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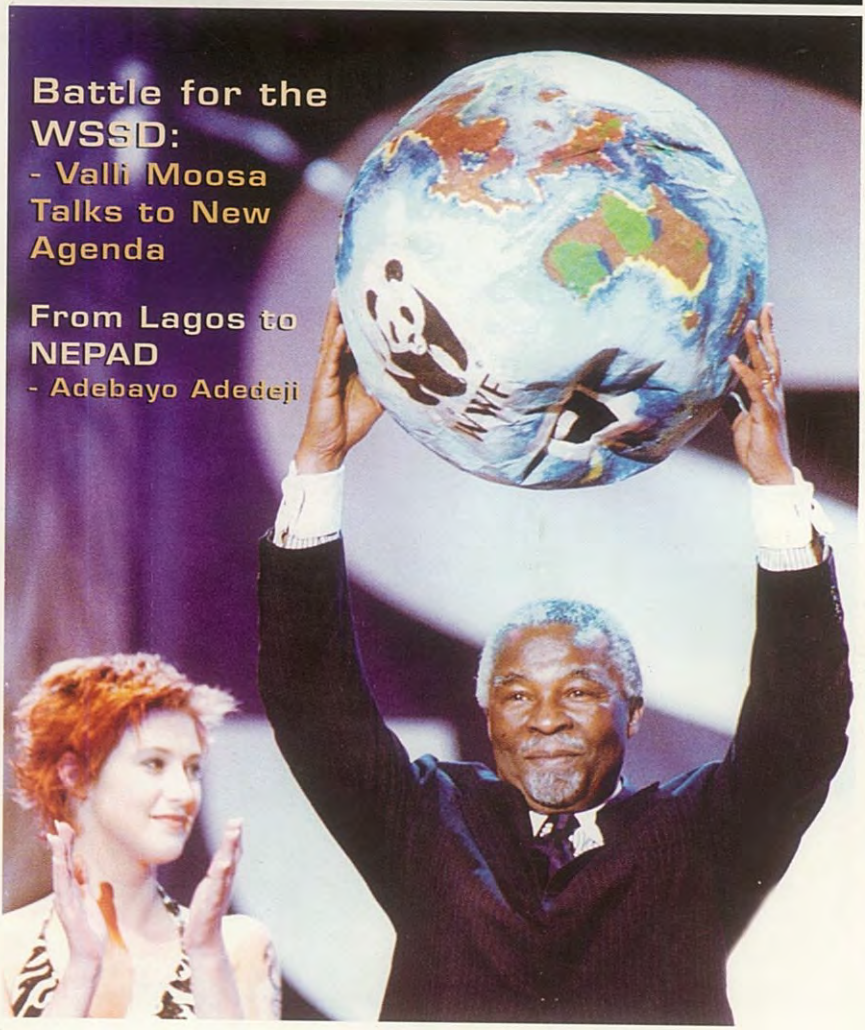
South African Journal of Social and Economic Policy



Battle for the WSSD:
- Valli Moosa Talks to New Agenda

From Lagos to NEPAD
- Adebayo Adedeji

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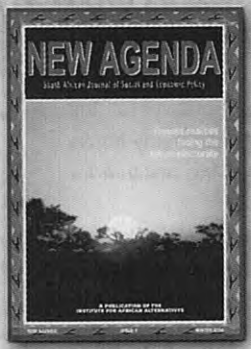

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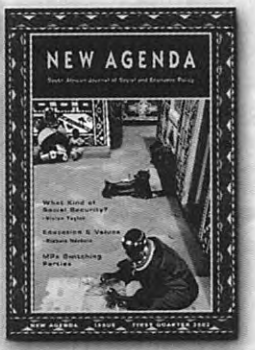

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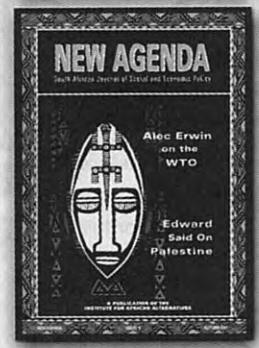

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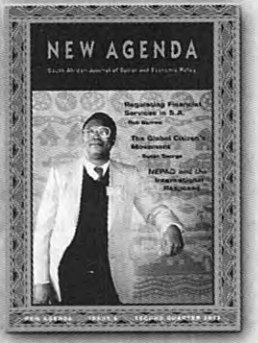

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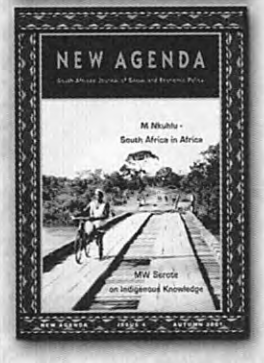

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EDITORIAL OPINION

STRANGE SILENCE FROM THE LEFT

By Ben Turok

"Strange Silence From The Left - Free enterprise flaunts its failings and social democrats say nothing". This was the headline in the UK Guardian (July 15, 2002) to an article by the former Deputy Leader of the British Labour Party, Roy Hattersley. He was referring to the lack of reaction from the Left to the fraud attributed to six major US Corporations, Qwest Communications, WorldCom, Enron Corporation, Tyco International, Computer Associates and ImClone Systems.

Hattersley argued that the activities of these companies have demonstrated how fallible free enterprise is, and the world's social democrats have said not a word. He goes on to attribute this silence to a crisis of confidence. Yet, unregulated capitalism which urges that "greed is good" has revealed its fundamental flaw.

Since South Africa also seems in the grip of new drive for greed and unbridled acquisitiveness New Agenda thinks it fit to comment on the US crisis and to warn against rapaciousness in business. We shall attempt to commission as much material as possible on the full impact and consequences of that crisis in all its dimensions in future issues.

This is necessary not only because of the scale of the financial aspects of the crisis on Wall Street, but also in order to assess the wider fallout in its social and political dimensions, since it seems that these aspects have received scant attention, as Hattersley has indicated.

There are many aspects to the events in the US which have been described in outraged detail in Time magazine. On June 8, Time's cover screamed: "The Wickedness of Wall Street." July 22 carried similar strong language. We set out some of the dimensions below

Executive Greed

Time speaks of "the ills of personal greed, lousy accounts and inadequate surveillance," "overall bestrode the arrogant investment bankers of Wall Street who peddled dubious shares to gullible investors." An example of the scale of looting by business executives is Scott Sullivan, the 40 year old former chief

financial officer of WorldCom, who received $49.4 million in salary, options and shares. The company suffered a $3.85 billion accounting fraud which led to the group's collapse. Sullivan was last seen in handcuffs in the grip of two policemen. That this was no isolated case was shown by the Financial Times which recorded that the 61 top managers of the biggest recent corporate collapses amassed a staggering $3.3 billion from shares, payoffs and other rewards.

A senior executive of the world famous Merrill Lynch "abused Internet firms as 'crap' and 'shit' while simultaneously issuing research reports that urged investors to buy their stock". This is because analysts get "huge rewards" for promoting services.

Accounting Tricks

Time says that "it was the investment banks that supplied much of the financial alchemy that firms used to hide the truth - such as Enron, with its various off-balance sheet financial structures." WorldCom was "the biggest bookkeeping deception in history" It overstated earnings by $3.8 billion over five quarters. It simply treated routine expenses as capital investments. Yet, it paid $4.4 million a year to Andersen to certify that the books were honest. Its accountants have been ordered to refrain from Enron-like paper shredding. "With Enron, the tricks involved complicated partnerships, off-the-book debt and exotic hedging techniques that made the firm's financial results difficult to assess even for pros. It also managed to give an executive a golden handshake $1.5 million a year for life.

Loss of Trust

Time dealt extensively with the widespread loss of trust by the investing public. Most Americans see a pattern of deception by a large number of companies. In one survey, more than half of corporate chief financial officers said they had been pressured by their bosses to cook the books. Since half of all households are investors the impact is almost universal. The plunge in WorldCom shares has cost investors $175 billion. These include pension funds and mutual-funds investors so that many pension payments are now reduced by a third. "Investors have lost confidence in Wall Street's ability to act as an honest broker". "Many individuals who flocked to the stock market during the second half of the 1990's are now giving up en masse." A net $10 billion was withdrawn from US stock funds in June alone.

A survey of wealthy Americans found that two-thirds did not trust the managements of publicly traded companies and three-quarters had little faith in

the integrity of financial statements. Hence Americans are making more investments abroad. This partly explains why the markets have fallen below the levels of September 11 and are now in the "most bearish forests in a generation."

The loss of self-confidence is spreading to non-business activities. A survey showed that 82 percent of Chief Executives admit to cheating at golf. One executive said "We're in a period of Watergate, and Nixons are popping up all over." Executives "manage the stock price instead of the company," as their business falls into bankruptcy and the layoffs pile up, "they float away on golden parachutes - or yachts bought with company loans".

Political Fallout

Time says most Americans do not hate the rich, they rather envy them and hope to get there themselves. The most common thread in conversation is about "the level of comfort". But now the tide is turning. "The corporate criminals among us, the swindlers and profiteers, are now described in language once saved for Bin Laden's legions... while the public did unite behind its leaders in the face of the terrorist threat, we have less faith that they can protect us against the villains we planted and watered in our own backyards."

"By now people know that capitalism is a spectacle of hope and greed and guts and guile, all racing to the bottom line. That is its genius, but without guardrails, the whole contraption can take us over a cliff."

Says Time: "This is a summer not of one scandal but of many - the Roman Catholic Church, the FBI, and football players on steroids."

The Media

No one is left off the hook. Time says: " The media, especially the business and technology press and financial chat-shows on television, played its own dishonourable part in helping to inflate the bubble".

Job Losses

US firms have cut 1.71 million jobs since the recession began last year. When Enron filed for bankruptcy it employed 28,000 of whom 12,600 have been dismissed. WorldCom employs 80,000 and laid off 17,000 workers. Total direct job losses have been estimated at 100,000. Manufacturers expect to hire 51.7 percent fewer graduates this year. Fully one third of Americans between 50 and

64 have decided to delay retirement because their assets had shrunk in the market.

The Future

Unlike some of the financial press who play down the severity of the crisis, Time says, the dollar is falling. Stocks are in a swoon. Foreigners are calling home capital. Corporate insiders are dumping shares by the bucketful. Individuals are redeeming mutual-fund shares. Pension funds are being socked. Banks are taking loan-portfolio hits. This is all a direct result of the spreading collapse of confidence in US companies and the executives and board members who run them - a crisis that threatens to untrack a fragile economic recovery. "The likelihood is that the depression will continue for some time, and that the recent rounds of job cutting will not be the last".

A columnist says: "each new revelation of creative accounting and vastly overstated earnings is another blow to the credibility of Corporate America. The prospects for a robust recovery in both the stock market and the economy look dimmer. We are painfully disillusioned and more than a little frightened. Something in the vaunted US version of capitalism seriously stinks.... the American economic miracle was partly based on smoke and mirrors."

The British Press

While the outrage of Time is expressed in very strong language, the more controlled London Financial Times is not far behind in the vigour of its exposure as a result of a special survey of the 25 largest US public companies to go bankrupt since January 2001. On July 31, 2002, it wrote extensively about the "barons of bankruptcy" "who made extraordinary fortunes even as their companies were heading for disaster... walking away with $3.3bn, the bulk, $2.9bn came from share sales." Gary Winnick of Global Crossing grossed $512m with rewards typically coming from discretionary bonus payments, retention bonuses, severance payments and foreign cash loans. They comment: "the magnitude of these gains raises questions about the balance of risks and rewards in American capitalism."

The loss of jobs in the US is aggravated by the loss of savings by innocent Americans who got caught up in the hullabaloo of stock exchange frenzy. Not only have millions of small investors lost their carefully harnessed wealth, but millions more have lost up to 30 percent of their pensions through the losses incurred by the pensions funds which led much of the spree on Wall Street.

While at first it seemed that Wall Street turbulence was merely a manifestation of share speculation, serious economists now admit that "the market is not disconnected from the real economy. This means that we must also look at the performance of the economy in order to understand the depth of the crisis. And we shall learn much more about the crisis as the social impact is revealed. Of the political effect we can only speculate at present, but it will clearly be substantial."

The commonly held view is that the economy has shown sustained growth in recent years and that free market economics is always associated with a business cycle, so recovery is inevitable. But some economists have their doubts. The prospects for a return to growth on the previous scale are limited by the large debt overhang and the size of the trade deficit, so that the US is dependent on foreign capital inflows. Time says: "America has had to rely more heavily on fickle short-term capital flows, into bonds and equities, in order to finance its current-account deficit, to the tune of 91 percent in 1999. But in 2002 this was down to 43 percent, showing a loss of confidence in the US."

World concern now goes beyond the US. The London Financial Times comments editorially that "there is little hope for a quick recovery in the eurozone....Japan's domestic economy continues to be sickly... global economic stability still relies on US households." (July 18, 2002). We have seen how fragile that kind of demand has become.

Will Hutton, in his recent book, The World We're In, speculates that these pressures will force the US to adjust its ambitions and living standards with nasty consequences for the rest of us as the US seeks to minimise the damage by imposing new rules and economic behaviour on the rest of the world.

President George W Bush is working hard at appearances though his administration's credibility has taken a bad knock because of revelations of their own sharp business practices which "were legal but on the wrong side of the new corporate morality he is now preaching.". We hope that Bush will not seek to redeem himself by foreign adventures in Iraq and other places, in order to deflect attention from the financial crisis and to give yet one more boost to domestic military spending which looms so large as a bulwark in the economy. Says Time: "Maybe it was just a coincidence that Attorney General John Ashcroft told us there could be thousands of al-Qaeda sleepers lying in wait for us. But then maybe it wasn't. Maybe the threat becomes a blessing, keeping people united against a common danger and forgiving leaders who face challenges greater than their balance sheets?"

What lies behind the shambles in Wall Street? Some profound answers are given in Will Hutton's book, which compares and contrasts US capitalism with that of Europe. Hutton shows that the US economy was built on the principles of the free market and on freedom of the individual unrestrained by substantial concerns about the public realm. These principles feed into the recent Wall Street bubble as wealth and stratospheric incomes are portrayed as the just reward for individual enterprise. The object of companies is to maximise profits for their shareholders, and every decision by executives has the sole objective of increasing share value, bringing instant riches to the owners and especially to the top executives who have somehow given themselves additional shares.

Yet wealth creation is a social act, argues Hutton. Companies that last and prosper are motivated by a vision of their purpose that transcends shareholders' immediate profits. And they relate to government in a creative arrangement which allows government scope to express social concerns and preferences. Hutton believes that Europe's capitalism has now evolved into a more humane and better functioning system, concerned about property, equality, social solidarity and the public realm, in a way quite different than in the US.

For an understanding of our present world order there may be no more important debate. Europe's GDP is now greater than that of the US and European unification is proceeding apace to the point where it looms as a new superpower in competition with the US.

But the more immediate lesson for us is what kind of economic model we are to follow in South Africa. Are we to accept the logic of the rampant free market capitalism of the US? Can we accept that our bank directors should earn R3.6 million a year, that the average earnings of executive directors in South Africa went up 23 percent last year - three times faster than inflation, 12 times faster than economic growth and three times faster than the wages of the lowest paid workers in their companies ?

Or are we going to base our policies on the traditions of the ANC, which place high store on what Hutton calls the "public realm", which in our terms means a proactive government and a strong developmental state?

President Mbeki sends a signal in a Letter From the President (26 July 2002) where he quotes the Nel Commission, which "revealed an astonishing degree of dishonesty, inefficiency, lack of professional integrity and lack of independence on the part of some of the auditors... some of whom are from the most prestigious internationally affiliated firms" but which led to large losses by the public.

The crisis in US capitalism creates an opportunity for South African critics of rampant capitalism to debate our own way forward. This becomes even more necessary in the light of Black Economic Empowerment based on share acquisitions, business partnerships and the manipulation of ownership structures. Most South Africans strongly support the deracialisation of our economy, since we know too well the consequences of wealth concentration in the hands of a white elite. But does the co-option of black business executives into the realm of private corporations give us confidence that greater integrity will prevail?

The future of South African capitalism is in the melting pot, waiting for political theorists to examine the processes and social consequences in detail.

As Hutton shows in his fine study, there are substantial differences in how capitalism is established with the most important being the nature of the public realm. For the mass of our people, the better life we promise them depends less on a relatively small cluster of private sector companies than on the development programme initiated by the state. But how much scope we give that state depends in turn on our view of the balance between the private sector and the state.

Ben Turok

BATTLE FOR THE WSSD

VALLI MOOSA, MINISTER OF ENVIRONMENT TALKS TO BEN TUROK 20 SEPTEMBER 2002

BT: It looks like the WSSD [World Summit on Sustainable Development] was pretty arduous and exhausting, I would have thought that after CODESA [Conventions for a Democratic South Africa - 1991-93] you would have had enough of these long negotiations. How was it?

VM: Well I must tell you in the build up to the Summit I did ask myself whether I would want to do this sort of thing again. Because getting involved in these huge organisational events is something that I have done over and over. It was truly an exhilarating experience, but it was very difficult and lots of hard work. The worry in the final weeks and during the Summit itself was whether the centre would hold, whether we would be able to manage the negotiations and the organisational side. I was very pleased at the manner in which all Cabinet Ministers, Deputy Ministers, Directors Generals of the Departments, put their shoulders to the wheel. Everybody just took on whatever responsibility they were given and worked at it very hard and professionally and that made it possible for me not to have to worry about a hundred and one things at the same time. I knew that with the thousands of journalists that were there, Essop Pahad was working on that around the clock with a good team of people from GCIS. I knew that with anything that needed protocol attention, receiving Heads of States and government, Terror Lekota was there.

BT: So you concentrated on the content.

VM: Well, it became possible for me to do so and I worked quite closely with the Minister of Foreign Affairs and the Minister of Trade and Industry. I just concentrated on the negotiations. From the 24th of August to the 4th September I hardly ever left the Sandton Convention Centre, we literally lived in that concrete block 24 hours a day.

BT: The pre-Summit debates seemed to be contentious and very tough, can you give us a sense of what was going on? Why was it so tough?

VM: Let's start with what happened two years ago when discussions in the General Assembly started about the World Summit on Sustainable

Development, at that time called Rio Plus Ten. Developing countries were quite determined that the agenda of the developing world should be prominent in this summit. Many of the developing countries were of the view that many of the decisions of the Rio Earth Summit, were not followed through particularly by developed countries. But they were also of the view that, a view which we as South Africa share, that there was a lopsided implementation of the Rio Principles and Agenda Twenty-One, in that the social and economic dimensions of sustainable development were neglected. In fact, sustainable development was being equated with environmental protection. Yet one big achievement of the Rio Earth Summit was to get consensus on the definition of sustainable development.

BT: The focus was on the environmental aspect Post Rio.

VM: One would have thought that the Rio Earth Summit was purely a summit about biodiversity and concerns about the environment, about green issues particularly. And there is no doubt that on the environmental front the Rio Earth Summit resulted in some very seminal international treaties, agreements and conventions. The conventions on biological diversity, flowing out of the bio safety protocol, all of the chemical agreements like the Basel Convention and various others that have risen out of that and then of course the Frankfurt Convention and the Kyoto Protocol, those are far reaching international agreements that have created a completely new international regime of governance. But of course from a developing country point of view sustainable development was denuded of its full meaning. And that is the reason why it was being argued that the WSSD should be held in a developing country, that it should be very clearly a summit on sustainable development and it should be called that. The Rio Earth Summit's official name was, United Nations Conference on Environment and Development. This was the World Summit on Sustainable Development.

BT: Did you push very hard for these other dimensions to be included?

VM: We pushed very hard, right from the outset.

BT: What was the reaction?

VM: Well, the African countries and developing countries generally were in agreement with the approach we were taking. You found from developed countries two kinds of reactions. The one, from the European side a sort

of acknowledgment of the need to have a balanced emphasis on the three pillars of sustainable development but constantly making accusations that the environmental dimension were being neglected. We are talking about the three pillars of sustainable development, that is, economic development, social development and environmental protection.

BT: Those are the three pillars that remain at the heart of the whole exercise?

VM: The Rio Earth Summit came to a correct characterisation of sustainable development. And to go further, the characterisation was extended to mean the quest to provide adequately for the needs of the present generation, without compromising the ability of future generations to provide for their needs.

TENSION ABOUT BASIC NEEDS

So you would find that it is not just about environmental protection, it's about providing for basic needs, providing for human development in a manner which does not prejudice the ability of future generations to do that. So you found that tension coming in right from the beginning. Certainly, we from the developing country side, wanted to ensure that the basic questions of water, education, health care, sanitation, energy access, that those sorts of things would be given the importance they deserve in global matters. At the same time not neglecting economic development. So we wanted to create the link between sustainable development and the matters which the WTO is discussing. Notwithstanding the fact that the details of market access, trade subsidies, the unfair impact of globalisation, would be negotiated within the WTO, because we all are part of that organisation, but we could not be talking about sustainable development without, at a minimum, commenting on the adverse effects of globalisation and the fact that the unfair global trade system and the lack of market access are among the biggest obstacles to poverty eradication.

BT: Did the United States accept that?

VM: Everybody accepted that the theme should be poverty eradication. Once that happened we were able to say that the obstacle to the eradication of poverty today is the unfair global trading system because for every dollar of aid that developed countries give to developing countries, developing countries lose fourteen dollars as a result of various kinds of trade barriers that exist in the world. So on many

occasions during the preparatory process, you would find speakers from developing countries saying, why don't you just keep your overseas development assistance and buy our goods. What's the point of not allowing poor producers in Africa to sell their goods to rich consumers in Europe and then handing out aid. This was a very, very important debate.

BT: Was it contentious?

VM: It was a very contentious and very heated debate, led by the United States of America supported by Japan, Canada but also by Europe. For a long time Europe was saying that trade has got nothing to do with sustainable development. And they asked why we were raising questions of trade and market access, it's not on the table, we can't mention anything. But all we were asking for was an acknowledgment that this is one of the big barriers to poverty eradication in the world. Of course, theirs was an unsustainable argument, but it was something we had to fight. What we were trying to do was to change the paradigm. The big decision in the Rio Earth Summit was 0,7% ODA target. Most importantly the principle of common but differentiated responsibility was agreed to.

BT: What does that mean?

VM: A principle of common but differentiated responsibility means that we all have a common responsibility but we also have a different responsibility. We have a different responsibility because there are countries in the world which grew rich by exploiting the human and natural resources of developing countries. So there is a common but differentiated responsibility. This is a very far reaching principle and very important. Developed countries led by the United States tried to dilute this principle at the World Summit on Sustainable Development. So when the negotiations at Bali broke down this was one of the reasons.

BT: How does this principle relate to the Kyoto Protocol?

VM: Developed counties wanted a minimum recommitment to the principle of common but differentiated responsibility. More than that we were of the view that there should be an extension of the application of the principle of common but differentiated responsibility. Developed countries on the other hand wanted to dilute the meaning of common but differentiated responsibility. A very clear manifestation of that principle is in the Kyoto Protocol. The Kyoto Protocol sets targets for the reduction of the global

emissions of carbon dioxide into the atmosphere and greenhouse gases. It identifies a phase one, the first ten year period of the Kyoto Protocol, from the time when the Kyoto Protocol comes into operation, and it is likely to come into operation before the end of this year because of certain announcements that were made at WSSD by Russia, Canada and others. During that phase one only developed countries have actual remission reduction targets. No developing countries, not even China and India, have any remission reduction targets. Because clearly remission reduction impacts on economic development and on the industrial base. There is a cost associated with emission reduction and that cost is to be borne by developed countries. That was agreed to in Kyoto Protocol.

BREAKDOWN AT BALI

So the principle of common but differentiated responsibility is very important. In some ways it is to be extended to LDCs (the Least Developed Countries), to have special dispensation for them. Even where developed countries have certain responsibilities you would excuse the LDCs from them. In some of the market access issues you find that special provision for LDCs are beginning to come to the fore. This also relates to changing the paradigm. The ODA paradigm which was the dominant one at the Rio Earth Summit and in the post Rio years was one in which developed countries were meant to give hand outs to developing countries to the amount of 0,7% of GDP. There is no empirical reason for anybody to believe that foreign aid has resulted in economic growth in any country in the world. In the reconstruction of Europe foreign aid was linked to trade. It was not just a hand out, it was a business arrangement. But this 0.7% was a charity proposal. So developing countries are supposed to spend all their time in international forums accusing developed countries of not meeting their commitments. But even if they met their commitments, you can't eradicate poverty with charity. It creates a dependency syndrome.

Poverty will only be eradicated if you create the conditions for organic economic growth in developing countries. And what creates the conditions for that - investment, capital, technology, human resource development and doing business. We must make it possible for a country to trade on a level playing field. That's what makes economies grow at the end of the day. So, we wanted to make this link for ODA, important as it is, to be just one element and perhaps a small element of what needs to be done as far as the social and economic pillars of sustainable development are concerned. I think we succeeded in doing that. And the Bali negotiations

broke down, with a lot of people predicting gloom and doom. But it placed the trade issues high on the agenda.

BT: Was there a danger of collapse?

VM: I don't think there was a danger of a complete collapse. I think that the Bali breakdown was important because it focussed the minds of the developed countries on some important matters. First, they had to come to the Johannesburg World Summit and say that trade distorting and the environmental harmful subsidies have to be phased out. We did not expect them to agree on chapter and verse and actually enter into a contract with developing countries. We wanted political statement to be made because these were Heads of State, this was the leadership of the world and the message it gave to the WTO is that the leadership of the world says these things are bad, lets talk about getting rid of them. The second theme was to link trade with development. Thirdly, what happened was that developing countries had to consider the consequences of coming to a summit whose theme was poverty eradication and allow it to breakdown at a time when there is extreme polarisation between rich and poor in the world. And at the time attention was on the post September 11th period, I think many developing countries, citizens of developing counties and social movements in developed counties are questioning global policies. And so Canada for example on the eve of WSSD, announced, before coming here, that they are going to ratify the Kyoto Protocol. Russia, addressed the Heads of State segment, and announced that Russia is going to ratify the Kyoto Protocol. That is a big decision as Russia accounts for a huge chunk of the carbon emissions because of some very inefficient industries.

BT: China also announced an agreement.

VM: Oh, yes China announced that previously. We also had the agreement on sanitation targets. One of the bottom lines of the US was no new targets. The EU came to the summit to announce a 1.5 billion Euro programme on water and sanitation for the African continent. That was a major contribution on their part. So you found that people came to the summit wanting a positive outcome from this summit.

BT: What made the difference after Bali?

VM: I think the realisation that if the World Summit broke down it could have unintended consequences for everybody. We were concerned that it would be a huge setback for the cause of multi lateralism. That's why we were of the view that it was important to have a successful outcome. We were of course not prepared to have an outcome at any costs because we allied ourselves with the G77 countries and we spoke with one voice throughout the whole process. In the final four days of the negotiation where I chaired the Ministerial negotiations there were about 500 Ministers negotiating the final document and the G77 had one voice.

BT: That's probably the first time that's ever happened.

VM: Well, it's very difficult to manage. And of course it meant that many people felt a degree of discomfort at many times as we did. We felt differently from the G77 position on the renewable energy target. It was not a do or die issue for us, we were not extremely enthusiastic about it. That is why, when we were at the closing of negotiations our Minister for Minerals and Energy was advising me on some of the finer details of energy matters. She stood up and announced the decision that South Africa would be announcing a national renewable energy target before the end of this year. This was a wonderful gesture to make. The OPEC countries would never agree to a renewable energy target because they want to sell fossil fuels and their economies depend on that. Yet they are part of the G77.

BT: Can I just ask you about the G77? Sometimes there are proxies for Western powers in the G77 and even in the Africa group. Did this not happen?

