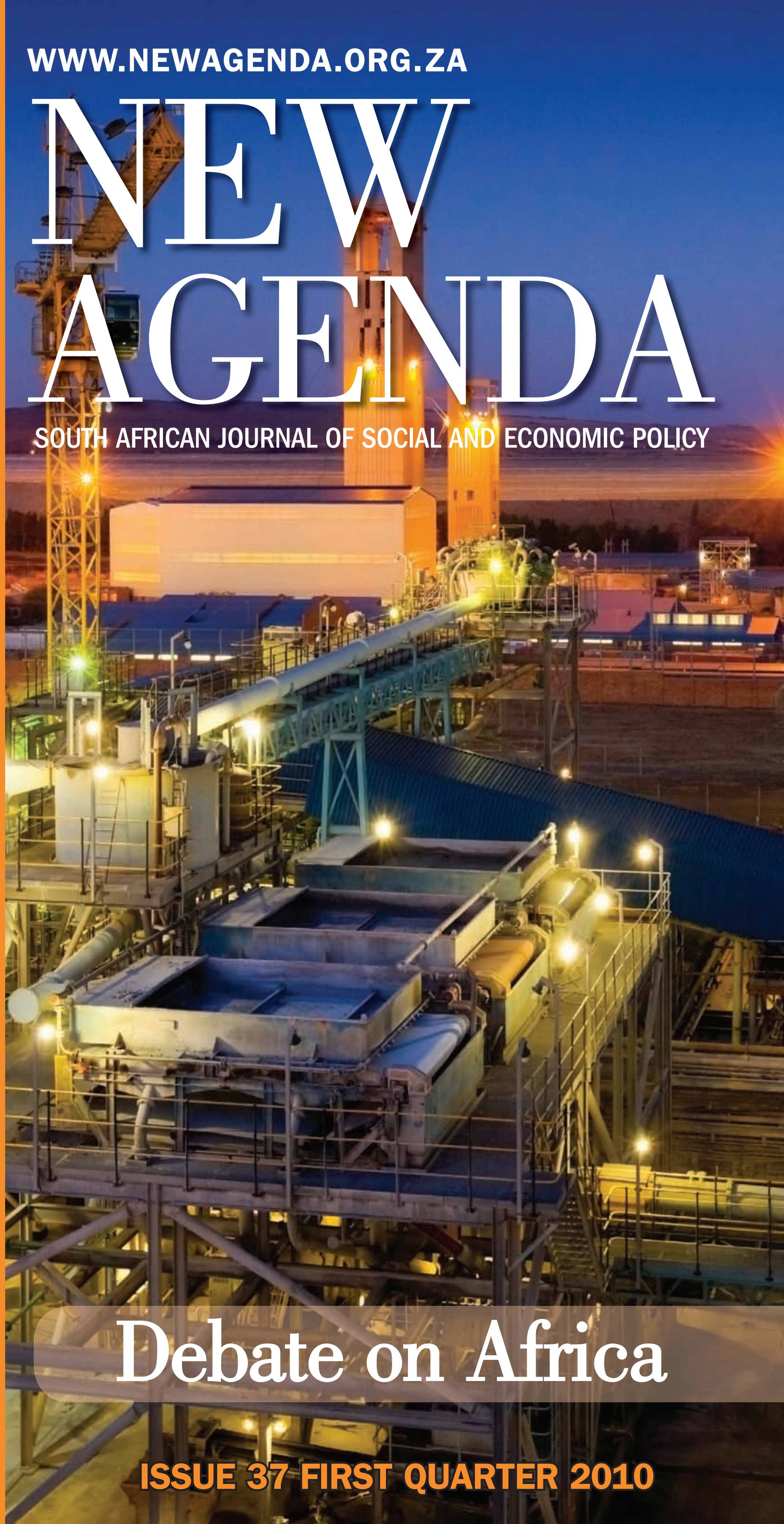
SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY



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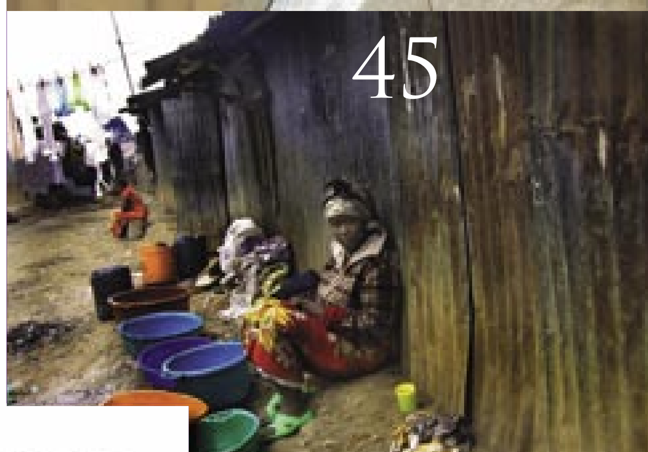

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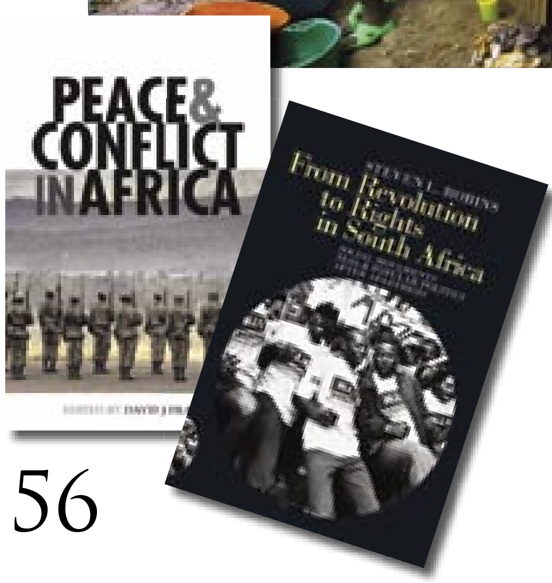

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To be a leading vibrant African centre of learning and innovation

MISSION
To provide continuous professional development in the public sector by offering cutting-edge training & development solutions.

The Transversal Training Management Agency (TTMA), formerly known as the Fort Hare Institute of Government (FHIG), a Unit under the School of Public Management & Development in the Faculty of Management and Commerce, at the University of Fort Hare, is responsible for delivering cutting edge training to the public sector provincially and at a National level. The Agency, based in Bhisho has since 2002 trained close to 50 000 public servants in various strategic niche areas identified by the Eastern Cape Provincial Government such as Project Management, ICT, Supervisory Management, Managing Service Delivery, Coaching and Mentoring, Management & Leadership, Introduction to Public Policy, Provincial Growth & Development Programme, Batho Pele etc.

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Editorial Board

CITY OF MATLOSANA

2010 LEGACY CITY

- The City of Matlosana will be hosting SMME Business Conference and Expo from 11 June till 10 July 2010.
- As one of the principle activities the city will be having a Soccer Viewing Area where local business and communities can reap the benefit of watching all FIFA World Cup Soccer, from the opening ceremony to the final.
- We have decided to run an SMME Expo and Conference side-by-side so that our local SMME's can benefit in some small way from this mammoth event that is coming to our country.
- The city is looking for partners, sponsors and exhibitions to add value to the event.

LOCATION

- The 4-week event will be hosted at the PC Pelser Airport, one of the city's Priority Investment Opportunities.
- The city will be launching the findings of the DBSA feasibility report at the conference as well as various investment opportunities that have arisen from the feasibility study which is currently in circulation.
  (A copy of the study is available on the council website www.matlosana.org under Investment Opportunities)
- The airport offers a unique and rustic opportunity to host a successful 2010 SMME Expo with side-by-side events.

OBJECTIVES

- To involve and include our local businesses and community in 2010 World Cup Soccer and create a legacy for our local community through 2010.
- To create a marketing and networking platform for local business and invite corporate SA to the city to create a legacy for our business community.
- To expose and promote our city to potential investors during 2010.
- To sell our Airport Business Plan to investors and at the same time promote our local business to potential expansion or investment.
- To create a happy and festive atmosphere at the airport in support of 2010.

PLANNED ACTIVITIES

- Matlosana Legacy Record Music Festival.
- SMME Expo and Conference.
- The Biggest Air show Ever (Attracts up to 10 000 people).
- Daily Soccer Activities Corporate 5-a-side and School Tournaments. These will also include life skill workshops daily for coaches and sport administrators with evangelist outreach programmes.
- Mini Olympics involving all sporting codes. This also include peoples with disability sporting code.
- Miss Matlosana 2010.
- BOLT AND ENGINEERING DISTRIBUTORS - Mining Expo.
- Drag racing.
- Speed and Sound Expo.
- Matlosana Heritage Tours - daily.
- Carnival Activities for school children daily.

EXPO CALENDAR

DATE	THEME
11 June – 14 June	Music Festival, SOCCER and SMME Expo. OPENING GAME.
16 June	Youth Day Gospel Concert and Outreach Program.
18 June – 21 June	Speed, Sound and Drag Racing & SOCCER.
25 June – 28 June	Bolt and Engineering Distributors - Mining Expo, Air show & SOCCER.
3 July – 5 July	Miss Matlosana 2010, Sport, Leisure & SOCCER.
9 July – 11 July	Legacy Records - 2010 Talent Search Expose. WORLD CUP FINAL.
11 June – 11 July	SOCCER Viewing Area & SMME Exhibitions - daily.

CONFERENCES AND WORKSHOPS

1. Create your own employment
2. Unlocking wealth creation
3. Innovate or die
4. From rags to riches

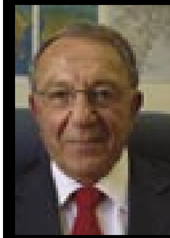
CONTACT DETAILS FOR MORE INFORMATION

- Contact: Sandy Botha on 082 886 9076
  or Thomas on 018 487 8157
- Your involvement and participation in this event will certainly contribute to creating a LEGACY for the City of Matlosana businesses and community at large.
- Exhibition space and branded packages available.
- Sponsorship and Partnerships packages can be discussed in return for branding.

www.matlosana.org

Joining the waBenzi

By **Ben Turok**



This issue opens with an important interview with Leslie Maasdorp, a former activist who is now a leading businessman. We appreciate his candour and his willingness to subject himself to public scrutiny. Regrettably, he is an exception to the rule. Too many of his peers have slipped quietly from a life dedicated to the struggle into the glitzy lifestyles of the waBenzi. A few retain a token place on a committee or two but are otherwise inactive. The pattern is repeated again and again, so that it no longer surprises us. One is tempted to ask whether deracialising the top echelons of capital in the name of black economic empowerment is not also legitimising the most unjust and unequal capitalism in the world. In any case, Deputy President Motlanthe has noted that BEE is unsatisfactory as it stands.

Looking back, we recall how the struggle against apartheid took ordinary young folk of all races, put them into a political pressure cooker where they rapidly developed organisational and communication skills, and then into the furnace of prison where they became outstanding and steeled cadres. In my own case, I emerged from university as an engineer with modest accomplishments, then entered the struggle where I had to make speeches, write press statements and reports, and think hard about my values – all of which changed my life forever.

The struggle was a tough school which moulded many remarkable personalities. Some went on to play leading parts in the movement and in government. They built the new democratic South Africa, and we shall always be grateful to them.

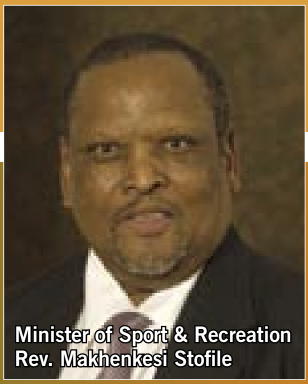
But after a few years of service in the movement, in government, or the public service, too many have disappeared into the world of business with its values of individualism, greed and conspicuous consumption. Fancy imported cars, Sandton parties and Chivas Regal are the flagships of that world. Some of their pranks are a huge embarrassment to the dedicated cadres and masses of our movement.

What a loss this represents to the ANC and to public life!

We ought to give serious thought to finding an alternative route for these distinguished products of our democracy. Let us give them serious tasks in the public domain where they can put their talents and vast experience to work for the public good. We all know that many important challenges await attention. Can we not place them in important commissions to guide and regulate our public life? Perhaps a senate is not such a bad idea? Anything to save us from the embarrassment of seeing giants of our struggle grubbing around on the margins of company boards! Let them rather follow the lead of Madiba.

Yours in consistency,
Ben Turok
Editor

GOVERNMENT AHEAD WITH 2010 FIFA WORLD CUP™ PREPARATIONS



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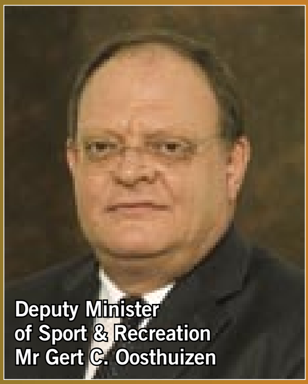

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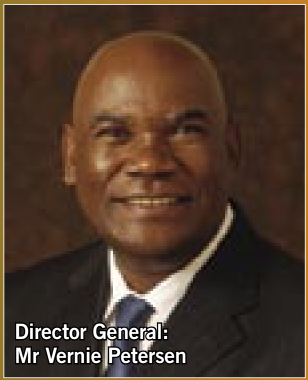

Director General:
Mr Vernie Petersen

Head: 2010 Government
Co-ordinating Unit,
Mr Zukile Nomvete

With less than 100 days to go before kickoff of the 2010 FIFA World Cup™ tournament on 11 June, the world is at our doorstep. There is a great excitement across our nation –and all over the African continent.

Africa in the Diaspora is proud that the world will converge on this land of the origins of humankind.

As South Africans, we will not disappoint. Our world class stadia are complete. Other infrastructures including information and communications technology support are also in place. The world will be able to view the tournament from the modern facilities of the International Broadcast Centre (IBC).

Our transport system will be able to ferry more than 450 000 visitors in our country to all of their desired destinations during this period.

The Fan Parks will house African Cultural Villages where we will display what Africa is best at. All visitors are welcome in the villages. There will be artists to perform and display our cultural crafts.

As of 26 March 2010, there were already close to 50 000 rooms contracted for the tournament – just short of 5 000 to meet the FIFA requirement of 55 000 rooms.

Emergency medical services are in place to curb any threats that H1N1 and other disasters might pose to the spectators.

Outbreak Response Teams at all national, provincial and local spheres of government have been activated.

Throughout the history of football we have seen the most beautiful goals being scored. We have seen great footballers display the art of the game. The game of football is where it is today because of the great contribution of players of African origin and ancestry. Let them come back to play in Africa.

South Africans are fully on board for the excitement towards the tournament. Every Friday we wear football jerseys, particularly that of our national team, Bafana Bafana. The mood is buoyant.

Efforts are in place to mobilise people of the African continent to be part of the tournament. Besides the other five qualifying countries, we will interact with football associations to enable supporters' clubs to travel to SA and be part of the festivities of 2010.

With all the preparations in place, we reiterate our call to the world to come and join us as we celebrate this moment in our lifetime. A cumulative audience of more than 26 billion people will have their eyes on South Africa during the period of 11 June – 11 July 2010.

The 2010 FIFA World Cup™ will leave an indelible mark in our national effort to fight poverty and underdevelopment. Our target of halving poverty and unemployment by 2014 will receive massive contribution from hosting of the tournament.

Major financial investments have been made to ensure the successful delivery of the World Cup, with the ultimate goal of leaving a lasting legacy for South Africa and Africa as a whole.

We congratulate and welcome the 32 countries (SA included) who qualified to be part of the 2010 FIFA World Cup™ specifically the five African countries that have made us proud.

We are on course to host the best FIFA World Cup ever.

BIG BUSINESS COMES TO THE TABLE

Ben Turok interviews Leslie Maasdorp

Leslie Maasdorp, **vice-president of Business Leadership South Africa (BLSA), spoke with** Ben Turok **on 4 December 2009**

Ben Turok: Let's first discuss Business Leadership South Africa. Who does it represent and what does it do?

Leslie Maasdorp: It is a representative body of the top 80 listed companies on the Johannesburg Securities Exchange, including the likes of Anglo-American, BHP, Angloplat, MTN, Eskom, and so on. In terms of pure power, it is a very important group: 80 percent of corporate taxes come from these members. Saki Macozoma is its president and the executive committee includes Bobby Godsell, Sizwe Nxasana and Maria Ramos. I was elected about a year ago as vice-president.

BLSA began as the South Africa Foundation during the apartheid era. Without going into too much detail, it represented big business and was almost an apologist for the policies of the apartheid government. One of its principle aims was to prevent effective sanctions against South Africa, because business wanted to compete internationally and the political environment was not favourable. Obviously, all of that changed quite substantially post-1994, although the name was changed to Business Leadership South Africa only in 2005.

In about 1992, I would say, the ANC decided that it needed a structured dialogue with big business about its role in the economy. At the time, I worked in the ANC economic policy unit with Trevor [Manuel] and Tito [Mboweni] and so on. We recognised the importance of speaking to business collectively. There was a National Economic Forum, but all the structures were in transition then because the legitimacy of the government was in question.

BUSINESS INITIATIVES POST-1994

LM: After 1994, President Mandela used his individual power and charisma to encourage tycoons to engage in particular initiatives, but there was no kind of organised formation around it. The big business working group and the Business Trust were created in 1999. Mandela basically said: "It's five years after democracy and the pace of change is too slow. People can have the vote, but unless they feel real freedom in concrete economic terms, this thing is not sustainable. You cannot have 30 percent of your workforce unemployed, a massive skills gap and high crime levels in the country without threatening the democracy. Look, what can we do?" Big business was completely persuaded by the logic of the argument and put R1 billion into a pot: R200 million per year over five years.

BT: To do what?

LM: It was meant to find critical gaps where the pace of government implementation was not seen as sufficient. Job creation was identified as one priority.

> We didn't make a fresh start in terms of reconciliation. No one looked business in the eye and said: "You fellows collaborated in setting up the migrant labour system, in the way that capitalism developed. You provided the foundations of an exploitative system."

BT: R200 million a year for any of that is nothing. It was a gesture.

LM: It was a symbolic gesture that business was prepared to come to the party.

We should recognise that business could have played a more positive role in those years. It wanted to be a catalyst. For example, Business Against Crime was born then. The government is responsible for the safety and security of its people. Its duty is to run the state apparatus, the machinery of police, the army and correctional services, the courts and so on. But if these things are not working, business can act as a catalyst by intervening in selected areas. It was recognised that the lack of forensic capacity impaired the ability of the police to solve murder cases, and that a small intervention there could have a magnified impact.

We identified skills as a major issue, and so business was very active in JIPSA [the Joint Initiative on Priority Skills Acquisition].

BT: What did Thabo Mbeki do in this situation?

LM: The dialogue with business degenerated into multiple consultant forums under President Mbeki. For example, there was a black business working group and another structure for the agriculture sector. He had the big business working group, but it lacked teeth. So the power of business was dissipated.

Post-1994, we never effectively built such a partnership between government and business that government could draw on the strengths, systems, expertise and resources of business to further the developmental agenda. Business recognised that we cannot be competitive globally without the necessary infrastructure of roads, ports and so on, or without a skilled workforce – all of these things that are really part of the government's responsibility. We recognised that our companies cannot be profitable and world-class unless we make an effort to complement the government's efforts.

BT: The big economic gurus of that government were Thabo Mbeki, Trevor Manuel, Alec Erwin and Tito Mboweni. Mbeki had a very strong economics background; he knew all about the South Korean model and how states can direct capital. Looking back now, it seems surprising that this group didn't try to harness the resources of big business in the way that you are suggesting. Why do you think this was?

DIFFICULT RELATIONS

LM: I'd say there are three reasons why there was no major structured strategic dialogue with business.

Firstly – and I speak as someone who grew up in the political structures of the ANC and the UDF – the ANC was always suspicious of business. It was not a relationship of trust. When the ANC was unbanned, I worked in the department of economic planning and I know that we saw these guys with their own agenda, and they were probably checking us out, too. We didn't make a fresh start in terms of reconciliation. No one looked business in the eye and said: "You fellows collaborated in setting up the migrant labour system, in the way that capitalism developed. You were the heart and centre. You provided the foundations of an exploitative system." So there hasn't been a relationship of trust in the past.

My second reason is that the ANC has never really had – and still does not have – adequate representation of what I would call a "big business interest". In the evolution of a society, it is pretty normal for the various interests to be represented in political formations. BLSA is an organised constituency with a lot of clout. So why is it that big business does not have a voice in the political establishment as it is currently configured? Out of a hundred members of the ANC national executive committee, there are only a few from business, people like Cyril Ramaphosa, Saki Macozoma, Tokyo Sexwale. So big business has to organise its own structures outside the ANC.

BT: But my question is the other way around. Why did the ANC, as astute economists and freedom fighters, not see it in their interest to create that kind of relationship? The guys at the top must have felt that the time had come to set an agenda, as Japan, Taiwan and South Korea had.

LM: To be fair to the previous administration, there definitely was a strong programme of reconstruction post-1994. If you look at the developmental states in Asia, investment in people was at the heart of it. In South Africa, we spent R40 billion on education in 1996–97. That number has since trebled. There's been a massive investment in social services, in education and training. So there has been a programme of sorts.

> Trevor Manuel said we were cowards. To a degree he was right.

BT: But not in relationship with capital, as you say.

LM: That is precisely my point. The third reason – the first was distrust and the second was ANC party structure – is that very few people actually have experience of or understand the real issues of business. "Business" is often seen in nebulous or monolithic terms. But it is important to differentiate between the interests of big business and the interests of small and micro entrepreneurs and to recognise organisations like the Chamber of Commerce, which represent different sectoral interests. For example, some businesses love a weak exchange rate, while others want a strong one.

So how will you understand what the issues are, from the perspective of Sasol or MTN, unless you speak to people regularly? In the big developed democracies and in emerging markets, CEOs have access to the political establishment in a much more seamless way than in South Africa. Things are organised and formalised here. We need much more informal engagement. For us to create more jobs, for us to create prosperity, the government needs to see how they can facilitate that. There is often too much red tape for business to flourish and to be competitive. Now, with the current administration, I think there's an openness to engage on these issues.

This is one of the key points that I want to make: there is not a deep enough understanding of the need for us to be globally competitive. In order for South Africa to occupy its rightful place as potentially the fastest-growing emerging market, we need to build more home-grown multinationals. I don't think the ANC projects such a desire.

BT: You mean parastatals?

LM: No, I don't mean parastatals. I mean South African companies building a global footprint, like MTN or SAB. South African companies, most of them headquartered here, employ hundreds of thousands of people and bring prosperity to ordinary South Africans.

THE MANDATE AND THE MANIFESTO

BT: What is Business Leadership's mandate?

LM: It is derived from our members. At the beginning of the year, we have a strategic dialogue about the key issues facing South Africa and where we should invest our efforts and resources. And you shouldn't be surprised that there's a huge overlap in the issues that we identify as critical and the agenda of the government and the ANC election manifesto.