VM: Well, I did get the distinct impression within G77 that there were countries that were acting as proxies for some of the powerful developed countries.

BT: Did this undermine unity?

VM: I think it did tend to undermine. Holding the unity of the G77 is a very difficult exercise. The only thing that keeps everybody together is that without the G77 the developing counties have virtually no voice. So rather a compromised voice than no voice. I certainly think that we all need to give greater thought to the functioning of G77 after this experience.

BT: And the Africa group?

VM: Certainly the Africa group needs to be strengthened. However our

closest allies throughout this process have been the African countries. They stood by us right through. Sitting there and conducting these negotiations and having the EU negotiating as a block, the G77 as a block, the central European countries as a block, US, Japan, New Zealand, Canada and somehow Norway, is part of that block.

Although Norway always opposes what the block says because they take progress positions on almost everything. Then you had some that are not in any blocks like Iceland and Switzerland. When you are conducting these negotiations, you are acutely aware that when the chips are down it's the African countries that will always support the Chair. You know that the Namibian Minister will stand up and defend the Chair if the chips are down. It was because Ronnie Kasrils had organised the African Water Ministers at a number of meetings, they had their own conference at the Waterdome in Randburg and spoke with a single voice, that it became a very powerful lobby. Remember, not all developing countries are interested in socio-economic rights. The African Environment Ministers had two special conferences in preparation for the WSSD. So, when we came to the WSSD, the African group really worked as a block. The Health Ministers all met in Johannesburg in January or February to discuss health related issues in WSSD. I believe consolidating the AU group even within the G77 is quite important.

BT: This is very good news for NEPAD.

VM: I think it is good news for NEPAD. We may have differences among ourselves but frankly I did find a sense of affinity with other Africans. That may not be a very scientific thing but it is quite important. We need to know what the limits of G77 are. When we completed negotiations on the plan of implementation and the draft political declaration. We left out one section, which deals with reproductive health. That is the only one in which South Africa broke rank. The G77 had taken a common position to dilute the formulation of the Beijing Women's Conference and the Children's Conference. There are certain limits to G77. But personally I find the G77 a fascinating institution because there are such wide differences in it. On the question of good governance, the developed countries were like a bull in a china shop and were saying that development aid and sustainable development projects in developing counties must be linked to good governance.

BT: And this was rejected?

VM: Of course, any conditionalities were rejected. One of the concerns is that developed countries will do anything to strengthen their position in the global trade system and will use anything as trade barriers. So you find the precautionary principle, which was adopted at the Rio Earth Summit which says that countries may take measures on environmental grounds even if there isn't conclusive scientific proof about the adverse effects of a certain process. They would interpret that in a manner to allow them to prevent imported goods from developing counties on the grounds of precautionary principles.

BT: Such as diseases or whatever?

TRADE BARRIERS

VM: Yes. So developing counties are constantly on the look out for attempts to impose new trade barriers. For example from an environmental point of view, equal labelling looks like a wonderful thing as it covers the manufacturing process, the content, etc. But it's a thin edge of the wedge, and the next thing is that products which don't have equal labels are excluded and many developing countries don't have the institutional strength to ensure equal labelling. Probably South Africa can but most developing countries can't. So it becomes one more barrier.

We wouldn't want good governance to become a conditionality for anything. But we want to be champions of good governance. But we also raised another good governance issue. We said to the developing world yes, let's talk about good governance, national and international good governance. We want to talk about democratic global governance. The President raised it in his speech to the plenary. He even raised it in his final speech. When he quipped, I don't want anyone to get terrified, I'm not talking about global government. I know there are people who are very worried about it. I'm talking about democratic global governance and democratisation of the institutions of global governance. I mean the Bretton Woods institutions aren't democratic and the United Nations itself is not fully democratised.

BT: So, how did the US react to that one? After all, they run the IMF and World Bank.

VM: Yes, I think they do and that's where we had a battle. They didn't want to talk about democratic global governance but they insisted on their brand of national good governance. But then you found a different tension in the G77. There were those countries who would be with us in this debate but for their own reasons. They wouldn't want good governance to refer to themselves because some of them don't have Parliaments and some of them are dictatorships and some of them don't respect the rights of women. So there is that tension. Fortunately, for African countries, we were very united on this because of the AU and because of NEPAD, which are absolutely clear on these questions. There is no equivocating on these matters.

Let's talk about some of the important decisions of the Summit. I think it has strengthened multi lateralism tremendously. We should not underestimate the impact of the WSSD and what's happening in the General Assembly on the debates on Iraq. Everybody is finding it difficult to ignore the impact of the WSSD. I think the cause of the African continent has been advanced a great deal. Many decisions focusing on Africa were taken. NEPAD itself is part of the global recommendation. The perspective of the developing countries was dominant at the Summit, even if you look at the Plan of Implementation. We were able to right the imbalance between the three pillars of sustainable development. At a broad level, those were quite big achievements. In more detail the Millennium Development Goals received detailed attention. The Plan of Implementation for sustainable development is very important. All this has been fleshed out in the Plan. The sanitation target is very important. There are a number of other important targets: for example the minimisation of the use of chemicals that have an adverse effect on the environment and human health by the year 2020. There was a debate on the target year and scientists indicated it takes a long time to develop alternative technologies especially in agriculture. The targets to maintain or restore depleted fish stocks by the year 2015 is a big, big issue although South Africa has got volumes of fish stocks. In many parts of the world particularly in developed parts there are denuded oceans.

BT: How strong are these targets? We had 0.7% at Rio, are these targets more meaningful?

VM: I would say that they are as meaningful as the strength of the multi lateral system. It's not something anybody can predict but if you take for example the 2020 chemical stock. It gives industry a reason to invest in R & D because there will be a market for substances that are not harmful

to human health and the environment by the year 2020. The way this works is that they anticipate this will become a legally binding target or could become a legally binding target and technologies would have to be available. It's like the question of renewable energy, which I will come back to. Then of course the linking of access to energy to the 2015 poverty eradication target, is very important from an African point of view and for developing countries in general because one of the biggest problems we face is lack of access to energy. This is what robs women of their emancipation, keeps young people from getting properly educated and robs people of a decent life. Then of course there is the target on changing the patterns of production and consumption.

BT: I thought it was a northern issue?

VM: Well developing countries are keenly interested. What happens is that developed countries and some NGOs think they need to save the African environment from Africans who don't appreciate or are not educated enough to appreciate the importance of the environment and need to be saved from themselves. Whereas the real problem of unsustainability is over- consumption in developed countries. The 10 year target supports regional and national shifts towards sustainable consumption and production. The United Nations General Assembly will have to look at an instrument to monitor this. It is not legally binding and there are countries which can get away with not doing anything. But my prediction is that many countries are going to have to do something. Even the United States. You may not find the Federal Government doing anything but you will find states like California, taking it up. There is a higher level of social awareness around some of these issues.

BT: What about the protection of biodiversity on the high seas?

VM: The convention of biological diversity was one of the important decisions of the Rio Earth Summit. But the global governance regime on biodiversity is limited to the continents and the territorial waters off countries. The high seas, which make up the bulk of the surface area of the planet, fall outside the convention on biological diversity. So the decision to either extend the reach of the convention or to negotiate a regime for the protection of biodiversity on the high seas was important. Also critically important for developed countries is the decision on benefit sharing which is probably one of the most far reaching decisions of this summit.

BT: What does benefit sharing mean?

VM: This is a consensus decision of the Summit to negotiate an international regime to promote and safeguard the fair and equitable sharing of genetic resources. The present situation is that corporates can go to developing countries, especially ones with high biodiversity, and simply patent the genetic material. Then it is owned by a global corporate and there is no benefit to the developing nation. This also impacts on indigenous knowledge and on intellectual property rights. What happened at the Summit was that we formed a group of like minded countries with mega biodiversity: Brazil, Venezuela, Mexico, Peru, India, China, Indonesia, Philippines, Kenya and South Africa, to negotiate a new agreement. South Africa is a country of mega biodiversity, mainly because of the Cape floral kingdom. We have one of the highest biodiversities in the world, we are in the top four. The group of like-minded countries contains about 80% of the worlds biodiversities This is going to be a big negotiation that will take several years.

BT: Were you satisfied with the Summit targets?

NORTHERN NGO's WRONG FOCUS

VM: From a South African point of view and certainly from an African point of view we are very satisfied with the fleshing out of implementation frameworks for existing targets, the setting of development goals on other targets and the setting of new targets. The phenomenon of globalisation manifested itself right inside the global forum, right inside the civil society forum, where you had highly organised NGOs from the north particularly green NGOs and poorly organised and poorly resourced NGOs from the south. When Zola Skweyiya and I met the southern NGOs to give them a report back of the final deal they told us they had been part of the global forum but were not able to articulate their concerns. The northern NGOs were saying that the final deal was a failure. We told them that on the agenda we came with we had by and large succeeded. Though we may not have got everything we wanted at least we had advanced. The single thing that Green Peace, WWF, and a few other northern NGOs were focusing on was the renewable energy target. If there was no global renewable energy target then the summit was a failure. If there was, it would have been a success even if there was no commitment to energy access, to sanitation, water or anything of that sort. That was the frame of mind they came with. I see globalisation manifested within civil society

because unfortunately northern NGOs have the lions share of the electronic media and coverage in the newspapers including the South African media. Their own media , which are very powerful and globally dominant, were putting out the message on renewable energy.

B.T: What was your position on renewable energy?

V.M: Of course South Africa is not opposed to this. But the burden of our fight at the Summit was on energy access not on renewable energy. We couldn't be dying in the ditch for renewable energy when we had no idea what the cost would be to South Africa or to the RDP programme on electrification, if there was a renewal energy target. What are the costs of renewable technologies? Will we have to slow down on the electrification programme that we have? When I spoke to the southern NGOs I said the real test is that we claim to represent the masses as democratically elected governments. And when I go out into the countryside and I speak to a mother struggling to bring up her children, she wants energy, she is not prepared to wait five years for renewable energy, she wants energy, she wants access to water, she wants her children to be at school, she wants inoculation, clinic facilities and those sorts of things. If we say we are talking on behalf of the masses we must first champion the cause of the masses. The NGO voice from developing counties was by and large saying the same things that we were saying. But it wasn't being covered by the global media which focussed on a few prominent figures from the south who were articulating northern NGOs position.

Europe was pushing very hard for renewable energy and it is correct for us to set a target for renewable energy at some point. South Africa is going to do it voluntarily anyway. But developing countries were asking what the cost of these targets would be to them. Now the other agenda of Europe is actually a trade agenda because Europe has been putting a lot of money into R & D on renewable technologies for the past twenty years. They are a least twenty years ahead of everybody else in the development wind turbines, fuel cells, solar energy. As soon as a legally binding global target is set, we are creating a market for European technologies. A lot of investment is sitting in Europe and they need economies of scale and a market for that. You will find this coming out when you talk to the European negotiators. Take Denmark for example, which is a wonderfully progressive country and no doubt a great and genuine friend of developing countries and South Africa in particular. One of Denmark's biggest exports is now wind turbines. And one of their

biggest customers is the United States of America. There are massive wind farms going up in the United States, all over the Mid-West, California. Farmers are doing this as a side business and rent out a portion of their farm for the establishment of wind farms for the generation of energy. Notwithstanding what the US administration may be saying, there is a lot of renewable energy work going on on the ground in the United States. So what happens immediately you set a global target is that everybody else is at a disadvantage because they have to buy European technology and they don't have an opportunity to develop their own technology. It was unfortunate that our own NGOs did not feel confident enough to go out and march for the sanitation target, which was the big fight which we won at the last minute. It is a great pity that in fact they were led, at least in the public perception, by those who put renewable energy targets at the top of the agenda.

BT: What about the Wits exercise to shut down the conference?

VM: To their discredit they were completely incoherent. They were unable to put forward a coherent message which even a person like me, who I think understood the business of the Summit, could understand. What was their problem with sustainable development or with the manner in which sustainable development was being dealt with? Were they saying, we need to fight against the adverse effects of globalisation? But they heard our President say at the opening ceremony, we are going to fight global apartheid. That was a very strong word to use. If they were saying that, I think they should have tried to strengthen our hand in the fight against a unipolar world, unilateralism, undemocratic global governance, unfair international trade. But they did not make any impact. Let me tell you about the broader NGO world, the Thursday before the Summit President Mbeki met with representatives of civil society in Pretoria and these were representatives of all of the major groups.

MBEKI MET NGO's

BT: How many people?

VM: There were about thirty people or so.

BT: North and South

VM: North and South. Representatives of the youth, women, indigenous

people, the coordinators of the energy caucus, the conservation people, all the major groups were represented. The President sat an entire morning with them saying, we are starting the Summit next week, negotiations will start this weekend, I want to hear your views so that we are at least informed of your views as we go into this. They all spoke and were well-prepared. Green Peace was present. They had different sets of issues which were important to them. The President took detailed notes, I was sitting next to him, and at the end of all the inputs he said he more or less agreed with everything they had said and there was no need for a discussion because these are the issues that were agreed. He then suggested that in the middle of the negotiations he meet them again so that he had an opportunity to report to them what was happening and they could report back to him on the first few days of the global forum. We met them again in the middle of the negotiations on the Thursday, 29th at the Sandton Convention Centre, in the middle of the negotiations.

BT: The same group?

VM: The same group and a few others that were left out were added to that group. The international Director of the WWF, in his introductory remarks said he wanted us to know that when he addressed the global forum he had told them that never before at any international conference had the President of the host country taken the time to sit down with the leaders of civil society and to listen to them. He said this was unique, 'You have set a new benchmark'. They were all full of praise. We discussed with some of them the energy caucus's position that we should fight for an agreement that the developed countries drop the subsidies on fossil fuel energy and that the quantum of that subsidy be placed into a global energy fund which would fund renewable energy technologies in developed countries. I told them that I didn't think they would get this agreed because, being in government, we know treasuries don't work that way. If you drop a subsidy one year the following year that item is not on the budget. But we engaged them and had a very cordial meeting.

BT: So why did you say that the northern NGOs were imposing their agenda on the south?

VM: Because what happened was that in the final days, they lifted the one issue out of everything else. Green Peace, WWF and one or two other organisations. I love Green Peace, I love their activism, I love their goedspa, I love what they stand for, I support everything. I don't support

their illegal actions especially if they come and do it our country. I think they need to be put in jail, if they break the law in this country. But other than that they are a bunch of nice guys. But they have never gone out and fought for children to be put into school. They have never fought for women to be emancipated by making it possible for them to have fresh water in their homes or close to their homes rather than girls having to stay out of school.

BT: So, they don't understand sustainable development?

VM: So for them these issues are almost meaningless. So behaving like that it was just frankly rich European kids behaviour. Of course they are all as adult as you are. But unfortunately the media took that as the voice of Green Peace. Green Peace is brilliant in their marketing strategy. I mean they broke the law, they went to Koeberg, they got arrested etc. and when the media even the South African media wanted to hear what civil society say they went to Green Peace. Phumsile, the Energy Minister, had her own meetings with the NGOs that were concerned with energy issue. She reported back to them and engaged in discussions with them. Alec Erwin met with NGOs who were concerned about trade and finance issues. Zola Skweyiya's responsibility for the summit was full part-time liaison with the NGOs. He left his office and did nothing else, he was available for civil society full time if they wanted a briefing on what was happening in negotiations.

SEATTLE NOT A PRECEDENT HERE

BT: Did that include the people at Wits? Was he available to them?

VM: Well, he was really working with the official global forum. Those people didn't seem to want to work with us. I was never contacted by civil society directly. They never wrote to me in the entire eighteen months of preparing for the summit or even during the summit. They never asked me for information, they never made any demands, and they never made any requests. In fact it was only at a very late stage that we even realised that they were going to have their own alternative function. In fact, I and other Ministers would have been more than happy to go and address them. But they did not really want that. Frankly it was theatrics because there was no content. I think they were trying to sort of replicate the dramatic events of Seattle in a completely wrong context because Seattle clearly struck a chord with many of us in developing countries, even in

Government. Frankly those people in the streets of Seattle were speaking for us. There were loonies there of course, people out on the fringe. But generally people were saying, what about the poor, what about debt relief, what about a fair trade system, what about democratic global governance?. They were talking about issues that concerned us .

I think that some of these people's imagination may just have run away with them, thinking they were going to replicate something of that sort and become great big heroes. But it wasn't going to happen because this was a summit at which everybody knew that developing countries were setting the agenda. Unfortunately the media went to Green Peace whenever they wanted a sambal. But there was not that sort of atmosphere there at all. The Deputy President, Jacob Zuma, as you heard the other day, went to the women's stand to address the women and was received like a great big hero. We had many marches and demonstrations, we erected a speakers corner across the road from the Sandton Convention Centre, so that if people wanted to demonstrate it would be in close proximity. And where they wanted a representative from the South African government or the Summit presidency to receive a memorandum or to receive their demands, in general we sent Cabinet Ministers. One of the tasks of Terror Lekota when he wasn't receiving Heads of States and Government was to go and receive memoranda . In general our Ministers were received very warmly. Especially from the South Africans who were among the demonstrators. You know we met every morning as Ministers at 7 o'clock to review the events of the previous day, to plan for the day, to deploy ourselves into different tasks.

BT: How many Ministers?

VM: We had about twenty Ministers who used to attend. It was an interministerial committee.

BT: Really?

VM: All of them would come at seven o'clock and report on what had happened the previous day in the tasks that each Minister was given. We would do a quick assessment and we would farm out new tasks and at eight thirty it was over because the G77 caucus would start at nine. So we had quite a tight operation. I think that one of the lessons for me is

that governments of developing countries need to give more support to

civil society in our countries.

MORE SUPPORT TO CIVIL SOCIETY

BT: Are we willing to do that in South Africa?

VM: I think that we must be willing to do that. I think that was one of the lessons, I think it was a shame that representatives of the masses in developing countries, civil society representatives were not able to get their far share of voice, in the media and in the conference.

BT: What kind of support?

VM: When Zola Skweyiya and I met with representatives with southern NGOs in one of the last meetings they said to us, these northern NGOs had coordination meetings and planning conferences before they came to Johannesburg. When they got here they were well organised. We came a disparate group, we met each other for the first time when when we arrived, we were not well organised. They have research capacities, so they can research the issues, buy papers, those sorts of things. They can travel around to meet each other. They said that we appeal to South Africa to give leadership in this regard and to assist southern NGOs to co-ordinate ourselves.

BT: Are you going to do anything in South Africa?

VM: Zola Skweyiya and I gave them our commitment. We said we are going to take this matter to our government and we are going to do that. We discussed this in Cabinet when the President reported on the Summit. One of the decisions we took was that we need to take steps to strengthen NGOs. South Africa has a responsibility to assist NGOs in co-ordinating themselves. This includes African NGOs but southern NGOs in general and may have a cost implication. But we need to look at this because we find the EU uses their NGOs to advance their cause. Our NGOs will want to advance the cause of own democratically elected governments when they know their governments are faced with powerful forces from the north. They need to have the ability to do that. So I think this is an important lesson. I must add that in general the feeling and interaction between the South African government and the NGOs was very, very warm. They were surprised how we had gone out of our way to work with the NGOs.

BT: Would you comment on the integration of sustainable develeopment with other issues such as the WTO?

VM: Sustainable development as a concept is really about integration between departments and issues. You can't have a sustainable development ministry for example or a sustainable development department. The policy of the government must be based on sustainable development and their needs to be an integration.

BT: So, it is not an add-on?

VM: It's not an add-on. At a global level I think that the preparations for the WSSD and the WSSD brought together all of the international streams which sometimes work independently like the Food and Agricultural Organisation, the World Health Organisation, the WTO, the Bretton Woods institutions, all of the multi lateral environmental agreements etc. For the first time we had all of that together and that is why most countries came to the Summit with at least half a dozen Ministers which is absolutely unique. You had ministers dealing with water, energy, health care, trade sometimes finance ministers, foreign ministers, environment ministers. When we started one and a half years ago, planning for the WSSD you were only talking to environment ministers. But as we began to shape the agenda we found that other ministers were forced to come on board. So you actually brought everything together. From here I am quite confident that sustainable development is going to feature on the agenda of every global forum that exists .

FROM LAGOS TO NEPAD

Keynote address at the African Scholars' Forum on Emerging Initiatives Towards a New Vision for Africa

Nairobi April 26-29, 2002

By Professor Adebayo Adedeji

Prof Adedeji is the former Director General of the U.N. Economic Commission for Africa (ECA)

Introduction

The Economist, **in one of its leader articles entitled Emerging Africa, in its issue of June 14, 1997 urged the continent to forge its own future. Indeed, this view is in a way an echo of a similar view expressed at the Denver Summit of the Seven (now turned Eight) most industrialised democracies of the world. Needless to add that this has been a constant refrain: to graciously "grant" Africa what is its fundamental right and responsibility of occupying the drivers' seat of the automobile of its destiny.**

But in reality this has always turned out to be no more than gratuitous rhetoric because every attempt that has been made by Africans to forge their future and to craft their own indigenous development strategies and policies has been pooh-poohed by the international financial institutions (IFIs) with the support, or at least the connivance, of the donor community. While African leaders can be faulted in many ways, they have made a series of heroic effort since the early 1970s to craft their own indigenous development paradigms in the light of their own perceptions. Five landmark strategies which together provide the continent's preferred development agenda emerged in the 1980s and early in the 1990s. These are:

- the Lagos Plan of Action for the Economic Development of Africa, 1980-2000 and the Final Act of Lagos (1980) (LPA);
- Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER) which was later converted into the United Nations Programme of Action for Africa's Economic Recovery and Development (UN-PAAERD) (1986);
- the African Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) (1989);
- the African Charter for Popular Participation for Development (1990); and
- the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF 1991).

Unfortunately, all of these were opposed, undermined and jettisoned by the Bretton Woods institutions and Africans were thus impeded from exercising their basic and fundamental right to make decisions about their future. This denial would have been ameliorated if the African leaders had shown the commitment to carry out their own development agenda. But given their excessive external dependence, their narrow political base and their perennial failure to put their money where their mouth is, the implementation of these plans has suffered from benign neglect. Lacking the resources and the will to soldier on self-reliantly, they abandoned their own strategies, including the two - UN-PAAERD and UN-NADAF - which were crafted jointly with the international community under the aegis of the United Nations.

Instead, the implementation of exogenous agenda has, perforce, been pursued because of the operation of the development merchant system (DMS) under which foreign-crafted economic reform policies have been turned into a new kind of special goods which are largely and quickly financed by the operators of the DMS, regardless of the negative impact of such policies on the African economies and polities. Assistance is readily available from the DMS to operationalising the paradigms emanating from its operators and favouring the development route that it has mapped out for Africa, including the mode of its integration in the global economy. African governments are obliged to conform to the norms, whims and caprices of the DMS. Needless to add that the overarching objective of the DMS is for the African canoe to be firmly tied to the North's neo-liberal ship on the waters of globalisation.

In such circumstances, even as indigenous effort is intensified to come out with paradigms, strategies and policies that the Africans are convinced are capable of forging their future in the right direction, even as the opposition of their governments to the neoliberal model of the structural adjustment programme becomes strident and even as the process of globalisation has continued to breed violence and conflict because it exacerbates poverty, inequality, environmental destruction and unprecedented concentration of political and economic power in the hands of a few while the majority are marginalised, impoverished and excluded, Africa is firmly in the grip of the orthodoxy of the DMS. Without doubt, sustainable development in Africa will not begin until this struggle over development paradigms, strategies and agendas is resolved in favour of its people. Is the welcome being accorded to New Economic Plan for Africa's Development (NEPAD) by the major donor countries and the IFIs the beginning of a new approach to African's development?

What is the significance of the welcome accorded NEPAD by the North?

Why has the new NEPAD initiative, unlike the five African initiatives of the 1980s and 1990s, been so well received by the donor community and the Bretton Woods institutions since its publication in 2001? Is it because it is in the line with the DMS or has there been a dramatic change of heart and attitude on the part of the proponents and sponsors of the DMS? Are they going through a paradigm shift? These questions are easier posed than answered. But our search for credible answers can be faciliated by probing two other questions. Why, in the first instance did Africa embark on the search for an alternative development paradigm from 1975 onward? How did the LPA mark a departure from inherited colonial economic legacy?

The LPA was the culmination of a four-year long effort, initiated and led by the ECA, to undertake an agonising review of the development paradigms and strategies that Africa had pursued since independence in 1960. The review was prompted by the United Nations General Assembly which called upon the ECA, together with the other regional economic commissions (ECE, ESCAP, ECLAC and ECWA), to undertake an assessment of long-term development trends covering the period 1960 to 1975.

The findings were quite sobering. Africa's performance was substantially below all the targets set by the UN Second Development Decade. Its GDP annual growth rate was 4.5 percent instead of the target of 6 percent; its export growth was 2.8 percent instead of 7 percent; its agricultural growth rate was 1.6 percent instead of the target rate of 4 percent while manufacturing grew at 6 percent instead of the target of 8 percent. The only macroeconomic aggregate whose performance exceeded target was imports, with actual growth rate per annum being 10 percent instead of the target of 7 percent.

The assessment showed unmistakably that Africa was faced with a development crisis of great portent. Indeed, of all the five United Nations regions, performance in the Africa region was the worst. I had therefore no other choice but to raise the alarm at the Kinshasha meeting of the ECA Conference of Ministers responsible for Economic Planning and Development and Finance in February 1977.

Even the overall regional picture concealed the growing differentiation among the different sub-regions and countries. Only eight countries managed to achieve the targets. The rest of the continent was well below those targets. However, the tragic irony of this evolving saga is that performance during the remaining quarter of the twentieth century (1975-2000) was more abysmal than that

achieved during the first decade and a half of independent Africa (1960-1975). The average annual rate of growth in per capita GDP of Sub-Sahara Africa has been negative for 35 years - 1965 to 2000. North Africa's negative GDP per capita growth was limited to the 1980s only. Sub Sahara Africa's GDP growth rate averaged only 2.6 percent during this period whereas its population growth rate was 2.7 to 2.8 percent per annum. In retrospect, the period 1960 to 1975 has, tragically, turned out to be Africa's golden era.

Thus, in spite of Africa's ample natural resources, of a favourable population to natural resources ratio, in spite of the generous and even indiscriminate incentives for foreign private enterprise and in spite of adherence to orthodox theories and prescriptions, neither high rates of growth nor of diversification nor an increasing measure of self-reliance and socio-economic dynamism has been within the reach of African countries. It had become crystal clear that Africa's persistent failure to decolonise its political economy by confronting the past and making necessary changes has continued to impede its much needed socio-economic and political transformation. By trying to march towards its future hand-in-hand with its colonial, mono-cultural, low-productivity and excessively dependent and open economy, Africa has ensured no dignified future for itself.

This is the more so as the tropical commodities produced in the continent for export are characterised by highly income-inelastic demand while supply is price-elastic with the consequent boom-and-bust economic cycles that are frequently the plight of African countries. Commodity booms resulting in high export earnings invariably lead to increased public expenditure. Given the perennial price instability of these commodities - including petroleum - a bust sooner or later follows resulting in severe damage to the economy and reduction in essential public services that are grossly inadequate even in the best of circumstance.

Accordingly, it became imperative to embark in earnest on a search for an African development paradigm that did not imitate the dominant growth economics of the industrialised market economies with its principal concern on increasing the growth of the nation rather than the development of the people. There was no doubt that the received neoclassical paradigm peddled by the operators of the DMS was inappropriate for Africa. The two-gap model which gave foreign capital and foreign aid a central place in the development process was inspired by the outstanding success of the Marshall Plan in bringing about the economic reconstruction of Western Europe after World War II. Unfortunately, this model is appropriate only to developed industrialised market economies, not to under-developed, backward and traditional economies.

It must also be remembered that it was during the 1970s that the demand for a New International Economic Order was intense. Given the poor performance of the African economy between 1960 and 1975 and the realisation that the continent was faced with a development crisis of great portent, it was important that it should first put its house in order - otherwise, it would remain marginalised and peripheralised even in the reconstructed international economy that would be the consequence of such a New International Economic Order.

Accordingly, the ECA came out in 1976, with its first landmark document entitled the *Revised Framework of Principles for the Implementation of the New International Order in Africa* which was the intellectual and theoretical foundation upon which the *Monrovia Strategy* (1979) and *The Lagos Plan Action* and the *Final Act of Lagos* (1980) were subsequently built.

It was the *Revised Framework* which postulated that a credible and appropriate development strategy for Africa must satisfy four fundamental principles - self-reliance, self-sustainment, the democratisation of the development process and a fair and just distribution of the fruits of development through the progressive eradication of unemployment and mass poverty.

An increasing measure of self-reliant and self-sustaining development is the only way of achieving economic decolonisation through transformation and diversification by promoting sustainable human development. In other words, the process of self-reliance involves:

- the internalisation of the forces of demand which determine the direction of development and economic growth process and patterns of output;
- increasing substitution of domestic factor inputs for external factor inputs;
- increasing participation of the mass of the people in the production and consumption of the social product and;
- increasing self-sustainment through the promotion of the patterns and process of a holistic human development in which the different sectors and sub-sectors, and programmes and activities mutually support and reinforce each other, so that when related to the internalisation of the forces determining demand and supply, the whole economic, social and political system develops its own internal dynamics.

Therefore, in seeking a new and effective partnership with the international community which could lead to a Marshall Plan for Africa's recovery, NEPAD must not compromise these cardinal principles, which were at the heart of the LPA, AAF-SAP and the Charter - self-reliance, self-sustainment, socio-economic

transformation, holistic human development and the democratisation of the development process. In other words, NEPAD, in seeking to draw more resources from the donor community and more direct supervision from the various international institutions, particularly the World Bank and the IMF that have directed the development path of virtually all African countries since independence and more so since the 1980s, must ensure that the African people and their governments occupy the drivers' seats of their development train. Indeed, in the Omega Plan which together with the Millennium Africa Recovery Programme (MAP), constitutes NEPAD, it had been suggested that the management and administration of the African initiative should be entrusted to a board of directors comprising debtor and creditor representatives, IMF, World Bank, European Union, Japan, US and Canada. This is worrisome. It will exacerbate neo-colonialism rather than advance the cause of economic decolonisation. In other words, NEPAD should aim to let Africa loose from the noose of both multilateral and bilateral financial institutions rather than tighten it. It should not be predicated on the assumption that its goals will be unattainable without tightening further the colonial umbilical cord.

Quite understandably the NEPAD song is at present more soothing to the ears of the West than that of the LPA. The DMS and its hangers on appear to have been re-energised and the two-gap model of economic growth which drew African countries into the debt trap has been reactivated and rejuvenated. The protagonists of NEPAD should never forget that it was this model that exacer dependency syndrome of the African economies and at the same time led to mass pauperisation and deprivation of the African people. This means that we must have another look at the clamour for a Marshall Plan for Africa.

NEPAD and the Marshall Plan - What resemblance?

From time to time in the 1960s and 1970s, developing countries have made requests for another Marshall Plan whose primary objective will be to accelerate their development not only through the provisions of massive financial resources but also through large scale transfer of technology available in the advanced countries. It is interesting and remarkable that NEPAD should revive this call, even after more than four decades of aid and technical assistance. In some of the references to, and comments on it, the impression is given that NEPAD is either perceived as the African version of the Marshall Plan or as a prelude to it. For example, the Canadian Prime Minister, Jean Chreten who visited a number of African countries - Morocco, Algeria, Nigeria, South Africa, Mozambique, Ethiopia and Senegal - in April 2002 is convinced that NEPAD has been modelled on the Marshall Plan. However, in some African circles, the view is that

the new African initiative could lead to a Marshall Plan for Africa's recovery. But there are fundamental differences between the original Marshall Plan and the African resurrected Marshall Plan, NEPAD.

Unlike NEPAD, which has been initiated and prepared by the African countries, the Marshall Plan was a joint endeavour of the war-devastated European countries (the recipients) and the United States (the donor) for a period of four to five years. In addition, the US sponsored the creation of the Organisation for European Economic Cooperation (OEEC) to aid in the administration of the plan. And based on this model, the US supported the creation, in the 1960s, of the Alliance for Progress among the governments in the western hemisphere to co-ordinate and monitor the use of American aid. Similarly, the British government established the Colombo Plan - an economic development plan directed at the former British colonies in Asia.

The Marshall Plan no doubt contributed largely to pulling Western Europe out of the ruins of World War II. It assisted the participating European countries to rebuild their capital base and their public buildings and infrastructure and to reorganise their completely devastated national economies. It is because of the tremendous impact of the plan in the rehabilitation and reconstruction of the economy of war-torn Europe that developing countries have felt that what is needed to get them out of their economic quagmire was another Marshall Plan, not only through the provision of massive financial resources but also through the large-scale transfer of technology.

This desire completely ignores the fundamental difference between the conditions which had prevailed in post-World War II Europe and those of contemporary developing countries. Europe was before the war a developed industrialised market economy. What the plan did was simply to facilitate, within a time frame of four to five years, the rehabilitation and reconstruction of what had existed before the war. A favourable human factor was still in place in spite of the war. So were an appropriate institutional framework and an enabling environment. In such circumstances, the two-gap model was appropriate. But this is not the case so far as the conditions in developing countries, particularly Africa, are concerned. What they need is not rehabilitation and reconstruction but building anew, transforming their polity and economy and putting in place all the essential infrastructure required for development to take off and become sustained. In other words, the four imperatives advocated in the African development paradigms - self-reliance, self-sustainment encompassing socio-economic transformation accompanied by the politics and policy of restitution, holistic human development and the democratisation of the

development process are imperative. Indeed, as I stated in one of my valedictory statements to the OAU in May/June 1991 as ECA's Chief Executive, what we need is a:

> *"New African transformation ethic based on a human-centred development paradigm which puts the people at the centre of the development process, on the driving seat as it were and is predicated, above all, on the rational proposition that development has to be engineered and sustained by the people themselves through their full and active participation. In other words, the new African transformation ethic rests on the firm belief that development should not be undertaken on behalf of a people; rather, that it should be the organic outcome of a society's value system, its perceptions, its concerns and its endeavours."*

Of course, African leaders in charge of the preparation and implementation of NEPAD have been arguing that its fundamentals are not different from those of the LPA, that NEPAD provides the framework for pursuing Africa's indigenous development agenda as against the prescription usually foisted by the DMS. However, such a stance will seem spurious in view of the fact that NEPAD's underlying assumption is that more aid and freer trade will flow to Africa. It has been postulated in NEPAD that if Africa is to begin to exit from poverty, it needs to achieve consistently a GDP growth rate of 7 percent per annum and that given its present low saving and investment ratio, the continent would need some $64 billion of resource inflows every year. This is about 12.75 percent of Africa's gross national income per annum. Of course, it far exceeds all ODA flows to all countries (parts I and II countries), which stood at US$ 62.57 billion in 1999[1].

This expectation contradicts the new development co-operation paradigm, which has emerged since globalisation replaced superpower geopolitics as both the driving force and organising principle. First, the stronger motivating force of national self-interest has changed to the speeding-up of global economic integration and using aid resources to address cross-border problems which are of direct concern to the donor countries as much as they are to the recipient nations. These cross-border challenges include the spread of infectious diseases such as HIV/AIDS, degradation of the national environment and organised international crime. These problems are now perceived to demand new global or regional actions and new uses of foreign aid to provide an array of international public goods.

This shift from geopolitics to globalisation is being complemented by a move away from special treatment for individual countries in mitigating their systematic

[1] World Bank, World Development Indicators 2001 (Washington D.C 2001); p. 344

market failures and structural weakness to accelerated integration of these countries into the world economy and into the management of shared problems which stem from rapid global integration - in other words, strengthening the hold of the DMS by tying the African canoe firmly to the West's neo-liberal ship on the vast ocean of globalisation.

The third shift is from an entitlement to an effectiveness approach in the provision of development assistance, which is reflected in the move by donors to greater selectivity in allocating aid among recipients. Such selections are biased in favour of performance in areas of macro-economic policy, poverty reduction and the exercise of good governance. The assessment of performance is of course usually that of the donor rather than of the recipient. Inevitably, it is their standards that will be imposed on Africa and whenever they conclude that such standards are not met they will withhold aid. Herein lies the unwiseness of making aid a major factor in NEPAD. Every time the behaviour or performance of one African country or a group of countries is adjudged not satisfactory, a cloud would hang over the project and the whole of Africa, not just the erring country. The whole continent will be lumped together and collectively vilified. An African Review Mechanism (APRM) provided for in the project will only work if its judgment always falls in line with that of the donors. Whenever it does not, the aid may stop flowing and the trade may become less free. Unfortunately, whenever any African country falls short of donors' expectations, it is not only that country that is condemned, there is also a collective criticism and stigmatisation of the entire region or sub-region.

There is always a childlike naivety among African leaders and policy makers that rhetoric and reality are the same and that claiming ownership tantamounts to having ownership. It is the Africans who are claiming that they are forging a partnership. The other side will no doubt continue to see it as a donor-recipient relationship. With perhaps a greater of degree of humanitarian benevolence but nevertheless with a determination to behave in accordance and consistent with the dictates of the new development co-operation paradigm discussed above.

If there is any doubt about this, the outcome of the recently held and much heralded Monterrey UN Conference on Financing for Development has made it abundantly clear that there are no radical changes in policy and attitude in the offing. Rather, the Monterrey Consensus represents a surrender by the UN to the economic neo-liberalism of the Bretton Woods institutions and by giving their policies such a UN imprimatur, the Bretton Woods institutions have been encouraged to continue to do more of the same. Even the US$50 billion per year, which has been estimated as the additional resources required for achieving the

2015 Millennium goals world-wide is a non-binding and best endeavour commitment. The US bluntly refused to accept this or any other target. In fact the environment of falling official development assistance (ODA) is projected to persist and even fall further in the foreseeable future. Yet Africa alone is hoping under NEPAD to attract US$64 billion every year - for an unlimited period!

The damaging surrender by the UN to the Washington Consensus manifests itself most glaringly where the Monterrey Consensus endorses the discredited HIPC (Heavily Indebted Poor Countries) initiative. No new and innovative proposals achieved a consensus. Consequently, in spite of Monterrey, the creditor nations retained their right to continue to keep the debtor countries on a short leash with the powers of the Paris and London Clubs of creditor countries remaining in tact.

Partnership between Donors and Recipients: Lessons of experience

In the realm of international cooperation, the vogue-word is *"partnership"*. The word *"cooperation"* is no longer deemed adequate while *"compact"* is considered too strong because it implies making binding commitments. The concept of partnership conveys a relationship stronger than co-operation but weaker than a compact. It involves joint effort, joint responsibility but this does not always result in or bring about, binding commitments. However, more often than not, the three concepts are used interchangeably as if they are synonymous. And sometimes they are even lumped together. Thus in his preface to the "United Nations New Agenda for the Development of Africa in the 1990s" (UN-NADAF), Ambassador Martin Huslid of Norway who was the chairman of the Ad Hoc Committee of the Whole of the General Assembly on the Review and Appraisal of UNPAAERD wrote about "shared responsibility and full partnership" between Africa and the international community.[2]

The concept of "interdependence" no doubt captures the essence of "partnership" and "international co-operation". However, as long as the objective of the developed countries is to maintain their economic progress along the present lines, the relations between the North and the South in general and Africa in particular will continue to be characterised by the domination of the strong over the weak, a drain of resources from the poor nations to the rich, and appropriation of an increasing share of the world's resources by those who are already prosperous. This is a travesty of co-operation, partnership and interdependence. This is more aptly described as feudo-imperial partnership and interdependence.

It has been argued by scholars that this has been the essence of the Euro-Africa co-operation which was crafted immediately after independence in 1960 in response to the establishment of the European Economic Community (EEC). Barely three years after independence, there was the so-called Yaounde I (1963-69) which signalled the co-operation between the EEC and Francophone Africa. It was followed by Yaounde II (1969-75) agreement.

By 1973, the African partners in the Yaounde Convention had become disillusioned. The membership of the EEC by the United Kingdom also necessitated the need to widen the scope of African participation and to include the Caribbean and Pacific

Anglophone countries. Consequently, the 46-nation African Caribbean Pacific Association (ACP) was established which entered into an agreement in 1975 with the EEC of 9 countries (Lome I). Lome I effectively replaced the Yaounde convention. Between 1975 and 2000 there have been four Lome Conventions with each succeeding one altering significantly the nature of the partnership between the parties concerned to the detriment of the ACP countries.

The first Lome Convention was very much a child of the geopolitical power of ACP countries in the context of the Cold War, the oil crisis and the demand for a new international economic order. Not surprisingly, therefore, equal partnership between both parties was its cornerstone. Not only did the convention concede to the ACP countries responsibility for their own development, it also gave them a lead role in managing the resources made available by the EEC with the latter playing a supportive role only. Secondly, predictable aid flows over the five-year period of the convention as well as non-reciprocal trade benefits were guaranteed. Two major innovations were introduced on commodities - the Stabex scheme which was intended to help stabilise export receipts on a wide range of agricultural products (cocoa, coffee, groundnuts, tea etc) was introduced under Lome I while the Sysmin mechanism was introduced to stabilise export earnings from mineral resources in Lome II.

While continuity has been a key feature of successive Lome Conventions, each succeeding agreement changed the nature of the co-operation to the disadvantage of the ACP countries. In fact, after 1990, the Lome agreement came under growing pressure due to:

- dwindling common interests and the disappearance of the perceived mutual interdependence between Europe and the ACP countries;

[2] UN-NADAF, Preface, p.9

- the insistence on human rights and structural adjustment in Lome IV;
- the downgrading of ACP countries on the EEC (now EU) priority list in terms of geopolitical, economic and security concerns;
- the erosion of the principle of equal partnership and its replacement by conditionality;
- despite preferential access to EU markets, the persistent decline of ACP countries' share in the EU market - from 6.7 percent in 1976 to 3 percent in 1998
- the lack of a breakthrough in diversification away from traditional exports continues to concentrate exports in only ten products;
- Falling share of ACP in EU aid. Whereas in 1986, ACP received 69 percent of total EU ODA, in 1990, 1994 and 1998 ACP's shares were 58, 44 and 29 percent respectively. Overall, ACP's share of ODA from the EU between 1986 and 1998 was 44 percent.

Ironically, the successor agreement to Lome IV which was signed in Cotonou in June 2000 has been christened the ACP-EU Partnership Agreement! It reflects contemporary geopolitical situation which contrasts sharply with that of the 1970s and the worsening vulnerability of the countries of the South in general and of Africa in particular. Thus, the Cotonou Agreement provides for:

- the new conditionality of good governance
- direct dealing with non-state actors and local authorities
- the cessation by 31 December 2007 of the current all-ACP non reciprocal tariff preferences and the replacement thereof by a set of reciprocal Economic Partnership Agreements (EPAs)
- the programming of aid resources as a strategic management tool, aimed at ensuring that the EU support to any ACP country or region is deployed in much more effective and coherent manner.

In all, there are now 78 ACP countries; 48 of these are African countries. Among the EU countries are four of the members of G8 - Germany, UK, France and Italy. Will these four countries treat Africa more generously under NEPAD than they have treated it under the Younde, and Lome and will treat it under the Cotonou accords since 1963?

Will the G8 Summit in Canada in June 2002 result in a compact which will:

- be binding on both Africa and the international community?
- state specific obligations and specific goals and measures to be undertaken by both sides?

- be operational and quantifiable with specific targets and timeframe and be monitorable?
- put in place an appropriate monitoring mechanism as an integral part of the compact?

If this is not the case, then the whole process will tantamount to much-ado-about-nothing.

NEPAD and the Constitutive Act

The NEPAD Initiative came a year after the adoption of the Constitutive Act which establishes the African Union in conformity with the ultimate objectives of the OAU Charter and the Abuja Treaty establishing the African Economic Community. Just as the NEPAD initiative has been touted by its sponsors to supersede all other partnership initiatives so has the African Union been perceived as the most pre-eminent initiative which has emanated from Africa since independence. If it is successful, the AU will accelerate the process of implementing the Abuja Treaty of 1991 and the Final Act of Lagos of 1980.

Pan Africanism has for long been the idealistic aspiration of the peoples of Africa and of Africans in diaspora. This was one of the consequences of the long period of slavery to which Africa and its people were subjected from the 15th to the 19th centuries. The Pan-African movement stretches back to the 18th century although the first Pan-African Congress was not held until 1990. But it was not until the 1945 Pan African Congress - the fifth in the series - that the Africans played a prominent role and African issues received priority attention. Indeed, at the beginning of the struggle for independence in Africa, supra-national pan-Africanism was the rallying point for independence and economic declonisation.

Although separatism and irredentism set in as the colonial era was drawing to a close and independence was approaching, fortunately independent Africa emerged during the age of regional integration. After World War II, the promotion of regional integration became a global phenomenon. This movement was led by the Europeans whose post-World War II effort, which began with the Marshall Plan of 1945 culminated in the establishment of the six-nation EEC in 1957. The Latin American countries followed this lead by establishing their Free Trade Association in 1960 and this was followed by the Central American Common Market in 1961 and the Association of South East Asian Nations (ASEAN) in 1967.

To counter the irredentist movements by ethnic minorities within the newly emerging states and to begin to undo the cumulative disastrous impact of five

centuries of four millstones of dispossession, colonisation, dependence and marginalisation that have hung around Africa's neck, regionalism was considered an imperative. Pan Africanists believed that it would pave the way to the resuscitation of pan-Africanism. This explains the relentless search for regional and sub-regional integration even in the face of many disappointing failures. It was Africa's Hobson's choice in the light of its legacy of balkanisation, fragmentation and economic mono-culturalism.

It was therefore to be expected that at the heart of the LPA was regional development, integration and transformation. These can only be achieved through such interdependent processes as:

- the integration of the physical, institutional and social infrastructure
- the integration of the production structures
- market integration
- resolution of inter-country conflicts and prevention of acts of political destabilisation
- ensuring stability and security both at nation-state and inter-country levels
- the creation of an enabling environment for initiative and enterprise as well as facilitating cross-border factor movements.

Consequently, seven of the LPA's 13 chapters focus on Africa's regional strategic sectors - food and agriculture, industry, human resources, transport and communications, environmental protection, science and technology, gender etc. Both NEPAD and the Constitutive Act have similarly identified these sectors as of primary interest to regional transformation and development. NEPAD sees them as constituting the nexus for the provision of essential regional public goods. And the Constitutive Act assigns them to the second most important organ of the AU - the Executive Council. But nowhere in the Act has NEPAD been mentioned. And hardly are there references to the Constitutive Act in NEPAD.

Are both intended to work along parallel lines? The impression is given, perhaps inadvertently, that although the AU is the supreme body - having replaced the OAU - NEPAD is special and is not to be integrated into the AU. It has its own organs which are quite different from those of the AU. In this transitional period this is permissible but once the AU takes root and its various organs begin to function, rationalistation between them and those of NEPAD becomes crucial. How will the NEPAD Implementation Committee of Heads of States and Government relate to the AU Executive Council? Will the NEPAD Secretariat now being set up not in Addis Ababa but in Pretoria remain a separate and independent entity? Will it be absorbed by the Commission of the Union -

which is the Secretariat of the Union - once it becomes operational? These are indeed many substantive issues where reconciliation and clarity is needed in the relationship between AU and NEPAD.

But one great deficiency which they both share and which has to be put right is that they are top-down rather than bottom-up initiatives. While it is the responsibility of political leaders to take policy and political initiatives, their efforts will be in vain if they are unable to carry their people with them. Both were prepared without consultation with the stakeholders of Africa's development. No public discourse or debate has been held on both in the majority of African countries. It is even doubtful if national parliaments have been fully engaged in both processes. Yet both claim that the promotion of democratic principles and instituting popular participation and good governance as their main objectives. The African ownership which is claimed for them is no more than the ownership of the heads of government and their immediate advisers. This must be corrected without further delay.

Concluding Remarks

The renewed determination of African leaders to press forward with pan-Africanism and to reactivate and rejuvenate inter- and intra-African partnership and partnership between Africa and the international community at the dawn of the 21st century is of tremendous historic significance. This renewed effort to take the front seat in forging the future of the continent is commendable and must be pursued relentlessly. However, this must not be done at the expense of the principles enshrined in the LPA i.e. at the expense of principles and paradigms without which structural transformation and socio-economic diversification will continue to elude Africa.

As for the international community, they must move from mere expression of solidarity and enter into a compact with Africa which will be in support of development goals mapped out by Africa with the resources and policies of the international partners being devoted to achieving those Africa-determined goals. But first and foremost, the debt problem must be resolved and conditionalities and cross-conditionalities must become a matter of the past.

Africa must take all measurements to put the AU on a firm, solid and sustainable foundation. It is principally by so doing that it will not merely leapfrog but actually race into the 21st century. This requires fundamental reshaping of the political economies, the democratisation of the development process and the ushering in of a new national and regional economic order. The African states

and leadership must become, once again, developmental. Excessive dependence on foreign aid is not being developmental. As the Nobel Laureate and former South African President, F W de Klerk, correctly admitted recently at the Prague Society Conference of Foreign Ministers, in spite of the fact that since 1994 South Africa has consistently satisfied the conditions of the DMS orthodoxy - well balanced economic policies which are achieving growth, wining the war against inflation, containing budget deficits and maintaining financial discipline - direct foreign investment has not been flowing into South Africa because of "afro-pessimism". If this can happen to South Africa with a strong private sector, well-established communications system, advanced technology and its very fast-growing and very large middle-class - a country that offers rich rewards to investors - then the premises on which NEPAD has been based requires a critical and more realistic look to avoid the negative consequences of unfulfilled high expectations.

I do not know how many of you were in Dakar, Senegal, early in April 2002 at NEPAD Conference whose aim was to mobilise foreign investors. Not much reporting, particularly analytical reporting of the conference, appeared in the Nigerian press although our President attended, albeit rather late. But the report on it in The Economist of London of April 20th - 26th, 2002 is symptomatic of afro-pessimism. In concluding this keynote address, please permit me to quote the last paragraph:

> "Nepad owes much of its backing in Europe and North America to its founders' concern for democratic values and their belief that growth is dependent on a stable political frame-work. Given this, some of the delegates were a bit disturbed to find that it was Kenya's president, Daniel arap Moi, who delivered the keynote speech at the start of the conference. Mr Moi's time in office has been marked by persistent charges of electoral fraud, human rights abuse and government corruption, the very viruses that Nepad has pledged to remove from Africa. Mr Moi repeated the usual mantras about investment and transparency - but then gave warning that the main threat to Nepad's success would come from hostile journalists".

THE DILEMMAS OF PROGRESS IN INDEPENDENT AFRICA

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Introduction

When the African heads of states and governments met in Monrovia in July, 1979, to discuss and examine the economic problems facing the continent and to take a stand on what was needed to address these problems, they arrived at some very historic decisions which can only now be appreciated in retrospect.

They declared, among other things, that they would take concrete measures to realise national and collective self-reliance in the economic and social domains faced by the New International Economic Order. They went further to note that they had recognised the necessity to take urgent measures in giving the indispensable political support to the process of realising rapid economic growth in the context of collective self-reliant development.

In this regard, they resolved that it was vital to do the following:

- promote economic and social integration of African economies to enhance self-reliance and self-centred development
- create national, sub-regional and regional institutions in pursuit of this self reliance
- give primacy to human resources development
- place science and technology at the centre of Africa's development processes
- ensure self reliance in food production and guarantee the African people proper and adequate nutrition, together with other basic needs for a civilised standard of living
- undertake proper planning in all sectors of development - particularly agriculture, industry, an environmentally sound use of natural resources - with the aim of achieving modern economies at the national, sub-regional and regional levels by the year 2000.

The heads of states and governments therefore charged the OAU Secretary General and the Executive Secretary of the Economic Commission for Africa to come up with a sound plan for putting in place these objectives. This is what led to the Second Extraordinary Session of the Heads of States and Governments held in Lagos in July 1980 that passed "The Lagos Plan of Action" and "The Final Act of Lagos" for the economic development of Africa.

In essence, the LPA was a detailed elaboration of the general principles and objectives arrived at in Monrovia in 1979. It went into details, sector by sector, on how Africa could, through *collective self reliance*, achieve rapid economic and social development during the last two decades of the twentieth century. The FAL committed the African governments to establish an African Economic Community by the year 2000 and stated steps to be taken to this effect. In other words, the FAL took the principles, programmes and projects enunciated in the LPA as agreed upon, and now went further to state the kind of economic and political institutional arrangements necessary to realise these.

The LPA was criticised by the World Bank as not giving enough room to the private sector, not conceding to the reforms necessary in the public sector to stimulate economic growth and being too ambitious in its projections on what Africa could achieve in terms of industrial growth. Given that the West was generally hostile to arguments advanced by the advocates of the NIEO, it was not surprising that they paid scant attention to the LPA and the FAL.

World Bank Critique

The World Bank therefore went ahead to set up its own assessment of the possibilities of jump-starting the African economies so as to overcome underdevelopment. Professor Elliot Berg was appointed by the Bank to head a team of evaluators who came up with the famous Berg Report entitled "Accelerated Development in Sub-Saharan Africa: An Agenda for Action". Like the LPA, the Berg Report also analysed the African economies sector by sector, and was equally convinced that Africa had little to show in terms of development 20 years after independence. But unlike the LPA, the Berg Report delivered a judgment that put the African state and African bureaucracies in the dock. From the bank's perspective, little would happen in Africa in terms of accelerated development before the African state abandoned its misadventures in the economy, bad governance banished to the museum of political evils that helped to deepen Africa's underdevelopment and the market allowed more room to introduce economic rationality in development choice making.

While the LPA had avoided raising political issues, the Berg Report was quite explicit about corruption and the role of "over blown bureaucracy" in eating up scarce resources for development, "mismanaging" public affairs and generally becoming a parasite on society. The state-led development model that relied on heavily subsidising social welfare, industrialising through tariff-supported import-substitution, foreign exchange controls and deficit financing of public expenditure was deemed by the bank to be unsustainable and antithetical to the growth of the private sector. Yet it is the growth of this private sector that African economies needed for accelerated development so as to overcome underdevelopment.

The bank therefore recommended a two-pronged solution to the crisis of underdevelopment and the search for accelerated development in Africa. First was the need to *roll back the state from involvement in the economy by privatising public enterprises* and confining the state to its traditional role as a regulator The second was to open up the economy to more private sector participation and the rule of the economy by *market forces through liberalisation*. Economic reform policy packages handed down to African governments by the World Bank and other donors as conditions for aid disbursements containing some or all aspects of these two came to be known as Structural Adjustment Programs (SAPs).

The doctrinaire manner in which SAPs were demanded and implemented alarmed many African governments, scholars, researchers and even some of the donors themselves. For example, it was not quite clear how the state could pull out altogether its support for public health and education, why it was mandatory that food subsidies be withdrawn even where it meant the starvation of thousands of workers and their families trapped in mining districts like in Zambia, and whether workers would afford to travel to work where affordable public transportation was no longer available. Economists could not agree that a complete withdrawal of foreign exchange controls in contexts where only a few multinational banks dominated the money market and the central banks were relatively very weak was good for Africa.

While Africa did not want to simply pour cold water on SAPs, their adverse effects and even at times inappropriateness could not be ignored. A more proactive approach was therefore taken by the Economic Commission for Africa in conjunction with African governments to produce "Africa's Priority Program for Economic Recovery 1986-1990 (APPER)". This was later converted into the "United Nations Program of Action for Africa's Economic Recovery and Development (UN-PAAERD)".