Our number one issue is that we need a growth strategy. Number two is that energy is critical for South Africa's growth and for the continent. It is the biggest deficit, the biggest hindrance, the biggest constraint on Africa's growth over the next 20 years. Energy can make or break an economy. It determines whether the lights are on for a woman to give birth in rural Uganda or for a schoolchild to pass an exam. We are facing a huge crisis because of an obsession with keeping energy completely in public hands. The only way to build a long-term strategy is to ensure that independent power producers can leverage the skills, resources and capital from the private sector and international capital to complement what is known now as Eskom.

Healthcare reform is also critical in South Africa. The ANC has a plan to introduce a national health insurance scheme. We want to be actively engaged with this in order to bring together the best of the private and public systems to deal with the deficit in public healthcare. Working with government in a partnership for safety and security is also a huge issue. And job creation as part of the growth strategy...

BT: This is not far from the ANC manifesto.

LM: As I said, there is a very strong concurrence. It doesn't mean that business supports everything the ANC does or says, but we believe that the priorities identified by the government fit with the needs of South Africa.

BT: I have been saying that there is a basis for a consensus in South Africa. You're outlining a common programme. Why is it not happening?

LM: Debate in South Africa has become ideologically ossified. You are seen as fitting into a particular agenda, either left or right. If Rob Davies, Ebrahim Patel or Trevor Manuel were heard to say what you have said now, the unions would fall on them like a ton of bricks for "representing the class interests of business", right? I had the wonderful privilege of working for the ANC in the early '90s and the debate then was more sophisticated.

BT: I agree.

LM: I'm now sitting here as a representative for business, but it doesn't mean that I've changed my paradigm lock, stock and barrel. Fundamentally I still believe in a South Africa that can deliver prosperity for the majority of our people. We live in a very unequal society.

BT: All right, but why – and this lies at the heart of Business Leadership's purpose – are you and the government unable to say, "Let's agree on the following items and disagree on others"?

LM: In order to forge a common agreement, each partner needs a broadly unified position, and the ANC had its own internal contestation around economic policy in the '90s. We had the RDP and then GEAR. If I had been in big business then, it would have been difficult to find someone to negotiate with.

I was also involved in the creation of Nedlac in 1995, which was to be the institution for socio-economic policy-making and consensus-building, but it was weakened over time because the three partners – government, business and labour – did not place the same level of importance on it.

BT: The ANC will have contestation forever, because that is its nature as a "broad church".

LM: We're also a broad church.

BT: But the cabinet is not: it is a single body under a head of state. One would have thought that a way would have been found to negotiate with business on certain basic common issues and this did not happen. I'm suggesting that there was a failure of leadership.

> You shouldn't be surprised that there's a huge overlap in the issues that we identify as critical and the agenda of the government and the ANC election manifesto.

LM: I'd say that there was no quest to forge a social contract – to put it in more elaborate terms – because of the concessions and compromises entailed. Such a social contract could potentially have worked in the early '90s, as part of the overall settlement, but there were no real favourable conditions after 1994. Incrementally, we forged partnerships on selective issues.

BT: And how does it change for Business Leadership now? How do you intend to interact with government and with the ANC?

> Trying to direct private capital flows to particular industries is outmoded, and trying to introduce that today will, in fact, drive capital away.

LM: We need to be an active stakeholder, as labour is, in contesting policy ideas. We want to be much more assertive, much bolder in advancing our agenda. Big business was attacked by Trevor Manuel at the World Economic Forum last year in June. He said we were cowards. To a degree he was right, because we chose to take quiet meetings with President Mbeki to say, for example, that we are on a slippery slope unless we deal with crime in the country. Under the Mbeki administration, it wouldn't have worked if we had gone public and said, "You are stuffing up on crime".

BT: Why? What would he have done?

LM: Potentially, Mbeki and the culture in the ANC at the time would have seen us as unpatriotic or sell-outs, as opposing a kind of patriotic national agenda.

BT: And the situation has changed now?

LM: There's more openness now. There's no splintered centre where some people are seen to have access to particular individuals. As business, we believe that there's a new opening up of space to engage on policy ideas. The ANC and the government aren't obsessed with having all the answers.

BT: You used the word "contestation" earlier, which is quite strong. Do you mean that?

LM: For example, formations within the ANC and the broader alliance have called for the nationalisation of key sectors in the economy: mines, banks and other large industries. The idea is outdated; it would have hugely negative consequences on the economy. Those demands came from the Freedom Charter under conditions that are very, very different from what exist today.

BT: So you're going to take an open stance on certain major economic issues? That's the key difference, isn't it?

LM: Oh, absolutely. If we see this debate as occurring largely within ANC formations, we are forced to be silent. But now I've got to say that this will have a destructive impact on the economy, or that intervening in the currency market will have this potential impact.

BT: Do you want to say anything about black economic empowerment (BEE)?

LM: I think BEE got a bad name over the last number of years, but it was a necessary series of interventions to change the ownership structure of the South African economy.

> There is not a deep enough understanding of the need for us to be globally competitive.

BT: Has it?

LM: If you look at the members of BLSA, the picture is very different today as a consequence of transformation and black economic empowerment. BEE has had its distortions, but it has had a positive impact in creating a small but new class of people who can be "patriotic capitalists", if you like.

ECONOMIC GROWTH PATH

BT: I am running a series of seminars with DBSA on the structure of the economy. The view that's emerging is that South Africa is a low value-added but high rent-seeking economy. In other words, the productive sector of the economy is not efficient and is not producing competitively. On the other hand, there is high rent-seeking, because profits are very high. Would you agree with that?

LM: The structure of the economy has obviously changed fundamentally. Pre-1994, the economy was closed and focused on import substitution. After 1994, we wanted to open up the economy, integrate it more globally. We've been fortunate over the last eight or nine years with a commodity boom that has been very favourable for South Africa. However, that's not where our future resides. The biggest growth in employment has been in the services sector.

Is our economy on a strong growth path? We believe that it is not. We've got to invest massively in our people to create the kind of capabilities for our country to grow.

BT: Nobody would disagree that human capital is a vital issue. But by itself it is not enough. Our research shows that the real economy – namely mining, manufacturing and agriculture – is stagnant...

LM: And declining in some cases.

BT: Yes, and that's the foundation and where value addition takes place. Doesn't big business have a vision about that?

LM: One needs to expand the definition of production and not be confined to those traditional factors. Over the last 10 to 15 years, the biggest growth in employment has been in services: retail, telecommunications, call centres and financial services. It is a natural shift that is happening globally.

BT: Let me take you up on that. The UK de-industrialised and then pushed London's financial district as the "financial sector of the world", and they've been the hardest hit by the crisis. Of course we want to grow jobs in the services sectors, but at the end of the day those companies are not going to be sustainable if the economy doesn't produce things, if we do not grow our productive capabilities.

LM: Absolutely. However, we are living in a global age. We have to be competitive. That's a function of our rate of using skilled people. You need comparable labour market regimes so that you are able to attract investment. For example, the cost of labour needs to be competitive. I'm not saying we must try to be a low-cost labour producer, because we will never compete with the likes of Vietnam and China. My point is that a number of pre-conditions need to be in place to ensure that we are able to expand what you call the productive sector.

BT: Is big business wanting to do that, and how?

LM: That's more difficult, because each sector has unique sets of opportunities and constraints. We need to have a more structured partnership with government.

BT: If Business Leadership is going to come strongly to the debate, it's also got to come with proposals on how to grow the real economy. Is that discussion happening?

LM: We cannot sit in our ivory towers and design plans for each industry. We don't believe that kind of intervention is what's required. We need to look at what we can unblock to

> Energy is critical. It is the biggest deficit, the biggest hindrance, the biggest constraint on Africa's growth

I had the wonderful privilege of working for the ANC in the early '90s and the debate then was more sophisticated.

ensure that investment flows to the particular sectors where we do have a comparative advantage. In some areas, we need things like improved IT services and outsourcing. But this is a discussion we want to have with government, with the department of trade and industry (DTI).

BT: I know I'm being a bit traditionalist, but honestly, if you want to have a productive base, you must have a manufacturing capacity. And yet we have foundries closing down all over the country. If the government planning commission came to Business Leadership to say that we think we need much stronger tooling and foundry industries, and that we're worried that big business is not investing in that real base, what would you say?

LM: The idea of directing investment to particular sectors because we've come to an *a priori* conclusion that we must develop them is problematic. I think it's important that we have an overall industrial policy framework that allows us to leverage our capability where there is demand, where we have skilled people, where we've got all the enablers in place. But we shouldn't be trying to direct investment and private capital to a particular sector just because we believe somehow...

BT: But that's what South Korea, Japan and Taiwan did in a big way.

LM: The environment that enabled industrial policy interventions in those countries in the '50s, '60s and '70s does not exist today. We've got a much stronger WTO. We've got a much more integrated global economy where countries will be sanctioned for particular forms of government support. For example, our motor industry development plan is choreographed in such a way that it doesn't fall foul. We don't have the luxury to do what the South Koreans and the Japanese did.

BT: When the DTI talks about an action plan based on the industrial policy document, could that be verging on undue direction?

Mbeki and the culture in the ANC at the time would have seen us as unpatriotic or sell-outs, as opposing a kind of patriotic national agenda.


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LM: I would say that the role of industrial policy and the DTI is to set a framework in which businesses and investors then identify potential opportunities. But trying to direct private capital flows to particular industries is outmoded, and trying to introduce that today will have counter-productive measures. It will, in fact, drive capital away. The movement of capital is instantaneous, it is 24/7. Sure, we have some constraints on the movement of capital in South Africa, but foreign investors have no such constraints. We need to be sure that, whatever measures we put in place, we are competitive with the big emerging markets. We don't have the luxury to say, "Let's do the following".

BT: But the Chinese do a bit of that, don't they?

LM: It's *slightly* different: they are a billion people and we've got probably 48 million. (Laughter) They have a huge consumptive capacity, a massive market. We're a tiny economy on the tip of a continent. We don't have a Japan next to us, or a US. If we had an economy with 300 million consumers next to us, South Africa could have been a very different place today.

BT: You're suggesting we need to be very timid, really?

LM: No, no, no. In fact, quite the opposite. I believe that we have to root our strategy in the region, not just in South Africa, because our market here is too small. We should look very, very strongly at the rest of Africa. This continent has one billion people. This is the last frontier in terms of new investments, skills opportunities, huge infrastructure investment in roads, in ports, in telecoms and all of these things.

Increasingly now, I think that Africa will be recognised as being where China was 50 years ago. It could be the new China if we just create a more enabling environment for business. So I don't agree with the notion that we need a timid agenda. We need a bold plan which should demonstrate a path or gateway for companies like MTN, South African Breweries, Checkers, Massmart, DSTV to grow throughout Africa. South Africa has proved that we are able to make a positive contribution to economic growth.

> I think that Africa will be recognised as being where China was 50 years ago.

BT: Is Business Leadership going to lead the way with this?

LM: Absolutely. All of these companies I mentioned are our members.

BT: Do you have a plan – without colonising Africa?

LM: This is about ensuring that we are able to grow these markets in Africa to contribute to the economic growth of those countries. As I said at the beginning, we see our role as a catalyst. If there are small projects with the potential to have a huge impact, or if you can unblock capacity, get those governments to collaborate, and can come up with a model – those are definitely the kind of interventions we want to be involved in. It's not about going to Tanzania and taking over their breweries.

BT: Is there anything you'd like to add in closing?

LM: South Africa is going through a very important period of transition right now. I see more honesty coming through in the debates and there are signs of a greater openness which we, as business, really, really welcome.

President Zuma to attend celebration

President Zuma has agreed to join the board of *New Agenda*, South African Journal of Social and Economic Policy, to celebrate our 10th anniversary. *New Agenda* was started to fill a gap in our discourse on economic and political issues. Although the board consists of ANC MPs and academics who are ANC sympathisers, *New Agenda* has consistently exercised its own independent judgement on the issues of the day.

New Agenda has given space to some of the most distinguished minds in our country and has never resorted to populism or the trivialisation of issues. We are proud of our record as a serious publication which is read by top decision makers in government, business, labour and academia.

Contact numbers are as follows:

Contact person: Aneesah Reynolds or Germaine Habiyaremye
Office hours contact no: 021 403 2593
After-hours contact numbers: Aneesah: 083 428 2333
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Fax: 021 461 9390 or 086 633 1250
E-mail: bturok@anc.org.za or aneesah.reynolds@gmail.com

Time: 18h00
Date: Tuesday, 01 June 2010
Place: Parliament SA, Old Assembly Dining Hall, Plein Street, Cape Town, 8001

Keeping pace

How can nanotechnology benefit present society?

NANOTECHNOLOGY
PUBLIC ENGAGEMENT

Just what is nanotechnology? If you ask someone who has seen the recently released action movie GI Joe: The Rise of Cobra, he/she will tell you about tiny microbe-like machines that 'ate' up the Eiffel Tower in Paris.

Is the technology this scary? Will an investment in nanotechnology automatically lead to an army of tiny Frankenstein-like machines taking over the world?

These kinds of questions have led to heated debates over the merits of investing in this emerging technology in Europe and the United States.

Those looking at the technology are not blind to its misuse, but so far, a swarm of mechanical microbes bent on world domination has yet to arise.

If there are any dangers to the public, they have not been quantified. The Scientific Committee on Emerging and Newly Identified Health Risks at the European Commission says more research has to be done on the dangers of nanotechnology and that a risk assessment should be done case by case.

For now, the public need not worry too much. The dangers are currently limited to scientists still developing its uses in laboratories around the world.

But just what is nanotechnology? The best description is probably that of Eric Drexler, an engineer and early proponent of nanotechnology who defines it as when there is "complete control of the structure of matter, building complex objects with molecular precision".

Nobel Prize-winning physicist Richard Feynman was the first, 50 years ago, to describe the process in which atoms and molecules can be manipulated.

The term nanotechnology derives its name from the nanometer – a unit of measurement that is one billionth of a metre.

Jan Neethling, a professor of Physics at the Nelson Mandela Metropolitan University (NMMU), says that while nanotechnology seems something new, as a broader concept it is really an old field which is a redefinition of the combined power of science and technology.

Scientists and engineers are always trying to make things such as mobile phones better and smaller, and nanotechnology is an extension of this work. It is no different from the makers of computers moving from bulky transistors and capacitors to smaller, silicon-based hardware.

What is different with nanotechnology is that controlling matter at the microscopic level can be very beneficial to society.

Medicines, for instance, can be delivered directly to problem areas in the body and released to specifically heal the affected area. This means a lower dosage is required, which will reduce the negative side effect of the drug.

This is not all: paints can be developed to repair minor scratches on cars; computers can be made to operate at fast speeds and store more memory; and nanotechnology can be used to make wrinkle-free fabrics for clothing.

Some of these benefits can already be seen in daily life, as the technology has improved the service life of car tyres.

The list of appications is endless. South Africa is not blind to the benefits of nanotechnology and is actively involved in keeping pace with developments abroad.

But working with nanotechnology comes with certain challenges. For one, it crosses a range of different scientific and engineering fields, and requires the expertise of engineers, physicists, biologist and chemists.

With so many different fields, local researchers have banded together to highlight the need for an overall strategy regarding the fostering of nanotechnology.

This led to a group of universities, research organisations, science councils and industrial companies forming the South African Nanotechnology Initiative (SANi), which was established to create a "critical mass" in nanotochnology research and development in this country.

SANi was commissioned by the Department of Science and Technology (DST) to develop a South African Nanotechnology Strategy.

The strategy looks at two areas where nanotechnology can play an important role. The one is the processing of minerals. A more efficient way of extracting minerals could be a big boost for the mining sector.

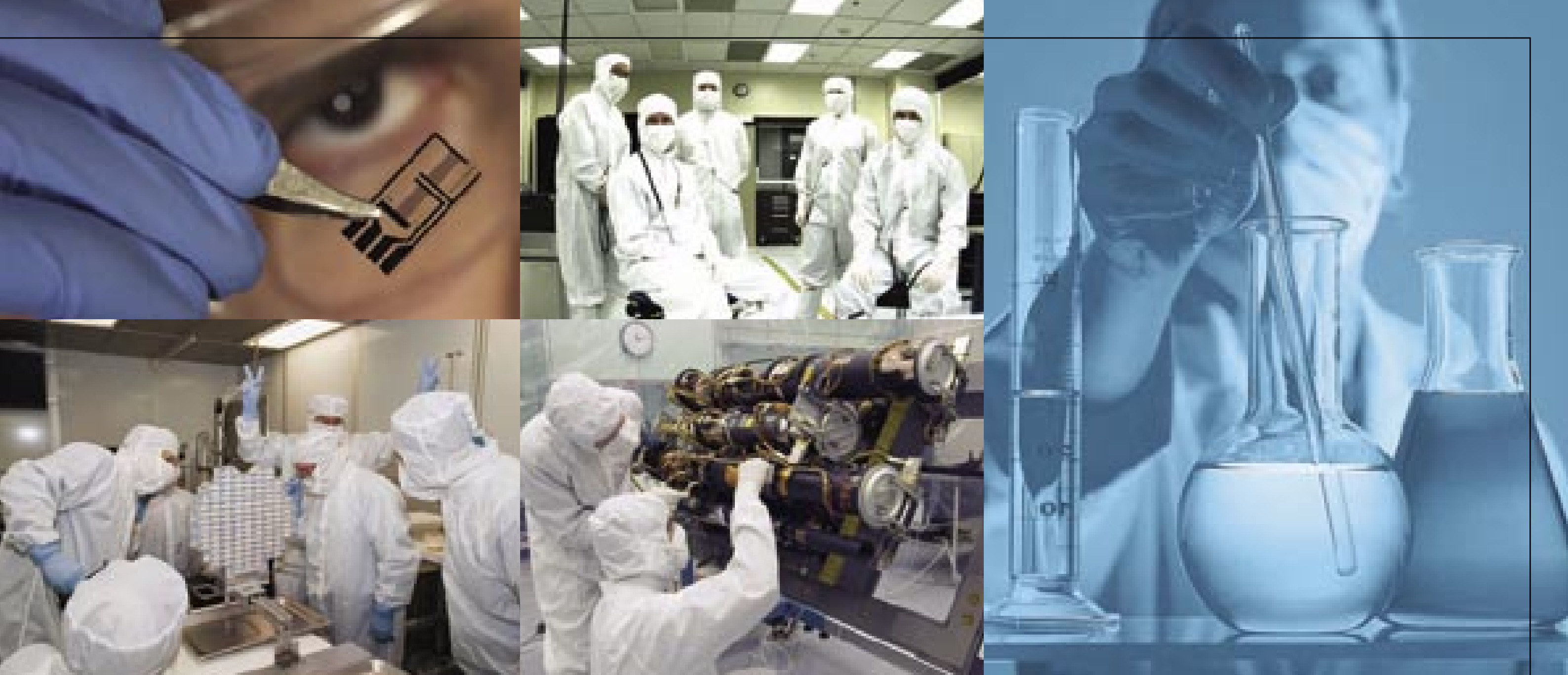
The other is social development, where nanotechnology could be used to lower the cost energy and electronics for South Africa's poor people.

In late 2005, this strategy was approved by the Cabinet, which saw the government put aside R450 million in funding for the three years to end 2009.

The country has moved quickly to develop the new technology. Members of SANi, like the state-owned Mintek, have also not sat back in developing new nanotechnologies.

Mintech operates the DST/Mintek Nanotechnology Innovation Centre, which not only offers a research platform and offers a space for scientist and engineers to collaborate, it also fosters the development of skills in the area.

Mintech is not the only structure offering support. The Council for Scientific and Industrial Research (CSIR) has been running the National Centre for Nano-Structured Materials for some time.



The CSIR's centre is not the only nano-focused research facility in the country. iThemba Laboratories for Accelerator-Based Sciences launched the Nanocentre for Africa in Cape Town in the past year.

The nano sector is starting to take off in South Africa, as can be seen; in February 2009 the country hosted its third NanoAfrica conference, which is a forum for local as well as international students, researchers, technologists and entrepreneurs.

The conference even saw the launch of the India, Brazil, and South Africa dialogue forum on nanotechnology.

The country's commitment to the field has seen the DST host the South African Nanoscience & Nanotechnology Summer School, which is aimed at creating a pool of scientists sufficiently trained to conduct research in the field.

The country's universities are also receiving an equipment upgrade. The Nanotechnology Equipment Programme (NEP) that resides in the National Research Foundation (NRF) provide the infrastructure for nanotechnology flagship research projects. Although funding is limited, the NRF will place a high-resolution transmission electron microscope (TEM) at NMMU in 2010.

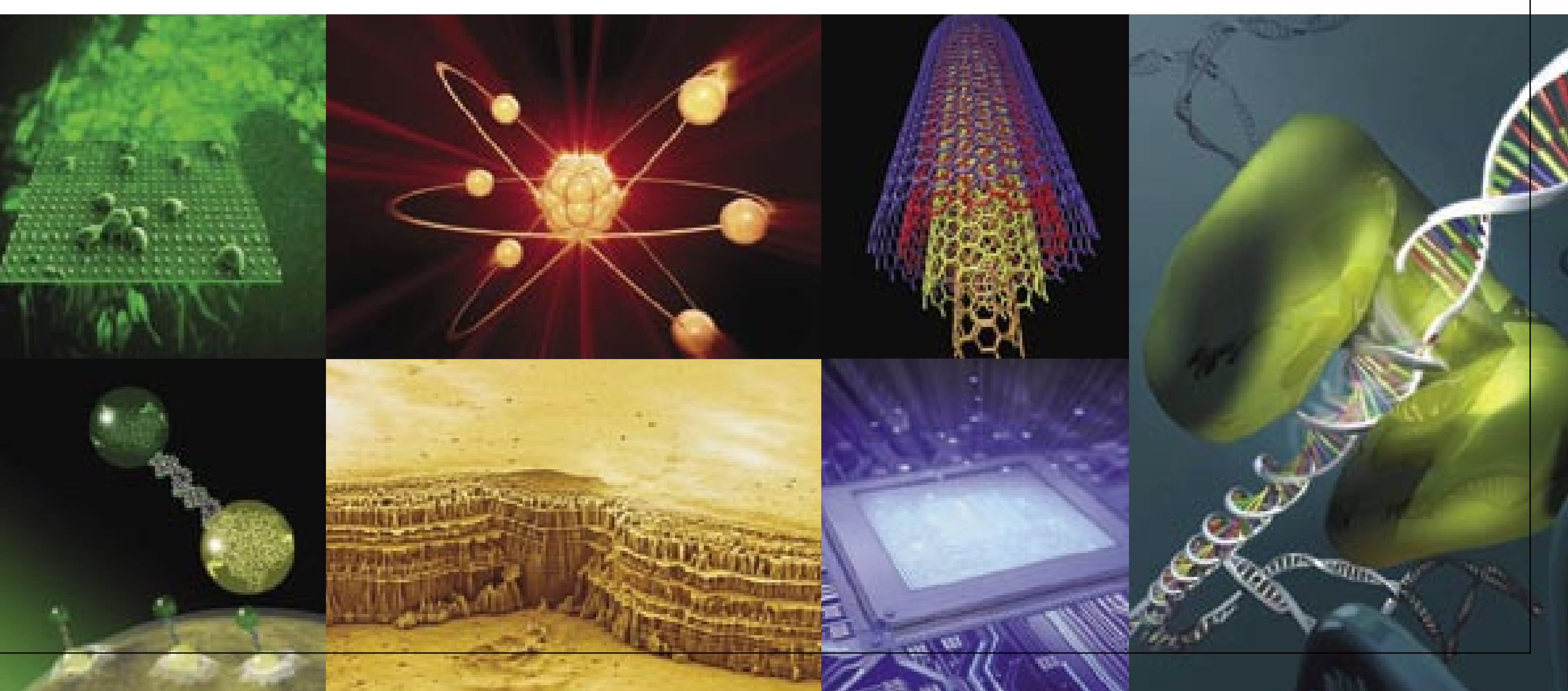
NMMU is not the only university to obtain funding for a TEM from the NRF. The University of Pretoria, University of Cape Town and the University of the Western Cape also received funding from the NEP and had their TEMs placed on their respective campuses in 2008.