In these two documents, Africans tried to come to terms with SAPs, and to propose to the UN body economic programmes and objectives under which African governments could engage the external world in a joint endeavour to tackle economic and social backwardness in Africa. The problem of the debt burden became prominent, inadequacy of investment resources was underlined and unequal exchange in trade was underscored. Even before SAPs could be implemented, these issues needed to be addressed and commitment made to infuse the continent with capital investment that would create the shock absorbers when SAPs were landed on the African people.

The outside world noted that African governments were not taking their part of the bargain seriously. That the LPA had not even addressed the issue of "good governance"; that this had been left to the World Bank to raise in the Berg Report and African governments had since then kept mute. It was further pointed out that the issue of SAPs needed to be addressed on their own, and that the ECA, OAU and their African government clients needed to spell out clearly how APPER and UN-PAAERD could be implemented without clear signals and programmes that SAPs - the African version - were on the agenda.

Africa's Alternative

In 1989, the ECA produced "The African Alternative Framework to Structural Adjustment Program for Socio-Economic Recovery and Transformation (AAF-SAP)". Without abandoning the commitment to collective self-reliance that was the linchpin of the LPA, and still underscoring the need for massive capital investment in African economies so as to kick-start economic growth, AAF-SAP nonetheless conceded to the demands of World Bank led SAPs agenda. It however introduced a new dimension: the need to pay attention to vulnerable groups and to create landing pads for them through social safety nets. But AAF-SAP was seen in certain African quarters as a retreat from LPA, or - at worst - a capitulation to the SAPs mafia. Such harsh judgments did not take into account the shifts in global politics, with Gorbachev already implementing his own version of AAF-SAPs in the Soviet Union and the Berlin Wall about to fall.

In that same year, the Berlin Wall did indeed fall, and African governments could no longer avoid addressing the governance issue in holding any international "development discourse" with the so-called western democracies led by the Triad. It was in this context that the ECA prepared for, and held, the famous Arusha conference on "Popular Participation for Democracy in Africa" and subsequently produced "The African Charter for Popular Participation for Development". Given this positive predisposition to good governance and noting

that this was the first time that the official documents discussing Africa's development agenda conceded that *democracy* was a cardinal issue, the UN now went ahead to produce a "New Agenda for Development of Africa in the 1990s" which had heavy doses of good governance as a sine qua non for Africa's economic recovery.

As if the ECA, OAU and African governments had been involved in some kind of pantomime, not much really happened in terms of jump-starting the African economies by the time the ink dried on the UN-NADAF and other resolutions that followed in its wake in various UN and OAU conferences and inter-ministerial meetings. Prof. Adebayo Adedeji, who was indeed at the centre of all this drama, recently gave this rather pessimistic commentary:

> "Unfortunately, all of these were opposed, undermined and jettisoned by the Bretton Woods institutions and Africans were thus impeded from exercising the basic and fundamental right to make decisions about their future. This denial would have been ameliorated if the African leaders had shown the commitment to carry out their own development agenda. But given their excessive external dependence, their narrow political base, and their perennial failure to put their money where their mouth is, the implementation of these plans has suffered from benign neglect. Lacking the resources and the will to soldier on self-reliantly, they abandoned their own strategies, including the two UN-PAAERD and UN-NADAF which were crafted jointly with the international community under the aegis of the United Nations."

Adedeji sees the unfortunate fates of these earlier initiatives to have been due not only to the lack of clarity and commitment on the part of the African political leadership, but also as a function of the capriciousness of the Development Merchant System (DMS) which is always hell bent on selling the "development packages" to Africa whether they are workable or not.

But Adedeji is not alone in this. Right from the mid-sixties to the Fall of the Berlin Wall, African scholars and progressive nationalists had always warned against the dangers of African political leadership without vision thrust in a world where the DMS calls the shots in the development agenda. Nkrumah had called for progressive African Unity as the only answer to the vagaries of imperialism and neo-colonialism. Reginald Hebald Green and Anne Seidman, during the days they spent in Dar es Salaam in the sixties went further to discuss in detail the economics and politics of African unity, equally underscoring the perilous nature of the DMS in a context of political vulnerability. This vulnerability, Franz Fanon had warned us, becomes particularly acute when the national bourgeoisie is either non existent or weak, and where nationalists take leave of their

national identity and consciousness and become the conveyor belts for foreign interests and values.

Yet both Rene Dumont and Walter Rodney, writing almost a decade apart of each other, noted that the objective conditions obtaining in Africa in the post independence era showed quite clearly that underdevelopment was a historical phenomenon in which western imperialism stood accused of depleting Africa's resources and labour for purposes of capital accumulation in the north. Any attempts to come to terms with this unequal and structurally "under developing" relationship called for drastically new arrangements in international relations in which Africa needed to recapture her role as a subject and not object of her own history. Impressive growth statistics that might have accompanied the records of certain African economies after independence - such as the growth in export earnings in places like Cote d'Ivoire - only hid the structurally "blocked" nature of these economies, argued Samir Amin in his book, "Neo- Colonialism in West Africa".

But objective conditions remain as such until they are challenged by subjective factors: this was the essence of Fanon's analysis. It has remained so in the many researches undertaken by various African scholars on the issues of development, national liberation and disengagement from imperialism. Indeed, even before talks and studies of democracy became an industry in Africa, we ourselves had pioneered major studies on struggles for democracy in Africa that showed that the African people, organised in various ways, had not taken underdevelopment and political oppression lying down. They had engaged in struggles for democracy. These struggles, though viciously oppressed by the exploiters, were popular and, in the end, changed the cause of history in Africa in certain countries. The ANC is a living example. We cannot say we are still where we were in the sixties, the seventies, and the eighties. In other countries, the jury is still out; but this does not mean that the people have completely thrown in the towel.

NEPAD

It is with this historical and contextual background in mind that we need to discuss NEPAD.

First, unlike the LPA and other subsequent documents referred to earlier, NEPAD tackles the issue of good governance frontally and goes ahead to set up institutional mechanisms that can put politics at the command of economics in Africa.

Second, NEPAD is not shy to speak about democracy. Nowhere in the LPA was the word democracy mentioned, let alone addressing issue of politics. For all intents and purposes, the LPA was an "economistic" document in the rather pejorative sense of the word. NEPAD, on the other hand, is a document conscious of "political economy" and the role of subjective factors in influencing processes of social transformation.

Third, while fully conscious of the structural constraints that the world economic system places on the potential for development in Africa, NEPAD openly admits ENGAGEMENT into this system as the only realistic way out, and suggests PARTNERSHIP - rather than DEPENDENCE AND SUBSERVIENCE - as the mode of this engagement This engagement will involve renegotiating international trade arrangements to improve equity in WTO rules and regulations; to reduce unequal exchange in international commerce; and to have better and more rewarding access to foreign markets. It is also hoped that this partnership implies a kind of social democracy at a global level whereby those who have been favoured by history for various reasons to be developed will have some vested interests in investing in the rapid development of the currently underdeveloped Africa provided this is done with African leadership taking the initiative.

Fourth, nowhere in NEPAD is there any lamentation about SAPs, nor does the document try to pinch the consciousness of the western world about its role in under-developing Africa. These issues are either taken as given, or they are deliberately avoided as possible causes of unnecessary self pity. Nonetheless, the issue of reparations remains cardinal to any discourse for a healthy partnership and the promotion of global social democracy.

Fifth, NEPAD - like its predecessor the LPA - is strong on collective self-reliance and puts premium on regional integration as part and parcel of the strategy for African economic renaissance. Unlike previous initiatives, however, it is more specific on African-level projects and is not as wordy in its proposals as the LPA tended to be - with the risk of confusing the statement of general principles with that of detailed programmatic implementation schedules.

Sixth, NEPAD, like the African Charter for Popular Participation, takes the issues of peace, security and human rights as critical to any prospects for development in Africa. In this regard, priority musty be given to the settlement of the debilitating internal conflicts in Africa and the creation of political democratic order wherever such order is wanting. This includes a whole range of conflicts from the obvious ones like the ones in the Great Lakes Region, the Horn of Africa

region and Western Sahara to the less talked-about ones like the conflicts in northern Uganda.

Seventh, NEPAD, like all its predecessors, has been an initiative of the Heads of States and Governments. It has therefore encountered some problems of gaining legitimacy with the people in terms of being found wanting in the politics of inclusion. But this critique need not be carried to its absurd conclusion: it is in the nature of leaders that they must lead first and foremost in ideas. Quite often these ideas are in the interest of the people where leaders feel accountable to the people. At other times, when the people are terrorised into submission, such ideas can be very dangerous, like with Nazism in Germany or Zionism in Israel.

For most of the post independence period, African societies have been terrorised by presidential authoritarian regimes and military dictatorships. The people of Africa - particularly the intelligentsia - are therefore very cautious when ideas come from above without broad discourse and consultation. They need to be sure that there are institutional mechanisms and safeguards that makes such ideas be pursued in the interest of the people, and not simply be used for the legitimisation of authoritarian rule. The danger is not that the masses have not been fully involved in discussing NEPAD. The much more important issue is that institutional mechanisms must be established for public discourse and accountability. After all, before the coming into being of the Euro, only 16 percent of Europeans were aware - let alone engaged - in European Union matters. It was only when decisions were being made to join or not to join that potential members held referenda to seek the support of the people.

History, however, is never devoid of subjective factors that may intervene at certain moments to change the cause of events quite contrary to expectations based on previous experiences. This is where enlightened leadership comes in where the African public is historically attuned to be pessimistic about their leaders. Recent democratic openings may have allowed into the scene some leaders who are reasonably enlightened to recapture the spirit of the early nationalists and to lead Africa out of the present quagmire of underdevelopment. Their success, however, will depend on the extent to which they establish institutional mechanisms for realising the noble visions, and the extent to which progressive social forces embrace these visions into popular movements for democratic transformation and development of Africa.

DEEPENING DEMOCRACY IN A FRAGMENTED WORLD

UNDP HUMAN DEVELOPMENT REPORT 2002

A SUMMARY

This report is about politics and human development. It is about how political power and institutions - formal and informal, national and international - shape human progress. And it is about what it will take for countries to establish democratic governance systems that advance the human development of all people - in a world where so many are left behind.

Politics matter for human development because people everywhere want to be free to determine their destinies, express their views and participate in the decisions that shape their lives. These capabilities are just as important for human development - for expanding people's choices - as being able to read or enjoy good health. In the 1980s and 1990s, the world made dramatic progress in opening up political systems and expanding political freedoms. Some 81 countries took significant steps towards democracy, and today 140 of the world's nearly 200 countries hold multiparty elections - more than ever before. But the euphoria of the cold war's end has given way to the sombre realities of 21st century politics.

Developing countries pursued democratisation in the face of massive poverty and pervasive social and economic tensions. Several that took steps towards democracy after 1980 have since returned to more authoritarian rule: either military, as in Pakistan since 1999, or pseudo-democratic, as in Zimbabwe in recent years. Many others have stalled between democracy and authoritarianism, with limited political freedoms and closed or dysfunctional politics. Others, including such failed states as Afghanistan and Somalia, have become breeding grounds for extremism and violent conflict.

Even where democratic institutions are firmly established, citizens often feel powerless to influence national policies. They and their governments also feel more subject to international forces that they have little capacity to control. In 1999, Gallup International's Millennium Survey asked more than 50 000 people in 60 countries if their country was governed by the will of the people. Less than a third of the respondents said yes. And only 1 in 10 said that their government responded to the people's will.

Globalisation is forging greater interdependence, yet the world seems more fragmented - between rich and poor, between the powerful and the powerless, and between those who welcome the new global economy and those who demand a different course. The September 11 2001, terrorist attacks on the United States cast new light on these divisions, returning strategic military alliances to the centre of national policy-making and inspiring heated debates on the danger of compromising human rights for national security.

For politics and political institutions to promote human development and safeguard the freedom and dignity of all people, democracy must widen and deepen. That is the subject of this report.

Poverty and Child Mortality

Economically, politically and technologically, the world has never seemed more free - or more unjust

At the March 2002 UN Conference on Financing for Development in Monterrey, Mexico, world leaders and policy-makers assessed progress towards the development and poverty eradication goals set at the UN Millennium Summit in 2000. They also pledged an unprecedented global effort to achieve those goals by 2015.

Many developing countries are making progress on several fronts, particularly in achieving universal primary education and gender equality in access to education. But for much of the world the prospects are bleak. At current trends, 33 countries with more than a quarter of the world's people will achieve fewer than half the goals by 2015. If global progress continues at such a snail's pace, it will take more than 130 years to rid the world of hunger.

Two problems seem intractable. The first is income poverty. To halve the share of people living on $1 a day, optimistic estimates suggest that 3.7 percent annual growth in per capita incomes is needed in developing countries. But over the past 10 years only 24 countries have grown this fast. Among them are China and India, the most populous developing countries. But 127 countries, with 34 percent of the world's people, have not grown at this rate. Indeed, many have suffered negative growth in recent years, and the share of their people in poverty has almost certainly increased.

The second major problem is child mortality. Although 85 countries are on track to reduce under-five mortality rates by two-thirds from 1990 levels, or have

already done so, they contain less than a quarter of the world's people. Meanwhile, 81 countries with more than 60 percent of the world's people are not on track to achieve this goal by 2015.

Most troubling, many of the countries least likely to achieve the goals are the world's poorest: the least developed countries. And most are in Sub-Saharan Africa: 23 of the region's 44 countries are failing in most areas, and another 11, such as Angola and Rwanda, have too little data to make a judgement. South Africa is the only country in the region where less than 10 percent of children are malnourished. In six countries -including Eritrea, Ethiopia and Niger - the share is more than 40 percent. Without a dramatic turnaround, there is a real possibility that a generation from now, world leaders will be setting the same targets again.

These mixed prospects highlight a troubling paradox. The spread of democracy, the integration of national economies, revolutions in technology - all point to greater human freedom and greater potential for improving people's lives. But in too many countries, freedom seems to be under ever-greater threat.

Democracy. The world is more democratic than ever before. But of the 140 countries that hold multiparty elections, only 80 - with 55 percent of the world's people - are fully democratic by one measure. And 106 countries still limit important civil and political freedoms.

Peace. The number of wars between countries has dropped considerably. In the 1990s, conflicts between countries killed about 220 000 people, a drop of nearly two -thirds from the 1980s. But civil conflicts are more damaging than ever. In the 1990s, about 3.6 million people died in wars within states, and the number of refugees and internally displaced persons increased 50 percent.

Opportunity: New technology and increasing economic integration are paving the way for truly global markets. But amid the wealth of new economic opportunities, 2.8 billion people still live on less than $2 a day. The richest 1 percent of the world's people receives as much income each year as the poorest 57 percent. And in many parts of Sub-Saharan Africa, the lives of the poorest people are getting worse.

Some argue that bridging the gulf between potential and reality is a matter of time and political will. For others the slow pace of change is not the problem - it is the basic direction. But on one point there is broad agreement: in a more interdependent world, politics and political institutions are even more central to

human development. Around the world, discussions on development are placing more emphasis on institutions and governance. These debates have focused on the effectiveness of public institutions and the rules for making markets work and promoting economic growth - from the professionalism and transparency of tax systems to the capacity of judicial systems to enforce commercial contracts.

Such issues are important for human development. When institutions function badly, poor and vulnerable people tend to suffer most. But just as human development requires much more than raising incomes, governance for human development requires much more than having effective public institutions. Good governance also requires fostering fair, accountable institutions that protect human rights and basic freedoms. It is not only about whether judges are trained, but whether they observe due process and are blind to differences of race and class. It is not only about whether schools are built, but whether students in poor districts are as well equipped as students in affluent areas.

This remains relatively new territory for serious research, and the links between political institutions and economic and social outcomes are not fully understood. This report explores those links from the standpoint of advancing human development. It argues that countries can promote human development for all only when they have governance systems that are fully accountable to all people - and when all people can participate in the debates and decisions that shape their lives.

Governance for the People

Advancing human development requires governance that is democratic in both form and substance - for the people and by the people

Democratic governance is valuable in its own right. But it can also advance human development, for three reasons. First, enjoying political freedom and participating in the decisions that shape one's life are fundamental human rights: they are part of human development in their own right. In Brunei, Dar es Salaam, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates women's right to vote has never been recognised. Regardless of their income, this significantly restricts their choices in life. Democracy is the only political regime that guarantees political and civil freedoms and the right to participate - making democratic rule a good in itself.

Second, democracy helps protect people from economic and political catastrophes such as famines and descents into chaos. This is no small achievement.

Indeed, it can mean the difference between life and death. Nobel Prize-winner Amartya Sen has shown how elections and a free press give politicians in democracies much stronger incentives to avert famines.

Since 1995, an estimated 2 million people - a staggering 10 percent of the population - have died of famine in the Democratic People's Republic of Korea. In 1958-61 nearly 30 million people died of famine in China. But since achieving independence in 1947, India has not had a single famine, even in the face of severe crop failures. Food production was hit hard during the 1973 drought in Maharashtra. But elected politicians responded with public works programmes for 5 million people and averted a famine.

Democracies also contribute to political stability, providing open space for political opposition and handovers of power. Between 1950 and 1990, riots and demonstrations were more common in democracies but were much more destabilising in dictatorships. Moreover, wars were more frequent in non-democratic regimes and had much higher economic costs.

Third, democratic governance can trigger a virtuous cycle of development - as political freedom empowers people to press for policies that expand social and economic opportunities, and as open debates help communities shape their priorities. From Indonesia to Mexico to Poland, moves towards democratisation and political opening have helped produce this kind of virtuous cycle, with a free press and civil society activism giving people new ways to participate in policy decisions and debates.

Two prominent examples are participatory budgeting and gender-responsive budgeting. In Porto Alegre, Brazil, citizen participation in preparing municipal budgets has helped reallocate spending to critical human development priorities. During the first seven years of this experiment, the share of households with access to water services increased (from 80 percent to 98 percent), and the percentage of the population with access to sanitation almost doubled (from 46 percent to 85 percent).

Gender-responsive budgeting, which examines the implications for gender equity of national and local budgets, has been pursued in at least 40 countries. In South Africa, such efforts have trained parliamentarians in scrutinising budget proposals and led to the inclusion of gender-sensitive analysis in policy papers and to more effective targeting of public spending.

Democracy and Development

The links between democracy and human development are not automatic: when a small elite dominates economic and political decisions, the link between democracy and equity can be broken

In recent years, people around the world have fought for and won democracy in hopes of gaining political freedom - and social and economic opportunities. But many now feel that democracy has not delivered. During the 1990s income inequality and poverty rose sharply in Central and Eastern Europe and the Commonwealth of Independent States (CIS), sometimes at unprecedented rates. And despite more widespread democracy, the number of poor people in Sub-Saharan Africa continued to increase.

When democratic governments do not respond to the needs of poor people, the public becomes more inclined to support authoritarian or populist leaders who claim that limiting civil liberties and political freedoms will accelerate economic growth and promote social progress and stability. In Latin America high income inequality and poverty go hand in hand with low public trust in political institutions and greater willingness to accept authoritarian rule and violations of human rights.

Authoritarian leaders promise better outcomes and argue that democracy must be sacrificed for economic growth and social progress. But there is no evidence of such a trade-off. Statistical studies find that neither authoritarianism nor democracy is a factor in determining either the rate of economic growth or how it is distributed. Experiences around the world support these findings. Costa Rica, Latin America's most stable democracy, achieved 1.1 percent annual growth in per capita income between 1975 and 2000, faster than the regional average of 0.7 percent, and boasts the region's most equitable distribution of income, education and health. But in Brazil, democracy coexists with economic and social inequalities that are among the world's largest. More authoritarian Paraguay achieved the region's average per capita income growth rate but has also failed to expand social and economic opportunities.

Democracy that empowers people must be built - it cannot be imported

In many countries, a central challenge for deepening democracy is building the key institutions of democratic governance:

- A system of representation, with well-functioning political parties and interest associations.

- An electoral system that guarantees free and fair elections as well as universal suffrage.
- A system of checks and balances based on the separation of powers, with independent judicial and legislative branches.
- A vibrant civil society, able to monitor government and private business - and provide alternative forms of political participation.
- A free, independent media.
- Effective civilian control over the military and other security forces.

These institutions come in many shapes and forms. Because the democracy a nation chooses to develop depends on its history and circumstances, countries will necessarily be "differently democratic." But in all countries, democracy is about much more than a single decision or hastily organised election. It requires a deeper process of political development to embed democratic values and culture in all parts of society - a process never formally completed.

Building democratic institutions while achieving equitable social and economic development poses tensions. Granting all people formal political equality does not create an equal desire or capacity to participate in political processes - or an equal capacity to influence outcomes. Imbalances in resources and political power often subvert the principle of one person, one voice, and the purpose of democratic institutions. And judicial proceedings and regulatory institutions are undermined if elites dominate them at the expense of women, minorities and the powerless.

One critical problem is money in politics, which subverts democratic institutions when it exerts undue influence on who gets elected and what legislators vote for. Recent US debates on campaign finance reform and the financial links between Enron and leading politicians from the country's two major parties show that this is a serious concern in long-standing democracies as well as new ones.

Presidential candidates in the 2000 US election spent $343 million on their campaigns, up from $92 million in 1980. Including spending by political parties, more than $1 billion was probably spent on the 2000 campaigns. In 2001, Michael Bloomberg spent a record $74 million to become New York City's mayor, the equivalent of $99 a vote. His main opponent spent $17 million.

As campaign costs rise, so does the risk that politicians will be disproportionately influenced by business interests. In the 2000 US election cycle, corporations gave $1.2 billion in political contributions - about 14 times the already considerable amount contributed by labour unions and 16 times the contributions of other interest groups. Although many European countries have more stringent

limits on corporate funding, similar patterns emerge in many other countries. In India, large corporations provided 80 percent of the funding for the major parties in 1996.

At the same time, political parties are in decline in many parts of the world. In France, Italy, Norway and the US the membership of established political parties is half what it was 20 years ago, sometimes less. And recent surveys in Latin America and Central and Eastern Europe found that people have more confidence in television than they do in political parties.

Democratic Politics

Triggering a virtuous cycle for human development requires promoting democratic politics

Promoting democratic politics means expanding capabilities such as education, to enable people to play a more effective role in such politics, and fostering the development of civil society groups and other informal institutions to help democratic institutions better represent the people.

Over the past two decades, there have been many new ways for people to participate in public debates and activities. Though membership has fallen in political parties, trade unions and other traditional vehicles for collective action, there has been an explosion in support for non-governmental organisations (NGOs) and other new civil society groups. In 1914, there were 1 083 international NGOs. By 2000, there were more than 37 000 - nearly one-fifth of them formed in the 1990s. Most developing countries have seen an even sharper increase in the number of domestic NGOs and non-profits: in 1996, India had more than 1 million non-profits, and Brazil had 210 000.

More than $7 billion in aid to developing countries now flows through international NGOs, reflecting and supporting a dramatic expansion in the scope and nature of NGO activities. In addition to advocating for and engaging in development projects, NGOs are taking more direct roles in local decision-making and monitoring and are developing new, collaborative forms of governance. The Forest Stewardship Council brings together environmental groups, the timber industry, forest workers, indigenous people and community groups in certifying sustainably harvested timber for export. In Porto Alegre, Brazil, and elsewhere, budgeting processes now involve consultations with civil society groups. In the United Kingdom, the Women's Budget Group has been invited to review government budget proposals.

Volunteerism is also flourishing. In the Netherlands, work by volunteers is estimated to equal 445 000 full-time jobs, equivalent to $13.6 billion. In the Republic of Korea, nearly 3.9 million people volunteer more than 451 million hours, with a value exceeding $2 billion. In Brazil, at least 16 percent of adults volunteer their time. Consumer action is another way for ordinary people to engage in public debates about policy issues - say, by boycotting rugs made by child labour or purchasing products that help small coffee growers. The threat of such action can hold corporations accountable to public expectations of corporate social responsibility.

These and other examples hold enormous scope for broadening participation in governance and promoting more equitable outcomes for people. By and large, civil society works to strengthen democratic institutions, not undermine them.

Civil society groups do not fit easily into traditional models of governance and accountability - which is part of their value to democracies. But when such groups spring from agendas or use tactics that are contrary to democratic values, they can be both civil and "uncivil." The rise of such groups poses challenges for truly democratic political engagement.

There are no simple solutions to this problem. But many civil society groups recognise that they must be publicly accountable for their actions. In Ethiopia, domestic NGOs have adopted codes of conduct to promote effective self-regulation. The codes emphasise the importance of transparency and accountability - and the need for the NGOs to ensure that they truly represent the people whose lives they affect.

A free, independent media is another crucial pillar of democracy. Around the world, restrictions remain on basic civil liberties - such as the rights to free speech, assembly and information. Few countries have freedom of information laws, for example. But in many countries new press freedoms and technologies are enabling the media to contribute more to democratic politics by opening public debates and exposing corruption and abuse. The transparency of Ghana's 2000 election results was helped by the efforts of the country's many private radio stations. The stations made it difficult to rig voting, bringing credibility to the announced results.

Especially in developing countries, most ordinary citizens have many more sources of information to turn to than they did 10 years ago. And less of that information is subject to rigid state control. But to be plural and independent, the media must be free not only from state control but also from corporate and

political pressures. Although market reforms and economic integration have reduced state ownership of the media, it has increased concentration in private ownership. Four private media groups own 85 percent of UK daily newspapers, accounting for two-thirds of circulation. And in the United States, six companies control most of the media.

Commercial and political pressures will always skew the playing field in the marketplace for ideas. But the answer to excessive corporate or political influence is not a return to strict regulation by the state. The media need to be free as well as accountable - which is why greater emphasis is being placed on high standards of professionalism and ethics. Journalists and the media are free only when they serve the public first, and the government or private shareholders second. A range of mechanisms can promote these goals without resorting to government controls, including self-regulation through independent bodies, professional codes of ethics and the use of official ombudspersons, as well as training and raising awareness of journalists.

Peace and Security

Establishing democratic control over security forces is another priority - otherwise, far from ensuring personal security and peace, security forces can actively undermine them

Popular disillusionment is not the only problem facing the world's democracies. In many, an even greater obstacle is the extensive power of the military, police and intelligence services - not to mention warlords, paramilitary groups and private security companies.

In the second half of the 20th century, 46 elected governments were forcibly overturned by authoritarian rule. And since 1989, national armies have directly intervened in the political affairs of 13 Sub-Saharan countries, or about one in four of the region's countries. In some countries - Nigeria in 1993, Myanmar in 1990 -military leaders have wrested control from (or failed to cede power to) elected governments under the guise of maintaining civil peace. In others, like Zimbabwe in 2000-02, elected governments have undermined democracy and personal security by using parts of the security sector for their own ends. In still other countries the risk of a failed state - where the security sector is fragmented or even privatised - is as great as the risk of returning to brutal authoritarian rule.

When order breaks down in a country, poor people usually suffer first and most. All too often, violence against civilians emanates from forces under government

control. During the 20th century, governments killed about 170 million people, far more than died in wars between countries.

Undemocratic governance of security forces can also distort security priorities. Many governments continue to militarise their police forces, blurring their distinction with the military, or seriously under-fund them. Without democratic civil control over security forces - including an effective, even-handed national police force - governments cannot guarantee people's safety and security, and human development is severely held back.

Relations between civilians and security forces rarely measure up to the ideal even in long-standing democracies. But encouraging examples in some new democracies, including South Africa, several Eastern European countries and previously coup-prone Latin American countries, show that progress is possible. Success in this area can contribute to the broader process of strengthening democratic institutions and politics. It can also promote external peace and stability, because wars between democratic countries are quite rare.

In war-torn societies, regaining control over the armed forces is a basic condition for progress. Otherwise, peacemaking efforts face the constant risk of reversal, especially moves to share power and expand political representation.

Lack of control can also generate rampant lawlessness and provide the conditions in which violent extremists can flourish - as in Afghanistan and Somalia in the 1990s.

Even in these circumstances, solutions are possible. But they require political leaders committed to inclusive, fair processes - especially in demobilising and reintegrating former combatants and building ethnically balanced, professional security forces - and to investments in a just and enduring peace, including recent innovations such as truth commissions. Creating political space for broadly based reconciliation and promoting dynamic local leaders, including women and young people, are critical to national recovery. In some cases, as in Afghanistan and East Timor, countries also need large-scale international help to maintain peace and order bring human rights violators to account and build democratic institutions that can resolve deep-seated disputes without resorting to violence.

Global Interdependence

Global interdependence also calls for more participation and accountability in global decision-making

Empowering people to influence decisions that affect their lives and hold their rulers accountable is no longer just a national issue. In an integrated world, these democratic principles have a global dimension because global rules and actors often affect people's lives as much as national ones.

This new reality has been reflected in recent anti-globalisation protests in both industrial and developing countries. Though these protests take different forms and are driven by diverse agendas, they are often united by the demand that global actors and institutions be more inclusive and responsive to the problems of the world's poorest people. The protestors are not alone in considering this an urgent problem.

In 2001, a global health fund was launched to address an imbalance in health research. Malaria, for example, kills at least 1 million people a year, nearly all of them in the poorest countries. In the 1950s, the World Health Organisation aimed to eradicate the disease. But over the decades, it has attracted little public funding for research or treatment. In 1992, less than 10 percent of global spending on health research addressed 90 percent of the global disease burden.

International trade rules have also worked against the economic interests of developing countries and failed to restrain protectionism in industrial countries, especially through antidumping rules and other non-tariff barriers. On average, industrial country tariffs on imports from developing countries are four times those on imports from other industrial countries. In addition, countries that belong to the Organisation for Economic Cooperation and Development (OECD) provide about $1 billion a day in domestic agricultural subsidies - more than six times what they spend on official development assistance for developing countries.

Efforts to build more inclusive, accountable global governance face two main challenges. The first is increasing pluralism: expanding the space for groups outside formal state institutions to participate in global decision-making, particularly in developing mechanisms to change the behaviour of private corporations. The second is increasing participation and accountability in multilateral institutions to give developing countries a larger role.

Increasing pluralism in global decision-making. Through a series of high-profile campaigns, civil society movements have been promoting pluralism at the

global level. Some tactics have been dramatic and effective, such as the human chain that the Jubilee 2000 debt relief campaign formed around the leaders of G8 countries in Birmingham, the United Kingdom, in 1998. Similar activism has put the spotlight on other issues - from the role of "blood diamonds" in financing guerrilla warfare in Africa to the way that the World Trade Organisation (WTO) agreement on Trade-Related Intellectual Property Rights (TRIPS) risked depriving poor people of access to essential medicines.

Increased pluralism in global politics has also been aided by new forms of collaboration between governments and global civil society groups. Perhaps the most successful example is the 1998 treaty seeking to establish the International Criminal Court. Despite the opposition of several major countries, the treaty was recently ratified - reflecting the support mobilised by hundreds of human rights organisations around the world.

Greater pluralism is also being built into international mechanisms and systems, as with the World Commission on Dams, the International Monetary Fund (IMF) and World Bank's new consultative approach to national poverty reduction strategies and the recently launched UN Global Compact on corporate social responsibility.

Increasing participation and accountability in multilateral institutions. Though the emergence of a global civil society has created opportunities to deepen democracy at the international level, existing international institutions need reform. Developing countries should be given a stronger voice in their operations. Given their enormous - and growing - influence, these institutions should also be held more accountable for their policies and actions.

Consider the World Trade Organisation. Every member country has a seat and a vote, which is very democratic. But actual decision-making occurs by consensus, heavily influenced by the largest and richest countries. The imbalance in developing country participation is also evident in global civil society movements. Of the 738 NGOs accredited to the WTO's 1999 ministerial conference in Seattle, Washington, 87 percent were from industrial countries.

The democratic deficit in international organisations is unavoidable because people do not directly elect their representatives to the WTO, IMF, World Bank or UN Security Council. Many argue that the imbalances of global political and economic power also make unrepresentative decision-making inevitable at the intergovernmental level. This argument has considerable force. Notably, the influence of the United States over institutions such as the IMF and WTO has

little to do with formal voting power -and much to do with the global standing of the United States.

It is perhaps no coincidence that the more representative international institutions, such as the UN Economic and Social Council and the UN General Assembly, are also considered the least powerful. The reality is that powerful countries - crucial to the success of any international institution - tend to gravitate towards institutions that give them the most influence. And they take their power with them: whether it is to the WTO's "green room " meetings or the meetings of the IMF executive board. Efforts to enhance the representation of developing countries must take into account these basic realities.

Still, there is considerable room for making global institutions more democratic. Many proposals have been made to remove such patently undemocratic practices as the veto on the UN Security Council and the way the leaders of the IMF and World Bank are selected. Various commissions, think tanks and civil society organisations have also recommended increasing transparency by, for example, publishing decisions made by the executive boards of the major international financial institutions and making WTO decision-making more inclusive and transparent.

In recent years, the IMF, World Bank and United Nations have made important efforts to become more open and transparent. Progress on many of the more ambitious proposals for democratic reform - such as at the UN Security Council - has stalled. But there continues to be strong pressure to extend democratic principles to such organisations, particularly since many have recently become so much more deeply involved in national economic, political and social policies. The deeper their intervention in sensitive governance reforms in developing countries, the greater is the need for international organisations to be open and accountable.

The traditional argument against such reforms is that they would make decision-making clumsy and unworkable. But against this must be set the realities of a more integrated world. Whether the goal is peace, economic growth or environmental sustainability, international efforts to promote change do not work if national actors feel excluded. Around the world, the United Nations, IMF, World Bank and WTO are coming up against the fact that ownership matters. Increasingly, the leading global powers may recognise that a widespread sense of exclusion and powerlessness in developing countries can threaten economic growth and security in industrial countries as well as developing.

An abiding lesson of the past decade is that national political institutions are not keeping pace with the governance challenges of a more interdependent world. As new democracies struggle to lay the foundations of democratic governance, new forces and institutions are exerting powerful influences on people's lives. And new types of conflicts are proliferating within and between countries.

Many hoped that the September 11 terrorist attacks would inspire global unity in confronting the challenges of national and international governance. And there have been encouraging signs of movement in that direction, such as the increased aid committed at the March 2002 Conference on Financing for Development. But there is an equally strong possibility that the attacks and their aftermath will further weaken global institutions, undermine human rights and exacerbate social and economic fragmentation.

The need to act is clear. Still needed is the will to act in ways that cultivate democracy, advance development and expand human freedoms around the world.

GLOBAL TRADE PROSPECTS

By Detlef Kotte

Growth in the world economy slowed sharply in 2001; performance was weak in all three leading economic regions in the developed world, and the spillover effects on developing countries were much stronger than in previous downturns in the 1990s. Several emerging market economies in East Asia and Latin America entered into recession; only China and India, two large and relatively closed economies, were by and large immune to the downward pressure on world markets. Growth in Africa remained at a level similar to that of the previous year. For developing countries as a whole growth was only 2.1 percent, down from 5.4 percent in the previous year.

The US economy entered into recession, and the belief that the Euro area would be unaffected proved unfounded. Faltering exports, lower profits of affiliates in the US, and an overly cautious monetary and fiscal response, all contributed to a decline in the growth rate for the Euro area in 2001 to about 1.5 percent. Unemployment, which had been falling for three years, stabilised at the relatively high level of 8.5 percent. Of the large EU economies, only the United Kingdom had a more favourable experience, thanks to strong consumer demand. The recovery in Japan, which began in 1999, dissipated in the second half of the following year, and since the second quarter of 2001, the economy has been in recession, with exports and private investment declining at double-digit rates. Despite the return of the Japanese central bank to its zero interest rate policy in March 2001, companies are reporting record losses, corporate bankruptcies have been rising, and unemployment has edged up to 5.5 percent.

International trade played a major role in transmitting the slowdown in the industrial world to developing countries. After growing by 14 percent in 2000, export volumes for developing countries grew by less than 1 percent in 2001. All major developing regions were affected, but the impact was most marked in East and South Asia, where exports had grown particularly fast in 2000, thanks in large part to strong demand for electronic products and semiconductors in the US. The decline in exports is estimated to have been more than 15 percent for Taiwan, 10 percent for the Republic of Korea and 5 percent for Hong Kong (China), Malaysia, Singapore and Thailand. In some regions, slower growth in export volumes was compounded by falling prices, especially in Latin America, which suffered from substantial declines in the prices of its commodity exports. The sharp drop in petroleum prices from their peak in late 2000 also reduced

revenues for oil exporters. By contrast, prices for some commodities exported by African countries held up well in 2001.

Capital flows to developing countries in 2001 remained at the low levels prevailing since the Asian financial crisis in 1997, and suffered a severe setback in the aftermath of September 11. The economic slowdown and the loosening of monetary policy in the US had been expected to encourage capital flows to emerging markets for reasons similar to those applying in the early 1990s. However, the lingering uncertainty surrounding these markets after a series of financial crises has been compounded by increased vulnerability to the downturn in industrial countries. Since, in contrast to the situation in the early 1990s, growth in developing countries today is more directly linked to that of the US, those countries provide less scope for diversification to investors seeking higher risk-adjusted rates of return. Loan repayments to foreign banks by East Asian borrowers have continued to exceed new loans elsewhere by a considerable margin, and securitised debt continues to flow to developing countries at a slower pace. Foreign direct investment (FDI) has held up better and flows to Latin America made that region the largest net recipient of capital flows. However, the resilience of FDI seems unlikely to persist into 2002. Only China, which saw net inflows rise in 2001, seems likely to continue attracting inflows on an even larger scale, now that it has acceded to the WTO.

Exchange rates in developing countries have been relatively stable. The major exceptions were Argentina and Turkey, which were forced to float their currencies, provoking in both cases considerable financial turmoil. In Argentina, the abandonment of the currency peg was associated with a much broader economic crisis, the full consequences of which for both the country itself and its neighbours are not yet clear. However, there has been no widespread contagion of other emerging markets. Since the beginning of 2001 there has been further movement among developing countries towards the adoption of floating exchange-rate regimes, usually coupled with official willingness to intervene to prevent large movements in rates.

Despite the concerted response from the world's most important central banks following September 11, only in the US has policy been consistently focused on limiting the impact of the slowdown on employment and real income. The Stability and Growth Pact of the Euro area has led to the pursuit of deficit targets with insufficient regard to the cyclical positions of different countries. While a weak euro has helped maintain foreign demand, from a global perspective monetary policy in the Euro area has also been restrictive. In Japan, hopes seem to be pinned on a weak yen to ignite an export-led recovery.

However, recovery also requires increased consumer expenditure, which monetary policy alone is unlikely to achieve.

Thus, much still hinges on the strength of the US recovery. So far, despite the rise in unemployment and a slower growth of real wages, stronger-than-expected consumer spending has limited the drop in output. With private savings still extremely low, a sustained recovery will have to be compatible with a return of private households to normal spending habits. At the same time, corporate balance sheets are likely to require further restructuring and the potential of monetary expansion for achieving a revival of investment seems limited. There will be a sustained recovery only if consumer and business confidence is sufficiently buoyant to convince producers that they need to increase investment in new productive capacity. As yet, there are few indications that this is the case.

In the light of the above, a likely outcome is that the US economy would stabilise at a low, but positive, rate of growth. Such an eventuality would have limited knock-on effects for Europe and Japan, both of which are still dependent on an export-led upturn. Moreover, if the dollar remains strong at the same time as growth in Europe and Japan remains sluggish, the current-account deficit of the US may widen even further, with the danger of heightened protectionist pressures in that country and a risk that a large eventual dollar devaluation may usher in a period of more generalised currency instability.

As a result of active policies to stimulate domestic demand, most Asian economies returned to growth in the last quarter of 2001. Some Latin American and transition economies also managed to buck the global trend earlier in the year. However, growth in the industrial world is unlikely to return quickly to the 3 percent that appears to be necessary to support a vigorous increase in employment and income in the developing world. Reaching such an objective would require substantial increases in demand for developing-country exports, a major recovery in commodity prices, and a strong increase in capital flows, of which there is little prospect at present.

Least affected by unfavourable external conditions will be the emerging markets in East and South Asia, which have recently been running current account surpluses and generally have relatively high ratios of foreign exchange reserves to short-term external indebtedness. By contrast, most Latin American countries will require greater capital inflows in order to finance more vigorous growth. In several transition economies in Europe growth is also dependent on the dynamism of exports markets in the euro area as well as on capital inflows.

In such a context of slow global growth, improved market access could provide a useful boost to activity in developing countries, and greater use of regional trade and financing mechanisms may provide relief from external constraints and protection against financial instability. Nevertheless, many developing countries will continue to require substantial official financial support if they are to be protected from the effects of the difficult external economic environment.

Developing countries in world trade

Fundamentally, the basic policy challenge facing most developing countries remains how best to channel the elemental forces of trade and industry to wealth creation and the satisfaction of human wants. Shifting away from their dependence on the export of primary commodities towards greater production and exports of industrial products has often been viewed as a means of their participating more effectively in the international division of labour. Manufactures are expected to offer better prospects for export earnings not only because they allow for a more rapid productivity growth and expansion of production, but also because they hold out the promise of greater price stability even as volumes expand, thereby avoiding the declining terms of trade that have frustrated the long-term growth performance of many commodity-dependent economies.

Since the early 1980s, moves to rapidly liberalise trade and attract FDI have strongly influenced policy makers in many developing countries. Openness to international market forces and competition was expected to allow those countries to alter both the pace and the pattern of their participation in international trade, thereby overcoming balance of payments problems and accelerating growth to catch up with industrial countries.

During this period, the exports of developing countries have indeed grown faster than the world average and now account for almost one third of world merchandise trade. Much of that growth has been in manufactures, which today account for 70 percent of developing country exports. For some products, developing country exports account for around half or more of world exports. More importantly, many developing countries appear to have succeeded in moving into technology-intensive manufactured exports, which have been among the most rapidly growing products in world trade over the past two decades, notably electronic and electrical goods.

However, on closer examination, the picture is much more nuanced. With the exception of a few East Asian first-tier newly industrialising economies (NIEs) with a significant industrial base, which were already closely integrated into the

global trading system, developing country exports are still concentrated on products derived essentially from the exploitation of natural resources and the use of unskilled labour, which have limited prospects for productivity growth and lack dynamism in world markets. Statistics showing a considerable expansion of technology-intensive, supply-dynamic, high-value-added exports from developing countries are misleading. Such products indeed appear to be exported by developing countries, but in reality those countries are often involved in the low-skill, assembly stages of international production chains organised by transnational corporations (TNCs). Most of the technology and skills are embodied in imported parts and components, and much of the value-added accrues to producers in more advanced countries where these parts and components are produced, and to the TNCs which organise such production networks.

Indeed, while the share of developing countries in world manufacturing exports, including those of rapidly growing high-tech products, has been expanding rapidly, the income earned from such activities by these countries does not appear to share in this dynamism. On this score, a comparison between the developed and developing countries over the past two decades raises some initial worries. Although developed countries now have a lower share in world manufacturing exports, they have actually increased their share in world manufacturing value-added over this period. Developing countries, by contrast, have achieved a steeply rising ratio of manufactured exports to gross domestic product (GDP), but without a significant upward trend in the ratio of manufacturing value-added to GDP. Accordingly, the increase in the share of developing countries in world manufacturing exports has not been accompanied by concomitant increases in their shares in world manufacturing value-added, and in several countries the two ratios have tended to move in opposite directions. Certainly, few of the countries which pursued rapid liberalisation of trade and investment and experienced a rapid growth in manufacturing exports over the past two decades achieved a significant increase in their share in world manufacturing income.

Clearly, for many developing countries, getting the most out of the international trading system is no longer just a matter of shifting away from commodity exports. At the same time, many of the same forces that adversely affected price and productivity dynamics in the primary sector, including the competitive structure of markets, income elasticities and technological weaknesses, need to be re-examined in the light of recent trends associated with the increased participation of developing countries in the international trading system.

Dynamic products in world trade

Over the past two decades the value of world merchandise exports has grown at an average rate of around 8 percent per annum, compared to less than 6 percent growth in global output and income (in current dollars). Among the 225 products examined, exports of some have grown at rates three times as fast as the growth in global income, whereas for others export values have declined in absolute terms. It is mainly primary commodities, but also some manufactures, that have registered sluggish or negative growth rates. The growth of trade in about one third of all products, including both primary commodities and manufactures, has lagged behind the growth of global income.

While manufactures generally constitute the fastest-growing products in world trade, there are also some agricultural products in this group, such as non-alcoholic beverages and cereals. Many of the fastest-growing manufactures in world trade, such as electronic and electrical goods, which now account for around one sixth of world exports, tend to be technology-intensive, often with a high research and development (R&D) content. A common feature of these market-dynamic manufactures is that the sectors in which they are produced exhibit strong productivity growth. This is less so for other market-dynamic products, such as textiles and clothing, and transport equipment, which have low- or medium-skill contents.

Differences in income elasticities, product innovation and changing consumption patterns, and shifts in competitiveness of industries across countries, can explain why some products are more dynamic in world markets than others. However, differences in the speed of liberalisation of markets have also played a significant role. A particularly important influence in recent years has been the commercial policies of many developed countries, which limit access to their markets. Trade liberalisation has been limited and slow in textiles and clothing along with other labour-intensive manufactures, compared to the pace of liberalisation in other sectors. High tariffs and tariff escalation have been compounded by other overt forms of protection such as tariff rate quotas, as well as by the adverse impact of anti-dumping actions and product standards. The growing number of non-tariff barriers, especially against unsophisticated manufactures, has reinforced the prevailing patterns of market access, which favour high-tech products over low- and middle-range products that tend to gain importance in the early stages of industrialisation.

Perhaps a more decisive influence on product dynamism has been the strategy of TNCs. The three product groups with the fastest growth rates over the past two decades, namely components and parts for electrical and electronic goods,

labour-intensive products such as clothing, and goods with a high R&D content, have been most affected by the globalisation of production processes through international production-sharing arrangements. The increased mobility of capital, together with continued restrictions over labour movements, has extended the reach of international production networks, thereby accelerating the growth of trade in a number of sectors where production chains can be split up and located in different countries. Favourable tariff provisions, often through regional arrangements, and fiscal and other incentives, have encouraged this process, promoting a new pattern of trade whereby goods are processed in several locations before reaching final consumers, and the total value of trade recorded in such products exceeds their value-added by a considerable margin. Trade based on specialisation within such networks is estimated to account for up to 30 percent of world exports.

Trade and industry: new linkages, old challenges

While developing countries as a whole appear to have become more active and dynamic participants in world trade over the past two decades, closer examination shows a great deal of diversity in the modalities of their participation in the international division of labour:

First, many countries have not been able to move away from primary commodities, the markets for which are relatively stagnant or declining. However, growth in trade in several primary commodities has been as rapid as in some manufactures, and countries which have successfully entered such sectors have experienced a significant expansion in their exports and incomes;

Second, most developing countries that have been able to shift from primary commodities to manufactures have done so by focusing on resource-based, labour-intensive products, which generally lack dynamism in world markets;

Third, a number of developing countries have seen their exports rise rapidly in skill- and technology-intensive products which have enjoyed a rapid expansion in world trade in the past two decades. However, with some notable exceptions, the involvement of developing countries in such products is confined to labour-intensive, assembly-type processes with little value-added. Consequently, the share of some of these countries in world manufacturing income actually fell. For others, increases in manufacturing value-added lagged considerably behind their recorded shares in world manufacturing trade

Finally, a few countries have seen sharp increases in their shares in world manufacturing value-added which matched or exceeded increase in their shares in world manufacturing trade. This group includes some East Asian NIEs, which had already achieved considerable progress in industrialisation before the recent shift to export drive in the developing world. None of the countries which have rapidly liberalised trade and investment in the past two decades is in this group.

Thus, most developing countries are still exporting resource - and labour-intensive products, effectively relying on their supplies of cheap, low-skilled labour to compete. With the exception of the last group, they do not appear to have been able to establish a dynamic nexus between exports and income growth that would allow them to rapidly close the income gap with industrial countries. Although they as a whole appear to have become major players in world markets for dynamic products, they still account for only 10 percent of world exports of products which score high in R&D content, technological complexity and/or economies of scale.

Making sense of a system in which many developing countries are vigorously expanding their foreign trade but are not rewarded by a comparable rise in incomes requires some hard thinking. A first step is to break with a casual style of empiricism, which takes the classification of manufactured traded goods at face value. Generally, developing countries participating in high-technology sectors are not involved in the skill- and technology-intensive parts of the overall production process. Consequently, their contribution to value-added is determined by the cost of the least scarce and weakest factor, namely unskilled labour, whereas the rewards for scarce but internationally mobile factors such as capital, management and know-how are reaped by their foreign owners. It is thus the labour itself, rather than the product of labour, that is exported. Indeed, even in countries such as China and Malaysia, which have been highly successful in raising their shares in world manufacturing exports and value-added through participation in international production chains, an important part of domestic value-added is captured by profits earned on FDI.

Clearly, participation in the labour-intensive segments of international production networks can yield considerable benefits for countries in the early stages of industrialisation and with a great deal of surplus labour. It can enable them to increase employment and per capita income even when the value-added generated is low. Furthermore, increased employment of low-skilled labour in activities linked to international production networks - whether organised by large TNCs producing a standardised set of goods in several locations, or through

groups of smaller enterprises located in different countries and linked through international subcontracting - has certainly widened the possible range of sectors where industrialisation can begin and the basic techniques and organisational skills, which are prerequisites for a more broad-based growth, can be acquired. However, that does not constitute a leap into a new pattern of rapid and sustained industrial growth.

These networks allow TNCs a good deal more flexibility in, and control over, their choice of investment locations. Moreover, their productive assets, such as know-how, design and technology, can be locked more tightly inside the firm, thanks to barriers of entry that result from the high costs of managing and co-ordinating such complex units. The packaged nature of FDI can, in these circumstances, be the cause of a highly skewed distribution of the gains from trade and investment unless local bargaining power can bring a more balanced outcome, as it did for the first-tier East Asian economies. However, replicating the success of those countries is all the more difficult where such investment is highly mobile: locational advantages are easily won and lost through small cost changes or the emergence of alternative sites, giving rise to the danger of enclave economies where there is a persistently high dependence on imported inputs such as capital and intermediate goods. These problems can be particularly serious for middle-income countries which have been successful in early stages of industrialisation but which now need rapid upgrading and productivity growth in order to advance further along the development path.

Competition and the fallacy of composition

What a country can earn from its participation in the trading system, including through value chains, depends, *inter alia*, on the global supply of the goods produced and exported relative to demand. Unfavourable trends on both counts, resulting in declining terms of trade for commodities, have been a longstanding source of anxiety for policy makers in developing countries. Relying on manufactured exports to galvanise growth was regarded as a solution to this problem.

As a result of the increased participation of several highly populated, low-income countries in world trade in recent years, as much as 70 percent of the labour force employed in sectors participating in world trade is low-skilled. However, there is still a considerable amount of surplus labour in such countries, and many large countries are not yet fully integrated into the international trading system. Thus, a simultaneous export drive by developing countries in labour-intensive manufactures, or increased competition among them to attract FDI as locations for labour-intensive processes of otherwise high-tech activities organised in

international production networks, could upset the development aspirations of outward-oriented economies and create serious systemic tensions in the trading system. The dangers of overproducing standardised mass products with a high import dependence are typified by the electronics sector, where developing country export prices appear to be more volatile and to have fallen more steeply after 1995 than the same products traded among developed countries.

There are also more general signs that the prices of manufactured exports from developing countries have been weakening vis-à-vis those of the industrial countries in recent years. It is true that those developing countries that have achieved an impressive export programme on the basis of a dynamic manufacturing sector, such as the Republic of Korea, have also enjoyed favourable terms of trade with other developing countries, especially those exporting simple manufactures. Coupled with the fact that prices for a number of important developing country manufactures also appear to be increasingly volatile, there are grounds for concern. The design of export-oriented policies accordingly needs to take into account the probability of oversupply in the markets for labour-intensive manufactured exports from developing countries.

Because of the significant barriers to entry in high-skill and technology product lines associated with their high R&D contents and the high costs involved in organising production chains, these markets are dominated by oligopolistic northern producers usually competing on the basis of quality, design, marketing, branding and product differentiation, rather than price. Final products that are less technology-intensive, such as machinery or transport equipment, which require the financing of very large and specific investments, are also among those with the highest concentration ratios of export market shares.

By contrast, the markets for labour-intensive goods have tended to be a good deal more competitive, especially in the past decade. These markets continue to provide opportunities for the new generation of industrialising economies. But weak growth and high unemployment in the advanced industrial economies have slowed the closure of their sunset industries. Moreover, most middle-income developing countries also persist in labour-intensive manufactures because their producers are finding it difficult to upgrade and diversify. Competitive pressures are further compounded by the way labour markets in developing countries accommodate the additional supply of labour-intensive goods through flexible wages, allowing firms to compete on the basis of price without undermining profitability. Competition among firms, including international firms, in developing countries becomes competition among labour located in different countries.

With a growing number of developing countries, including some with very large unskilled labour pools, turning to export-oriented strategies, it is the middle-income countries in Latin America and South-East Asia that appear most vulnerable to these dynamics. In particular, greater price competition in products of the electronics sector appears to have increasingly exposed traditional developing country exporters to the emergence of more competitive suppliers in countries with lower costs. In the absence of a rapid upgrading to high-skill manufactures needed to enable them to compete with more advanced industrial countries, these exporters may face a squeeze between the top and bottom ends of the markets for manufactures.

Implications of China's accession to the WTO

The accession of China to the WTO has raised the issue of the possible impact of the adoption of multilateral trade disciplines on the trade performance of China itself as well as of its trading partners. For China, it implies, above all, opening up its markets to greater foreign competition and commercial presence. The experience of liberalisation episodes in Latin America and transition economies suggests that this can pose a challenge to economic policy makers. However, China's big advantage is that it is joining the multilateral system from a position of strength: spectacular success in export expansion; a sound and sustained balance of payments position; and abundant international reserves. Moreover, it is well placed to resist excessive import pressures linked to repressed consumer demand, which have derailed other liberalisation episodes.

The most difficult challenges will be faced by enterprises and workers in the State-owned sector. These enterprises operate in agriculture, but are particularly prominent in heavy industry, including power, steel, chemicals and armaments, as well as the service sector. At the end of the 1990s they employed over 80 million people, and accounted for 38 percent of GDP and about half of the country's total exports. Although reforms have been ongoing in this sector for well over a decade, many of the enterprises are in a weak financial position, operating at a sub-optimal level with outdated technologies and relying on high levels of protection. The terms of accession - notably removal of subsidies, reduction of tariffs and non-tariff measures, and elimination of preferential treatment - will exert considerable pressure on many of these enterprises, particularly as the competition will come mainly from firms in advanced countries. Considerable losses of jobs would seem unavoidable for both unskilled and skilled workers.