The efforts of South African institutions in the field are commendable, but it should be seen against a background of the US' National Nanotechnology Initiative Fund setting aside US$422m in funding research for 2010.

European countries and Japan are also investing heavily in nanotechnology. Even developing countries such as China and Iran are not ignoring this emerging field.

Prof. Neethling says the danger of not investing in nanotechnology research is that South Africa's industrial and technological development will not keep up with that of other developing countries.

But keeping pace is easier said than done.

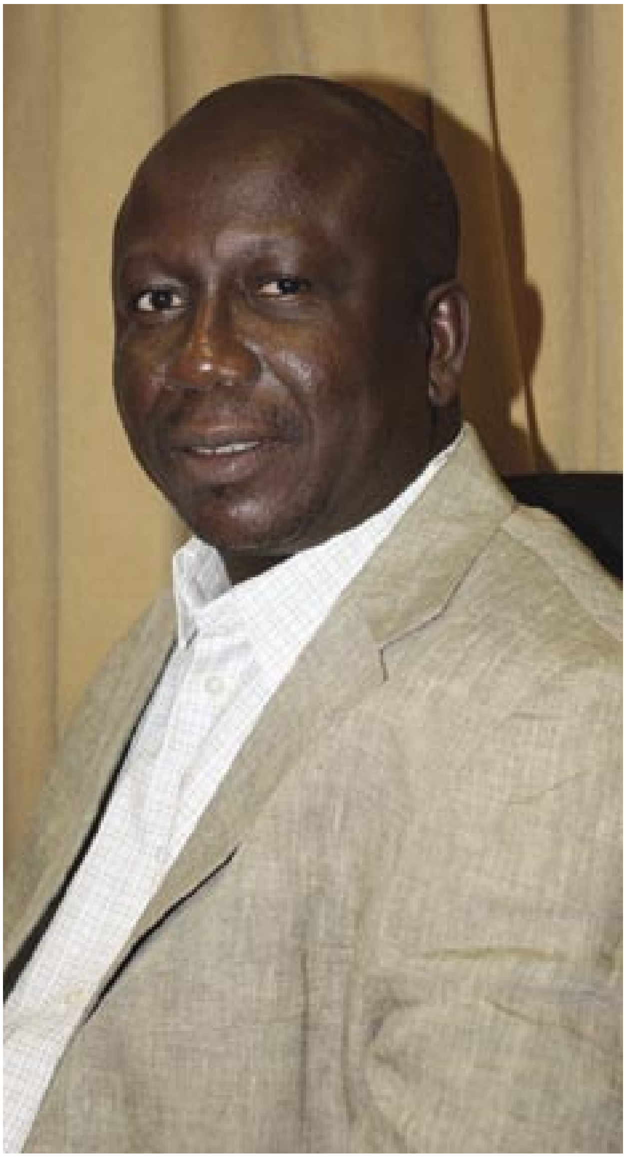


Rethinking national **planning institutions**

A critical appraisal of the Green Paper

By **Omano Edigheji**

Dr Edigheji leads the Human Sciences Research Council's work on the developmental state. This paper was first presented in the consultative process on the *Green Paper: National Strategic Planning*, October 2009, and will be published by the HSRC as a policy brief



Planning agencies, often referred to as super-ministries, are vital institutions of developmental states. Over recent decades, every state that aspired to become a developmental state established a planning agency within the state. In light of this, the release of the Green Paper on National Strategic Planning for South Africa *is a welcome development as it represents an attempt by the government to give expression to its commitment to construct a developmental state.*

This input seeks to provide both an honest assessment and a critical appraisal of the institutional architecture that is proposed in the Green Paper that will underpin South Africa's strategic planning. It argues that South Africa needs a super-ministry in the Presidency, headed by the deputy president and supported by a minister of planning, and not a commission made up of experts, leaders and intellectuals. This will enhance the organisational and technical capacities of the state to develop and implement a coherent development plan and ensure effective co-ordination and allocation of resources.

It further suggests that such a super-ministry needs to be insulated to avoid its capture by sectional interest groups. Consequently, it proposes that the department of economic development (DED) and line ministries lead a national social dialogue around economic and sectoral issues. Their input should then be channelled into the national plan. It also suggests that, instead of a ministerial committee on planning, a presidential planning committee (PPC) is required, also headed by the deputy president and comprised of a minister of planning and key ministers in the social and economic clusters. This committee, it is suggested, should be the highest cabinet committee on planning.

A SUPER-MINISTRY FOR PLANNING

The Green Paper proposes the establishment of a national planning commission (NPC) made up of experts, leaders and intellectuals. The proposed NPC "would develop a national plan for South Africa in consultation with government in partnership with broader society". This proposal for a body largely made up of people outside government to develop South Africa's national development plan is *tantamount to the state and government outsourcing their planning responsibilities and authority*. It will undermine the quest for a developmental state in South Africa as, by their very definition, developmental states lead development.

One of the unfortunate aspects of the Green Paper is that, even where it is partly based on research, it seems not to have drawn from comparable international experience. While South Africa needs to design institutional arrangements that respond to its context, it needs to draw lessons from what has been shown to work best over time in successful countries.

> Building the requisite technical capacity of a super-ministry would require attracting the best and brightest South Africans, totally committed to the broad developmental vision.

In most developmental states, the planning responsibility lies with a super-ministry or planning agency within the state composed of technocrats working under the supervision of their political principals: e.g. the Economic Planning Board (EPB) of South Korea; the Economic Planning Unit (EPU) in Malaysia; the Economic Development Board (EDB) in Singapore; and the National Economic and Social Development Board (NESDB) in Thailand. In some cases, the deputy head of government, supported by a minister of planning, is responsible for the formulation of a national development plan.

In particular, the South Korean EPB:

> had a broad mandate over planning, budgetary and economic management. This enabled it to ensure that the government's policies, programmes and spending were synchronised, thereby avoiding an overheating of the economy. Policy co-ordination in Thailand and Malaysia was much more fragmented than, say, the most autonomous country... South Korea, where the economic teams were co-ordinated and led by clearly identified 'economic czars' – the deputy prime minister and minister of the Economic Planning Board (Edigheji, 2007: 133).

The Malaysian EPU provides a good case study of the leadership role played by super-ministries. According to two authoritative scholars:

> the Economic Planning Unit (EPU) in the prime minister's department, which is charged with the preparations for the government's medium- and long-term plans and mid-term plan reviews, has been the key institution for development planning. It is the deciding authority on critical issues surrounding economic activities, including those affecting investment selections and development budgeting...
>
> The EPU is regarded as the super-ministry, and has a command over the alignment of policies and resources with development priorities. The ministry of finance works closely with the EPU to realise the vision for long- and medium-term development plans. The EPU plays a central role in deciding the allocation of development expenditure, as well as enforcing aggregate and sectoral ceilings of development expenditures throughout the plan period, and also selecting priority public investment projects (Ohno and Shimamura, 2007: 33, 77).

These two quotes highlight the extensive role of a super-ministry and its political leadership that could provide some guidance as South Africa attempts to craft the institutional architecture for national strategic planning.

Most of the super-ministries in developmental states are located in the office of the head of government: the nerve centre of development planning and policy-making. Super-ministries are not the only agencies shaping economic direction. There is always a division of labour between the super-ministry and line ministries, and such relationships are not tension-free. But super-ministries are usually the leading state actors on economic management.

It needs to be stressed that line departments could in some instances draft major plans with national implications. As an example, the ministry of international trade and industry drafted Malaysia's Industrial Master Plan (IMP2) for 1996–2005. Following this logic, the South African DED could still lead the co-ordination and/or drafting of macro-economic policy, but within the broad parameters set by the PPC, which – as discussed below – should be the highest cabinet committee on planning.

The establishment of a planning agency in developmental states is partly necessitated by the need for the state to have in-house capacity to generate and analyse information, on the basis of which it formulates its national development plan. This critical task is not outsourced to experts and intellectuals as is currently proposed in the Green Paper.

ESSENTIAL ELEMENTS

Thus, rather than have an NPC of "experts, leaders and intellectuals", South Africa needs a super-ministry in the Presidency. This can be the ministry of planning[1], which needs to be well staffed with highly qualified and competent personnel (public servants). However, building the requisite technical capacity of a super-ministry would require attracting the best and brightest South Africans, totally committed to the broad developmental vision.

A competent economic bureaucracy is an essential element of any successful strategic planning. In the developmental states of Asia, this was achieved by ensuring that senior bureaucrats had long-term, rewarding career paths. In some cases, compensation for senior bureaucrats in the planning agency was commensurate with their counterparts in the private sector; in some instances, they were paid more and had better working conditions than their private sector equivalents. To attract and retain the best and brightest would require that the senior bureaucrats in the super-ministry are placed outside the civil service salary structure, as was done with the South African Revenue Service.

This proposal is tantamount to the state and government outsourcing their planning responsibilities and authority.

The technical capacity within an established super-ministry should then be supported by a dedicated state-sponsored research institute to allow for evidence-based policy development. It might be useful for the government to either establish a new research institute or to realign an existing state-funded institute, which should be devoted to providing dedicated research support to the super-ministry. Such a research institute needs to be semi-autonomous in order to provide critical and independent advice.

This proposal implies that the secretariat proposed in the Green Paper should be the nucleus of the planning ministry, and that it needs to be well staffed to perform the planning function in conjunction with its political principals. It would be anomalous for personnel of the state to work for an outside agency, as the NPC is conceptualised in the Green Paper. The Green Paper proposes that the NPC's secretariat should be staff in the Presidency, but this is like suggesting that the secretariat of NEDLAC should be staff of the Presidency or the department of labour. As a consultative body of external actors, the NPC is not an internal organ of the state. A super-ministry in the Presidency rather needs to have its own staff dedicated to its work.

International experience suggests a division of labour between the staff of planning agencies and their political

Hetty Zantman

principals. These elected officials set broad developmental and policy parameters and objectives and the bureaucrats in the agency find the policy tools to meet the preset national objectives. Therefore, unlike the recommendations in the Green Paper, elected officials (not experts and intellectuals) should define the national vision.

VISION FIRST

Another weakness of the Green Paper is that it conflates vision and plan. National visions are set by a hegemonic political class and its leaders, who mobilise society around their vision. They use and deploy state machineries to develop national plans to realise that vision. The vision describes the goal; the national plan is the means to achieve the goal.

The Malaysian case is illustrative here. The leaders of UMNO (the ruling party) set out the vision in their "Look East" policy and the concept of "Malaysia Inc.", which signified mutually supportive co-operation between the public and private sectors. The prime ministers and UMNO were seen to possess a sound vision, a strong sense of commitment and a dedication to ensuring their success, and thus, "the Malaysian bureaucracy was supportive of initiatives set forth by political leaders and obligingly engaged itself at multiple levels to make these visions a reality" (Ohno and Shimamura, 2007: 33). This suggests that the elected political formation in South Africa should define a national vision. It can then use state resources – such as parliament and other structures – to mobilise society and to build a national consensus, which in turn should set the parameters for the national plan.

AVOIDING CAPTURE

The Green Paper's proposal also negates one of the reasons to establish planning ministries or agencies: namely, the need to avoid state capture by narrow and sectional interests.

Private interests are not just business interests, but include intellectuals and civil society. There is nothing in theory or practice to suggest that intellectuals and experts do not have narrow interests. Hence, to entrust them with the task of setting a national vision and developing a national plan is unlikely to result in achieving broad developmental goals that will serve the needs of all South Africans.

Super-ministries are, however, insulated from the immediate pressures of interest groups by their political principals, enabling the state to take independent action. This insulation will become a source of state autonomy, allowing the agency to respond swiftly and effectively to South Africa's developmental challenges.

Thus, one of the likely dangers of an NPC made up of actors external to the state is that it could result in a development plan that advances a narrow agenda. If, as noted above, autonomy is a core institutional characteristic of a developmental state, such an NPC would undermine the quest for a developmental state in South Africa.

Therefore, rather than having an NPC made up of intellectuals, experts and leaders, South Africa needs a super-ministry, whether a ministry of planning or a department of economic development (DED), necessarily located in the Presidency and with the deputy president as the political head, having the main responsibility for economic and social development. The deputy president could then be supported by the minister of planning who would take responsibility for the day-to-day management of the planning agency.

Experiences elsewhere show a two-fold logic for establishing the deputy president as the political head. First, the president is saddled with too many functions of the state. The deputy president, as the next most senior government official, can be delegated the responsibility for social and economic development and management. The second reason is that the deputy president is *primus inter pares* (first among equals) among cabinet colleagues. The deputy president undeniably has greater authority than the minister of planning to ensure that ministers fit their proposals within the national plan. The deputy president can bring ministers to order, unlike a minister of planning who is only "one among equals" in the cabinet.

> The elected political formation in South Africa should define a national vision. It can then use state resources to mobilise society and to build a national consensus.

PRESIDENTIAL PLANNING COMMITTEE

The Green Paper contains other conceptual flaws. At one level, the NPC "would develop a national plan for South Africa". At another, it is an advisory body undertaking consultation in the development of the plan. At another, the government will make inputs into the work of this "advisory body". One body that will develop a plan, consult with stakeholders and advise government! And yet, the Green Paper recognises the cabinet as the executive decision-making body.

These conceptual problems raise many questions. In the event that the NPC rejects the views of the government, what happens? At what stage are the views of the government – which has been mandated by South Africans to govern – incorporated into the plan? The underlying point is that the NPC, as a structure composed mostly of people outside government, will be ill suited to lead the development of a national plan for the country. That task should be the responsibility of an internal organ of the state. Again, this critique supports the proposal for a super-ministry, in line with the experiences of most developmental states.

Instead of a ministerial committee on planning, it might be desirable to have a presidential planning committee (PPC), also headed by the deputy president. This is one way to ensure that the deputy president has oversight over the planning ministry. Such a structure, higher than a ministerial

Robert Tshabalala

committee, is better suited to perform the role of providing "political guidance to the planning processes". Membership of the PPC should be based on the positions of ministers. For example, all ministers in the economic and social clusters should automatically be members.

This suggestion is consistent with the experiences of the Asian developmental states, where line ministers attended meetings of the super-ministry. Ohno and Shimamura (2007: 34) describe the Malaysian planning system as a two-way interactive process between the EPU, line ministries, agencies and state governments. The EPU plays the key role in matching micro-level projects with macro-level plans by combining "top-down" and "bottom-up" approaches. From the top down, macro-level parameters are determined in the inter-agency planning groups (IAPGs). The EPU serves as the secretariat for each of the IAPGs, whose work precedes the formulation of any development plan. Planning from the bottom up, on the other hand, involves the line ministries, agencies and the state governments who translate sectoral master plans into specific programmes and projects.

International experience suggests a division of labour between the staff of planning agencies and their political principals.

The creation of a PPC could help to resolve one of the controversies generated by the release of the Green Paper, namely the role of the DED. As an automatic member of the PPC, the minister of economic development could be charged with co-ordinating the inputs of departments in the economic cluster into the development of the national plan. It should have responsibility to align and harmonise trade, industrial and macro-economic policy.

This proposal also resolves the question of whether the DED can be tasked with macro-economic policy, which some argue is the constitutional responsibility of the National Treasury. A co-ordinating role will still give the DED a function in macro-economic policy. It could veto proposals from the National Treasury if it feels that such proposals will not promote the broad development agenda, including advancing micro-economic development. Given the numerous stakeholders in the economic sector, DED should also be constituted as the lead department to undertake social dialogue with economic agents and at NEDLAC.

A similar co-ordinating department needs to be identified in each cluster, especially social and infrastructure. The co-ordinating department in each cluster could then feed inputs from their cluster into the national plan allowing the clusters to become central elements of national strategic planning.

The PPC should have the key role of integrating and synchronising all the inputs that feed into the super-ministry and the final proposals tabled in cabinet by the minister of planning. Such an arrangement is likely to ensure the credibility and predictability of development planning and policies, and to resolve jurisdictional problems between the ministry of planning and the DED. One advantage of having the PPC, as a structure of the super-ministry, co-ordinate these inputs is that it will ensure that plans for economic development and plans for social development complement each other.

In addition, the technical staff in the super-ministry can, where required, provide transversal planning and policy capacity to clusters. Perhaps with the exception of the economic cluster, a cluster secretariat needs to be established, comprised of presidential planning secretariat staff and professional staff from line departments.

SEPARATE PLANNING AND DIALOGUE FUNCTIONS

The Green Paper seems to also confuse the roles of a planning agency and a consultative or social dialogue institution. In most developmental states, there is a clear distinction between the internal organisational structures of the state and those of consultative and advisory bodies. A planning agency is an internal institutional structure of the state, while a consultative structure is outside the state and does not develop national development plans.

A good example is Thailand, where the National Economic and Social Development Board (NESDB) is the planning agency and the Joint Public-Private Consultative Committee (JPPCC) is a structure for consultation between the state and society. The same is true of Malaysia where, as far back as the early 1970s, the Economic Planning Unit (EPU) in the office of the prime minister was established as the super-ministry. The Malaysian Business Council (MBC) was formed much later, in 1991, as the highest national social dialogue institution. The MBC was composed of the prime minister as chairman, the deputy prime minister as vice-chairman, 10 cabinet ministers and 11 senior civil servants who were appointed in ex officio capacities. Representations of the private sector were selected so that the composition reflected variations in age, ethnicity, economic sectors, geographic location, and types of firms, i.e., private,

The deputy president can bring ministers to order, unlike a minister of planning who is only "one among equals" in the cabinet.

> There is nothing in theory or practice to suggest that intellectuals and experts do not have narrow interests.

state-owned and state economic development corporations. There was token representation of labour, media and NGOs.

The JPPCC and MBC were not substitutes for the organisational and technical capacities of the state. They were consultative structures that enabled the state to dialogue with stakeholders and build consensus around its development vision, which gave credibility to development policies and their outcomes. This analysis suggests that a consultative structure is not a substitute for a fully-fledged super-ministry for planning located in the Presidency.

Even if there is a need for a reconfigured social dialogue institution, the NPC, as currently conceived, is ill suited to perform such a role. Any such institution would need representation from government, business, trade unions, experts and intellectuals, civil society groups and community formations. Moreover, the role of such a consultative structure should not be to develop a national plan or to negotiate socio-economic policy but to provide a platform for government to generate national consensus around its development vision and plans.

The point is this: the planning body and the national consultative body should be different and should have distinctive roles. To be sure, external advisors – the commissioners of the NPC – should not be entrusted with the task of developing a national plan. That task belongs with the government in particular and the state in general.

In Malaysia and Thailand, in addition to these national consultative structures, line ministries consulted on a regular basis with stakeholders in their sectors, such as the annual pre-budget dialogues organised by the ministry of finance and the industrial policy dialogues organised by the ministry of international trade and industry (MITI) in Malaysia. In this way, line ministries were able to feed the concerns of various interest groups into the national plan and policy.

The planning ministry should not engage in consultation with stakeholders on economic and social issues. As noted above, this task can be entrusted to the DED. Other line departments should be responsible for sectoral consultations. Therefore, the South African national plan should draw on inputs from line ministries, which in turn incorporate the concerns of interest groups. Because the planning ministry will work at a distance from such groupings, it can objectively assess the various contributions and integrate them into a coherent national plan to meet the developmental objectives of South Africa.

Comparative experiences suggest that super-ministries should be insulated from interest groups. They keep some distance from immediate societal pressures in order to avoid state capture and to avoid the state's developmental project being derailed or diluted by special interests. Although consultations are largely done by line ministries, the head of government also has formal and informal structures to consult with societal groups. In South Africa, the president can establish both formal and informal processes for engagement with non-state actors – the presidential working groups being a case in point.

The central point, however, is that the responsibility for consulting with stakeholders should not lie with the super-ministry. If the ministry of planning in the Presidency is envisaged as such a ministry, then it needs to be insulated from interest groups. Hence it will not be suited to lead consultations at NEDLAC and at sector level. Except where the president is involved, it might be more appropriate for the DED to be the lead ministry for national social dialogue on economic and social development. It then has to feed the inputs into the work of the super-ministry in the development of the national plan. This arrangement will make the super-ministry an objective arbiter when accessing development proposals and policies from line ministries.

> In the event that the NPC rejects the views of the government, what happens?

Line ministries have to be appropriately capacitated to contribute effectively to the planning process. The Green Paper is relatively silent on this issue. The purposes of having a centralised planning agency will not be achieved if line ministries have weak or limited planning capacity. Therefore, strengthening the planning and implementation capacities of line ministries will be key to South Africa's success.

THE EMBEDDED STATE

While the planning ministry needs to be relatively distanced from immediate pressures, the state in general must be enmeshed with stakeholders through government networks that regularly interact, consult and solicit inputs from society. To be sure, the point is not to have technocrats making policy, but to ensure that the organisational and technical capacities of the state are combined with consultative processes that enable broader society to contribute to the develop agenda.

This symbiotic relationship between state "autonomy" and "embeddedness"[2] is relevant as South Africa thinks about how to define its developmental vision, formulate national plans, and articulate and implement policy to achieve that vision.

> Insulation is not the same as isolation. Insulation is possible only if the relationship between the policy-making process and the wider political economy permits the effective regulations of both 'the state' and 'civil society' within certain broadly acceptable parameters. Effective insulation from immediate pressures of special interests enables policy-makers to respond swiftly and effectively to new circumstances; but the capacity to identify and implement appropriate policies to promote effective medium- and longer-term development requires the maintenance of strategic relations with wider civil society (Seddon and Belton-Jones, 1995: 326).

Consultative processes will enable the state to build national consensus around its developmental vision and give legitimacy to its plan and policies. But another way of ensuring this objective is through inclusive political processes so that the views of all segments of society are reflected in the development of a national plan and incorporated into social and economic policy. In this regard, parliament has to become a critical player in the development of the national plan. In the same vein, the government and the president can informally consult with other stakeholders, including experts. In Malaysia in the 1980s, for example, the prime minister regularly consulted an informal "panel of economists", composed of businesspeople and academics, on matters of economic policy formation. The president can also be directly involved in other formal, institutional consultative processes, as in the example of the Malaysian MBC.