The consequences of restructuring and increasing unemployment in vulnerable sectors can be offset through industrial expansion elsewhere. Sectors such as

clothing, electrical equipment, leather products and other light industries are expected to enjoy improved export opportunities following accession. The recent increase in inward FDI suggests that low labour and infrastructure costs remain a powerful attraction. However, it is unlikely that FDI will generate a large number of jobs. While exports from foreign-owned firms now account for more than 10 percent of GDP, these firms employ less than 1 percent of the total labour force. Even if employment in export industries dominated by these firms were to double, they cannot be expected to absorb more than a fraction of labour released elsewhere in the economy. Moreover, these firms are heavily dependent on imports, on top of which there is an outflow of profits, resulting in a net outflow of foreign exchange. Although an important part of total profits is reinvested, this contribution of foreign-funded enterprises to the balance of payments bears a certain resemblance to some countries in East Asia, such as Malaysia, before the outbreak of financial crisis. If FDI simply serves to relocate labour-intensive processes to China, such an approach may create trade-offs and stiffer competition among countries with surplus labour and a high degree of, reliance on FDI. Such an outcome can be avoided to the extent that FDI is used for technological upgrading and greater attention is paid to the role of domestic markets in absorbing surplus labour.

The growing presence of Chinese exporters is a matter of concern to many developing countries with a similar trading structure. Nevertheless, and despite low wages, China does not have an across-the-board cost advantage in manufacturing over other developing countries because of low productivity, particularly in the state-owned sectors. In labour-intensive manufacturing, including assembly operations in electronics, it is middle-income producers, such as the members of ASEAN and Mexico, that face the greatest exposure, particularly on third markets. These highly competitive markets are precisely the ones most vulnerable.

Concerns are heightened because the trading opportunities from further opening of the Chinese market are unlikely to favour to its potential export competitors. China's imports are biased towards high-skill products and natural resources. Advanced industrial countries and the first-tier East Asia NIEs are likely to gain most, either because of an increased demand for imported parts and machinery linked to production networks or because of sizeable cost advantages over Chinese producers. However, liberalisation of China's agricultural imports can be expected to present new export opportunities not only for some Asian countries, which already have high shares in China's imports of such products, but also for some Latin American and African countries.

China's challenge to integrate further into the world economy will require a full range of policies to smooth the adjustment process and maintain solid growth. It is important that it retain its autonomy and the option to use the exchange rate, if needed, to prevent serious disruptions to certain sectors of its economy. Because there is a limit to relying on labour-intensive exports, a rapid and well-sequenced technological upgrading in manufacturing that allows exports to shift to higher value-added and skill-intensive products will require a new strategy, designed to replace imported parts and components with domestic production while placing greater reliance on domestic markets for increasing productive employment. Properly managed, such a process could enable China to leapfrog the industrialisation process instead of seeking to absorb the surplus labour in relatively low value-added, labour-intensive manufactures.

Policy Issues

The basic policy issue facing developing countries in the trading system is not, fundamentally, one of more or less trade liberalisation, but how best to extract from their participation in that system the elements that will promote economic development. For some this is still a matter of switching from primary commodities, but for many others it is a question of increasing the value-added component of manufacturing exports. The challenges facing China stand as a reminder that even the largest developing economies still require sufficient policy space to manage their integration into the global economy.

Since Seattle, concern has been expressed about the extent to which the multilateral trading rules may foreclose policy options that were part of the successful development strategies in the Asian NIEs as well as in many developed countries. Those concerns might have been eased if the increased market access expected from the Uruguay Round had been realised. Instead, a combination of continued barriers to market access, reduced policy space for nourishing competitive enterprises and promoting technological upgrading, along with excessive competition among developing countries in world markets for labour-intensive products and for FDI (in the labour-intensive segments of international production networks), has raised once again the risk of fallacy of composition.

At the fourth session of the WTO Ministerial Conference, held in Doha, the concerns of developing countries first raised in Seattle were acknowledged. The challenge now is to make the multilateral trading system more development-friendly. The outcome will be judged by the extent to which developing countries achieve greater market access without their policy options being restricted. The dynamics of the trading system underscore the urgency of making real progress in this respect.

It would be wrong to suggest that making good on the bargain struck in the Uruguay Round by providing improved access to markets in areas of interest to developing countries carries no, or only small, adjustment costs in industrial countries. Prolonged periods of high unemployment and slow growth in those countries have led many low-skilled communities to resist further concessions on trade. But renewed protectionism is not the way forward. Anxieties arising from increased competition can best be addressed by making sure that the full range of macroeconomic and structural policies is employed to accelerate growth and reduce unemployment. That is how developed countries absorbed the entry of low-cost producers in the 1950s and 1960s, and there is no reason to think that the design of a "win-win" package is beyond the technical competence of policy makers in the current era.

Developing countries also need to strike the right policy balance. Continuing efforts to ensure a pro-investment policy regime through an appropriate mix of macroeconomic and market pressures and incentives will be required to meet target growth rates of 6 percent and above. But much more will be needed to stimulate dynamic export-investment linkages. Developing countries must be able to graduate across the full spectrum of manufacturing industries to ensure that more of the productive activities generating trade stay at home and to help avert the problems associated with fallacy of composition. This will call for a faster expansion of domestic markets and a rapid technological upgrading through targeted trade and industrial policies and a well-devised approach to FDI. The policies adopted by the East Asian NIEs for this purpose are well known. Success in upgrading, particularly by middle-income countries, will crucially depend on the extent to which obstacles to access to technology and industrial upgrading will be removed in the WTO review process.

Finally, many larger developing countries will need to find ways of utilising domestic sources of growth more fully. This suggests that the outward orientation of their economies may decline as they grow richer and their home market expands. For smaller countries regional arrangements could provide the right context for galvanising the forces of trade and industry. These played an important role in East Asia in facilitating the kind of staggered industrialisation that is now required on a wider scale. Conventional economic thinking tends to dismiss these as second-best solutions for meeting development goals, and as a potential stumbling block on the road to a fully open and integrated multilateral system. However, these arguments are much less convincing when domestic firms still have weak technological and productive capacities and the global economic context is characterised by systemic biases and asymmetries.

DEBATING "PRIVATISATION" OF NETWORK UTILITIES IN S.A.

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1. Introduction

The post-apartheid government of South Africa inherited over 300 state-owned enterprises (SOEs), with four of the firms accounting for 86 percent of aggregate turnover, 94 percent of total income, 77 percent of all employment and 91 percent of the total assets of these enterprises. These "key enterprises", as they are collectively described in the government's Policy Framework Paper, are in telecommunications (Telkom), energy (Eskom), transport (Transnet) and defence (Denel). None of these firms is slated for outright privatisation in the near future. The present debate is on the wisdom of the government's model of reform, its so-called "matrix of options."

In its agenda for the reform of public enterprises, the government is clear about its goals for the "privatisation" of some and for the "restructuring" of yet others. However, judging by the diversity of views in the multimedia in recent times, there seems to be much confusion and mixed feelings about the nature and pace of the reforms, about who will bear the burden of the perceived costs and as well about the distribution of the expected benefits.

Despite the diversity of opinion, the government is clear about what it wants to do. In fact, it issued a press statement challenging what it perceives as misinformation by the Congress of South African Trade Unions (COSATU). The statement begins by noting that COSATU has called for a strike against what it calls "privatisation", a move that is obviously unnecessary since "restructuring is not necessarily 'privatisation'." The press statement highlights that restructuring is a key platform of the Redistribution and Development Programme. That far from being ideological, it is a practical programme built up case-by-case to contribute to the following:

- bring down the cost of electricity, telephones and other services
- reduce costs of production and thus improve job creation

- bring more productive investment into the economy
- open up the economy to those who were shut out by apartheid.

According to the minister of public enterprises, "restructuring" is the generic term taken to represent the set of strategies employed by the state to ensure that public enterprises in South Africa are "efficient, effective and powerful engines of socio-economic development.... Restructuring aims to maximise the contribution that these state assets can make to development through the integration of public, private and social capital and expertise". In its vision for restructuring, the government declares:

> "Development cannot be measured only by financial criteria and restructuring is not a means of improving government finances and enterprise efficiency at the expense of the poor. Rather, the success of restructuring will be measured by its contribution to improving the standard of living of the majority of the population. The goal of restructuring should therefore be sustainable economic and social benefits."

However, COSATU sees matters in a fundamentally different way: "COSATU supports the restructuring of state-owned enterprises and local government to improve their capacity to deliver basic services.... But privatisation will **NOT** help achieve these ends". Therefore, it demands that privatisation of basic services and national infrastructure be halted at once and furthermore, that any restructuring of the SOEs "must improve services for our communities and especially for the poor". Basic services are listed as "water, sewerage, rubbish disposal, electricity, welfare and basic housing, health, transport, education, telecommunications and cultural services (such as stadiums, parks and libraries)." The federation's basic argument on privatisation is that "it is inherently difficult, if not impossible, to compel private interests to serve the poor..." It demands that government re-examine the desirability of relying on market forces to govern the delivery of basic services.

COSATU defines privatisation in terms of the extension of the control and wealth of the private sector at the expense of the state and views as euphemisms such terms as "restructuring" or "public-private partnerships" that are used by the government to characterise its own perception of the reforms. Here are some of the specific issues that the federation finds troubling:

- government's failure to back up its faith in the market with a proposal for consistent, strong regulatory structures or with a systematic analysis of the costs and benefits of proposals for privatisation.
- the department of public enterprises (DPE) has never published an

analysis of its own proposals for the biggest parastatals. An analysis that addresses the benefits to society as well as the costs in the form of the immediate impact on pricing or employment and the social impact from non delivery of certain essential services, or the impact of unemployment on specific communities.

- the DPE argues that privatisation is the best way to achieve efficiency and that government regulation, shareholder compacts or subsidies will ensure adequate services for the poor. Yet government has never evaluated whether or not it possessed the requisite administrative capabilities to deliver on the regulatory component.
- the department of trade and industry argues that technological advances have eroded the natural monopoly characteristics in electricity and local telephony and hence these utilities should be privatised and regulated.

COSATU summarises its objections by arguing that "state control is necessary to ensure adequate, quality provision of services to the poor and to initiate strategic investments to restructure the economy". Furthermore, the federation argues that almost all government policies on privatisation admit the need for regulation even though the government lacks capacity and commitment to effective regulation.

In view of the ongoing controversy and the diversity of opinions on this issue, we wish here to further animate the debate by highlighting important elements of network utilities that should be taken into consideration in resolving the restructuring controversy. I focus on Eskom, Telkom and Transnet (its railroad component). These three enterprises share an important characteristic that is central to the reform debate: They are network utilities. Network industries are characterised by investments that are large, lumpy and sunk. The components that make up the system must work together in order to deliver their services to the end user. In general, they include gas, water, electricity, rail and fixed line telephony. As can be deduced from the examples, these network utilities provide goods that are now generally part of infrastructure services in an economy.

Infrastructure investments provide services that are part of the consumption bundle of residents and serve as inputs into production. Infrastructure may be usefully classified as public capital goods (even though some components are club goods). Individuals, living in squatter and slum settlements that lack basic infrastructure, can be classified as (socially) poor cohorts regardless of movements in their indicators of income and food consumption. So, as a basic-consumption good, infrastructure has become a central issue in poverty. We claim that understanding the role of infrastructure in the economy can lead to a better appreciation of the privatisation debate which has now crystallised

along a battle line that finds government on one side and organised labour on the other (even though labour is by no means the only cautionary voice).

Reform of network utilities: the issues

Amicus Curia: adding a voice

To add perspective to the debate, we begin by summarising another opinion on the position of organised labour. According to this view, the decision by COSATU to protest government's privatisation plans is based on COSATU's belief that privatisation will make some people worse off, will lead to poor service delivery, will lead to loss of jobs and to increases in the price of basic services. While labour argues that the provision and extension of basic services to poor communities cannot be entrusted to the market, the government argues that it is reforming the enterprises to deliver services more effectively and to be able to raise the necessary capital to finance needed infrastructure investment.

In the post-Cold War era, it has become fashionable to side with proponents of free markets and to dismiss arguments for active state interventions as "relics of a bygone era." Those who subscribe to this view would readily dismiss COSATU as being out of touch with the present, preferring instead to remain in the socialist past. However, such a view would be a grave mistake because COSATU's concerns are deserving of serious consideration. Contrary to the way in which COSATU has been portrayed by the government as "blindly opposed to privatisation," COSATU's approach is seen by some as pragmatic in conveying repeatedly, its opposition to the privatisation of assets that help the state deliver social services.

Appropriable rents and redistributive struggles

A key characteristic of network utilities is that they invariably contain a segment in which investments are large, lumpy and sunk. Furthermore, the ability of new firms to enter such a natural segment on a compressed time-scale is in general not realistic, particularly when there is an active incumbent. The highly specialised nature of the assets, the level of uncertainty in the economic environment and the durability of the assets all combine with cost-advantages, to generate enduring economic rents to an incumbent.

There are yet other issues: One is that *ex ante* (before entry occurs), a potential entrant has many investment options. However, post-entry, the entrant is stranded because the bargaining advantage now shifts from investor to consumers. Therefore, "*ex post* guarantees" - credible commitments - are necessary to ensure an *ex ante* optimal amount of investment in the required

highly specialised assets. The other issue is that once services are on stream, there is a "lock-in" effect in that service delivery via networks of water, electricity, telecoms and railroads are uniquely in a direct link to the consumer who is then captive. For this reason, there is as well a requirement for an *ex post* guarantee of an efficient volume of trade. Since the market is unable to supply such a guarantee, the usual policy response is to prohibit the probable exercise of market power by the incumbent utility. Additionally, given that many of the services delivered over networks are considered basic consumption goods, they inevitably invite consumer activism with respect to the pricing of such services. These consumers are numerous, are politically important and have no choice of network/They cannot exit and so will use their voice. The public policy problem, therefore, is to devise a mechanism that balances the interests of investors and the political power of consumers.

One such device, capable of satisfying the requirement of *ex post* guarantee, is public ownership. Provided it can finance the required investments, state ownership can be solution. Regulation is another solution, particularly when the network is in private hands. Overall, it is clear that regardless of the chosen solution, a network utility will inevitably be subject to regulation, often through a line ministry. Therefore, the state dictates the terms under which network utilities operate.

Special problems of network utilities

The conventional "visible hands" approach to the natural monopoly (market failure) problem is for regulatory institutions to be created and entrusted with the task of designing price-setting rules and ensuring that the monopolist meets the demand for services. However, designing price-setting rules is only a part of the policy agenda for these industries. Network utilities pose special problems of ownership and regulation whose solution is constrained by the institutional endowment of the country, the balance of political power and changing national objectives. Therefore, property (ownership) rights may not matter as much as control rights, whether exercised by the state directly through ownership or indirectly through regulation.

Regardless of the nature of ownership, societies have to evolve effective regulatory institutions to deal with the special problems of network utilities, chief among them being the capacity to meet demand and to finance investment. Next are the problems of ensuring technical efficiency and the optimal deployment of technology. Here, competition is said to be more effective than regulation in encouraging innovation. The issue is not so much about privatisation (ownership) as it is of liberalisation (multiplicity of services) where feasible. The inherent

tension over distributional issues of "fair" pricing of network services to consumers and the need to earn a "fair" return on assets deployed so as to encourage future investment, is at the core of the special problems of network utilities. Economic theory predicts that in a competitive industry, excess profits or losses (economic rents) induce firms to enter or exit an industry. Unfortunately, this prediction cannot be reliably used to guide fair pricing in network utilities because significant entry and exit barriers exist in these sectors.

So far, the presumption has been that it makes a difference to performance if competition is introduced into services supplied over a network, either through vertical separation, liberalising access to the network, or both. In short, that competition matters more than ownership for efficiency. The literature argues that *vertical disintegration* has the advantage of confining regulation to the network provided there is adequate competition in services. *Liberalisation* on the other hand, makes more demand on regulatory capacity. Also, it is argued that competition is difficult to sustain in state-owned utilities and so there may be a complementarity between privatisation and competition. In this context, privatisation seems to be a necessary but not a sufficient step to achieving the benefits of competition.

It had been claimed that government enterprises are managed to achieve a variety of objectives that relate to the complexities of politics, while private enterprises are largely managed to earn profits.

In addition, it has been said that instincts to survive compel firms in more competitive markets to be relatively more efficient. But these views do not answer two fundamental questions. First, why do the authorities not make public enterprises equally efficient by offering managers the same financial incentives as their private sector counterparts? Second, since all private enterprises are subject to a variety of regulation, how is it that the authorities are able to devise efficient regulations for the private sector while those that apply to public enterprises are so poorly constructed?

Basically it appears that such public sector reform just does not work and it has often proved impossible to have an "arm's length" relationships between the nationalised corporations and government. Instead, governments found it irresistible to interfere with the decisions of state owned enterprises so that, in practice, the corporations had little control over pricing and investment decisions".

When it comes to the difference in the quality of regulations applicable to public and private firms, the regulators are often political actors themselves or serve at the pleasure of those in political office.

A network liberalisation bubble?

Can regulatory institutions be designed and sustained to deliver the promised benefits of access, interconnection and intelligent price setting? Alternatively, are we in a liberalisation bubble, or does the current wave represent an adjustment towards equilibrium network-industry configuration that internalises both technical and organisational economies?

Even where it does not duplicate facilities, competition may still fail to secure the benefits of co-ordination, interconnection and system standardisation. Moreover, transaction costs could be significant in some markets. These and other concerns raise many questions about the socio-economic and political conditions necessary to sustain private ownership.

What if a government becomes "time-inconsistent?" In other words, a government can become reluctant to fully enforce the rights of investors because it upsets the balance between the claims of workers, consumers and the rest of the voters. If public utilities are to be privately financed successfully, then regulation must credibly resolve the tension between consumers and investors. If consumers are unhappy, they cannot meaningfully "exit" or choose an alternative supplie (even under conditions of vertical disintegration) but must use their "voice" through the political process to secure their demands. If investors are fearful for the security of their future returns, they will not finance the needed investment.

For networks whose facilities are coming due for refurbishment in the near future, when confronted with uncertainties over future regulatory regimes, suspending investment is a rational response. Governments can attempt to legislate away the uncertainty. However, using formal law to introduce swift changes that do not reflect the political and socio-economic situation of a country will not alter behaviour. So, embedding commitments in a constitution when the political equilibrium is not supportive of such an arrangement invites social crisis. Such a commitment device in any case lacks credibility. If regulatory institutions are not sufficiently strong to provide adequate credibility, then private ownership may be unfeasible or too costly. The costs may take the form of a high rate of return required to reward investors for the perceived high regulatory risk. This cost can also manifest itself in other ways such as a high discount on the fair asset value when the utilities are privatised, or during attempts to enter into strategic equity partnerships.

The Transportation sector: Railroads

Spoornet profile: Spoornet is the largest division of Transnet. Transnet is the largest state-owned enterprise in South Africa by annual turnover and number of employees. Incorporated in 1990, it dominates South Africa's transportation sector and controls 13 companies involved in multi-modal transport and allied services. Spoornet enterprises comprise a general freight business, a heavy haul coal line, a dedicated heavy-haul iron ore line, an intercity passenger services, the Blue Train luxury service (LuxRail), LinkRail that handles branch lines and Rail and Terminal Services (R&TS) that maintain and operate the network.

Sector policy: The 1996 White Paper on National Transport Policy was followed in 1998 by the release of a strategy paper on transportation in the next 20 years. One of the major goals underlying the policy and the strategy is "to improve South Africa's competitiveness and that of its transport infrastructure and operations...."

Action by the government: Spoornet will be corporatised, with its different units becoming autonomous corporate entities. Coallink, Orex, LuxRail and LinkRail will be operated as concessions, while the general freight business and R&TS will be corporatised as one entity and subsequently sold through an Initial Public Offering (IPO) or transformed into a joint venture with a strategic equity partner.

Organised labour's submission: Labour's position is that rail services should remain in the public sector so that "it can have the required socio-economic impact". At face value, this would seem to be an argument for continued cross-subsidisation of uneconomical components. However, labour demands a three-year "turnaround period to demonstrate that an efficient state owned Spoornet is viable and necessary". They argue that strategies to increase sales volume, regulation of road transport (to account for externalities) and an integrated transport solution are core to the revival of the enterprise. Moreover, it seems that labour is now being made to pay for management ineptitude.

Comment: COSATU's assessment seems to makes a compelling case for a "hard budget" constraint on the management of Spoornet, much similar to government's present restructuring strategy for the company. Accordingly, the questions left to be asked in this regard should be whether pitfalls exist in the restructuring plan that ought to be given further careful consideration and how best to address the social dimensions of the reform.

One concern that comes to mind immediately is that is it not very obvious how the restructuring will engender competition. Although the various segments of the rail services are being restructured to operate on hard budget constraints

(through concessioning, commercialisation and corporatisation), these features are not sufficient for efficiency in the absence of rivalry. As Spoornet's components do not compete among themselves, potential rivalry is through substitute services from other transportation modes outside rail services. The planned merger of R&TS and GFB into a single corporation also needs to be explained. Equally, how will the potential competition to discipline market participants arise?

It should be noted that regardless of the number and size distribution of the train-operating companies, the existence of a single platform provider calls for an industry arbiter to referee standards and pricing. Moreover, if multiplicity of services is not feasible on the routes, consumers would be expected to exercise their "voice" by calling for the regulation of price and quality. Costly exit is as much an entry-deterrence as is the high cost of entry itself. The lack of readily alternative uses for rolling stock (locomotives and wagons) is a costly problem affecting the ability to exit the market (and hence the decision to enter in response to the existence of economic profits or rents). The ability to finance rolling stock at competitive rates of return affects entry decisions as well. Therefore, a viable market for the leasing of rolling stock becomes necessary for the ultimate realisation of the expected (price-quality) gains from "privatised" railroad services. Either the gains arrive through competition, or one must repose considerable faith in the capability of the regulator and the goodwill of the operator.

The Telecommunications sector: Fixed telephony

Telkom profile: Telkom is an incorporated public enterprise with 67 percent ownership by the government and 30 percent by two strategic equity partners through an investment holding company. It holds a grant of monopoly over local and long distance telecommunications services, exchanges and public payphone services until May 2002. It holds a 50 percent stake in Vodacom, the larger of the three cellular phone companies currently operating in South Africa.

Sector policy: The 1996 White Paper on Telecommunications Policy sets out several goals for the sector:

- promote universal and affordable provision of telecommunication services.
- encourage ownership and control of telecommunication services by persons from historically disadvantaged groups.
- encourage investment and innovation in the telecommunication industry.
- encourage the development of a competitive and effective telecommunications manufacturing and supply sectors and
- ensure fair competition within the telecommunications industry.

The outcome of this policy process was the Telecommunications Act (Act 103 of 1996) setting forth the telecommunications policy for the next 6 years. The most important structural elements of the Act comprise the establishment of an independent regulatory body and a five-year exclusivity for the incumbent operator Telkom, against an obligation to roll out 2.81 million new lines over this period. Two-thirds of the connections will occur in under-serviced areas and for priority customers.

Action by the government: In March 2001 the ministry of communications proposed a policy for the post-exclusivity period. The most important structural aspects of the draft policy are to license only one additional national network operator that includes an empowerment partner and the telecommunication subsidiaries of both Transnet and Eskom, to grant an international carrier licence to another state enterprise Sentech, to suspend deliberations on broadband licensing and to delay number portability until 2005.

Organised labour's submission: COSATU's position on telecommunications can be summarised in its "Vision for Telecommunications" document. That vision envisages universal service, affordability, ownership by the state, job retention and job creation. It argues that roll-out obligations and meeting of those obligations will become "window dressing" if lines are subsequently disconnected due to high rental costs that render them unaffordable - a now widespread phenomenon known as *churn.* The federation argues also that because of spillover benefits from telecommunications as an infrastructure bundle and as a basic consumption-good, too little will be provided if left to the private sector. This divergence of marginal valuation from social valuation can be corrected through government intervention by ownership. Other specific and perhaps controversial issues, raised by COSATU include:

- Telkom's pricing policy is being informed not by costs but by the level of competition in particular market segments. Where there is competition, especially international and long-distance national calls, there have been price reductions whereas on the monopoly segments (local calls) there have been major price hikes.
- local telecommunications prices should be falling faster than is currently the case and so a stronger, more targeted price capping is required to ensure that prices on services that are valued more by low-income consumers fall the fastest.
- Telkom does not yet provide details of stand-alone costs for unbundled services thus making it difficult to ensure proper cost allocation and pricing of services.

- long distance and international calls should cross-subsidise local calls and if necessary, the cost of trunk calls should rise.
- profitability should obviously not be a central consideration for an enterprise such as Telkom, which is responsible for addressing backlogs and meeting basic needs in the telecommunications sector.
- COSATU supports measures to strongly cap price increases for residential customers as an important component of the ongoing regulation of this sector.
- COSATU finds absurd Telkom's claim that because of uncertainties around the future competitive and regulatory regime, its business plan does not currently extend beyond the end of the exclusivity period.

Comment: It is clear that subsidies and job retention are of major concern to organised labour. Cosatu advocates subsidised services to all residential customers, with the burden falling on business customers. The problem with this view is that such a tax on business can make them uncompetitive and the environment unattractive for investments. That would impact on growth and employment.

In historical context, as the unions were also quick to point out, subsidies (bailouts) are commonplace. It has been used in South Africa to extend infrastructure services to the farmers. In the USA, continuing subsidisation of local phone services is a source of discomfort to business and industry except for the local phone companies who engage in it. Although not reviewed here, the American experience highlights an issue that COSATU did not give adequate consideration to. That is the critical issue of financing of advanced infrastructure, namely the deployment of advanced digital technology that includes investment in local access networks, in backbone networks and in the choice of wired access systems. Investment in advanced technology are the drivers of future growth - the engine of the business segment of telecoms - to which COSATU looks to cross-subsidise residential consumers and to enable telecommunications fund other social obligations.

Regulatory capacity is another important issue flagged by critics. Technical constraints on the production and delivery of telecommunication services make clear that how competition evolves, post-liberalisation, will depend on the nature of regulation. The obviously important role of a robust regulatory agency elevates to a priority the budgetary position as well as the competency of the agency. ICASA, the telecommunications regulatory agency, has expressed concern about its strength and preparedness. government's view is that the regulator has all the power and independence it needs to meet its goal. In laying out its perspective on ways of improving corporate governance in

SOEs, the government notes that:

> "In practice, the government's relationship with the SOE sector was less than optimal over the past five years. ... the potential conflict between *government and regulators* was clarified by restating that regulators need to operate within the framework of government policy rather than seeking to influence policy themselves (emphasis added)."

The point to note is that in spite of the centrality of regulatory capacity to outcomes in this sector, much concern remains about the quality and capacity of regulatory agencies.

The Energy sector: Electricity

Eskom profile: The dominant utility in the energy sector is Eskom whose operations are structured into three major groups: generation, transmission and distribution. It supplies 95 percent of the country's electricity. Sales to the neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe account for 2.4 percent of aggregate turnover. Eskom's total revenue is distributed 39 percent from resale, 28 percent from industrial customers, 18 percent from mining and 7 percent from both residential and commercial consumers.

Sector policy: The legislative and regulatory framework for the sector is embodied in the 1998 White Paper on Energy Policy and in the establishment of a National Electricity Regulator (NER) in 1995. The regulator controls the pricing, national services and technical standards. The white paper sets out both the broad policy objectives of the state and the national priorities in the energy sector. Among the priorities are "increasing access to affordable energy services, improving energy governance, stimulating economic development, managing energy-related environmental impacts and securing supply through diversity".

Action by the government: In order to give effect to the policy objectives in the energy sector, government plans to "corporatise" Eskom. The government is also to carry out a full evaluation of different models for restructuring of the energy sector, based on a review of the industry by the department of minerals and energy. As well, it envisages the formation of different generating companies to promote internal competition prior to the introduction of private-sector participation in the generation market.