CONCLUSION

The need for national strategic planning to ensure policy coherence and co-ordination and the effective allocation of resources to meet South Africa's developmental needs cannot be overemphasised. However, the institutional architecture proposed in the Green Paper is unlikely to achieve that goal and could undermine South Africa's efforts to become a developmental state.

Consequently, this paper suggests that, instead of an NPC made up of experts, leaders and intellectuals, South Africa needs a super-ministry in the Presidency headed by the deputy president and supported by the minister of planning. It needs to be well staffed to perform its function. It also needs to be insulated from immediate societal pressures in order to avoid being captured and the state's developmental project derailed by narrow sectional interests. Consequently, the responsibility to lead consultations with stakeholders on economic matters should fall to the DED, and line ministries should be responsible for consultations around sector issues.

The input from both sets of consultations as well as those led by the president could then be fed into the national plan that is developed by the super-ministry. The insulation of the super-ministry will enable it to be an objective assessor of these inputs. Furthermore, it is suggested that a presidential planning committee (PPC) is needed as the highest cabinet committee on planning, rather than a ministerial committee of planning. It should be composed of key ministers in the economic and social clusters.

Finally, getting the institutional design right for South Africa's national strategic planning is as important as the government's policy orientation. The best-intended plans and policies are likely to fail without properly designed institutions to formulate and implement them. Also, given that institutions tend not to change much over time, getting the institutional design right will be a *sine qua non* for successful development in South Africa.

NOTES

1. One of the implications of this proposal is that the title of Minister in the Presidency for the Planning Commission might be changed to Minister of Planning in the Presidency. Following this logic, I will refer to the minister/ministry of planning in what follows.
2. "Autonomy" means the ability of the state to behave as a coherent collective actor that is able to identify and implement developmental goals. As a result, the state is not overwhelmed by sectional interest groups. "Embeddedness" means that the state forges strong and institutional ties/relationships with society which become a basis for the negotiation and renegotiation of developmental goals and programmes.

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City of Ekurhuleni

2010 our legacy our pride

The City's State Of Readiness

Ekurhuleni Is Strategically Positioned And Ready To Welcome The World To Its Beautiful Shores

EKURHULENI THE WELCOME CITY

The City of Ekurhuleni will play a pivotal role as the Welcome City when our visitors arrive in South Africa come June 2010. Whilst not a host city itself, nonetheless, the City of Ekurhuleni is positioning itself for the opportunities that are promised by FIFA World Cup™ and beyond 2010. The office, under the leadership of the General Manager, Joe Mojapelo, in partnership with enthusiastic and dedicated teams from all the departments of Council, has been able to deliver on legacy projects that no one could have ever imagined.

WELCOME VILLAGE

Only minutes away from the O.R. Tambo International Airport, the Ekurhuleni Welcome Village will be the first stop for newly arrived visitors. A shuttle service will whisk them to the village, to allow them to catch their breath after a long flight, enabling them to find their bearings and do all their booking, browsing and shopping. The city needs to capture this traffic and entice tourists to remain and enjoy its attractions. These tourists will experience world-class comfort and entertainment with a uniquely South African flair. In reaffirming its commitment to play a major role in South Africa hosting a successful and memorable 2010 FIFA World Cup™, the City of Ekurhuleni is pumping in R23 million towards the construction of this unique Welcome Village.

The Welcome Village will offer visitors a taste of that African romance, design features such as thatched huts and with beautiful African designs, welcoming our visitors into the heart of an African village.The circular “kraal” shape will emphasize the spirit of togetherness and embrace what Ekurhuleni and the rest of South Africa extends to its guests. The Welcome Village within this Welcome City will afford tourism service providers a platform to re-launch Ekurhuleni as an excellent central location from where international and local visitors can explore the region.

BEAUTIFICATION OF THE ENTRANCE AREAS

The beautification of the entrances of some of the cities and townships has given the Ekurhuleni area a 'face-lift' that is going to outlive the 2010 FIFA World Cup. The communities of Ekurhuleni have embraced the highly artistic and outstandingly creative decorations that make the entrances to our cities very warm and welcoming to the locals and visitors alike. They have been guarded and kept intact and maintained specifically to make sure that the expected visitors of the 2010 FIFA World Cup find them still as beautiful as they are today.

BUSINESS OPPORTUNITIES IN EKURHULENI

With an estimated figure of between 10 000 to 15 000 people per day expected to visit the Welcome Village during the tournament, there are business opportunities galore awaiting companies. There are trading opportunities at the VIP and informal area of the Welcome Village for companies to snatch up. Companies rendering services at the village will do the same at the adjacent fan camp as well.

BEYOND 2010

The legacy projects are going to remain and go a long way after 2010 and the hosting of the biggest event South Africa has ever seen to continue to inject economic growth to the area. The Ekurhuleni Welcome Village will add a tourism legacy, that the people of Ekurhuleni can be proud of. The responsibility to jealously safe guard the stadia, the soccerfields, the Welcome Village and everything else that the tournament is going to deliver to this nation, becomes incumbent upon all of us to ensure that the legacy of these developments live on for generations to come. With the busiest airport in Africa, the OR Tambo International Airport , Ekurhuleni is fast becoming a true, multi-cultural Aerotropolis.

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The unity of our **movement** is our strength

By **Jeff Radebe**

The author is an ANC NEC member and the minister of justice and constitutional development. This article first appeared in *ANC Today*, 9 October 2009

As we approach the centenary of the African National Congress in 2012, we need to ask ourselves if our organisation has any resemblance to the organisation that was formed nearly one hundred years ago and, if not, what changes and lessons can be derived from such developments.

Reading through various works concerning the formation of the ANC, there is no doubt that Pixley ka Isaka Seme was the originator of the idea to found the ANC and that he worked tirelessly to ensure its fruition, arguably more than anyone else.

Speaking of the African in an award-winning speech, simply entitled “The Regeneration of Africa”, he said:

> The ancestral greatness, the unimpaired genius, and the recuperative power of the race, its irrepressibility, which assures its permanence, constitute the African’s greatest source of inspiration. He has refused to camp forever on the borders of the industrial world; having learned that knowledge is power, he is educating his children. You find them in Edinburgh, in Cambridge, and in the great schools of Germany. These return to their country like arrows, to drive darkness from the land. I hold that his industrial and educational initiative, and his untiring devotion to these activities, must be regarded as positive evidences of this process of his regeneration.

Pixley Seme, later to be known as Pixley ka Isaka Seme, was in the US as a student when he presented this speech in 1906. This was the same year as the famous defeat of the Bambatha Rebellion, yet Seme had such great hope for the African continent.

The general background to the formation of the ANC was the military defeat of the Africans, their subjugation to colonial rule and their gross marginalisation from the mainstream social, economic and political development of our country. The Bambatha Rebellion marked the last of such defeats, and reinforced the calls for unity among the African people throughout southern Africa against the colonial onslaught.

That is why the ANC founding conference in 1912 was attended by royalty from Swaziland, Lesotho, Botswana, Zambia and those of tribes and kingdoms from within South Africa, including kings, princes, paramount chiefs and chiefs. It is for this reason that unity is the foundation stone of the ANC throughout all its existence. When the national conference burst into Enoch Sontonga’s “Nkosi sikelel’ iAfrika”, that alone amplified the message of unity across the continent in the struggle against colonial oppression. This song became the ANC’s anthem and informed the composition of our country’s national anthem.

In the first instance, they were responding to events that seemed to sideline them in the reconstituting of South Africa. Having fought among themselves during the Anglo-Boer war from 1899 to 1902, the colonisers ended their conflicts with the signing of the Treaty of Vereeniging in 1902. Thereafter, they set out to unite against the African masses, seeking autonomy from Britain in 1909. This was granted, leading to the formation of the exclusively white Union of South Africa in 1910. They went about imposing segregated tax and other laws, limiting the rights of Africans on their land in order to force dependency on the mushrooming mining activities that followed the discovery of gold and diamonds in the Witwatersrand and Kimberley.

Africans continued to work towards emancipation, and Seme led the African Farmers Association which bought farms to benefit Africans. However, these efforts were dealt a blow by the promulgation of the 1913 Land Act, the effect of which was to curtail Africans' rights to land ownership.

On this matter, the journalist RV Selope Thema wrote:

> Another enterprise undertaken by this man of vision was the establishment of an African Farmers Association, and an African settlement at Daggakraal in the Eastern Transvaal. The association gave impetus to the purchasing of land by Africans in the Transvaal. The Daggakraal settlement caused consternation among neighbouring farmers, who declared that unless the buying of land by Natives was restricted, South Africa would never be a white man's country. Indeed it was no exaggeration that it was the Daggakraal settlement which precipitated the enactment of the Natives Land Act in 1913.

What followed were petitions against the Union government, which were met with non-response. Deputations to England were then also made, as South Africa, although independent, still pledged allegiance to the English royal family until it was granted the status of a republic.

Even these petitions never carried Marcus Garvey's extreme pan-Africanist slogan to "hurl the white man into the sea". There can be a lot of debate as to why Seme adopted the position of fighting what former President Nelson Mandela called "white domination".

AFRICAN ELITE

A combination of missionary education and the social class of those behind the formation of the ANC in 1912 could have had an impact on the ideological orientation of the organisation. Pixley ka Isaka Seme was born into a Christian family, and so was his cousin, the Rev John Langalibalele Dube, who was elected first president of the ANC. The influence of Christianity is further confirmed in Seme's keynote speech on 8 January 1912:

> There is to-day among all races and men a general desire for progress, and for co-operation, because co-operation will facilitate and secure that progress. This spirit is due no doubt to the great triumph of Christianity which teaches men everywhere that in this world they have a common duty to perform both towards God and towards one another.

No doubt, the ANC was formed by elite and educated African people who were partly inspired by their Christian faith. Nonetheless, their main complaint was the disenfranchisement of the African, notably due to

> When the national conference burst into Enoch Sontonga's "Nkosi sikelel' iAfrika", that alone amplified the message of unity across the continent.

the 1910 Union of South Africa dispensation. It was no coincidence that they also sang "Lizalise idinga lakho, Thixo wenyaniso".

According to Selope Thema:

> When he was studying at Columbia and Oxford universities and eating his dinners at the Middle Temple, Pixley Seme's mind was wholly occupied with the idea of how to rebuild the broken Zulu nation. But when he saw what was happening to all Africans of all tribes, he changed his mind. Probably he remembered that the ultimate object of Tshaka in building the Zulu nation was to bring all the tribes under Zulu sway so as to eventually create a powerful nation of all the Africans.
>
> Why should he not take this idea of Tshaka to fruition, he asked himself as he paced to and fro in his office at the corner of Rissik and Marshall Streets. He turned over the idea in his mind and finally came to the conclusion that the scheme was worth attempting.

From this short passage it is clear that Pixley ka Isaka Seme's preoccupation was with the unity of Africans as their basic weapon to resist their own racial discrimination and confront colonial oppression. As he went about consulting with fellow Africans, he discovered that his sentiments were echoed by various chiefs, church leaders and other leading personalities among the African people. So there was fertile ground for co-operation, probably due to the defeat of these African kingdoms by the colonial powers and the realisation of the age-old wisdom that "unity is strength".

The purpose of the ANC is explained by Seme:

> The South African Native National Congress is the voice in the wilderness bidding all the dark races of this subcontinent to come together once or twice a year in order to review the past and reject therein all those things which have retarded our progress; the things which poison the springs of our national life and virtue; to label and distinguish the sins of civilisation, and as members of one household to talk and think loudly on our home problems and the solutions to them.

The purpose of the ANC to be the "Parliament of the People" is well captured in the 1919 preamble to the constitution that was initially adopted in 1914:

AND WHEREAS there met at Bloemfontein O.F.S. on the 8th day of January 1912, certain Chiefs, delegates and other leading men in all representing the said Territories, Protectorates, the Provinces and also the aforesaid bodies throughout South Africa;
AND the said meeting, there and then, resolved that it was expedient and desirable that a well-digested and accepted native opinion should be ascertainable by the Government and other constituted Authorities with respect to the Native problem in all its various phases and ramifications;
AND it was then further resolved to invite all aforementioned Associations, Organisations or Vigilant Committees and Councils to unite together and form as affiliated bodies, a Federation of one Pan African Association the name thereof to be "The South African National Congress" (hereinafter in these recitals called the "National Congress") and to be composed and consist of two sections or Houses – to wit, one section then to be known as the Upper House and the other the Lower House.

This clearly showed the influence of the American and British educations received by the masterminds behind the formation of the ANC, such as Seme, Dube and Sol Plaatje, who became the first secretary-general. They modelled the ANC on the conservative British parliamentary system, with lower and upper houses and fully-fledged speakers.

The dominant role of chiefs was well covered in the constitution adopted in 1919. They were afforded certain privileges, such as specially designated seating arrangements during national conferences and the authority to handle disputes involving them or between them. The conservative culture of the early ANC was sculpted through the influence of leaders who were themselves conservative and opposed to violent protests.

It could be said that the 1912 conference was a convergence of conservatives. They preferred peaceful petitioning and deputations, hoping that these tactics would appeal to the conscience of their oppressors by proving that they too were civilised beings worth equal treatment as citizens. It could be argued that this was pure idealism, as opposed to a dialectical examination of observed evidence of the contending forces between the coloniser and the colonised.

"AND the said meeting, there and then, resolved that it was expedient and desirable that a well-digested and accepted native opinion should be ascertainable by the Government..." Preamble to the ANC Constitution, 1919

"I am an African, and I set my pride in my race over against a hostile public opinion."
– Pixley ka Isaka Seme

THE 1912 CONFERENCE

On 8 January 1912, throngs of tribal leaders, clergy, clerks, journalists and others who constituted the elite of African society, dressed in the colourful regalia of the various tribes of our people, descended on what is today Mangaung. They had answered the call for unity among the African people – and the importance of this point alone cannot be overemphasised.

And how would the ANC go about achieving these ideals? Again, Seme gives the answer:

> Such National Conferences of the people are bound to give a wide publication of the Natives' own views on the questions which primarily concern him tomorrow and today. Through this Congress, the Native Senators in the Union House of Parliament will be able to live in close touch with the Natives of the whole country whose interest each Senator is supposed to represent. The Government also will find a direct and independent channel of informing itself as to the things uppermost in Natives' mind from time to time, and this will make it easier for the Union Government to deal with the Natives of the whole of South Africa. If we wish to convince the Government that it is possible to have a uniform Native policy for the whole of South Africa then let us form this Congress.

This perspective shows that the ANC believed in changing the discriminatory political and economic systems of the day, rather than seeking fundamental revolutionary change. In other words, racial domination was the key challenge to be eradicated. The ANC was to be the parliament of the natives, and through this platform to influence developments in favour of the Africans.

In his 1912 keynote speech, Seme spoke elaborately about unity among the oppressed and marginalised Africans:

> Again, it is conclusively urgent that this Congress should meet this year, because a matter which is so vitally important to our progress and welfare should not be unnecessarily postponed by reason of personal differences and selfishness of our leaders. The demon of racialism, the aberrations of the Xosa-Fingo feud, the animosity

that exists between the Zulus and the Tongaas, between the Basutos and every other Native must be buried and forgotten; it has shed among us sufficient blood! We are one people. These divisions, these jealousies, are the cause of all our woes and of all our backwardness and ignorance today. A great Paramount Chief, accepting that his name be included in the honourable list of Native princes who endorse and support this movement, writes that he however 'wishes to point out that whilst the objects and the aims of a Congress appear to be good and reasonable, much of the success depends upon the attitude of the members. There should be among other things a firm resolve on the part of every member to eliminate factors which have in the past proved fatal to the continued existence of such Societies.'

Not only was Seme calling for unity, he was also making the case that this was the view of the people he had consulted prior to the convention. Even paramount chiefs were behind the thrust towards unity in confronting the challenges of sweeping discrimination against the African natives.

Are we not found wanting in the education of our children?

CONTEMPORARY RELEVANCE

The founding of the ANC in 1912 points to several policy issues that are relevant for us today.

Firstly, that the defeat of the Africans called for their unity, and that the unity of the ANC has been the golden thread for the past hundred years. It required that African people embrace the attitude of non-tribalism, as argued by the chief to whom Seme referred.

Secondly, that non-racialism was the broad policy framework within which the ANC aimed to emancipate the disenfranchised African masses.

Thirdly, and perhaps most importantly, was the primary objective of liberating Africans from colonial oppression. Linked to the objective of liberation was the principle of self-determination.

A fourth issue is captured in the opening of Seme's "Regeneration of Africa" speech, where he proclaimed: "I am an African, and I set my pride in my race over against a hostile public opinion".

It was this overwhelming hostility that Pixley ka Isaka Seme observed while growing up in what is today rural KwaZulu Natal, and also while studying in the US, that prompted him to strive for the self-determination of the African people.

The ANC was formed by elite and educated African people who were partly inspired by their Christian faith.

For this reason, in Seme's words, "the so-called African Native National Congress was to represent the views and interests of African people within the Union of South Africa's establishment".

We must grapple with the relevance of the "hostility" that Pixley ka Isaka Seme spoke of, and determine exactly what current forces are hostile to our agenda for change. My perspective is that, while a prevailing idealism lead to the popular embrace of non-racialism by the South African and international communities, the underlying dialectical dispositions of hostility along race, class and gender lines still persist and must be confronted and defeated.

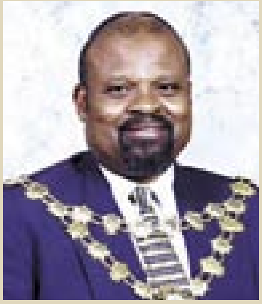
Very importantly, we must also grapple with Seme's assertion that the African "has refused to camp forever on the borders of the industrial world; having learned that knowledge is power, he is educating his children".

Are we not found wanting in the education of our children? Do we really believe that the future of our country rests on the younger generation? What about teaching our children patriotism so that – after graduating as doctors, as nurses, as engineers, etc. – they will contribute to the regeneration of Africa instead of heading overseas? Have we not undermined Seme's assertion that those who are able to study abroad "return to their country like arrows, to drive darkness from the land"? Looking at our skills strategy and its implementation, can we truly share in Seme's sentiment that "his industrial and educational initiative, and his untiring devotion to these activities, must be regarded as positive evidences of this process of his regeneration"?

Of course, the ANC was confronted with other challenges in the decades that followed, more policy positions were debated and adopted, but those are beyond the scope of this presentation.

Today's policy challenges are illuminated by the mindset and works of Pixley ka Isaka Seme. History tells of other heroes and heroines of our struggle, but Seme was indeed the leading founder of the ANC, working together with other geniuses of his generation. From his life, we learn that we too, as individuals working in collectives, can contribute to shaping the future of our movement and the struggle of our people.

eThekwini Municipality



Durban Ready for 2010

SOUTH Africa's landmark year, in which the country hosts the FIFA World Cup soccer showcase, has dawned and the eThekwini Municipality is well on track to welcome the thousands of fans expected to flood its shores.

Infrastructural preparation for the tournament has seen eThekwini invest billions of rands into projects to upgrade Durban into a world-class city and leave a legacy for residents long after the final whistle has blown in July.

EThekwini Mayor Obed Mlaba says the iconic Moses Mabhida Stadium was completed in November ahead of schedule. Designed to accommodate 85 000 spectators to facilitate its inclusion as a venue for international mega-events like the Commonwealth or Olympic Games, the stadium will have a 70 000-capacity during the World Cup.

The 106m-high centre arch has placed Durban on the world map with a tourist attraction first. The high-tech cable car transporting visitors to the apex offers panoramic 360º views, while the southern side brings adventure tourism to the city – a 550-step climb to the viewing platform.

Mlaba says the arch's Y-shaped design replicates the South African flag and highlights the unity of a sports-loving nation, while the area around the stadium is being upgraded to create a safe, user-friendly precinct.

"These improvements will ensure fans attending sporting events can easily access the stadium while the City adheres to the highest levels of safety and security. Three distinct zones have been developed that will bring together the community," he says.

The People's Park on the southern boundary incorporates open space with sports fields, ablution and changing facilities, children's play areas and a relaxed restaurant facility.

Heroes Walk, situated on People's Park, is a walkway promenade that will provide access to the Moses Mabhida Stadium from the city centre as well as a kilometre-long circular track for walking, jogging or cycling.

On the northern side, Isaiah Ntshangase Road (formerly Walter Gilbert Road) is being realigned to create Imbizo Place, an area conceived as a public meeting space with mixed-use retail and food and beverage outlets.

A pedestrian pathway provides a safe and convenient link between the stadium and the beachfront.

Mlaba says Durban already has an enviable record for successfully hosting large-scale international events and the Municipality will incorporate this knowledge in facilitating the safety, security and disaster management essential for the World Cup.

Substantial additional staff will be deployed during the month-long event including mounted police, a highly-effective dog unit and paramedics, while additional closed circuit television (CCTV) cameras along the main transport routes and in the stadium, fan parks, hotels, base camps and official training sites will maximise public safety. Yet, says Mlaba, creating the stadium without providing the supporting transport and travel infrastructure has little value. Consequently, eThekwini has invested in developing a wealth of transport projects to ensure the city operates smoothly during the peak demands of the World Cup and beyond.

"Essentially, upgrading the transport facilities and improving accessibility and mobility in and around the city centre will ensure Durban is an internationally-friendly travel destination and a user-friendly city for visitors and residents alike. This investment in preparing for the World Cup has not been undertaken with only the tournament in mind," he says.

Mlaba says within the city centre, the new bus system successfully carried more than 500 000 passengers annually in the pilot phase and the distribution network will be extended to serve a wider area. Operating 17 hours daily and monitored by CCTV cameras, the spacious air-conditioned Durban People Mover buses are equipped with electronic ramps that enable swift access for wheelchairs and prams.

The QuadPara Association of South Africa national director Ari Seirlis is on record for saying the People Mover was a "functional, accessible transport facility for disabled passengers".

Mlaba says more routes are planned and the City will also implement an information call centre to assist commuters and tourists with travel options. Considering the broader city movements, Mlaba says revamping and reconfiguring the Warwick Junction infrastructure creates a smooth traffic flow throughout the multi-modal transport and retail precinct. Specifically the zonal redevelopment eliminates the awkward access and high rate of pedestrian-related accidents.

The reconfiguration includes inbound and outbound flyover viaducts with construction nearing completion on the former and sound progress being made on the latter.

The whole system will be wholly operational by the World Cup. The multi-billion-rand King Shaka international airport becomes operational from May with Mlaba saying this investment forms "a definitive link between Durban and the rest of South Africa by allowing national and international access". Initial capacity accommodates 4 million passengers annually with substantial long-term expansion anticipated and the first phase of the road infrastructural upgrade along the Ruth First/Nkosi Albert Luthuli M4 freeways has been commissioned.