Government's claim is that "vertical disintegration" of Eskom and hence the industry will lead to greater transparency and accountability and that the creation of regional electricity distributors will lead to better services and ultimately

competitive prices to customers. Furthermore, it believes that the restructuring plans will be such that rollout of electricity to the poor in both urban and rural areas will be unhampered. As at June 2001, the government continued to express its commitment to a competitive model of electricity generation but with Eskom as the dominant producer. However, given the current growth trajectory of the country, government estimates that additional capacity will be required in 2007 and that this creates an opportunity for the entry of new producers around 2003. Also, it is expected that Eskom's investment in generation outside of South Africa will be traded off against a reduction in domestic capacity. The government views this as a strategy that can stimulate competition without undermining Eskom's strength. Thus, it addresses the concern expressed during the hearings on Eskom Conversion Bill as to whether restructuring will impair Eskom's capability to continue its ancillary role in economic development. The government's current strategic plan for Eskom does not entail unbundling and privatisation. The Eskom Conversion Bill is designed to make it a corporation with government as the sole equity holder.

Eskom is confident that the restructuring of the energy sector is being carried out in a manner that preserves and enhances its existing strength and does not weaken its ability to contribute to the economy. It claims among its achievements, the meeting of the electrification targets for schools and clinics, a cumulative reduction in real terms of over 15 percent in the price of electricity, or a 14.1 percen reduction when the electrification discount is excluded. It also boasts a strong record of financial performance involving no drain on the treasury or of financing from official development flows, a strong record of skills training and development, black economic empowerment and employment equity.

Organised labour's submission: Organised labour views the current proposals for restructuring the electricity sector as stemming from an ideological persuasion on the part of state agencies, of the merits of the "neoliberal model" of development. This is in spite of the fact that the same agencies would readily identify with improving living standards for all, as well as with setting a course for development that is egalitarian, democratic and sustainable. The Federation argues that the restructuring proposals meddle with parts of the sector that work well by international standards, while leaving fundamental problems unsolved. Hence, the proposals portend rising costs to consumers, a decline in the momentum of the electrification programme that undermines developmental programmes and possibly will deter investment in the sector.

The federation is also concerned about the redistributive consequences of the proposed reforms and the alternative transfer mechanism proposed by the

government. They point to the legacy of apartheid in shaping regional inequalities in access to electricity. Under a regime of independent electricity distributors, cross-subsidisation is difficult and this difficulty is compounded by the wide regional disparities in wealth across the municipalities. Furthermore, if wealthier municipalities do not cross-subsidise the poorer regions, such savings are nonetheless used to subsidise other services in the wealthier areas. It is well known that "cheap" electricity has been instrumental in developing South Africa's extractive and refining industries (benefits that accrue to a concentrated group), while the externalities (the costs by way of environmental degradation) are widely shared.

In COSATU's view, the question boils down to who gets subsidised using which mechanism. The government argues that placing subsidies online in the budget makes for transparency and for the determination of the "real cost" to society. This reason is a subterfuge. Placing items online in the budget is not the only means of determining the real cost to society. The key issue here, as the federation makes clear, is sustainability. The federation seeks to institutionalise the subsidy in the same way it has worked for big business. Unless institutionalised, subsidies (transparent or not) will become ensnared in the budgetary politics of regimes under pressure to manoeuvre tight fiscal corners. Citing international experiences - New Zealand and California, to name a few - that can be described as disastrous, the federation warns of the impact of the proposed restructuring on the reliability of electricity supply over time.

Comment: To provide quality services at competitive rates to consumers, the state must have a restructuring plan that delivers efficiency in generation, transmission, distribution, trading and consumption. The plan must as well, minimise barriers to entry and exit, maintain system integrity, minimise transaction costs andcommercial and regulatory risk. In other words, the overall design and implementation of any restructuring plan must recognise that a firm is not merely a *production automaton* (the traditional but limited view of determining the boundaries of the firm) but also is a *nexus of contracts* (an efficient transacting mechanism). This will reduce the risk of viewing every vertical arrangement as anticompetitive without counterbalancing the issues.

Beginning with the generation segment, what are the necessary conditions for sustainable competition and are those conditions compatible with system integrity? What happens when there are negative rents (some producers are not covering their long-run costs) that induce producers to exit from the market? What happens when there are positive economic rents? Studies on competition in the South African industry do not address these questions, while there have

been reports that in the case of Chile, which has already reformed its electricity supply industry (ESI) since 1982, concerns still exist over the degree of competition in the system. In Argentina, wholesale price of electricity dropped by 50 percent in the five-year period after privatisation due to the intense competition in the generation sector after the entry of 21 new generators. On the other hand three ESI privatisations in Britain and Northern Ireland resulted in the price-cost margin to the advantage of producers but harming (or failing to adequately benefit) consumers.

In the transmission segment, which may be a natural monopoly, the question is whether separating generation from transmission will result in significant loss of coordination benefits. It has been suggested that countries with sparse grids, or distant hydro resources, or those with rapid electricity demand growth, need to think more carefully how to preserve these coordination benefits. "Integrated resource planning could be a way to mitigate any possible loss in co-ordination benefits from vertical separation. Furthermore, responsibility for the resource planning could rest on the system operator, and be performed as a public service. Presumably, the details of such a scheme in markets subject to systems competition and network standardisation will need to be carefully studied, with the possible strategic behaviour of rivals explicitly taken into consideration. These matters are somewhat academic since the model approved by the government does not require the vertical disintegration of Eskom. It simply scales down Eskom's presence in the generation segment.

By far the thorniest segment of ESI, and one on which the least has been written is the distribution segment. The current technology for supplying electricity is such that the switching of suppliers by consumers (whilst within the same location) is still not possible. Therefore, customers remain captive while private suppliers remain apprehensive of consumers expressing their voice through political pressure. This creates challenges for the electricity regulator, who must then act as an umpire, in balancing the needs of the consumer to realise the downstream benefits of efficient upstream production, with the needs to *ex post* guarantee adequate returns to the retailer. Without such a guarantee, the optimal amount of asset-specific investment may not be forthcoming *ex ante*. Furthermore, retailers may trade off costs at the margin by reducing service quality, including maintenance and response time. In a network, this can impair system integrity and/or raise the cost of the management of ancillary services (reactive power, voltage control and so forth).

The number of distributors is not a critical issue to individual consumer because each retailer is a local monopolist. What matters are (i) the skill of the regulator

in establishing an intelligent pricing regime and (ii) the nature of the political equilibrium which not only determines partially the quality of the regulator but as well, issues such as whether public ownership will be the default ownership structure of the distribution companies.

Concluding remarks

Regulation is often invoked to deal with market failures and the market is invoked as a solution to government failures. In South Africa, government has often been criticised for moving too slowly with privatisation. On the other hand, organised labour would like to see the government step more cautiously. More than any other part of civil society, organised labour has been key in calling attention to the many unresolved issues in the privatisation debate that are deserving of further scrutiny. The ongoing debate and tension is useful.

Overall, the government appears to have acted prudently when judged *ex ante* and even when judged with the benefit of hindsight. COSATU's objections can act as "fire bells" as the government considers further steps in the restructuring process. Equally noteworthy are the following points. First is that with respect to the question of economic efficiency in utilities, it is the multiplicity of services (liberalisation or competition) rather than ownership (privatisation or corporatisation) that matters more. Second is that competition may be difficult to sustain in state-owned utilities and so privatisation and competition may be complementary. Thus, privatisation may seem a necessary although not a sufficient condition for achieving the benefits of competition. The conundrum here is that due to the difficulty of regulatory commitment, private ownership can be infeasible or too costly. Third, is that property rights (such as the grant of *natural monopoly*) which are potentially controversial (due to concerns about the exercise of monopoly power) are politically insecure (for governments can become time-inconsistent about protecting those rights).

Simply put COSATU is right on the mark: the state is central to balancing the needs of consumers and the concern of investors. The state acknowledges this responsibility. Yet, it appears that it has not yet invested enough in institutional capacity to assuage its critics.

SOCIAL CUTS OR DEVELOPMENTAL STRATEGY?

By Dr. Claudia Haarmann & Dr. Dirk Haarmann

Claudia and Dirk Haarmann's main research interest over the past years has been the analysis of policy options for a comprehensive social security system. Commissioned by COSATU to develop initial policy scenarios in 1997/98, their work culminated in COSATU's proposal of a Basic Income Grant at the Job Summit in 1998. In addition they have done research work in co-operation with EPRI for the Taylor Committee. They both hold a PhD in Social Development at the ISD (UWC).

South Africa has subordinated all its sets of social welfare policies to the priority of *developmental social welfare*. In the South African context social welfare includes social assistance as well as social services. The goal of developmental social welfare is to link social and economic development, which means breaking the vicious cycle of structural poverty, empowering people to become economically active and taking a meaningful part in the economy. The developmental approach to welfare therefore is directly in line with the African National Congress (ANC) election promises from 1994 and 1999. The function of the state is to intervene in such a way that the factors preventing people from unleashing their economic creativity and potential are addressed.

In the outline of a "National Developmental Social Welfare Strategy" developmental social welfare is defined as an

> *(...) integrated and comprehensive system of social services, facilities, programmes and social security to promote social development, social justice and the social functioning of people." (White Paper, 1997:15)*

This can be seen as the basic South African consensus on developmental social welfare. However, three years after the formal adoption of this framework, the implementation has revealed at least two fundamentally different understandings of the concept. Depending on which one finally is established, the results will be totally different.

This article intends to clarify the differences in the underlying thinking and the likely effects of their implementation on the future development of South African society.

The analysis starts with a short outline of the current state of welfare in South Africa. The following two sections then discuss the achievements and

critiques of the two positions: There are at first those who only regard welfare services as developmental. This position was very influential until 1999, when a new minister took over the national department. Secondly there is the position spearheaded by the unions, churches and non-governmental organisations (NGOs), which understand developmental welfare as a major strategic intervention of the state to enable people to take actively part in the economy.

The current social welfare system

South Africa has a comparatively well-established means-tested State Old Age Pension (SOAP) for women above 60 years of age and men above 65 years. The system has internationally been acknowledged for its achievements. On Government's own account the SOAPs are one of its biggest poverty alleviation programmes (1997-98 Budget speech by the Minister of Finance Manuel). The White Paper spelled out that:

> *(the) number of elderly South African beneficiaries has stabilised, with fairly good coverage (80 percent), but there are still particular pockets where many eligible people do not get a grant. The impact of a grant income on household income for people in poverty is dramatic. The majority of people in poverty who are not white live in three-generation households, and the grant is typically turned over for general family use. In 1993, there were 7.7 million people in households which received a state grant. For black South Africans, each pensioner's income helped five other people in the household. (White Paper, 1997:49)*

The maximum benefit from the SOAPs amounts to about US$75 per month. Also subject to a means test is a disability grant (DG) providing the same means-tested benefit (about US$75 per month) to caregivers of disabled children and to disabled adults.

Since 1998, a means-tested benefit (child support grant (CSG)) to the caregivers of poor children below the age of seven has replaced the old maintenance grants to single parents, which were effectively only paid out to "Whites", "Indians" and "Coloureds". The child support grant provides a flat rate benefit of less than US$14 per month per child.

The current social security system by and large relies on the success of the SOAPs and partly on that of the CSG. The pensioners, while constituting 5.6 percent of the population, receive 58.1 percent of the budget, the children, while making up 44.5 percent of the population, receive 36.8 percent. The remaining 50 percent of the population in working age get only 5.2 percent of the budget through the disability grants, leaving this group with virtually no support.

On average the transfers are potentially only able to close the poverty gap by 36.8 percent in the bottom two quintiles. For around half of the people in these two quintiles, the per capita transfer is below R25 per month and over a third of the people in these quintiles receive less than R50 per person per month. Only around 12 percent have a transfer exceeding R100.

Looking at the developmental social services side, the department in the last five years developed new programmes, which have a poverty alleviation and development focus. The Flagship Programme is the most prominent and publicised one. Its goal is to provide economic and developmental opportunities and services for unemployed women with children under the age of six.

Besides the Flagship Programme, the Poverty Relief Fund is seen as an important strategy of developmental social welfare. The Poverty Relief Fund is meant to give meaning to a constructive partnership between the department and civil society: While government admits not to have the administrative capacity and infrastructure to implement developmental programmes, especially not in rural and informal areas; the Poverty Relief Fund finances projects and programmes which are implemented by partners from civil society.

Developmental welfare services: The true and only developmental welfare strategy?

During the first term in office of the new government from 1994 to 1999, it became evident that there was a strong tendency to understand the role of developmental welfare in the narrow sense of developmental welfare services. This resulted in an increasing opposition to cash transfers.

Interestingly enough, these ideas got support both from hard-line neo-liberals as well as from some hard-line socialists. The common argument was that cash transfers created *dependency*, which was to be avoided at all costs. The neo-liberals argued that it took away people's drive to participate actively in the market, while the socialists argued that it was a buy-off of the proletariat, preventing the people from taking up the struggle against capital.

While these are traditional arguments against welfare, it is questionable whether they are transferable to the South African context.

The effects on social assistance

While the proponents of this approach seldom went as far as negating the

developmental impacts of the cash transfers to the poor in South Africa, they effectively created a climate, where cash transfers were no longer seen as a priority. On the one hand this was facilitated by the myth of

> *(...) ever-increasing amounts of state funds to pensions and grants for the poor (...). (The former Minister of Welfare Geraldine Fraser-Moleketi, 1998)*

On the other hand so-called really developmental programmes - namely the Flagship Programmes - were hailed as a solution to

> *(...) the fact that social security payments have the downside of creating dependency (...). (The former Minister of Welfare Fraser-Moleketi, 1998)*

Concretely this went along with the following impacts for the poor:

- the SOAPs, CSGs and DGs were cut in real terms. This amounted to a total real decrease of 8 percent from 1994 to 1999. The CSGs have, after their introduction in 1998, not been adjusted for inflation.
- the Child Support Grant was half-heartedly implemented, as there were concerns that if the problem of high rates of child poverty was addressed properly, the costs might be considered too high and no social security strategy might be instituted at all. Despite a vigorous campaign by the unions, NGOs, churches and parliamentarians, the means test was devised so rigidly that hardly anybody was able to access the grant. As a result, the take-up rate was so disastrous that even the little money allocated by the department of finance could not be spent. In fact, substantially less was spent on the new grant than on the old state maintenance grant which it had been meant to replace.
- since the new minister, Zola Skweyiya, took over in 1999, the means test has been changed towards suggestions civil society had made earlier. First indications prove that thereby the department of welfare is able to realise dramatic increases in take-up rates. Thereby the grant has started to have an effect on poor children in South Africa, who are often even nutritionally compromised.
- the Medium Term Expenditure Framework underfunds the social security system for the years to come. Especially with the phasing-in of the CSG further cuts are imminent if no drastic steps are taken. It is remarkable that Skweyiya has announced that this problem will be attended to.

Despite the rhetoric of important alternative programmes to these social security measures, reality has proved that they cannot be regarded as a viable alternative but should rather be seen as an integral part of South Africa's fight against its high levels of poverty.

In total 15 Flagship projects have been implemented, benefiting 1 043 women and 1 535 children. The design and implementation of the programmes took about three years and a final impact report of these programmes is still pending. Based on a "best practice model", a replication of the programmes is intended. A preliminary assessment reveals that they do generate income and employment for the very poor, but that a large scale and long-term success is questionable.

From this experience one can conclude that, while the programmes do have an important and positive impact for certain communities and target groups, the success on a national level should be approached with caution. When looking at these programmes, it becomes apparent that they have a limited impact in terms of people reached and hence they should not be seen as alternatives to large-scale poverty alleviation programmes like, for example, the old age pensions which have a far greater coverage among the poor.

In 1997/98 the department of welfare was allocated R50 million for the Poverty Relief Programme and disbursed this to 1 133 community-based projects. When looking at the implementation, the department itself admits concerns about the lack of systems, poor accountability measures, and sustainability problems of the projects. In the following year, the department was allocated R203 million, but was, due to capacity problems, unable to spend the funds within the financial year and rolled 99 percent of the funds over to 1999/2000. Consequently, the Department only got a reduced additional budget of R40 million for 1999/2000. Since then corrective measures have been taken to allocate the money through an alternative disbursing institution.

Developmental welfare: A crucial tool in the war against South Africa's poverty

The challenge is how to address the real factors which prevent people from becoming economically active in a society where structural poverty and unemployment are so severe. Proponents of a holistic approach agree that this challenge calls for substantially different measures than those which welfare offers in a context where the social integration of people, who otherwise cannot be integrated into a functioning market system, is the main challenge.

There is a mounting belief that there is currently a historic chance for South Africa, given the strong political will of its leadership to put the fight against poverty first, to prioritise expenditure on poverty alleviation, and to direct investment towards the poor. Starting from this point the unions have suggested a basic income grant at the Job Summit in 1998. A basic income grant is seen

as a crucial tool to effectively break the poverty cycle and thereby to give final meaning to the developmental approach.

The suggested approach accepts the link between social security and the economy and it has been sensitised to poverty traps creating dependency and, in the end, reinforcing the poverty cycle. At the same time, it maintains, absolutely in line with the concept of developmental social welfare, that the state has to play an interventionist role by unleashing the resources of the disadvantaged people.

A careful analysis of the developmental impact of welfare programmes points to the following. The provision of cash benefits to South Africa's elderly population has been internationally acclaimed as a success story in alleviating poverty. Despite their relatively low level, the state old age pensions have tangible developmental impacts on people's lives. Having a reliable source of regular income provides an essential security, especially for poor rural households. It is widely acknowledged that while the needs of poor people differ, the majority deserve the trust of a direct investment. It was shown that the poor spent the money sensibly and creatively to the benefit of the development of their whole families.

However, of about 21.5 million people in South Africa living below the poverty line, over 16 million have no access to social assistance and are left in harsh poverty struggling for daily survival, unable to free their potential to effectively participate in market activities.

Even if the South African economy could accomplish growth rates of 5 percent or higher, economic growth on its own will take decades to alleviate structural poverty. South Africa's already highly unequal society cannot afford leaving behind well over 50 percent of South Africa's people for decades, hoping that high rates of economic growth will eventually assure that everyone has decent employment. Nor is government able to finance and administer programmes, which could create so many individual sustainable livelihoods.

Research by the Congress of South African Trade Unions identified the danger of the poor being left behind and therefore suggested the basic income grant. Building on the experience of a broadly based cash transfer system, all South Africans would receive a low-level basic income grant per person per month. The suggestion by the trade unions envisages that the money would be claimed back from higher income groups through tax. Final estimated costs amount to about 1.5 - 3 percent of GDP depending on the level of benefit and the system decided upon. The total amount spent could be fixed as a percentage of GDP, which would ensure that the grants grow with the economy so that the poor

will benefit from economic growth. At the same time this would ensure that the grants do not grow faster than the economy can afford.

This suggestion has found support across the board in civil society and business circles, as it invests money directly in the poor and avoids both, the "poverty traps" which are often inherent in other social security schemes, as well as expensive structures, which only indirectly benefit the poor. The basic income grant thereby could prove to become an integral part of South Africa's developmental strategy giving resources and thereby choices to the people. While it is clear that a basic income grant does not solve the massive poverty problem overnight, it can provide a net for destitute people and a basis from which self-employment can be started.

Furthermore, this system would link cash to every person, which would favour extended household structures and in this way encourage social cohesion. With increasing pressure on families - due to HIV/AIDS-related changes in family structures - this seems to be an important point to consider.

In March 2000, Cabinet appointed an inter-ministerial task team to investigate the idea of a comprehensive social security system with special reference to a basic income grant for South Africa. The report of this team and the reaction of government to it will show whether South Africa stays on the treacherous path of using welfare to disguise social cuts, or whether the challenge faced by a developing country to find innovative ways of investing into the people and breaking the vicious circle of poverty is taken up. The current debate in South Africa gives reason for hope.

STRATEGIC CHALLENGES FACING SOUTH AFRICA'S CITIES

By Ivan Turok and Vanessa Watson

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South Africa's new Unicity authorities face a formidable list of competing priorities for attention. Accelerated economic development is vital to increase jobs and incomes. Substantial spending on social infrastructure is needed to improve dire living conditions and to reduce historic inequalities. Congestion and crises in the transport system demand urgent investment. Fragmented local administrations need rationalisation and better management systems.

This crowded agenda and the pressure for short-term delivery threaten to overshadow the need to reshape our cities. Urban integration has proved more complex and controversial than anticipated in the mid-1990s. Despite widespread agreement on the need for change, consistent policies have not been pursued. Meanwhile, a new spatial-economic dynamic is affecting cities following the relaxation of earlier controls. In the absence of a coherent urban policy, these forces seem to be producing increasingly unequal and dysfunctional outcomes.

This paper examines contemporary development patterns in Cape Town and considers the role of spatial planning and socio-economic development policies. It argues that urban integration should become a more prominent goal of city, provincial and national government, pursued through targeted development programmes within a strategic spatial framework. The costs of continuing urban fragmentation and segregation for individuals and society cannot be neglected, especially as they seem to be escalating.

1. Current spatial development trends in Cape Town

Historically, Cape Town has had a more centralised physical form than other cities in South Africa. Radial transport routes fed high volumes of people and goods into the dominant Central Business District (CBD), which still accommodates most jobs. Wealthy suburbs extend along two rail and road corridors to the south and north-east of the CBD. Under Apartheid, separate

townships were built in the south-east periphery as dormitory suburbs with inferior housing, infrastructure and facilities.

The economic geography of the city is changing to a more dispersed and decentralised structure. Office and retail activity is shifting from the city core to suburban centres and to new office and retail parks along the major freeways. Multi-purpose "mega-projects" such as Century City are also being developed on under-used land in selected decentralised locations. They threaten the CBD and older suburban centres because they combine office, retail, residential and leisure uses in a closely controlled, high amenity environment. Meanwhile, the functions of the city centre are shifting towards tourism and entertainment activities, with retailing geared more towards lower income consumers.

The decentralisation of industrial and commercial activity complicates the city's mono-centric structure but does nothing to alter the stark contrasts between rich and poor areas. The vast majority of private sector investment and job growth is occurring in or close to prosperous suburbs in the north and west of the city, such as Tyger Valley. These expanding employment centres are less well served by the commuter rail and bus network than the CBD. The outcome is a more fragmented pattern of low density, car-oriented development in and around the affluent areas. These are also the expanding areas for middle- and high-income housing, much of which is being built within exclusive gated communities surrounded by high walls.

Meanwhile, large-scale low income housing projects and public investment in basic services are focused on the Cape Flats where the price of land is lowest, in places such as Philippi and Delft. Here there are few signs of private investment, even in the priority Wetton-Lansdowne-Philippi Corridor. The housing market is extremely weak or non-existent in large parts of this area because of the low disposable incomes, uncertainty over property rights, social instability and lending restrictions by financial institutions. An unusually steep house price gradient in Cape Town and a general shortage of rented accommodation make upward mobility difficult for people wanting to move to better located neighbourhoods as their incomes improve. Many of those who have invested in home ownership are locked into areas with sparse facilities and poor access to opportunities. The overall pattern of development across the city can be summed up as polarised and divergent.

The trends in major private property development reflect a combination of market forces and institutional practices. They create a cumulative investment process in the well-off areas, as growth feeds upon itself. Investor and occupier

perceptions remain positive, confidence is sustained, and a relaxed planning regime ensures that land is readily available. We can see this more clearly by considering forces affecting the demand for and supply of property.

In terms of demand, there is a strong locational pull of high income households in the northern and southern suburbs. These areas have been growing as a result of Cape Town's relative economic prosperity encouraging in-migration from other parts of the country, as well as new household formation. In addition, the incomes of the most qualified sections of the labour force have been rising as a result of skills shortages created by shifts in the economic structure towards financial services, ICT industries and professional and managerial occupations. Wealthy neighbourhoods attract retail development and consumer services because of the strength of effective demand and customers' desire for convenience. Many other businesses owned by, and employing, people living in these suburbs have also located there in order to reduce the time and cost of commuting to the CBD.

Environmental factors also tend to push firms out of older centres, including perceptions of deteriorating security, parking difficulties, traffic congestion and litter. These have influenced the character of the older centres, causing a marked shift downmarket in some places. Most high street and CBD buildings are older than those in the decentralised nodes, so less able to meet the requirements of modern ICT and work processes. It is also fashionable for businesses to seek to boost their corporate image by occupying their own premises, rather than leasing space in a large building downtown. City centre property owners seem to have been lax about refurbishing older buildings and the city council has been criticised for neglecting services. Decentralised centres have benefited from more active management than in the CBD as well as modern design, infrastructure and access arrangements.

The importance of property supply should not be underestimated. Development cannot be understood as a passive reflection of business demand for accommodation - it has a dynamic of its own. Financial institutions and property companies shape the development process within a framework of land-use regulation. They are driven by motives and assumptions which go beyond occupier demands and straightforward commercial calculations. Developers make judgements about the feasibility and location of projects, involving subjective assessments of risk and reward. They are inevitably affected by embedded beliefs, perceptions and fashions.

There are at least three relevant dimensions. First, financial institutions mediate the response of developers to demand by providing funding. During the 1980s and early 1990s, state restrictions on investment abroad created a surplus of funds. Property was popular because of a belief that bricks and mortar were a safe investment. Some institutions helped to make decentralised development fashionable by moving their own headquarters. But by pouring money into property they created an over-supply and undermined the position of the city centres. Poor performance in the last few years has caused many to reduce their exposure to property and to invest more abroad. They have become more cautious about funding new projects, especially in unproven locations such as Cape Town's south-east.

Second, landowners and developers play a catalytic role. Land speculation and opportunistic development have become more common in recent years. Landowners have come under greater financial pressure to sell land surplus to their requirements. Uncertainty created by the hiatus in statutory plans for Cape Town has also given more scope for speculative land trading and re-zoning. Developers influence occupier behaviour through their design concepts and marketing activities. Decentralised business parks are the current fad and promotional materials play upon people's fears about crime and personal safety in the CBD.

Third, local authorities have gone along with recent trends. They perceive the need to expand their own tax base by supporting development of any kind. Political rivalry between and within tiers of government has undermined strategic thinking. Rising unemployment and tight budgets have meant that the promise of extra local jobs and taxes have weighed heavily in decisions to endorse major projects whatever the wider costs for the functioning of the city. Many projects have been supported with additional public infrastructure. There has been no city-wide plan to manage development in the interests of all the city's people. The result has been continuity with the broad direction of past patterns and some acceleration of growth in the northern suburbs.

In some ways the obstacles to development in the south-east are the mirror image of forces promoting growth elsewhere. Average household incomes are low and have been declining as a result of falling manual employment in manufacturing. Skills and qualifications are low, unemployment is high, and hazardous living conditions undermine social stability and environmental quality. Firms are concerned about the safety of employees and premises in the south-east. Plenty of low cost vacant land with good freeway access cannot offset the area's poor image and extra costs of security.

Institutional issues make it difficult to increase the supply of property to meet even the existing local demand. There is a legacy of inadequate roads, drainage and other infrastructure in some places. Financial institutions believe that investment proposals in the south-east have poor commercial prospects. Some avoid the area on the grounds that they lack sufficient knowledge of the local market and community politics. Many conflicting rumours within the property industry contribute to the climate of uncertainty and result in very little speculative development taking place. So firms that might have considered locating in the area have no premises available to make it easy to move. Meanwhile, there is a lot of quality property readily available in the established locations.

2. The costs of divergent development

A common response to the social and economic problems of Cape Town is that they should be addressed sectorally, i.e. through separate policies towards the economy, poverty, housing, transport and so on. This neglects their spatial dimension, and the fact that such problems reinforce each other in particular places. Fragmented, sprawling patterns of urban development and high levels of income segregation impose major costs on individuals, society and the economy.

First, dispersed urban growth makes the *capital costs* of providing public utilities more expensive. Servicing low density suburbs is costly because they require long pipes and cables and more concrete. Major low-income developments towards the urban periphery need expensive connections to existing sewage treatment works or electricity sub-stations, or the construction of additional processing facilities.