However, key to the airport's economic sustainability will be the cargo business. That element will enable the development of agriculturally-based high-value production – fresh cut flowers are one example – around the airport for swift transportation to international markets. From a tourism perspective, eThekwini has invested R200 million in upgrading and modernising the beachfront with the long-term vision for creating visual security between uShaka in the south and the Umgeni River to the north. The extensive 5km-long promenade accentuates Durban's pre-eminent landmarks and offers residents and tourists more restaurants, leisure activities and potential venues along one of the world's most scenic beachfronts.

Alongside the refreshment, restaurant and retail facilities, the promenade will have ablutions and lifesaving resources. "The beachfront promises the perfect environment from which to host fan parks while ensuring Durban continues as the country's leading local tourism destination. The City is also tendering to host the FIFA beach soccer world cup tournament in the near future based on the beauty and safety of this investment," Mlaba says.

Yet, in being ecologically responsible, eThekwini has committed towards hosting a carbon neutral FIFA World Cup tournament. Part of the city beautification initiative has been sourced via tree-preneurs – rural community members who have been educated, empowered and employed to collect the seeds and cultivate and maintain indigenous saplings for sale to corporates and the Municipality.

Several other implemented projects involve recycling materials, minimising waste and reducing water and electricity consumptions via ecologically friendly technologies.

Mlaba believes eThekwini has become a trailblazer in launching a methane gas-to-electricity project that effectively sells green electricity into the national grid. In constructing both the Moses Mabhida Stadium and upgrading the training venues, consideration was given to carbon footprints.

Umlazi and KwaMashu used face brick in preference to brick and plaster, while the KwaMashu and Claremont venues have incorporated storage tanks to collect irrigation run-off from the pitch for reuse.

"Travel publishing heavyweight Lonely Planet has listed Durban as one of the top 10 family beach holiday destinations in the world and long after playing a significant role in the FIFA World Cup tournament, the City will strive to promote Durban's outstanding tourism products," Mlaba concludes.

EThekwini Municipality
Communications Unit
City Hall Basement
Church Walk Entrance
Durban, KwaZulu-Natal,
South Africa
4001

Second economy strategy

addressing inequality and economic marginalisation

By **Kate Phillip**

The author is with the Second Economy Strategy Project at TIPS (Trade and Industrial Policy Strategies). This is an edited excerpt of their Strategic Framework report

The ASGISA Annual Report presented in February 2007 identified a need for more focus on the "second economy", and on mechanisms to ensure that shared growth reaches the margins of the economy. The Second Economy Strategy Project was initiated to review the performance of existing government programmes and to develop an expanded strategy for the second economy, building on existing programmes where possible and innovating where necessary. The framework was approved at the cabinet lekgotla *in January 2009.*

Does South Africa have a "second economy"? It depends entirely what is meant by the term. If the concept is used to suggest that the "second economy" is somehow separate from the economy as a whole, exists in parallel, and is underdeveloped because it is disconnected from the "first" – developed – economy, then it describes a fiction.

If, on the other hand, the term is used to describe the ways in which high levels of structural inequality and economic marginalisation are manifest in South Africa, and the conditions of poverty which these perpetuate, then the concept may be useful for focusing policy attention on these issues. However we choose to describe them, the challenges of addressing inequality and economic marginalisation remain.

THE CORE ARGUMENTS

The Second Economy Strategy Project commissioned a range of research and engaged with practitioners and policy makers inside and outside government. The proposed strategic framework is based on the following core arguments arising from this process.

While the main target is to end poverty, the issue of inequality matters for the following key reasons.

- In South Africa, structural inequality plays a key role in sustaining diverse forms of economic marginalisation and limits the potential for growth and employment creation.
- Evidence suggests that highly unequal societies tend to grow more slowly, and that the effects of such growth tend not to be pro-poor (World Development Report, 2006). Addressing inequality is therefore key to achieving shared growth.
- In South Africa, the levels of growth required to impact significantly on poverty within current patterns of distribution are probably unattainable; shifts in the patterns of distribution are therefore a necessary part of an anti-poverty strategy.
- High levels of inequality can cause social conflict. This is undesirable on its own terms, but it also has economic and social costs.

The structure of the SA economy constrains employment creation in the core economy as well as in more marginal contexts. In the core economy, the economy is highly centralised, capital intensive and dominated by a set of monopoly industries. While policy has focused on addressing this in the core economy – through effective competition policy, for example – the structure of the economy also impacts on economic opportunities in more marginal contexts.

In many developing countries, the informal sector provides easy access to livelihood opportunities for those unable to find formal employment. South Africa's relatively small micro-enterprise sector is often attributed to lack of skills, entrepreneurship or access to credit. Important as these are, this often overlooks the way the structure of the economy constrains the scope for growth in this sector.

Where early childhood development and child nutrition fail, policy is forced to focus on mitigation for yet another generation.

- Opportunities for small manufacturing enterprises that target poor consumers are limited because most manufactured goods bought by poor people are already mass-produced in the core economy and are available even in remote areas.
- Access to opportunities beyond the local economy, in higher volume and/or higher-value markets, tends to require greater levels of formality. While this is where the most scope exists for SME development and job creation, there are higher barriers to entry in these markets.
- Opportunities do exist in relation to fresh produce and services, but these tend to be small in scale unless they are part of more formal value chains.
- The scope for small artisan-based enterprises is limited by the skills challenge and the high demand for such skills in the formal sector.
- As a result, South Africa's informal and/or micro-enterprise sector is unusually dominated by retail activity, often in a dependent relationship to the core economy. There are limits to the scope for this sector to expand, or for street traders or spazas to climb a "ladder" into more formal enterprise: that space is taken, with "big retail" also increasingly encroaching into markets currently served by this sector.

The small farming sector and subsistence agriculture perform a very limited employment and/or safety net function in South Africa. In many developing countries, such as India, China and Tanzania, the small farming sector is a dynamic part of food production and of rural local economies, and subsistence agriculture provides a form of safety net when employment opportunities fail. In South Africa, this role is severely constrained.

The coercive processes that forced black South Africans off the land and the men into labour markets in the early part of the last century destroyed the small-farming sector and lead to the "de-agrarianisation" of former bantustan areas.

These stand in contrast to the active policies of support for white farmers over the same period. There have been decades of investment – including substantial subsidies – into the development of a "big farm" model and the institutions required to support it: access to land, water, inputs, credit, business services, infrastructure and market access – as well as opportunities to develop in an increasingly vertically integrated agro-processing sector.

In the former bantustans, however, these processes were mirrored by their opposites. Those attempting to produce on ever-smaller plots of land were not supported by the development of any of the institutions required to make a small-farm model viable. These two agricultural development paths still co-exist in an uneasy relationship.

The former bantustans face a chronic development deficit. Within the bantustans, the skewed investment in agriculture was matched by a skewed investment in human capital, economic infrastructure and access to basic services. This was coupled with governance structures that were coercive and patronage-based, including customary systems in which women's economic initiative was constrained, even though men were often absent. The former bantustans still have far to go to remedy these defects – and they remain home to the poorest people in South Africa, the poorest women in particular.

Poor people are dependent on wages and/or grants, which depend in turn on the core economy. All of these constraints mean that poor people in South Africa are unusually dependent on wage income and/or grant income, relative to other developing economies. Both of these depend heavily on the performance of the core economy – which is largely an urban economy.

Urban inefficiencies constrain growth and place a cost burden on workers and the poor. Apartheid locked urban areas into unequal and inefficient patterns of development. These have been compounded by implementation choices and land market logics that still see poor people housed far away from economic opportunities in poorly planned, low-density housing settlements that have high service costs, lack social service infrastructure and do not facilitate local economic activity.

Addressing inequality is key to achieving shared growth.

Yet these new housing developments have not managed to keep up with the influx to urban areas and the growth in informal settlements and backyard shacks.

Reliance on the wage mechanism to cover wider social and economic costs raises the costs of labour and discourages labour intensity.

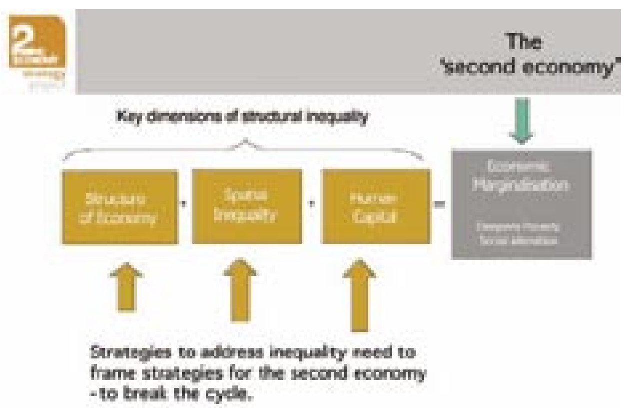
- Many of these social and economic costs – such as the high cost of transport – are carried directly and indirectly by the poor.
- With limited social protection targeting the unemployed, workers often support an ever-growing network of unemployed dependants.

This level of reliance on the wage mechanism to cover wider social and economic costs – rather than using the social wage to do so – strengthens wage pressures and impacts on labour costs and the costs of production in general – strengthening existing biases against labour-intensive production.

High costs of living and high dependency ratios mean low-wage jobs do not lift people out of poverty. While growth since 2004 has become increasingly labour-absorptive, most new jobs have been in the retail and construction sectors: that is, poorly paid and highly insecure. Casualisation and externalisation have added to the phenomenon of the "working poor" – those whose income from work is insufficient to lift them out of poverty.

> Expectations that employment creation can be achieved through small enterprise development or self-employment strategies need to be curbed by a sharp reality check.

Youth, women and rural dwellers carry the highest burden of unemployment. Unemployment is a structural problem, but additional factors skew its distribution, with disproportionately high unemployment levels for black youth, women and rural dwellers.



A STRATEGIC FRAMEWORK FOR SECOND ECONOMY STRATEGY

A wider focus on inequality is needed. While this agenda should address all the areas of structural inequality identified, there are two clear priorities:

- human capital development, with a particular focus on the "points of no return": early childhood development and child nutrition. Where these fail, policy is forced to focus on mitigation for yet another generation
- the social wage. So far, this has had the greatest impact on poverty and inequality. Strategies need to focus on gaps in coverage: social protection for the unemployed, with access to basic services and affordable public transport.

Secondly, employment creation on decent terms needs to be placed at the heart of all economic policy; it is the most important mechanism for addressing poverty, economic marginalisation and inequality. Employment creation can no longer be treated as a secondary concern in industrial policy, and expectations that it can be achieved through small enterprise development or self-employment strategies need to be curbed by a sharp reality check.

Employment creation "from below" – through micro-enterprise or self-employment – faces significant constraints and is a poverty trap for many.

- The structure of the economy constrains the scope for significant or sustainable expansion in this sector – but the scope that does exist must be supported.
- Evidence shows that those least likely to get a job are unfortunately also least likely to succeed through self-employment.
- Employment strategy therefore cannot rely on the poorest and most economically marginalised people in the economy "self-employing" their way out of poverty.

Support to both the small enterprise sector and to the informal sector needs to be designed within a more realistic set of expectations of its growth potential. This means more focus on the "patient support" required to turn "start-ups" into "stay-ups", more caution in promoting self-employment as a solution for all, and a greater focus on employment creation in the core economy.

In practice, like it or not, new market-based employment is likely to be largely urban, where "urban" includes small towns and dense settlements. Building efficient and inclusive cities and towns is vital to enabling economic dynamism.

Creating rural employment will be a greater challenge, and will therefore require a stronger catalytic role from the state to achieve results, as part of a wider strategy for rural development and agrarian reform.

Finally: all of the above is crucial to finding sustainable solutions, but these will take time – and will reach the most marginalised last.

> We need to adapt the concept of a minimum employment guarantee to South African conditions, to reach the most marginalised.

We need to prioritise strategies that reach the most marginalised first. There is no time to lose in building people's sense of economic agency – of their capacity to change their material conditions through their own actions, to be productive members of their household, their community and their society. This requires that we find ways to facilitate their economic participation even where markets do not do so.

In particular, there is a need to provide a form of employment safety net until wider economic policies are able to deliver jobs: to strengthen people's capacity to work, and to provide access not only to income, but also to work experience and the enhanced dignity, social inclusion and economic agency that comes with it.

This is why it is proposed that we need to adapt the concept of a minimum employment guarantee to South African conditions, to reach the most marginalised and to ensure that those who are willing and able to work can be sure of access to a minimum level of regular employment.

Building efficient and inclusive cities and towns is vital to enabling economic dynamism.

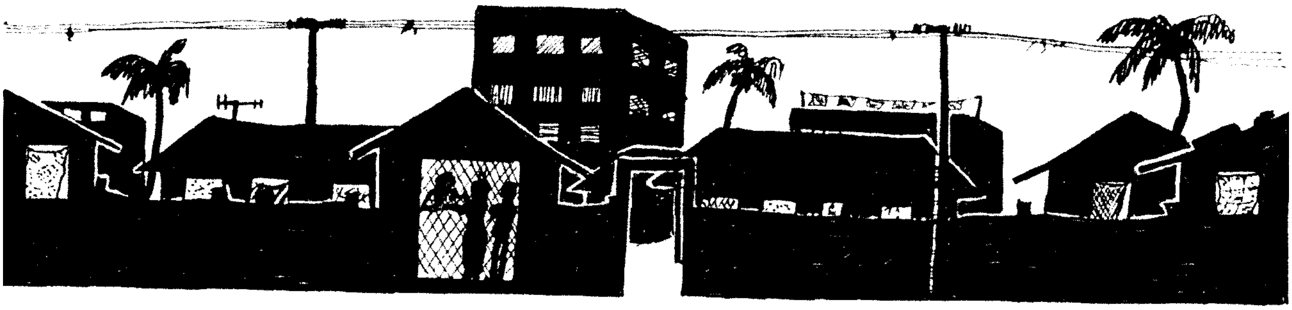
The Community Work Programme (CWP) was initiated by the Second Economy Strategy Project to develop such an approach. It has been piloted in a partnership between the Presidency and the department for social development and is now part of Phase 2 of the Expanded Public Works Programme. In President Zuma's State of the Nation address in June, he committed the government to "fast track" the Programme, and it is currently being institutionalised in government to enable rapid expansion and roll-out in the most marginalised areas.

The CWP provides a minimum level of regular work – two days a week – to those who need it. It is assumed people will move in and out of the programme as their needs change, but the programme itself is expected to be ongoing at local level, providing an employment safety net that complements other livelihood strategies.

Finally, while the Strategy Framework emphasises the urgency of targeting the most marginalised first, it concludes that, in order to achieve sustainable solutions to inequality and economic marginalisation, there's just no alternative but to address the challenge of restructuring the economy as a whole – and not just "fixing" the second economy – or whatever you choose to call it.

NOTE

Second Economy Strategy Framework: Addressing Inequality and Economic Marginalisation is available at www.tips.org.za



On-site ATMs for **added benefits**

Thousands of South Africans are inconvenienced every day because stringent payment methods at key government departments apply. Alleviate this frustration and ensure a hassle-free customer experience by installing a secure and reliable ATM on site that can generate revenue for your department in return.

"Our tailor-made branding solutions on ATM screens make our ATMs a vital communication and advertising tool while our attractive rebate packages could secure an additional stream of income for participating government departments across SA," says Wayne Abramson, CEO of ATM Solutions.

Safety is key as ATMs are designed, manufactured and installed in such a way as to protect clients and customers alike against the latest fraud and crime initiatives practised in SA today. "Counterfeit notes are kept to a minimum as cash dispensed through our ATMs are handled by legit cash centres only, making cash transactions more secure," notes Abramson.

Government officials and customers will also appreciate the fact that ATM transaction fees are transparent and kept to an absolute minimum, making access to cash an affordable convenience for every citizen.

More about ATM solutions

ATM Solutions is a member of the ATM Solutions Group, a world-class independent provider of ATM banking and other payment services across southern Africa and abroad. The company has been installing bank branded ATMs for most of the region's largest banks for more than a decade now. Due to the fact that ATM Solutions does not rely on traditional banking infrastructure, the company can process transactions from any location, through most device types to any host. Wireless communication in ATMs increases ease of access and reduces costs, making it ideal for government departments and other clients situated in developing and remote areas. ATM Solutions is the exclusive distributor of Triton ATMs for southern Africa. Triton is the leading provider of off-premise ATMs in the USA.

Service Offering

- A real-time customer support centre with professionally trained staff providing customer support 7 days a week, 365 days a year at predefined daily times ensures that ATMs are in good working order at all times.
- Assistance with onsite repairs and maintenance of ATMs.
- On-site client training.
- Professional assessment of location and surrounds before ATMs are installed.
- Analysis of clients needs before ATMs are installed.
- Dedicated hands-on customer relationship executives to handle clients unique needs.
- Security and risk management through Deloitte Tip-Offs anonymous, an independent, confidential whistle-blowing hotline service operating 24-hours a day, 365 days a year.
- Internal cash management to efficiently manage optimal availability of funds in ATMs at all times.
- Optimal service and security through legit cash-in-transit companies.
- Indoor and outdoor signage to maximise visibility and awareness of ATMs.
- Directional signage to direct end-users to ATMs in a quick and easy manner.
- Value-added ATM functionalities such as MTN, Telkom, Vodacom and Cell C prepaid recharge vouchers and easy access to EasyPay bill payments in certain countries.
- Self-cashing – a service option where the ATM is used as a cash, stock and revenue bearing device to save on bank fees.
- ATMs are built and installed according to client's needs.

"Rebates received on successful cash withdrawals will help government departments to increase profitability while the convenience of having one of our ATMs on site will improve client satisfaction all year round," Abramson concludes.

For more information, please contact ATM Solutions:
Tel.: 011 531 5300
E-mail: marketing@atmsol.co.za
www.atmsol.co.za

atmsolutions

DEVELOPMENT IS BACK!

An interview with **Adebayo Olukoshi**

Professor Olukoshi **is head of the United Nations' African Institute for Economic Development and Planning (IDEP).** Ben Turok **spoke with him at the Coalition for Dialogue in Africa on 29 November 2009**

THE LOGIC OF FINANCIALISATION

Ben Turok: We are here in Tunis for a multi-stakeholder dialogue on Africa and the Global Financial Crisis, supported by the African Development Bank, the African Union Commission and the UN Economic Commission on Africa.. You made a very powerful presentation, and I would like to run through some of the points you made.

First, you said that there should be a bias toward productive capacities and away from financialisation. What did you mean by that?

Adebayo Olukoshi: Well, if we look at the trend in global capitalism over the last few decades, we will see a global movement towards financialisation. Essentially, the financial sector has come to play an excessively dominant role in determining the direction of national economies and the broad development agenda.

BT: How does that financialisation actually work?

AO: One just needs to look at the way banking power, in particular, has been concentrated in the new wave of globalisation. It dates back to the late '80s and early '90s, when all of us suddenly were confronted with a new range of slogans constructed around "the need to globalise".

First came the wave of mergers and acquisitions in the banking sector itself. Second were measures introduced by the World Trade Organisation that involved the liberalisation of capital flows, forcing governments to not simply liberalise trade, but also to liberalise their capital accounts. Also, we were all compelled to introduce stock markets: what some refer to as "stock market capitalism". Not just for the advanced capitalist economies, no, but also for the so-called emerging markets and even least-developed countries in Africa. Undergoing "structural adjustment", we privatise public enterprises – which are listed – and basically we are now available on a global scale for this new financial trade oligarchy.

BT: How is this situation qualitatively different from the way we used to talk about "finance capital"?

AO: In a sense, it's finance capital gone overboard. In the '50s, '60s and '70s, finance capital featured centrally in our debates because of the emergence of multinational banking capacity within the capitalist system. The rise of the multinational production enterprises was accompanied by a certain globalisation of financial capital.

What we have seen now it is the displacement of manufacturing and productive capital in favour of a financial oligarchy that trades in pieces of paper, and makes some fantastic profits.

As we know, the root of the current financial crisis is a very mindless kind of speculation, which was brought on by the very logic of financialisation. It really didn't take too much to see that this was going to burst. Early signs in Latin America and the East Asian crisis were dismissed as evidence of the "corruption of third-world regimes". The explanation given was of course completely different when the crisis hit Wall Street and the very epicentre of global capitalism. Nevertheless, we see that if we are basically trading paper, if we buy debt on paper and repackage it and sell it off to somebody else, it just becomes a cycle that reproduces itself, creating bubbles that don't stand on anything.

BT: This is what hedge funds and derivatives do.

AO: Some statistics indicate that the managers of these funds control even more resources today than the traditional banking institutions. And many traditional banks also needed to play the game, in order to stay in business. There was no longer any great interest in lending to manufacturing capacity, especially as industry also began to migrate out of the old Western economies.

BT: In South Africa, the banks are well regulated, but we find there are also hedge funds and derivatives investments.

AO: South African banks have been globalising in many ways. But even more than that, South Africa's broader macro-economic policy framework, by which trade liberalisation and a certain amount of capital account liberalisation has taken place, has exposed the economy more fully to these kinds of shocks. Severe pressure on the rand was the consequence of this exposure to global forces and its integration into the global trade system without adequate controls in place. The driving force of South African policy – to open only where you are strong enough to enter into this system – was essentially sacrificed in the context of the shadow adjustment programmes.

BT: "Shadow" adjustment programmes? Like structural adjustment?

AO: Exactly. Structural adjustment, not because a loan was collected from the IMF or the World Bank, but because the international financial system was needed to give South Africa a clean bill of health and so exacted certain macro-economic policies. People like Trevor Manuel became very instrumental in negotiating this shadow adjustment programme.

"FRAGILE STATES" AND THE MYTH OF NEO-LIBERALISM

BT: Your contribution was directed to policy makers across Africa. What point were you making about reasserting continental sovereignty and domestic policy space?

AO: From the early 1980s, we witnessed a process, sometimes open and blatant, by which the policy prerogatives and the economic sovereignty of most African countries were simply confiscated and handed over to the IMF and the World Bank, who then began to set policy. At the height of this exercise of power, the international financial institutions were in a position even to dictate who would be the finance minister and the governor of the central bank of African countries.

> Early signs in Latin America and the East Asian crisis were dismissed as evidence of the "corruption of third-world regimes". The explanation given was of course completely different when the crisis hit Wall Street.

Effectively, therefore, domestic policy-making processes and institutions became irrelevant, and atrophied over time.

That situation has not changed radically, in spite of the fact that "structural adjustment" – and at least this is widely, officially, formally acknowledged – has shaped 25 years in the history of Africa. For most countries, that means that more than half of the period since they became independent was wasted on the regime of structural adjustment. We have never had anybody express remorse for all of this, but that is beside the point.

Now we are confronted with various proposals that are making the rounds. One is put forward by Paul Collier, who has become something of a guru in establishment circles both within Africa and outside the continent. He is calling for the establishment of a trans-national authority to "manage" the so-called "fragile states" of Africa – as if the fragility of these states was not directly connected to the erosion of the very basis of politics and policy-making.

If citizens begin to realise that there's really no point in engaging their governments, because policy is going to be decided in Washington after all, and the government only exists to repress and to stay in the good books of the Bretton Woods institutions and the G-7 countries – then of course you have *all* the recipe for conflict and you have *all* the recipe for alienation, you have *all* the recipe for *all* of the things that make governance an essentially impossible situation for most countries. I think that this crisis has exploded whatever is left of the myth of neo-liberal macro-economic policy-making and management.

Development is back. In the late '80s, the neo-liberals were so arrogant and so self-assured that they actually declared development dead. "No more planning," they said. "No envisioning, no forecasting, no ambitions: just let the market fix everything. A few things might be corrected here and there, but the market is the best allocator of values and resources."

That myth has been exploded, and there is no clearer evidence than the interventions – unprecedented in the history of capitalism – which we have seen governments undertaking from the United States through to Japan and even the United Kingdom. Sometimes secretly, sometimes openly...

BT: You are speaking of the stimulus packages.

AO: All those packages that have pumped money into the system to save capitalism from implosion. Keynes and Keynesianism were discredited by the neo-liberal economists. Now suddenly people are reading Keynes again and looking at Keynesian solutions to create jobs and to ensure that consumption is sustained and domestic market parameters are not unduly affected. All in the bid to stave off a recession.

BT: But not in Africa? Anybody who reads the *International Herald Tribunal* or the *Financial Times* or the *Economist* sees the agonising reappraisal of economists and even decision makers in the West, but not in Africa.

AO: This is my point. I call it "a tale of two adjustments". Africa was "adjusted" in the '80s, in the same or even lesser circumstances. And the thrust of the adjustment policy – once the policy structures in Africa had been hijacked by the Bretton Woods institutions – was to implement massive deflationary measures on economies that were already in crisis.

Now we see deflation threatening the G-7 countries, and what do they do? They *stimulate* the economy. When this happens in the developing countries, oh, they say it's all "corruption", it's "neo-patrimonial", "bad governance" – all in order to justify deflationary measures that are imposed on the countries, which then drive them deeper into crisis and weaken the institutions of governance. This creates the fragility that is then used to justify the creation of an international authority that will "deliver services" in the "fragile states" of Africa!

BT: Penetrating our economies.

AO: Absolutely. This is what our policy makers need to be very aware of. And now they have all the arguments they'll ever need – from the examples of the United States, of the UK, of Germany, of the leading countries – to say to them...

BT: Intervention.

AO: Absolutely. And we *will* exercise that right. To intervene, to regulate, to manage, according to a defined national plan and vision. And that plan and vision has to also include a strong component of social policy. What is the essence of being a citizen of our countries if there is no prospect for an improvement in livelihood or for young people to get jobs?

NEW VISION, NEW PLAN

BT: In your presentation, you listed a number of policy initiatives that you would like to see African governments take up. Can you run through them?

AO: I would argue that, for most governments, the starting point is to begin to correct the consequences of 25 years of structural adjustment. It failed to achieve its goals, but we cannot forget that these measures were pursued and they did have consequences. Not the desired outcomes or the promised outcomes, but they did have consequences. Economic actors did respond to them, even if perversely.

So the situation in most African countries today is that the market measures or incentives that you might put in place to try to elicit particular kinds of responses – for example, using interest rates to try to shift investment in a certain direction – do not get the desired or predicted outcomes, precisely because of this maladjustment. We need to *re*adjust our *mal*adjusted economies.

I'm saying that the time has come for many of the countries of Africa to understand – the politicians need to understand – that without a vision of national development and continental development, we can just forget any prospect that this continent will be transformed. We need to rediscover our capacity to envision and to train...

BT: Have you produced the vision yourself?

AO: I have a vision of a continent that would be united, and I have an idea of some of the bills we need in order to ensure that we get to that continental unity.

BT: Let me push you a little. You have been accused in the past of being good at criticising but not as good at offering alternatives. Imagine you were given the authority to outline a plan for Africa. Can you do it?

AO: I have never accepted that accusation. It is often made to avoid responding to criticism. I have been prepared to rise to the challenge of suggesting alternative ways of doing this thing.

BT: Give us a few.

AO: In the current context in Africa, including South Africa, we need macro-economic policies that will ensure, first of all, that national territorial administration exists and functions. This means that the public service and the public sector *must* be rehabilitated as part of the measures we need to reinvent the state in Africa.

The second element is that the macro-economic underpinnings of policy cannot be pursued as though they were completely superior to every other consideration in society. Larry Summers, as chief economist of the World Bank, once asked whether democracy was not an impediment to efficient markets. This is what gives rise to dictatorship in the name of market fundamentalism.

If the citizens in the revamped Africa say that they want democracy and they want welfare states, then economic policy should be constructed to produce those things. Not the other way, in which you squeeze social policy and create a "democratic recession" in order to accommodate so-called "correct" market policies. There is no such thing as correct market policies. Every market mechanism should be adapted to the circumstances of the country that wants to pursue market approaches to its economic problems.

And I'm not for one moment suggesting that the state in Africa is going to do everything. I don't even think Africans want a "nanny state". People want a state that is at least able to create an environment in which their civic rights, their welfare interests, plus their right to engage in economic transactions in a stable environment, are assured. I think these are the kind of things that we often do not address.

Questions of redistribution can never be undertaken by the market. The market may be very good at producing and creating, but at the end of the day, there are winners and losers in any market transaction. How do you create a continent in which all of us can be proud to call ourselves Africans if you do not have a policy for redistribution, either through taxation or other means that may be available to a state manager?

So I want to see macro-economic policy that is not placed above everything else, but serves other values, other aspirations and ideals in society.

PRODUCTION FOR DEVELOPMENT

AO: If that is agreed upon, then we need to begin to get Africa back to producing. Our productive capacity has been lost – on a continent that needs that capacity more than any other region in the world.

BT: Are you talking about agriculture in particular, but also industry?

AO: And the linkages between agriculture and industry. The classic things that we used to worry about, which will then translate into employment, into savings, and create an interconnectedness in social and economic processes.

BT: What would set that in motion?

AO: Again, the circumstances are different from country to country. I would say that in some parts of the continent it would be a question of engaging in serious land reform. In many countries, smallholder agriculture might be the engine – which the current policy environment does not support in any way. The massive agricultural exports that Africa achieved in the '60s and '70s were driven in large part by smallholder agriculture. People tend to forget that now.

BT: Would you say that this productive activity would be directed at exports or the domestic market?

> For most governments, the starting point is to begin to correct the consequences of 25 years of structural adjustment.

AO: I would argue very strongly for a combination. We need to develop the home market in most of our countries. This is one of the things we have not done effectively.

Perhaps it is also connected to the absence of a vision for the continent. I don't see how you can develop as a people if you don't have a vision of where you want to go. Let us not argue whether it is realistic or not; we often pursue measures without being absolutely clear how it will play out in the long term. Imagine that a country like Nigeria, with a population close to 200 million, is not able to produce! Even if you capture just 50 million of that population with disposable income, that's a huge market. And then just think of an integrated economic space in West Africa or southern Africa!

> Without a vision of national development and continental development, we can just forget any prospect that this continent will be transformed.

BT: But why have local capitalists not done this? After all, markets are what they look for.

AO: The incentives have to be right. Say for instance I want to produce paper in Nigeria, and I'm looking at the market potential for paper in West Africa. ECOWAS is there; there are a few tariff and non-tariff aids...

BT: No transport costs worth talking about...

AO: All the so-called comparative advantages are on my side for this kind of thing. And yet, in spite of all of this, I go to the bank – which is, after all, what finance capital was supposed to do in the circuit of production – and I find that the terms of the loan will ruin me even before I start.

BT: Why is that?

AO: Well, the interest rates have been deregulated.

BT: So the banks don't want to make money out of productive effort?

AO: No. It's not quick money. It comes back to what we were saying about financialisation. The incentive structure doesn't encourage anybody to do anything long-term. That is why, in cities across our continent today, apartments that are comparable to any you might find in New York or Melbourne or London are being built, and the price tag is in foreign currencies.

BT: And so the turnover of capital is really not linked to production or social development.

AO: That *is* the crisis.

BT: Marx should rewrite his book.

AO: Absolutely. That is the crisis on the global scale *and* within many of our countries, and this is precisely the problem which we need to correct. Don't forget that one of the first targets that the World Bank and the IMF attacked in most of our countries was the development banking institutions. National industrial and development banks were ubiquitous, alongside the marketing boards and other institutions in the development process. They were all attacked and disbanded, right?

BT: Including South Africa. We closed down all our marketing boards – but what the farmers in South Africa did was to secretly go and create their own private ones!

AO: *Voilà*, they organised themselves!

These are the kinds of issues we need to confront. None of the so-called "mitigating measures" that the World Bank and IMF put forward to cushion the costs of adjustment ever had any significant impact. We need to bring development thinking back into the policy process. We need to address issues of social policy much more centrally, and not treat them as a residual category. And we are challenged to understand that integrating social policy within the macro-economic strategy actually helps growth and development, and not vice versa.

USELESS RESERVES

BT: Overall, Africa has a huge pool of capital reserves, bigger than India's. Why is it that this resource is not mobilised by anybody?

AO: It is mobilised, but wrongly.

Most of our countries – again as part of the adjustment legacy – have been encouraged to accumulate reserves, enough to provide for a six months' cushion. So you look at the totality of your import needs, or at least the most essential things for keeping the economic engine running, and you accumulate a six-months' equivalent.

BT: It's something like 300 billion dollars across Africa.

AO: External reserves, coming from export receipts and the like. The way things are in our continent now, it does not matter if the schools are all collapsing, the roofs are blown off by a rain storm, the roads are all in a state of disrepair. Just accumulate the reserves

BT: Then your credit rating will be okay.

AO: Yes, because what is the purpose of the reserves? It is to guarantee that you can pay the debt. It's to guarantee that when foreign investors need to take their money out – they come and invest in quick things: stock markets, for example – you've already opened up your capital account.

For example, say the people who are running some equity funds sit in London and say, "Hmm, there's something interesting about Ashanti. Let's speculate." Then they all come in; it's a herd mentality. They shoot up the price of AngloGold Ashanti on the Johannesburg Stock Exchange. It goes through the roof, and then they say, "Time to take profits!" And, again like a herd, they all go and take profits at the same time. Suddenly the Reserve Bank is confronted with a huge demand for foreign exchange that needs to be transferred to London, to New York, and the rest. That can cause a shock if you don't have the reserves.

So these reserves are not used in a way that feeds into a productive logic. Infrastructure is decaying before our eyes. Our hospitals are in a state of shambles; you go there to die. And yet the central bank governor beats his chest and says, "We have 60 billion dollars in reserves. We have never done better in our history."

BT: And it's front page news that we are doing so well.

AO: And the conditions of living, the structures of production...

Electricity cannot even be supplied in some of these countries. We are sitting on 60 billion dollars of reserves when an industrial estate goes without electricity for two or three weeks, and start-up capital has to include your own generating sets. How can you be competitive?

BT: In Nigeria, the rich people have their own transport and water supply.

AO: Everything. The essential role of the state has been completely subordinated to this logic of serving finance capital and its speculative interest, and ensuring that things work for *it*.

If the citizens in the revamped Africa say that they want democracy and they want welfare states, then economic policy should be constructed to produce those things.

A certain middle class is connected to this kind of economy whose logic is a consumption logic. They just consume. And they are footloose; they cross borders. They say they are looking for "value" and they don't care where the product comes from, if it is China or wherever. In the meantime, you import cashew nuts when your own cashew nut plantations are not supported.

BT: Are there other kinds of capital flight?

AO: The most important and the most worrisome one for me is the fact that the investing classes in Africa do not themselves have incentives to invest in Africa. They are taking their money abroad. Increasingly, from what I know on the Nigerian side, they are investing in Dubai, in the Emirates, they are buying shares...

BT: So there's no patriotic bourgeoisie.

AO: It's gone. This speculative bourgeoisie? (laughs) This financial bourgeoisie can never be patriotic!

POLICIES MAKE POVERTY

BT: You are also critical of the Millennium Development Goals' emphasis on poverty. Could you explain that?

AO: In the context of all of the things we have discussed – the erosion of the productive capacities of African economies, the decimation of institutions of public policy-making and planning, the hobbling of the states, *all deliberate policy strategies that were pursued by the neo-liberals* – we have a situation in which the only game in town is "poverty alleviation". Every day, these policies are generating poverty. And then all these high-minded international people are saying, "We have to *help* Africa"? Maybe the solution is to tell them: "Do you mind? Just leave us." Let's sort ourselves out.

BT: But if you say "leave us", what happens in a country like Malawi or Mozambique, where at least half their budget is aid?

AO: True. But Malawi was not always aid-dependent. What led Malawi into this situation? We need to go back to the reform – so-called – of the agricultural sector of Malawi. The collapse of the Banda regime and the efforts to dismantle his dictatorship were used as an opportunity to dismantle everything that would have given rise to a proper agrarian middle class in that country.

BT: Would you suggest a steady reduction of aid dependence?

AO: It has to happen. I think for countries like Malawi, the best bet would be a regional agreement. Quite clearly, in its situation of dependence, there is no way the central bank can defend the Malawian kwacha. Even if the president of the World Bank himself was elected the governor of the Bank of Malawi, the structure in place is simply not going to be in favour of the country. As things stand today, Malawi is more or less governed by DFID [the UK's department for international development]. The power and influence of DFID officials – some of them straight out of school – is *so* massive and *so* unacceptable that maybe Malawi would even have a lot to gain within the broader SADC context.

> The essential role of the state has been completely subordinated to this logic of serving finance capital and its speculative interest.

You know, the current president of Malawi did something that actually saved the country from a severe food situation when he defied the World Bank and the donors. He said, "No, we are going to import fertilizer and we are going to sell it to our peasants at a subsidised price." All the experts rounded on him, but that's why he won the election. The rural farming community recognised that, for the first time in a long time, this was something in their favour. He subsidised seeds and fertilizer.

BT: Which was totally against structural adjustment.

AO: And they *really* criticised him for it. Then two years later, the World Bank said it was just as well he didn't take their advice because now, in the southern African food crisis, Malawi is at least one country that is doing relatively well.

FINANCING DEVELOPMENT

BT: What kind of policy do you advocate for development banking? What sort of development banks do you want to see?

AO: It's absolutely important for us late industrialisers. We only need to look at the experiences of a country like Japan, which was the first to play "catch up", to see how the financing of long-term projects will unleash the economic and social potentialities. Even the political opportunities to extend democracy require long-term financing.

BT: "Long-term financing" is how you define development banking?

AO: That is an integral element – and it's not simply short-term loans that are refinanced on a six-monthly basis.

BT: And are these banks recovering costs, or not?

AO: In most cases they are.

BT: How are they capitalised?

AO: The role of the state in their capitalisation is absolutely important. No developmental state is worth its name if it does not put development banking institutions in place to ensure financing for enterprises, particularly in the productive sector. I'll give you the example of the *chaebols* of Korea, which had access to subsidised loans[1]. The commercial rate then was around 15 percent. If you had a worthy industrial project, such as Hyundai or Samsung, you approached a development bank and the government was prepared to stand guarantee for you and allow you to get that loan at 7 percent. Half the rate.

BT: And over a long period?

AO: Yes. And the repayment terms were such that it enabled them to reinvest in order to develop innovations, all those things.

> Maybe the solution is to tell them: "Do you mind? Just leave us." Let's sort ourselves out.

BT: So the "cost recovery" catchphrase is a bad one?

AO: The World Bank used the notion of "cost recovery" to camouflage an increase in prices and the removal of cost subsidies. Subsidies are, in fact, integral to any process of industrialisation. They can be direct or indirect. Tariff policy is another way of subsidising. Say, for the next five years, we are not going to allow cotton and textile imports, except at the duty of maybe 25 percent.

You also give your local textile producers a timeframe, because there has to be discipline. It's not as if development banking means you have the right and the freedom to just mess around. No, no, no, no. Corporate governance has to be serious. The investors are not to just help themselves to the resources and buy yachts and private jets and all of those things. The waBenzi mentality! No, it's serious business, and the same thing goes for the agricultural sector.

THE FIRE IN US

BT: What you say makes so much sense. Why is this not popular across the continent, even among progressive intellectuals?

AO: I think in many ways we've lost something on the continent.

BT: Lost the battle?

AO: We've lost something. Maybe not the battle, but I think we've lost the fire in us.

I see many circumstances that could have produced a pessimism of will and intellect and a certain *laissez-faire*. Part of it is bad leadership. Many of us, including progressives, have been the victims of bad leadership, whether directly or indirectly. You begin to ask yourself what the point is. In some cases, when we are trying to get away from bad regimes, we also start to embrace bad economics or look for shortcuts. We build alliances with external institutions that have their own separate agenda and are actually more powerful than all of us combined. And we lose the plot in the process.

BT: Is it coming back?

AO: I hope so. This may be the significance of the crisis that began in the US in 2008 and spread through the more advanced economies. The end of the Cold War was marked with such triumphalism in the West. That was when five things were declared dead, by Fukuyama and others. They said it was the end of history, the end of ideology, the death of geography, the death of development and the death of inflation. Market capitalism was the only way. All of that has been shattered now.

BT: Do you think the revival of China and India and Brazil is going to help?

AO: Well, those countries have certainly revived themselves by breaking all of the rules of neo-liberalism. That is good news, and it connects back to what we said about policy space.

BT: Will it give Africa some impetus and hope?

AO: It should, it should. Clever policy makers will look at the ways China and India employed selective opening to good effect, to prepare them for entry into the global system. That's what we need to do in Africa.

NOTE

1. In Korea, a *chaebol* is a conglomerate of businesses clustered around a parent company, often owned by one family.

Globalisation and governance

gendering the discourse

By **Viviene Taylor**

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It is important to look at ways through which globalisation, governance and women's lives intersect to better understand how issues of gender justice are being accommodated, incorporated or co-opted. As far back as the 1980s, research showed that, while women are at the centre of production and reproduction processes, their needs and concerns are neglected. Evidence highlights that it is women's labour, waged and unwaged, that transnational corporations and others expropriate as cheap labour for production purposes. Together with the social care provided by women in households and communities the unfair burden placed on women reduces them to the instruments of development rather than participants in their own development (Sen and Grown, 1987).

In this paper I focus on three main points. First, I contend that we cannot examine globalisation processes without looking at governance. Second, I argue that economic globalisation processes determine the terms for both inclusion into the arena of governance and the acceptance of differences, and that these terms are being established in the global context of the dominance of the North. Third, I focus on issues related to increasing militarisation, state-sponsored violence and the impacts on women and identity.

GLOBALISATION AND GOVERNANCE

There is little doubt that terms such as "governance" and "democracy" are contested. In the post cold-war period of the late 1980s and early 1990s, the concept of governance gained increasing prominence in national and international discourses. As Rai (2004) states, there was a notable shift in emphasis from "government" to "governance". This, she argues, is in part a response to the needs of a gendered global capitalist economy that is shaped by discursive and material struggles against the consequences of economic globalisation.

While the underlying objectives and outcomes of different forms and processes of globalisation and governance are contested, the dominant discourse tends to homogenise, simplify and minimise the diverse and complex patterns of power that influence decisions at national and trans-national levels. This blurring of the complex forces and interests at work arises from many factors. Among these is the manner in which state and economic power is captured by elites and retained in both democratic and undemocratic systems of governance (Taylor, 2006).

Yet terms such as "globalisation" and "governance" contain assumptions about how power is distributed and used, and under what conditions. Even when we look beyond national state systems and examine issues related to global governance, there are assumptions about whose interests are being secured. Indeed, we may well ask whether it is possible to reach consensus within global governance institutions on development in a "global community" that does not exist and a form of "global management" that is not really about governing in the interests of the public good (Streeten, 2001).

Governance in the 21st century is increasingly concerned with managing a global market economy to secure the interests of global capital. This becomes clear when we examine decisions made within the multilateral institutions of the United Nations, the World Bank, the International Monetary Fund and the World Trade Organisation. These global institutions become the sites for contestation over whose needs matter and under what conditions. They are also the sites that concentrate power and influence and determine what rules and procedures are used to regulate economic decisions. It is in these spaces that the terms for inclusion and exclusion are determined and opportunities for the development of women and people living in poverty are constrained.

> Partnerships among governments in "the global war against terrorism" lead to opportunistic diplomacy that overlooks domestic oppression and human rights abuses.

At the same time, the policy environments at national, regional and global levels are dynamic and diffused. Governmental and inter-governmental structures, functions and responsibilities are changing to accommodate new information technologies and to respond to the risks and vulnerabilities generated through economic globalisation. There are new realignments at the global level, with states not only organising themselves around territorial geo-political issues but also building geo-strategic alliances with pivotal states around such concerns as access to and control of natural and other resources (e.g. minerals and oil). Partnerships among governments in "the global war against terrorism" also lead to opportunistic diplomacy that overlooks domestic oppression and human rights abuses in exchange for co-operation in the pursuit of "terrorists."

That globalisation has both negative and positive outcomes can no longer be ignored. The issue is whether states have the capacity to manage globalisation processes in the interests of previously excluded people. Just as the Universal Declaration of Human Rights declared a new era of global ethics in 1948, can this phase of world development transform our understanding of ethics to ensure gender justice, poverty eradication and sustainable development? Contemporary debates about the meaning of rights and their enforcement in the context of globalisation reinforce issues of governance and the ethical obligations of states (Lane, 2001).

The erosion of civil liberties and the unabated violence experienced in the conflict-ridden zones of Africa and elsewhere bring to the fore issues of human rights and ethical globalisation. Ironically, the pursuit of human rights and the rights of women is being used by some countries to justify military attacks against those that are said to host "terrorists". Demands for transparent, accountable procedures and protocols that will provide oversight of governance processes for both state organs and markets are now central to democratic practice and ethical globalisation.

GENDER DISPARITIES

Gender disparities under globalisation remain among the most pervasive of inequalities.

They are revealed most brutally in parts of South Asia, Southeast Asia, Latin America and Africa (UNDP, 2005). There is no doubt that women's labour is being used with impunity to make markets competitive and increase the comparative advantage of countries. Economic globalisation processes and human insecurity do not happen through osmosis or by accident. These conditions and other global crises cannot be understood or addressed without acknowledging the structural inequalities of the current world system and the significant role played by institutions of global governance (IMF, World Bank, WTO) in maintaining this system.

While gender is at the heart of these processes, other inequalities (racial, ethnic, spatial) are also at play. These inequalities are often mediated through existing and reconfigured systems of power within governments and inter-governmental organisations. Values, traditions and norms that are embedded in such systems privilege some over others. Using gender as a lens permits us to see how structural inequality works in the world, how it is institutionalised, legitimated and reproduced. It is in the disciplining and controlling processes of national and global governance that the spaces for promoting ethical globalisation and women's human rights become compromised. When it comes to issues such as militarisation and security, it is important to reframe and interrogate both the dominant discourse of governance and globalisation and how women experience these processes.

> Just as the Universal Declaration of Human Rights declared a new era of global ethics in 1948, can this phase of world development transform our understanding of ethics to ensure gender justice, poverty eradication and sustainable development?

Women's mobilisation against gender inequalities has resulted in some gains, especially through various UN conferences. But we are still trying to make sense of the ways through which economic globalisation intersects with new forms of colonialism, patriarchy, ethnicity and narrow nationalism. While these factors are mediated through both government and trans-national corporations in culturally determined ways, the mainstream debate on governance has been reduced to what kind of government is needed for the global market. The emphasis is on efficiency and how to engage with market forces in a competitive environment. The social dimensions of globalisation are ignored. Despite efforts to ensure that social and economic policy objectives work together, the global economic environment remains hostile to issues of social justice. "Good governance requires normative judgements to be made about what constitutes the legitimate acquisition and efficient use of power" (UNRISD, 2005: 181).

MILITARISATION AND CONFLICT

The increase in internal conflicts since the end of the cold war continues to jeopardise the survival, livelihood and dignity of a growing number of civilians. In 2000, of the 25 major armed conflicts, all but two were internal, with the large majority occurring in the poorest countries and more than half of these were in Africa. In addition to human suffering, civilian casualties and population displacement, internal conflicts destroy homes, economic assets, crops, roads, banks and utility systems. Amidst the accumulation of wealth in globalisation processes, there are ongoing struggles within regions for natural resources and economic and political power. While the issues that fuel militarisation and conflict are many and complex, in this section I focus on how threats are used to build political power and to promote national identity and citizenship, and how women portray their struggles for inclusion.

Issues of economic globalisation, governance and conflict result from a confluence of forces representing both internal and external power relations. Take, for example, countries such as Afghanistan, Iraq, Liberia, Sierra Leone and Somalia. Factors such as the availability of weapons and other instruments of war spur the political economy of conflicts in these countries and regions. Moreover, there is growing concern with the increasing role of military industries in peacekeeping and governance processes. Para-military and private security forces also play a role in destabilising democratic processes in conflict-torn countries. Violence against civilians, especially women and children, becomes acceptable in war and conflict situations, and terms such as "collateral damage" become euphemisms for what happens to them. Estimates that 53 major armed internal conflicts in the 1990s resulted in 3.6 million deaths (most of them civilian) highlight the human cost.

Statistics merely describe the situation. They do not tell the full story of the roots of the problem. Narratives of women and war illustrate how issues of nationhood, sovereignty and citizenship intersect. Moreover, it can be argued that increasing militarisation of states and the propensity for conflict go together. As Jeanne Prinsloo reflects, being a citizen of a nation-state and possessing a sense of identity as a national with certain loyalties to a country is not simply an accident of birth or naturalisation. She asserts that it is the product of continuous cultural and ideological work. When it comes to war and conflict, this becomes clear. Nationalism becomes inscribed as a masculine position within which citizenship takes on dominant and varied masculine identities (Prinsloo, 1999).

Jean Bethke Elshtain relates how her views on war, nationhood and identity crystallised after listening to hundreds of women share their war stories. A recurrent theme emerged from these stories – one of sacrifice. "The young man goes to war, not so much to kill as to die, to forfeit his particular body for that of the larger body, the body politic, a body most often presented and represented as feminine: a mother country bound by citizens speaking the mother tongue" (Elshtain, 1992: 141–142). This theme of sacrifice as a measure of citizenship can be traced to Rousseau and to Spartan conceptions of women's roles in war and citizenship. Elshtain's views compel us to look beyond the obvious and to examine other explanations for war and militarisation in contemporary society.

"War-constituted solidarity" is a powerful way for states and non-state entities to proclaim their sovereignty and identity and to gain recognition. "The state is free that can defend itself, gain the recognition of others and when citizens view the state as the source of all rights" (Elshtain, 1992:143). But in this view of freedom, the freedom of individual citizens from fear and want dominates, and the freedom to be is absent. The latter, *the freedom to be*, is vital when it comes to women's concerns for control over their bodies and lives and the assertion of their human rights.

Politicians externalise threats to communities and states as a way of legitimating unaccountable state systems, reviving surveillance and increasing militarisation. For these and other reasons, women increasingly challenge a state-centred view of rights and citizenship that emerges in the context of war and conflict. Women's everyday experiences in times of peace and conflict expose the brutality of the silent erosion of their rights. Where such erosion of women's and people's human rights occurs, there is increasing contestation around notions of patriotism and nationhood. In part, this is because the threats and violations emerge within national boundaries. In some instances, governments are both arbiters of security and violators of people's rights.

SOME CONCLUSIONS

The intellectual and political currents that propelled human development and security onto the international agenda have much to do with human rights, globalisation and governance. Alongside these is the growing recognition that contemporary processes of economic globalisation, underpinned by neo-liberalism, generate greater risks and insecurities especially for the poorest people. Existing institutions are inadequate to deal with such global problems.

Dominant discourses on governance and globalisation are framed in ways that disallow questions on how power is distributed and how control is maintained in economic and political systems. They also obscure how the violence that is inherent in the global economy is refracted through women's experiences within households and communities.

> The mainstream debate on governance has been reduced to what kind of government is needed for the global market.

Recognising that rights denied and multiple deprivations are the consequences of state and non-state actions, concerted effort is required to develop norms, processes and institutions that systematically address these problems. For example, there are critical gaps in the promotion and protection of human rights when it comes to the needs of thousands of women, children, internally displaced people and migrants. There are no clear agreed principles and protocols to secure their human rights. Nor is any international provision made for the effective monitoring of violations committed by non-state actors such as paramilitary forces and private security firms against women and civilians in conflict zones. These gaps need to be closed and attention given to ending the impunity of perpetrators of human rights violations. Equally urgent is meeting the survival needs of people living in poverty and deprivation.

> The freedom *to be* is vital when it comes to women's concerns for control over their bodies and lives and the assertion of their human rights.

Increasingly, the complexities of modern states and inter-state systems create rifts between individuals, households and communities. Often such rifts serve to subordinate or exclude the concerns and interests of the poorest, and women in particular, in public policy choices. Women's experiences in conflict situations and in post-conflict reconstruction and development processes are a major concern. Precisely because states and inter-state systems are gendered and women are not adequately represented in decision-making processes, their experiences and analyses are not often captured in the dominant discourse. It is therefore important to change this so that women and issues of gender justice become part of an agenda of inclusive development.

Amartya Sen (2002) emphasises the need to see the challenges of global equity and human development in a somewhat different way from the standard practice. He states that while the debates on global distribution often centre on the question as to whether "the poor are getting poorer while the rich get richer", attention must also focus on the fairness of the distribution of benefits. For even when the poor gain a little (rather than losing), the distribution of opportunities and benefits could be very iniquitous. The real issue, he claims, is whether there is equity in the sharing of the enormous benefits that can potentially be generated by globalisation.

Governments have a role in configuring and reconfiguring individual and collective identities, in shaping people's histories and promoting forms of nationalism that in turn influence public policy decisions on war and peace, gender

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> The real issue is whether there is equity in the sharing of the enormous benefits that can potentially be generated by globalisation.

justice and governance. An approach to development that is centred on human development and freedom is vital in these processes. Both civil society formations as well as state organs are beginning to focus on the importance of human development and freedom. A society's protection comes not just from safeguarding the state as a political unit, but also from access to individual welfare and quality of life. A countervailing force, based on informed debate, can play an important role in making authoritarian state systems and retrogressive forces accountable.

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NATIONAL PERFORMANCE

THE NATIONAL CORRIDOR PERFORMANCE MEASUREMENT (NCPM) CONCEPT WAS FIRST INITIATED EIGHT YEARS AGO WITH THE AIM OF EVALUATING THE OPERATIONAL PERFORMANCE OF TRANSPORT LOGISTICS WITHIN A GIVEN FREIGHT CORRIDOR. THE CONCEPT AND METHODOLOGY FOR NCPM HAS SINCE EVOLVED AND IS NOW IN THE PROCESS OF BEING FORMALLY IMPLEMENTED BY THE DEPARTMENT OF PUBLIC ENTERPRISES. FULL SCALE IMPLEMENTATION OF THE PROJECT WILL RESUME ON THE 1ST OF APRIL 2010 WITH THE FOCUS ON AUTOMOTIVE, BULK, CHEMICALS, CONTAINERS AND AGRO-PROCESSING PRODUCTS ACROSS THE KEY FREIGHT CORRIDORS WITHIN SOUTH AFRICA.

The NCPM initiative finds its origins embedded in the need to improve the competiveness of South African products within the global marketplace. In comparison with international standards South African freight logistics are regarded as costly and inefficient. These inefficiencies can be attributed to many factors, including poor business practices, a lack of appropriate infrastructure and insufficient or inappropriate regulation. Since the demand for logistics services stems from economic activities that are expected to grow in the future, improving the cost and efficiency of freight logistics has important implications for sustainable development in general.

South Africa has a number of freight corridors most notably the Johannesburg Durban corridor which carries the largest volume of goods in terms of value. The behaviour of this corridor is complex and the efficiency thereof results from the interaction of various role players with each other and with the environment within which they operate. Given this complexity the behaviour of the corridor can be influenced rather than controlled. The performance thereof is a function of decisions that are taken at different levels of the system, and from the perspectives of different role players with narrow interests. The purpose of a corridor performance measurement system is therefore to influence corridor behaviour at levels ranging from operational to strategic that will result in step improvements across a supply chain.

When considered from a systems perspective, the performance of the corridor is influenced by both the individual and collective behaviour of its components. At an individual level, company behaviour is for example driven by a need to maximise sales, or minimise costs. In the context of the entire supply chain, such behaviour often optimises the situation for the specific player, but merely shifts cost and does not necessarily optimise performance for the entire chain. For example, the focus of a service provider to optimise the utilisation of his vehicles could force manufacturers to carry more inventories, hence minimising cost for the service provider but adding cost to the total supply chain. At a collective level, performance is improved if the individual companies in the chain start collaborating to take costs out of the chain or improve the efficiency of the entire chain.

CORRIDOR MEASUREMENT

These might in some instances benefit some players more than others, but should minimise the total cost of producing a product, or improve the total efficiency of the chain, and as such make it more competitive in the global market.

If we consider for a moment the entire corridor, consisting of a number of supply chains, performance can again be considered from a different perspective. Assuming that the objective is to improve the export competitiveness of the corridor, and that it is defined in terms of the total value of goods exported via the corridor, corridor performance could be improved if incentives are created that favour the movement of high-value goods along the corridor. This will improve total corridor performance, but will be to the detriment of lower value commodities on the corridor.

The current level of maturity of industry suggests that firms are, on average, still focusing on establishing processes that work across silos within a firm, or that individual firms within a supply chain are beginning to collaborate with suppliers (and in some instances buyers) to optimise behaviour. True collaboration across a supply chain is limited, indicating that firms will in the near future benefit the most from interventions that focus on streamlining its interfaces with its immediate neighbors in the chain. From the perspective of improving system performance, collaboration-focused methodologies suggest the most effective way to improve corridor performance.

Performance measurement has been specifically identified as a tool to address these behavioural issues and inefficiencies for the following reasons:

- to ensure an appropriate model split between road and rail services;
- to ensure the effective utilisation of existing logistics infrastructure;
- to identify areas of logistics infrastructure that legitimately qualify for investment and upgrade;
- to address identified inefficiencies in an intelligent, systematic and constructive manner.

Performance measurement provides the mechanism required to address supply chain inefficiencies on an ongoing basis. It is capable of providing quantifiable answers to the questions of efficiency and capacity over both the intermediate and long terms. The aim of the project is to ultimately develop a detailed picture of the operational environment and its efficiencies. The first step in this process is to become customer focused. This requires a clear understanding of customer requirements with cargo owners, logistics service providers and Transnet – all members of the customer base that competes for resources.

By driving a focus that is truly customer focused the DPE intends to promote supply chain maturity within the transport sector and Transnet in particular.

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REPUBLIC OF SOUTH AFRICA

Developing countries **must lead the way**

By **Yilmaz Akyüz**

Roundtable on UN Development in Response to Financial Crisis

The author is a former director of globalisation and development strategies for the United Nations Conference on Trade and Development (UNCTAD). This article first appeared in *South Bulletin* (No. 38, 7 July 2009), a special issue on the UN Conference on the World Financial and Economic Crisis and its Impact on Development, 24–26 June, New York

While the outcome document of the recent United Nations conference is a strong statement of commitment by all UN member states to address some of the critical issues facing developing countries, the realisation of real solutions to these problems will very much depend on how developing countries lead the process for change.

For the developing countries, the objective of the UN's economic crisis conference was threefold:

- to reaffirm their need for adequate policy space in order to respond to the fallout from the crisis

- to discuss and reach an agreement on immediate policy actions to be taken by the international community in support of developing countries
- to identify shortcomings in the global financial architecture with a view to addressing them in a follow-up process in the UN.

Whether or not this agenda was initially shared by the governments from advanced economies, the outcome document, agreed by consensus, addresses all three, albeit with varying degrees of satisfaction.

On policy space, the document unambiguously recognises the right of developing countries facing severe shortage of foreign reserves because of the fallout from the crisis to use legitimate trade measures in accordance with relevant World Trade Organisation provisions. This presumably includes the right not only to raise tariffs within WTO-bound rates, but also to make recourse to balance-of-payments safeguard provisions. Perhaps more significantly, it recognises the right to impose temporary restrictions over capital outflows – something that is fully consistent with the International Monetary Fund (IMF) Articles of Agreement.

Regarding debt servicing, the document recommends negotiations with creditors for voluntary standstills. It does not go far enough in this respect; even the IMF board had recognised in 2000 that "in extreme circumstances, if it is not possible to reach agreement on a voluntary standstill, members may find it necessary, as a last resort, to impose one unilaterally".

INTERNATIONAL MEASURES

On international support measures, agreement could not be reached on the specific proposals made by the G-77, which had sought unconditional and adequate liquidity provision. These included a $100 billion no-cost special drawing rights (SDR) allocation (that is, international money-printing) for low-income countries (LICs) and a moratorium on their official debt, including deferral of principal and interest payments with no additional cost. For other developing countries, the G-77 had proposed a reversible SDR allocation of $800 billion, to be repurchased when the crisis is over.

> For the low-income countries, such an allocation would provide $70 per head. This compares with the $8 000 per head that the US has so far spent to deal with the crisis at home.

UN Photo/ Sophie Paris

These were sensible proposals, based on the most recent estimates of the Bretton Woods institutions of the likely foreign exchange shortfalls in developing countries. They would constitute "quantitative easing" at the global level, reinforcing similar actions already undertaken by some advanced countries at the national level. For the LICs, such an allocation would provide $70 per head. This compares with the $8 000 per head that the Unites States has so far spent to deal with the crisis at home. A moratorium on official debt is a part of the existing debt framework and has been used in the past, for example after the Asian tsunami. The SDR allocation to other developing countries draws some concern over possible inflationary impacts. However, this would not be the case now, or in the future, because reversibility means a built-in exit from liquidity expansion – a feature missing in recent intervention packages in the US and the European Union.

It is therefore quite disappointing that the conference could not reach agreement on these sensible proposals. This is not, however, the end of the issue. Since there is a follow-up process, these matters can be taken up and decided upon in coming months, perhaps as the first item on the agenda of the working group, particularly if it turns out that there are many more yellow weeds than green shoots in the global economy.

SYSTEMIC REFORM?

On systemic issues, the document is quite comprehensive. It recognises that the international economic system and financial architecture suffer from serious shortcomings. It identifies problems but, rightly, does not attempt to provide blueprints for solutions. This is left to the follow-up process.

It recognises the incoherence of the global economic system and the role of the UN as a co-ordinating body, even though the exact form such co-ordination could take is a contentious issue that is likely to give rise to heated debate over coming months. It further recognises that the mandates, policies and governance of international financial institutions, notably the International Monetary Fund, require an urgent reform. In fact, it puts a specific deadline for governance reform – something quite unprecedented. There is also a clear recognition that IMF surveillance needs to be even-handed and effective.

However, reference here is to surveillance over "major financial centres, international capital flow and financial markets", but not over the policies of systemically important countries. This is an area in which the IMF has constantly failed. The G-20 summit expressed its support for "candid, even-handed, and independent IMF surveillance", but without making specific recommendations as to how this could be achieved.

The document points to calls for reform of the existing international reserve system and recommends exploring the scope for a greater role for the SDR. Cognisant of the fact that countries enjoying reserve-currency status, notably the US, are unlikely to give it up voluntarily, it calls for consensus over methods and parameters of such an exploration. But it also points to regional arrangements which many developing countries have started to view as an alternative option in the event of failure to reform the global system.

The document puts much less emphasis on global regulation of financial markets and institutions than is found in the debate in the civil society and academic communities.

Several references made to debt sustainability in developing countries, including the threat that the current crisis poses, constitute a recognition that the initiatives pursued since the launching of the heavily indebted poor countries (HIPC) debt relief initiative in the mid-1990s have amounted to no more than a muddling-through process, unable to find a lasting solution. Although the document talks about seeking solutions "based on existing frameworks and principles", it is certainly cognisant of the fact that these may need to be significantly reformed to address the debt overhang – through what it calls "a more structured framework" which should, presumably, include orderly international debt workout mechanisms. Even though the document shies away from mentioning it explicitly, it has all the elements that could open the door to negotiations over such a mechanism in the follow-up process.

It puts a specific deadline for governance reform – something quite unprecedented.

AVERSION TO REGULATION

The document puts much less emphasis on global regulation of financial markets and institutions than is found in the debate in the civil society and academic communities. While the need for effective regulation and supervision is clearly recognised and recommended, the document expresses an unambiguous preference for national over international regulations. This is not just a reflection of a strong US aversion to multilateral disciplines in such areas. Many developing countries are concerned that a process designed to broaden the scope of global governance over finance may end up extending the global reach of financial markets, leading to a one-size-fits-all approach and considerable loss of policy autonomy for them, particularly when governance-related problems that pervade the multilateral system continue unresolved.

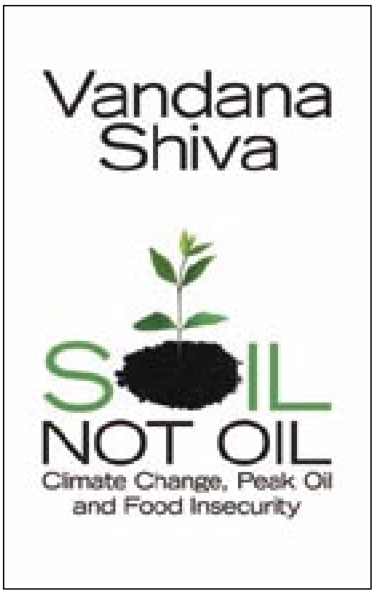
Briefly, the document is a strong statement of commitment, by all members of the UN, to actively engage in a common process of finding solutions to these three immediate concerns of developing countries, as well as other related issues. Whether it will lead to a structured negotiation over the international monetary and financial architecture or simply degenerate into the kind of hapless exercise typified by the UN Financing for Development (FFD) process remains to be seen. This very much depends on the extent to which developing countries own and lead this process. Perhaps there are reasons for optimism since, for the first time after recurrent crises and hardships, developing countries have begun to fashion a common vision of what kind of international monetary and financial architecture they should be seeking in support of development, rather than simply reacting to positions and proposals coming from governments of advanced economies.

Soil Not Oil

Climate Change, Peak Oil and Food Insecurity

Reviewed by **Collins Miruka**
(Walter Sisulu University of Science and Technology)

Vandana Shiva
Zed Books: London and New York, 2008. 144 pp



As in her previous works, Vandana Shiva treats climate change as a hot scientific and political topic, and especially so for the developing world. While books about the potential impact of climate change appear regularly, Shiva's readable style makes these complicated issues very accessible.

The book establishes clear linkages between social justice, climate change and food insecurity, avoiding what is unessential without overlooking key social and economic development issues. For instance, she ably demonstrates how the substitution of human energy by fossil-fuel powered machines creates "disposable people" and how food is denied to millions when the destruction of rural livelihoods is occasioned by increased farm mechanisation.

The book's title is beautifully unpacked in a compelling argument that climate change certainly has a human basis. This is narrowed down to the energy, transportation and industrial sectors as the chief sources of greenhouse gas emissions. She goes on to demonstrate how climate change has resulted in so-called "extreme events" – droughts, floods and tropical cyclones – the effects of which are so much more devastating when they occur in the southern hemisphere.

Even though the book is not a technical treatise, readers would have been better served with a detailed explanation of such sensitive topics as whether increased levels of carbon dioxide cause warming by trapping more solar radiation in the atmosphere or if warming is actually caused by increased absorption of terrestrial radiation. Similarly, a parallel between a glasshouse environment and the greenhouse effect is taken as given: yet in the physical sciences, we know that convective heat exchange is critical to glasshouse temperature but not global warming.

We all agree that food security involves both production and physical and economic access. What Shiva abundantly demonstrates is that, in the industrial paradigm, "productivity" means "labour productivity". The fewer human beings involved in production, the more "productive" a process is, even if it uses more energy and more resources and produces less per unit of inputs.

The book also synthesises various contradictions. For instance, global warming could reduce production in the tropics, where food security is often weakest. Rising carbon dioxide concentrations might enhance production, but incidences of extreme weather may increase. A more rapid rise in sea levels, caused by increased thermal expansion of the ocean and melting of terrestrial ice, may add to financial strains and reduce food access for millions of poor people displaced from coastal areas. These issues and other potentially contradictory relationships between climate change and food security have been given careful consideration in this short book.

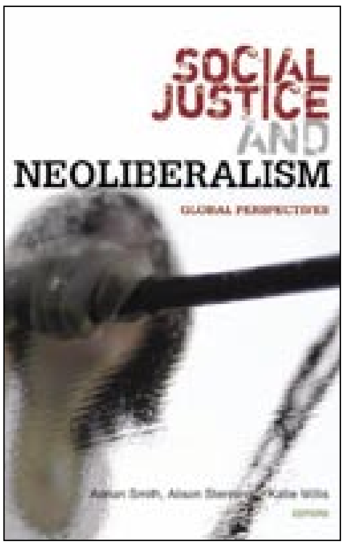
Soil Not Oil offers a penetrating analysis of the links between public policy and food security. Its strength lies in Shiva's ability to present a pithy outline of the Green Revolution, list its remaining needs and discuss important public policy issues, while at the same time engaging with relevant themes on climate change. Based on a food-security assessment model, coupled with a wealth of relevant real-world data and experience, she suggests that climate change is already reducing food production in low-income countries and cogently concludes that the social consequences of climate change are more adverse in parts of the world that are already struggling with high rates of poverty and malnutrition. The vulnerability of India and many parts of Asia to climate change and food insecurity is well argued and one readily sees similar consequences facing Africa.

Social Justice and Neoliberalism

Global Perspectives

Reviewed by **Salim Vally**
(Centre for Education Rights and Transformation,
University of Johannesburg)

Adrian Smith, Alison Stenning and Katie Willis (Eds)
Zed Books: London and New York,
2008. 253 pp



Following the tradition of critical geographers, *Social Justice and Neoliberalism* explores the expansion of neo-liberalism into different spheres and spaces of everyday life. It consists of a collection of essays by writers from the global South, the West and the former "communist" East. The essays are grounded in extensive and often longitudinal field work examining the lived experiences of neo-liberalisation in nine countries: Argentina, Peru, the UK, Ghana, Turkey, Germany, Poland, Slovakia and South Africa. They provide fine-grained and nuanced analyses of marginalised people and communities and their resistance to capitalism and its geographies.

Refreshingly, the case studies go beyond the economic to highlight aspects of social justice such as dignity, respect, and the emotional cost of commodification, insecurity and individualisation. The book identifies four interrelated themes: resistance to neo-liberalism; the forging of new identities, subjectivities and forms of democratic governance; the link between social justice and the impact of neo-liberalism; and experiments in alternative, non-commodified economic arrangements.

Resistance to neo-liberalism includes mass-based social movements, such as the living wage campaign in the cities of London and Manchester, but also localised and less ambitious initiatives. The latter include the barter networks organised in Argentina following the economic crash of 2001, in which local communities developed alternative currency forms and spaces for non-capitalist forms of exchange. The backdrop to this essay is a comment on the fickleness of a neo-liberal order that made it possible for Argentina to so rapidly move from the status of IMF "poster child" to "problem child". An essay on Turkish women garment workers in the small-scale sweatshops found in Istanbul's periphery, "Bargaining with the devil", deals with strategies of resistance that draw upon kinship networks and informal co-operation in the face of repression and the precarious nature of their work.

The second thread in the book relates how labour market restructuring and employment flexibility creates a discourse of "individual opportunities" alongside a "reality of labour market marginalisation and the emergence of in-work poverty". Dominant perceptions concerning hard work, reliability and application form a common theme. The chapter on young Turkish women workers talks of the perceived essential characteristic of "nimble fingers". Similarly, "Travelling neo-liberalism", a chapter on Polish and Ghanaian migrant workers in London, shows how workers find it nearly impossible to ensure a reasonable standard of living, despite their "hard work". This and other chapters also relate the international division of labour and its racial and gendered character – a reality that some political economists have called global apartheid.

The book also explores how neo-liberal policies are constituted through contingent social relations. They are seen (following Polyani) to be "embedded and enmeshed in institutions, economic and non-economic". To illustrate this dialectic, the essay "Confounding neo-liberalism: Priests, privatisation and social justice in the Peruvian Andes" considers the relationship between neo-liberalism and the "non-economic" through an account of the work of religious social activists.

The book concedes that some of the projects described might be attempts to create temporary conditions for a gentler, kinder capitalism. Still, it argues, such initiatives – although in their infancy and often contradictory – allow for the development of alternatives to rampant marketisation and commodification in that they "provide glimpses of present and future opportunities to imagine and enact alternative scenarios".

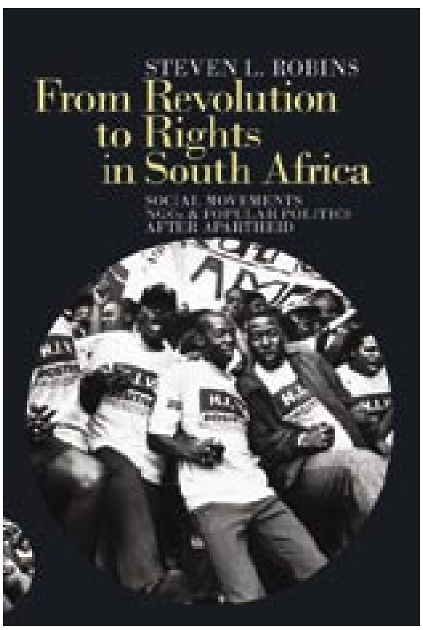
Given the profound nature of the capitalist crisis, even mainstream economists are acknowledging, albeit grudgingly, the failures of neo-liberalism. All those who continue to defend neo-liberalism, despite its obviously devastating effects on human beings and nature, will do well to read this impressive contribution.

From Revolution to Rights in South Africa

Social Movements, NGOs and Popular Politics after Apartheid

Reviewed by **Ben Turok**

Steven L Robins
UKZN Press: Scottsville
2009. 208 pp



This is a remarkable and original book. Robins, a social anthropologist with a deep interest in politics, uses studies of grassroots activity and organisation to identify the dynamics of political struggle and to draw lessons which might apply to a larger arena. The analysis is based on detailed case studies from many areas of South Africa, including remote rural areas, but this reviewer is more interested in the wider issues raised.

The book starts with a discourse on Western socio-political theories which seeks to explain widespread popular alienation from formal politics, and the role of NGOs and civil society in rights-based actions. The analysis expands to the Third World and distinguishes rights-based organisations from those that are community based. Turning to South Africa, Robins finds complex and hybrid struggles that include rights issues, community organisations and NGOs, as well as engagement with the state and its various institutions. Undoubtedly, state-society relations remain an important terrain of struggle. South African post-apartheid experiences lead to a different view of this relationship, bringing into question "the Western taken-for-granted assumptions about the individualising, fragmented and depoliticising nature of rights discourses... Instead they suggest the need for the recognition of the complex, hybrid and ambiguous relationships between civil society and the state that involve new negotiations around citizenship, identity and political subjectivity in particular contexts."

Robins argues that the post-apartheid movements have not become docile consumer groups but retain a wider agenda. Urban and rural poor struggles "straddle multiple nodes of belonging and affiliation that could include participation in democratic programmes of nation-building, rights and citizenship, alongside membership of global social movements and/or neighbourhood gangs, anti-crime vigilante groups, religious movements and neo-traditional authority structures." In South Africa, as in some parts of Latin America, "activists and citizens do not seem to believe that one form of political engagement (e.g. rights) should replace other forms".

More controversially, Robins suggests that the ANC has changed from a movement driven by the liberation politics of the national democratic revolution into a promoter of liberal democracy. The problem lies in his depiction of the organisation as a "liberal modernist struggle for democratic rights that began in 1912". A more historical view would recognise that the founding of the ANC had intrinsic values of national liberation, even if these were couched in terms of liberal democracy.

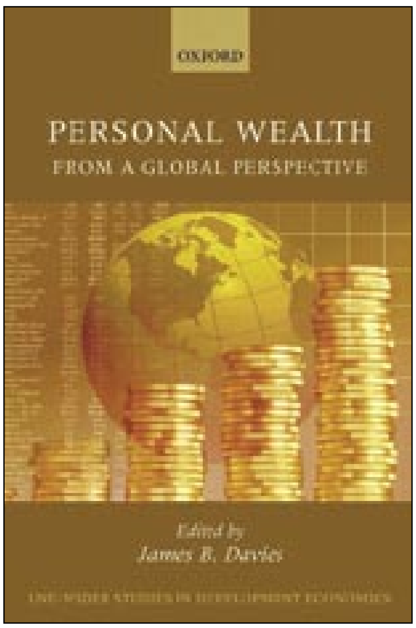
The fact is that the ANC has always placed the struggle for human rights at the centre of its objectives. When it became apparent that this struggle would require a fundamental battle with apartheid, the ANC became increasingly revolutionary in intent, ultimately positing the armed overthrow of the system. In the event, the negotiated settlement changed the terms of that struggle, but the ANC vision remains transformational and not confined to human rights alone.

The weakness of this section of the book is an almost total absence of reference to ANC documents. If Robins had consulted these more carefully, he would have found answers to the theoretical issues that bother him. Of course, it could be argued that the ANC has neglected to engage with scholars in these debates, but this does not absolve the scholars from doing the research.

Personal Wealth
from a Global Perspective

Reviewed by **Robert Schrire**
(Political Studies, University of Cape Town)

James B Davies (Ed)
Oxford University Press: Oxford
2008. 467pp



Although there is a rich literature on the comparative distribution of income and the threat that racially based inequalities in South Africa pose to the quality of democracy and political stability, we know very little about the distribution of personal wealth. And yet wealth may be more important than income in shaping the quality of a person's life.

In part at least, this vacuum is the result of methodological barriers. While income is relatively easy to measure through official statistics, "wealth" is far more difficult to quantify as it includes ownership of property, capital, savings, shares and businesses. *Forbes* magazine's list of the super-rich includes the self-made wealthy, such as Bill Gates and Warren Buffet, while few of the "old" rich make the list. Does this reflect the size of recent fortunes, or is it a reflection of old money's ability to hide itself from public scrutiny (and hence taxation) through trusts, offshore or third-party accounts and dummy corporations?

This important study was undertaken for the United Nations University by a group of scholars from many countries, including Russia, China, the US, Brazil and South Africa. Although titled a "global perspective", most contributions focus on states in transition and the developing world, which makes the findings of particular relevance to South Africa.

It examines a wide range of important topics, including the importance of gender, land reforms, and wealth in the informal sector. How wealth was created is also significant. In many societies, it has been through technological innovations, for instance Google and Microsoft in the US. In Russia, however, vast wealth transfers took place when state assets were "privatised". In 2004, the 26 wealthiest Russian tycoons had an estimated combined wealth equivalent to 19 percent of the total GDP – and none of it was created through market-based entrepreneurial activities!

Disturbingly, the distribution of wealth is found to be even more unequal than the distribution of income. The authors estimate that the global Gini index of wealth inequality is a staggering 0.89, significantly higher than that of income distribution, estimated at approximately 0.70. All societies, including democracies, are characterised by massive wealth inequalities that must influence the quality of their governance. In Switzerland, the top 10 percent control 71.3 percent of the nation's wealth, while a mere 1 percent controls 34.8 percent. Globally, the study estimates that 1 percent of the population owns 40 percent of global assets.

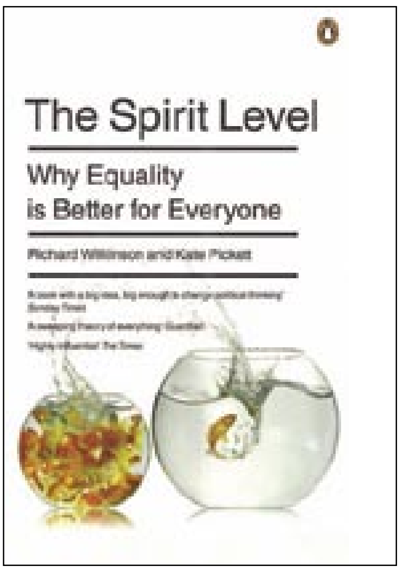
Wealth inequality has several dimensions, including inequality within countries and inequality between countries. The book does not provide any detailed estimates of the distribution of wealth in South Africa, but if income distribution is a reliable indicator of the distribution of wealth, then South Africa must be at or close to the top of the league of unequal states. The irony of the stability which the ANC has brought to the South African political economy is that it has contributed to a remarkable boom in property and share prices that has significantly increased wealth inequalities. And if policy makers have found it difficult to reduce income equalities, the mind boggles at the thought of attempting to reduce the assets of the truly wealthy.

The Spirit Level

Why More Equal Societies Almost Always Do Better

Reviewed by **Ivan Turok**

Richard Wilkinson and Kate Pickett
Allen Lane: London
2009. 340 pp



The challenge of inequality is one of the most fundamental facing the country. Recent research by Haroon Bhorat at UCT suggests that South Africa may have become the most unequal society in the world. The Gini co-efficient increased from 0.64 in 1995 to 0.69 in 2005. Moreover, the richest 20 percent of the population now accounts for 75 percent of total expenditure. The main reason for the rising inequality is that people at the top end of the distribution – mostly whites – have gained most from recent economic growth.

While this may be regarded as a serious moral concern, does it really matter for wider social and economic reasons? From a meritocratic perspective, where people are rewarded for their hard work and investment in education and training, some degree of inequality may be fair and beneficial if it reflects individual skill and effort. But even in this account, inequality is detrimental if it results from inherited wealth or unjustified discrimination based on factors such as race and gender. From the perspective of market economists, inequality provides incentives to individual enterprise and risk-taking, which is deemed to underpin an efficient and prosperous economy, thus improving society as a whole through higher incomes and opportunities for all.

For Wilkinson and Pickett, these arguments are outweighed by the serious social costs of inequality. They argue that the social context of poverty is crucial, including the subjective feelings and attitudes of poor people relative to wider norms and standards. People are poor mainly in relation to the wider society, not independently of their social environment. The authors show that the social and economic distance or stratification between groups is more important than the absolute level of income in determining well-being. This is because health and welfare are influenced by "psychosocial" factors – whether people feel valued and respected by others, in control at work and in their domestic lives, and enjoy strong friendships. Reinforced by gaps in material wealth and consumption, large differences in social status damage self-esteem and contribute to a range of stress-related diseases, obesity, addictions and even violent crime. Many of these costly problems are not confined to the poor, but apply across society as a whole. It is well known that poverty harms those who suffer from insecurity and poor diets, but Wilkinson and Pickett show that it creates greater anxiety and depression, poorer social relationships, worse health and higher mortality for society *overall*. Hence, they argue that greater equality makes everyone better off.

This is a fascinating and well-researched book that should be read by all cabinet ministers and corporate bosses. Wilkinson and Pickett's evidence that inequality is socially corrosive is strong and persuasive. The relationship between equality and *economic* outcomes may be more complex and certainly requires further scrutiny. The policy implications of these findings also need much greater analysis and public debate. Increasing employment and improving basic education are certainly part of the response because of the multiple benefits for individuals, communities and the economy. And yet, in an increasingly globalised economy, governments claim to have less freedom to introduce more direct forms of redistribution.

Economic development and transition

Thought, strategy and viability

Reviewed by **Harry Zarenda**

(Economic and Business Sciences, University of the Witwatersrand)

Justin Yifu Lin
Cambridge University Press: Cambridge, UK
2009. 170pp

This book consists of the 2007 Marshall Lectures presented at Cambridge University by Justin Yifu Lin, senior vice-president and chief economist of the World Bank. It is heavily influenced by recent dramatic successes of economic reconstruction, in China particularly and to a lesser extent in Vietnam. Its dominant theme is the shift in the Bank's approach to viable development strategies for governments from the more simplistic Washington Consensus of the 1990s.

Lin's major argument still follows a faithful adherence to orthodox policies which are "comparative advantage following" as opposed to "comparative advantage defying". His central message, however, is that governments have to play a crucial facilitating role in this process, unravelling the distortions of previous non-viable industrialisation strategies and encouraging firms to enter sectors that were suppressed by such failed strategies.

This thinking stands in stark contrast to the "shock therapy" remedies the Bank insisted upon during the last two decades of the 20th century. China and Vietnam (and much of Southeast Asia, for that matter) did not follow these adjustment policies and achieved substantially higher rates of growth than those countries which did.

Lin appeals for states to take a more pragmatic dual approach to exploiting comparative advantage, rather than the dogmatism exemplified by more simplistic "free market" philosophies. The argument is backed up by an extensive bibliography that reflects the new thinking, and detailed statistical data on a variety of countries. An elegant mathematical "dual economy" growth model serves to formalise Lin's persuasive argument regarding the key ingredients for redefining a role for the state in its pursuit of successful development and industrialisation strategies.

Africa

The Politics of Suffering and Smiling

Reviewed by **Philip Nel**

(Centre for Africa Studies, University of the Free State)

Patrick Chabal
UKZN Press: Scottsville;
Zed Books: London
2009. 212 pp

Circumventing the pitfalls of classical political theory, Patrick Chabal offers a fresh look at contemporary African politics. His point of departure is a socio-political theory that gives centre stage to how people live and how this affects (and is affected by) political realities and discourses: "a sense of the politics of ordinary lives in today's Africa".

His approach unfolds a natural development cycle. A mapping of the core dimensions of life, identity and sociability (the politics of *being*, *belonging* and *believing*) is followed by analyses of how individuals manage their political and economic opportunities and challenges (the politics of *partaking* and *striving)* and the resourcefulness of people to deal with the difficulties of everyday life in Africa (the politics of *surviving* and *suffering*).

The author explores the importance of origin and identity (including the ways people belong to multiple groups), and how these, and their underlying belief systems, impact on political realities and decision-making processes. Although morality, rationality and reciprocal obligation play a role in all political systems, the author claims that the complexity of these three factors complicates the African political scenario in ways routinely ignored by political theory.

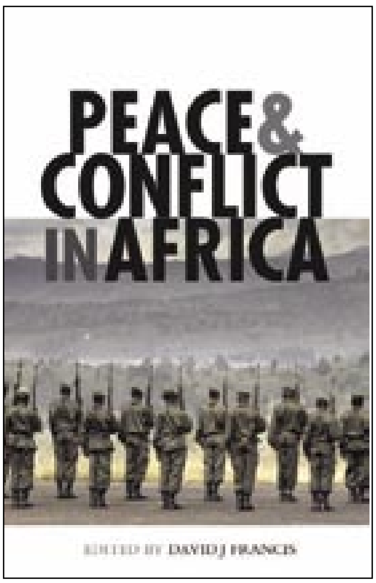
Chabal also considers the civic nature of political participation, aspects of Africa's political economy from the perspective of the aspirations of individuals and groups, and the ingenious ways people manage to survive, often relying on their social capital. He provides a human face to the hardships and suffering caused by politics, and shows how these inform political decisions.

By trying to understand African politics from the bottom up, Chabal provocatively challenges political theory to take a serious look at what constitutes political meaning in Africa and how the interpretation of meaning is informed by socio-cultural dimensions. Irrespective of its occasional paintbrush generalisations of African realities, this work has the potential to transform mainstream political analysis.

Peace and Conflict in Africa

Reviewed by **Eve D Mafema**
(Sociology, University of Nottingham)

David J Francis (Ed)
Zed Books: London and New York
2008. 242 pp



Peace and Conflict in Africa is in a league of its own, written by authors who are interested in Africa and have first hand experience in peace and conflict research on the continent. It threads together academic viewpoints, peace analysis, and indigenous (local) approaches to conflict resolution. The book makes a fantastic attempt to document and analyse the civil wars in Somalia and Congo, the rampant corruption and poverty in Sierra Leone, and the humanitarian crisis in Sudan.

The authors highlight the challenges to security caused by prevailing poverty, underdevelopment and the failure to meet the millennium goals, as well as the HIV/AIDS pandemic. This is further compounded by the debt crisis, continuous eruptions of civil wars, and political instability.

Editor David Francis sets the tone by outlining the context of peace and conflict in Africa, highlighting that peace and conflict go hand in hand, and that the two concepts are influenced by what is happening in a particular country at a certain time. The book also contests dominant theories of conflict and lays bare traditional approaches to peace-building and conflict resolution, such as the use of *ubuntu* for peace-making in the rural areas of southern Africa. While Tim Murithi's chapter contrasts indigenous and endogenous perspectives, Isaac Albert concentrates on African approaches through a philosophical lens. He educates the reader on how Africans use proverbs, songs, elders and traditional leaders' cultural systems together with folklore and religious beliefs to resolve conflicts.

There is evidence that indigenous peace and conflict solutions work at some levels, but these methods have been neglected. Liberal peace projects imposed by NGOs, governments and international organisations neglect traditional methods and push for a model of democracy intended to shift societies from violence to peace and to promote sustainable economic growth. The authors suggest that a liberal peace project will only have impact in Africa if it is inclusive, empowering and brings in indigenous methods to manage conflicts and build peace.

In Rwanda and South Africa, for example, both traditional and modern reconciliatory approaches have been used to find a link between democratisation and the challenges for peace and conflict. It also illustrates how global pressure on countries to practice democracy can aggravate undemocratic policies and conflict, for example in Zimbabwe and Eritrea. The book concludes by recommending that African leaders should not scapegoat the West for their problems, but should look for pragmatic long-term solutions to conflict in their countries.

Peace and Conflict in Africa is a groundbreaking work that offers a thorough understanding of conflict resolution strategies and interventions in Africa. I highly recommend it to anyone interested in African history and peace studies. The book will be invaluable to African leaders who wish to take pragmatic steps to change the lives of their people.

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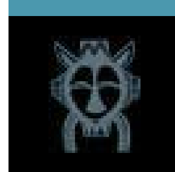

Oil and gas exploration in South Africa set to take off under new enabling legislation!

CEO: MR MTHOZAMI XIPHU

Speaking at the recent Africa Upstream Conference and a business seminar hosted by the Norwegian Embassy during the 2009 state visit, Petroleum Agency SA CEO, Mthozami Xiphu, gave clear indications that the stage is now set for the resumption of international and local exploration of South Africa's geological basins for oil and gas.

"we are now in a position where all uncertainties regarding our investment incentives have been resolved. After a period of relative inactivity in offshore exploration, we now expect the imminent resumption of exploration programs by our international offshore operators and explorers"

The Royalties Bill has been passed into law, and brought into effect. Under the new Mineral and Petroleum Resources Royalty Act, royalties for petroleum are based on profitability. The minimum rate is 0.5% while the maximum is capped at 5%. Royalties payable are calculated by applying a formula to the ratio of operating income to gross sales of unrefined product for the year of assessment.

Changes to the Income Tax Act under the Revenue Laws Amendment Act, entrench the generous deductions allowed, while the costs of acquiring a right are now also deductible.

The issues of state participation and the participation of Historically Disadvantaged South Africans in the upstream industry have now also been clarified. The state retains the option to take up a 10% interest in petroleum production operations, to be exercised through the national oil company, PetroSA. A further 10% interest shall be made available to Historically Disadvantaged South Africans, and, in the event that such a partner cannot be found, PetroSA shall have the option to take up this interest also. The Minister may waive either of these two equity stakes should she feel that it is appropriate to do so.

The clarification of all investment incentives has raised the interest of international exploration companies in South Africa, and the recent license round attracted successful bids from Shell International Exploration and Production, and Silver Wave Energy, Pte. These companies have submitted bids for previously unexplored areas. Other companies involved in offshore exploration for oil and gas in South Africa include Forest Exploration International of Denver, BHPBilliton Petroleum, Global Offshore Oil Exploration, Sasol Petroleum International, Q Venture Development, Pioneer Natural Resources, CNR International, New African Global Energy and of course South Africa's national oil company, PetroSA.

A major event for the west coast Orange Basin during 2009 was the signing of a Production Right with Forest Exploration International and its joint venture partners, over the Ibhubesi Gas Field. During its exploration campaign, Forest has drilled 8 wells in this field with tests demonstrating very good rates of production. Exploration to date represents an investment of about US$100 million besides monies paid to our Upstream Training Trust. The Ibhubesi Joint Venture has submitted a development plan for the gas field that envisages a multi-billion dollar investment over a 20 year period.

Onshore, applications to explore for coal bed methane continue to increase. The Agency has received over 140 applications and there are currently about 40 granted Exploration Rights. Interest in coal bed methane is obviously concentrated around the coal bearing basins in the north eastern part of the country. Major players include Anglo Operations, NT Energy Africa and Badimo Gas.

A relatively new development is the interest developing in deep seated "central basin" gas. The Agency has recently granted two Technical Cooperation Permits that will result in large regional studies aimed at determining prospectivity for such gas in the southern part of the Great Karoo Basin.

SOUTH AFRICAN AGENCY FOR PROMOTION OF PETROLEUM EXPLORATION AND EXPLOITATION

PETROLEUM AGENCY SA