Second, the expansive spaces of dispersed urban development generate unnecessarily high *operating costs* for road-based public services, such as solid waste collection. Low density housing development makes the provision of efficient and frequent public transport difficult. The enormous and escalating bus and rail subsidies required to move large numbers of workers from the south-east periphery to jobs in the north and west would be much better invested in more accessible housing.

Third, despite the subsidies, *individual consumers* have to spend a great deal to travel, which erodes their already inadequate incomes or traps them within the townships. Divergent housing and economic development means that commuting distances are increasing. Average trip lengths are similar to renowned wealthy car-dependent cities such as Los Angeles. Lengthy commuting

also reduces the time available for family life, supervising children or attending night school. These travel patterns and associated subsidies also generate intense competition for passengers and regular conflict between operators.

Fourth, sprawling development generates major *environmental externalities*. It makes inefficient use of land needed for agriculture, minerals, aquifers and biodiversity. Dispersed development generates traffic congestion and pollution, which cause respiratory problems and damage the image and natural qualities of the city, which are among its major assets in competing for inward investment and tourism.

Fifth, fragmented urban development affects *economic productivity*. Road congestion slows the movement of commercial traffic and increases distribution costs. Lengthy commutes for workers reduces their productivity and punctuality. These costs make the city a less competitive business location. Segregation also reduces the opportunities for informal traders from poor areas to serve better-off customers. Concentrated poverty exacerbates crime which contributes to a vicious circle of insecurity, poor housing, ill-health and stress within the community. This in turn hampers progress, undermines confidence and damages the prospects of attracting private investment and generating a development momentum.

While the new Unicity government opens up the opportunity to deal with the metropolitan area as a whole, it will inevitably face difficult *political* tensions arising from the divided and unequal geography of the city. Divisions are likely to arise between the demands of the main tax base and the formal economy on the one hand, and the demands of the poor majority on the other. This will require astute political leadership able to promote an integrated city vision appealing to common city-wide interests in order to rise above the competing claims of local groups and vested interests.

3. Current metropolitan spatial planning efforts

In the light of these challenges, have past and current efforts at spatial planning proved equipped for task?

The current metropolitan spatial planning initiative, which culminated in the production of the Metropolitan Spatial Development Framework (MSDF) began in 1989 in response to the inadequacies of existing, nationally formulated, Guide Plans for Cape Town. The principles, goals and strategies of the MSDF were subject to public stakeholder debate in 1993-5 and set out in the 1996 MSDF

Technical Report. The intention was that this plan would become statutory, and to this end it was circulated a number of times for comment and formed into a draft Statutory Document in 1999. Statutorisation has not occurred, partly due to a lack of consensus about the plan between the interim authorities in Cape Town, and partly due to legislative uncertainty at provincial level.

The Technical Report is a classic urban design statement, carefully argued and illustrated, and summarised in a coloured map of Cape Town indicating the desired spatial vision of the city 20 years hence. The spatial concept that underlies it (the "compact city") was popular in other parts of the world in the late 1980s. It proved attractive to progressive planners in South Africa who were searching for an alternative to the Apartheid ideologies of racial separation and exclusion.

The spatial problems identified in the Technical Report echo many of those discussed above: a segregated city where opportunities are inaccessible to the poor majority, and where fragmented development gives rise to many public and personal costs. The development principles adopted by the plan (equality of opportunity, social justice, sustainable development, and openness and accountability) recognise the need for both redistribution and economic growth, although priorities are not discussed. The importance of the plan as both a product and a process are also acknowledged. The "spatial guidelines" state that the intention is to manage resources sustainably, contain sprawl, intensify development, achieve urban integration, redress spatial imbalances and create quality urban environments.

Four main spatial policies are set out to achieve this vision. Two have been relatively uncontested: the proposal to create an urban edge to protect agricultural land and encourage intensification, and the proposal to identify and protect a Metropolitan Open Space System (MOSS). However, the proposals to direct investment towards a major "node" in the Philippi area and towards "activity corridors" linking the main employment centres and the townships, have proved contentious, especially with the possibility of the plan gaining legal status. There is broad support for the principal of trying to reorient development towards the Cape Flats and for trying to create a more efficient public transport system via the activity corridors. However, the detailed prescription of these nodes and corridors has been contested.

First, the map is presented as a broad conceptual framework to guide detailed municipal planning and development control, but aspects of it go beyond this. The urban edge is quite specific, and the activity spines and corridors are

precisely defined in terms of scale and land-uses. Certain municipalities complained that this detail eroded their discretion.

Second, the plan has elements of a static, blueprint planning approach. It presents a spatial vision of a future Cape Town without suggesting how to achieve it. It does not indicate where investment should be focused in the short-term (beyond all the nodes and corridors), what kinds of activities could take place there, and what planning procedures and development instruments should be used to achieve desired outcomes.

Third, the MSDF assumes rather naively that legal authority will give planners control over implementation and allow them to dictate where private sector investment should locate (on the defined corridors and nodes). In fact much of it is scattered or responding to a spatial logic of freeway access and amenity. Large office and shopping centre developments tend to occupy sites outside corridors and nodes. It will take more than a spatial plan to shift development patterns in the desired direction. A more sensitive, strategic approach might have disaggregated development activity, established the types best suited to new nodal or corridor locations, and formulated concrete practical measures to bring this about.

A fourth criticism is that the MSDF is based on an out-dated understanding of Cape Town's spatial economy. It does not take into account the new locational dynamics driving private investment or the growing north-south commuting patterns following the shift of jobs towards the northern suburbs. A linked concern is that spatial planning has been pursued separately from economic development, transport planning, housing, poverty relief and environmental management. Decision-makers need to think in a more co-ordinated, spatially-sensitive way about how these issues interrelate and to pursue more "joined-up" city-wide policies.

Until recently there was friction between the two tiers of local government in Cape Town and inconsistent approaches to spatial planning and development generally. Local authorities have experienced a difficult and disruptive transition which has undermined their ability to plan and deliver in a strategic manner. So, there has been no real attempt to address the ongoing fragmentation of the city and polarisation of development. They have begun to shift selected public services towards the neglected south-east. However, that investment has been geared towards basic household needs and consumption rather than productive activity that will boost jobs and incomes. New schools, clinics, libraries, community centres and recreation facilities also tend to have been planned and

built independently of each other, resulting in a dispersed spatial pattern. They have not been used to reinforce specific centres of activity in order to create really meaningful places with a critical mass of related amenities.

Metropolitan plans also need support from other parts of the public sector to promote urban integration. Some national government departments have policies which are inconsistent. The main subsidy offered by the Department of Housing makes it very difficult to build the better located housing needed to integrate the city and to create higher density activity corridors based on public transport. The Department of Transport has only recently adopted policy guidelines which are compatible with integrated urban development based on public transport.

4. A future strategic planning approach

An important opportunity for a fresh start has been created with the rationalisation of local government and the formation of a single Unicity authority. The Cape Town Unicity has greater power, resources and scope than local government has ever had to address the inefficiencies and inequities caused by the present spatial structure of the city. It can transcend institutional fragmentation and territorial rivalry by establishing a more coherent, spatially-informed development strategy for the city.

It is important that this is not a narrowly-defined, control-oriented spatial plan limited to land-use considerations, but rather a broader strategy aimed at promoting redistribution and poverty alleviation, facilitating economic development and improving environmental quality. The strategy should provide a framework within which these aims can be pursued together. That will require greater sensitivity to the social and economic opportunities that are created, or constrained, by particular configurations of the built environment. The geography of neighbourhoods and cities and the access they afford to opportunities matter a great deal to the poor. The strategy should also provide a mechanism for mobilising different sources of funding and drawing mainstream sectoral budgets together so that resources are deployed to best effect. That implies a stronger commitment to positive planning and implementation than has been typical in the past.

Some important new ideas which could take these themes forward are emerging in international planning thinking and practice. There is a recognition that cities are more open to external economic, social and political influences than they used to be, and that national and international trade and investment flows have

become more significant. Consequently, city planners have less control over patterns of development. One of the implications is that city planning has to become more strategic, targeted and action-oriented, and less concerned with comprehensive control of the territory. Planning needs to help position the city into wider economic relationships and balance this with meeting local needs for service delivery and creating liveable environments. This form of planning has fewer expectations about its ability to plan all aspects of the city, but is more ambitious about implementing priority projects and programmes. The approach has been associated with the city of Barcelona, but is now being attempted in a range of cities, including some in developing countries. Borja and Castells (1997) capture many of these cases, from which several general characteristics can be discerned.

There is a *metropolitan development vision* embodying a spatial dimension. Its principles are firm, although their precise spatial form is flexible. Important spatial principles include achieving better access to employment opportunities and public facilities, overcoming spatial segregation and exclusion, and ensuring environmental sustainability. Some aspects of this vision require planning at the metropolitan scale, including environmental protection, metro-wide infrastructure and public transport, and thinking about the economy of the city as a whole.

The central purpose of the vision is to identify a series of *urban transformation projects*. These are intended to promote spatial integration, at the local and city-wide scales, and to allow planning and implementation to proceed in tandem. They are focused on particular localities although their large scale means they have an impact on the overall functioning of the city. Transformation projects are ideally located in the zones between better-off and poorer areas of the city in order to help knit them together, but are also linked into city-wide movement routes to maximise accessibility. They are initiated by the public sector but thereafter managed by a partnership including the private sector. The involvement of the latter is important in mobilising additional investment and helping to alter attitudes. Such projects have multiple functions. The inclusion of employment creation, entertainment and leisure, shopping and housing creates possibilities for cross-subsidisation from profitable activities to address basic needs and poverty. High quality urban design and public spaces are necessary to create distinctive, attractive places which facilitate social integration and attract investment.

Such urban transformation projects are not once-off actions. The object should be to plan for a series of them, which gradually alter the balance of activity across the city, improve the way in which it functions and extend investment

progressively into the poorer districts. The approach recognises that equity does not mean making all parts of the city the same. Cultural diversity and multicultural planning are acknowledged to be important. Transformation projects require strong political backing. Some cities have set up large, metro-wide stakeholder councils to oversee and support them, and community participation has to be built in from the outset to ensure constructive dialogue around their needs and opportunities. In addition, close and independent monitoring is important to expose the tensions and power struggles that are bound to emerge when resources are concentrated in this way.

One of the institutional preconditions for this approach is said to be the creation of dedicated multi-disciplinary, cross-departmental and perhaps even multi-agency professional teams within the implementing authority. This team is answerable to the chief executive officer and to the stakeholder council, but not to individual departmental heads. This helps to build organisation-wide support and to co-ordinate departmental actions. In many cities spatial planners are the overall team co-ordinators, although the projects specifically link staff with expertise in economic development, social policy and environmental management. It is important that the projects have their own dedicated budgets for capital expenditure to provide flexibility and rapid response.

Cape Town has a little experience of a similar kind of initiative. The Wetton-Lansdowne Corridor Project attempted to integrate planning and implementation in this part of the city, albeit with a narrower range of stakeholders and over a larger area than most transformation projects. It benefited from official backing by the National Department of Transport as one of seven national Spatial Development Initiatives. However, it lacked wider support from central or provincial government and once the Transport Department's funds tailed off, the local authority's commitment also waned. It came to be seen as the property of the planning department rather than a corporate effort, progress slowed, several staff left and it lacked the resources and political support to achieve its objectives.

Transformation projects do not absorb all the public investment and staff resources in the metropolitan area, since direct poverty alleviation and capacity building measures are still needed in the poorest areas. There are also ongoing actions needed at a metro-wide scale, including monitoring the supply and take-up of land across the city in order to begin to exercise more influence over the location and character of new development. Public authorities could scrutinise major commercial proposals more closely in order to negotiate greater public benefits. These might include some obligation on developers to provide

public amenities, social housing or community facilities, and cost recovery on public investment in infrastructure. Such negotiations would need to be based on explicit development principles and standards to ensure consistency and to avoid piecemeal decisions. Public consultation and debate around such issues would give people a greater understanding of the city's inefficiencies and inequities and help to build a stronger consensus around the need for, and shape of, reconfiguration.

Conclusion

There is a gulf between Cape Town's impoverished townships and its affluent areas, which appears to be widening in important respects. Development trends are tending to reinforce spatial divisions and fragmentation rather than assist urban integration. The consequences are costly to the poor majority through separation from economic and social opportunities. There are costs too for the wider urban economy and society arising from inefficient transport patterns, social disruption linked to concentrated poverty, and lost investment and jobs as a result of crime and insecurity.

There is an urgent need for practical policies and concrete actions in pursuit of urban integration. The new Unicity authority offers considerable scope for an invigorated approach. There is useful experience to build upon within the city, including strategic planning frameworks and expertise in project implementation. This needs to be drawn together, reviewed in several important respects and given stronger political backing, financial muscle and technical support. The concept of a metropolitan development vision could be used to promote common city-wide interests and generate greater commitment to spatial, economic and social integration. The idea of urban transformation projects could provide the focus and stimulus to mobilise the efforts of diverse actors around practical schemes with long-term progressive potential.

REFUGEES IN SOUTH AFRICA: THE PROBLEM OF INTEGRATION

By Jason Coetzee

Jason Coetzee has worked with refugees in Southern Africa for the past five years, including a term with the United Nations High Commissioner for Refugees. He currently resides in New York.

The phenomenon of refugees in South Africa can no longer be referred to as a new one, yet in the seven years since the first appearance of refugees on our soil following the 1994 democratic elections, we are no closer as a nation to understanding the phenomenon and the integration issues that are its natural consequence.

Some of the difficulties experienced by refugees in attempting integration into local communities are well documented. As reported in the October 19, 2001 issue of the Mail & Guardian newspaper, the results of the South African Migration Project (SAMP) study entitled "Immigration, Xenophobia and Human Rights in South Africa," indicate that the majority of South Africans harbour unqualified negative attitudes towards foreigners from other African countries. There is much anecdotal evidence in support of these findings but there is also a need to explore the other dynamics that feed into the situation.

For example: What are integration and xenophobia all about and who are the role players? How effective is the current paradigm of United Nations and non-governmental organisations in improving the refugee situation? What are the other issues generally not explored in information dissemination and media reportage? And most importantly, is there a lesson for South Africa in all of this?

It is against the background of South Africa's accession in 1996 to the 1951 UN Convention Relating to the Status of Refugees and the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa that the situation plays itself out. Assisted by the United Nations High Commissioner for Refugees (UNHCR) and non-governmental organisations, the South African government drafted the Refugee Act which was passed by Parliament in December 1998. Regulations relating to the Act came into force on April 1, 2000. The most important aspect of the Refugee Bill is the right of refugees to work and study once their status has been confirmed by the Department of Home Affairs (DHA). (Asylum seekers who are awaiting the outcome of their asylum application may request for the right to work or study to be granted in the event of the application taking longer than three months).

The aid framework that exists for refugees is the result of partnerships between UNHCR and various NGOs around the country. The primary focus of the aid is what the UNHCR terms "the creation of an enabling environment". This involves the provision of legal aid and information services as well as the promotion of lobbying and advocacy efforts at both local community and government levels. Material assistance is also provided to vulnerable groups of refugees such as children, single woman headed households, the elderly and infirm. Limited assistance is also provided in the form of grants or loans for income generating projects and vocational skills training. The majority of refugees however make their own way in a socio-economic environment that treats them roughly at best.

With this background in mind we ask the following question: why is local integration the preferred durable solution for refugees in South Africa?

The UNHCR has identified three types of durable solutions for those who find themselves in the refugee situation. Voluntary repatriation is considered the best solution, and when the conditions in the person's country of origin become stable once more, UNHCR assists that person to return home. In South Africa, very few refugees opt for voluntary repatriation and when looking at most of the refugee producing countries in Africa, repatriation is not advisable considering the volatility of the political landscape. The least likely solution is resettlement to a third country. There are few countries in the world who are able or prepared to accept and support large numbers of refugees originating from outside their regions or continents. For this reason only refugees facing serious security risks, particularly women at risk or refugees with serious medical problems, are considered for resettlement. This type of case is not representative of the majority of refugees in South Africa. It is for these reasons that local integration, the only other identifiable solution, is the one that UNHCR and NGOs are working towards.

The dynamic of integration is driven by those directly involved i.e. the asylum seekers or refugees and the local community members. Most refugees live in urban areas because they prefer less community interaction. As refugees tend to group together along the lines of nationality, one finds groups of Angolans or Somalis living within larger South African communities. For the most part, instances of xenophobia that are suffered by refugees in these communities are low level phenomena but even so xenophobia remains the strongest barrier against the attainment of a peaceful life for those who were forced to flee their countries for reasons of armed conflict, human rights violations or political persecution. The root causes of xenophobia are too complex to discuss here but it may be safe to assume that, as with most aggressive thoughts and actions, it

has its foundation in fear. In this case fear of the unknown. In almost all of the situations that see xenophobia escalate into destruction of property or even result in personal harm, an element of economic justification for the actions appears. In Gauteng, KwaZulu Natal and the Western Cape, in particular, there has been friction that in some cases led to violence between South African traders who believe that their areas and businesses are being encroached upon by legally operating refugees. In 1998, three Senegalese asylum seekers were thrown off a train traveling from Johannesburg to Pretoria by locals angry with them for causing the high unemployment in the country. A similar incident, also on a Pretoria train, in August 2000, resulted in serious injury to a refugee from Sudan.

Refugees are of course not the only group targeted by locals. In October 2001, Zimbabwean migrants were forced to leave their Zandspruit homes in Gauteng under threat of physical violence. Their homes and belongings were then torched. Although there is no justification for such actions against anyone, it is problematic that frequently no distinction is made between illegal immigrants and refugees by South African communities. This results in refugees being swept up in the torrent of anti-foreigner sentiment with no understanding of why they are in the country.

It would be naïve to adopt the assumption that refugees harbour no economic ambitions. The truth of the matter is that with the appearance of refugees in South Africa, there has been an injection of ideas, skills, experience and new approaches to small business that have in many cases led to the employment of South Africans. It would be just as naïve to paint all refugees with the same optimistic brush. If you look at any large enough group of people you will find, along with the entrepreneurs and professionals, that there are criminals and social deviants. It is imperative that, when dealing with refugee related issues on a large scale, that one bears in mind that groups are made up of individuals. It should be the aim of anti-xenophobia campaigns to encourage South Africans to relate to refugees as people instead of blanket classifications.

How effective are the aid community's interventions in this regard? When looking at the highlighting of the plight of refugees for the public, the National Consortium on Refugee Affairs (NCRA), the South African Human Rights Commission (SAHRC), the Roll Back Xenophobia Campaign and UNHCR are doing a fine job without the benefit of prolonged mass media interest. The question however is not one of exposure but of communication that effectively changes the minds of individuals. As the SAMP document highlighted, this is not taking place, at least not where it needs to. It is difficult to escape the feeling when launching a media information campaign that the message is disappearing into a cognitive black hole.

This is because to a certain extent it is. People do not respond to posters and pamphlets with topics they do not believe are immediately relevant to their own situation. This is also true of events such as World Refugee Day discussion forums, refugee photo exhibits and commemoration speeches. With few exceptions these events are characterised by the sole presence of the "converted" - speeches are made to NGO and UNHCR staff, DHA representatives and refugees.

What are the alternatives? There are two other methods that may point in the right direction. The first is direct personal intervention. This has proved to be most effective in some parts of the Western Cape, where outreach workers (some of whom are refugees themselves) approach local community structures such as schools, local government, community organisations and forums as well as service providers such as hospitals and the police with their message. This is particularly useful in redressing the results of poor communication and information flows within certain sectors. A good example of this communication breakdown is the persistent belief amongst some ground level hospital staff that refugees need not be assisted, this despite the government's duty to ensure access to social services such as health care and education. Directives do not always make their way all the way down the hierarchy.

Activities of the outreach workers range from meetings with community leaders to plays and question-and-answer sessions for school pupils. Instances of friction between refugees and locals or refugees being turned away from service providers are substantially lower than in areas in the same province where such interventions have not yet taken place. The problem with this type of method is that it is extremely personnel and time intensive in an atmosphere of decreased international donor interest in funders such as UNHCR.

The second method has not yet been tested for effectiveness in terms of refugee issues but will surely have a stronger impact than traditional publicity activities in terms of audience breadth and interest. The lobbying of local producers for the inclusion of refugee characters in television and radio programmes whose primary goal is entertainment is a new tactic being explored by the aid community. It is a means of not only creating awareness but also of providing a basis for the development of empathy. The public is not asked for any active interaction but merely shown in an entertaining way the possibilities of positive interaction with refugees. Although, as noted above, this method has not been tested for effectiveness in terms of relating refugee issues, it has proved itself through the popularity of shows which include as part of their regular content, AIDS information themes and so forth.

Both of these alternatives serve as examples of creativity in communicating with the community. By invoking these two modes of assimilation (direct and personal; indirect and popular) individual opinions can be affected.

There are other aspects of the refugee situation in South Africa and the region that are not normally focused upon but offer insight into the current situation. Botswana, Namibia and Mozambique are countries where refugees rights to movement and employment are limited but also where food, shelter and personal protection are provided to all (albeit on a basis of restriction by limited national and international resources). The situation in South Africa is the inverse one. The government allows freedom of movement, employment and study but does not provide material assistance in terms of accommodation, food or permanent police/defence force protection. This material assistance is only provided in a very limited capacity by UNHCR and NGOs.

The first approach negates any need for integration related activities but places a burden upon the government which, due to South Africa's status amongst migrating people as the "America of Africa" and the UN's declining donor base, is beyond the country's resources. Refugees and asylum seekers in South Africa outnumber those in Namibia, Botswana and Mozambique by 3 to 1, 12 to 1 and 20 to 1 respectively, while still forming only an extremely small section of the population of the country. It is more effective to absorb economically contributing refugees (which most of them are) into communities than to spend money keeping them idle and confined in camps. The only instance in which the formation of camps might be necessary is in order to support a mass influx from a neighbouring country on a temporary basis.

Another aspect of the situation is the motivation behind the movement and the behaviour of some smaller refugee groupings. Life as a refugee in South Africa is not easy, the promise of opportunity is not generally as forthcoming as a new arrival may have hoped. The UNHCR's last resort durable solution (after voluntary repatriation and integration) of resettlement to a third country, generally in Europe or North America , becomes the asylum seekers equivalent of the Holy Grail. The pull of this remote possibility is so powerful that one may find individuals or families that were assisted in Cape Town or Pretoria in 1999, in camps in Botswana or Mozambique a year later. They are in most cases uprooting themselves to follow rumours of resettlement opportunities from country to country, without legal travel documents from their country of asylum. As resettlement is only considered in credible security risk cases, in addition to the fact that it is the resettlement country that chooses the number of people that it will accept and has the final say in who to accept, there is very little chance of

success for most refugees pursuing this option. In some extreme instances some individuals resort to intimidation of NGO and UNHCR staff members in an attempt to gain access to this mechanism. With resettlement in mind, a refugee is unlikely to concentrate on efforts to become self-supporting and to integrate fully into local communities.

A further stumbling block in the way of smoother integration is the lack of real information regarding the situation of refugees. Anecdotal information varies depending on the source. NGOs providing food and accommodation will tell you that those are the primary needs. That does not explain how the majority of refugees survive without such support and there are surely effective coping mechanisms in place that the aid community does not know about. Those who do not work directly with refugees but instead focus on advocacy and lobbying tend to stress the importance of providing a secure environment in which refugees can look after themselves. Refugees will provide answers depending on who is asking the question. The situation is complex and, as one is dealing with individuals, there are individual needs to address.

In order to channel limited funding in the most effective manner, it is necessary to understand the situation more fully. The Community Agency for Social Enquiry (CASE) is preparing to undertake a baseline study with support from UNHCR and other funders in order to provide clarity on what is happening on the ground. In order to do so, they will have to access refugee and local communities that have no history of interaction with NGOs or UNHCR on a regular basis as well as talking to those who are current recipients of some sort of aid. The results of such a study will provide the raw material database that will aid the development of guidelines for more effective programmes to assist refugees and create an "enabling environment".

As South Africa continues with its economic and social integration with the rest of Africa, reaching its apex perhaps with the introduction of European Union style regulatory measures regarding trade and migration that an African Union will require, the human effects will be felt more strongly in our communities than ever before. With the presence of urban-based refugees in the country, we have a microcosmic glimpse into the future. We have an opportunity to look and learn. It is therefore in our interests, not only as pre-eminent supporters of human rights on the continent, but also as a nation looking to prepare itself for the future, to guard closely against the societal limitation of human rights for this group.

What is needed in South Africa is not so much a social movement for the

toleration of refugees (that is already in place, supported by initiatives such as the Roll Back Xenophobia Campaign) but rather an internalisation and acceptance on an individual South African basis of the fact that refugees are present in the country and can contribute to the economy and society if given the chance. True integration results with the embracing of the idea of the African continental village and working towards its realisation on all levels. This vision is evoked in a statement captured by the UNHCR publication "Working to Protect Refugees in Southern Africa" from a Somali refugee in South Africa: "Once upon a time humanity used to roam the planet unhindered. There were no borders to prevent a human being from making contact with other cultures. The only obstacles were flooded rivers. Until colonialism and racism came, humanity did not have any fears in making contact with people from other cultures. Then borders were drawn and racism became a human quality. I expect civilisation where humanity will not see each other in terms of which country they come from."

BRIEFINGS

THE WORLDWIDE CITIZENS MOVEMENT

By Gustave Massiah

A huge citizens' movement has been mobilised to question globalisation and the path it is taking. This movement draws on forms and thinking that characterised the mobilisations of past times and, at the same time, it renews them. Because of the convergence of resistance, one can rightly talk about a worldwide mobilisation of citizens and this became clear at Seattle, where there was a convergence of wage workers, peasant movements, ecological movements and movements for international solidarity.

The turning-point of Seattle was not the failure of the negotiations but what this failure revealed. It showed the positions of the movements which, from the protests against the MAI (Multilateral Agreement on Investment) to those against the World Trade Organisation, from the demonstration in Washington to the encounters in Porto Alegre, have been questioning the dominant thrust of globalisation, although not necessarily globalisation in itself. The citizen's movement has legitimised the search after alternatives, given a new wind to the mobilisation of people and increased the confidence of the movements, who are taking initiatives and putting forward proposals.

This worldwide movement already has some results to its credit. It has enabled people to see more clearly what globalisation is all about. At first its pernicious effects were emphasised and those who claimed to be the heralds of this new modernity were put on the defensive. Then, through tough debate, it began to sort out, in the globalisation process, which were the results of an evolutionary tendency, portentous and contradictory, and which were the consequences of the dominant ideology, neoliberal and malevolent, which was typical of the present phase of this globalisation. Finally the movement has promoted a critical public debate at the international level on the systems and mechanisms that are structuring the world, economically, socially, politically, militarily, culturally and ideologically. By stressing those responsible the mobilisation has recreated an enormous movement of hope. It has given new wind to the idea that another world is possible. This can be seen by the proliferation of ideas and proposals.

The campaign against debt has put forward proposals to cancel it, totally or partially and it has recognised the illegitimacy and co-responsibility for debt.

It suggests the limitation of debt servicing to a certain proportion of exports and reconversion of the debt under people's supervision, etc. The ATTAC campaign emphasises the need for a tax on speculative financial transactions and on the utilisation of the proceeds to give access to services at the grassroot level. It has also called for the abolition of fiscal havens and a war against financial criminality, etc. The campaign on the international financial institutions has stressed the need for democratic control and transparency and the need for an independent evaluation to be carried out by the United Nations system of the activities of the international financial institutions. It has rejected the structural adjustment programmes and the strategic frameworks for poverty reduction as well as the conditionalities and economic and social policies imposed from outside and above. It has also called for a radical reform of the international financial institutions. The campaign against the World Trade Organisation has above all stressed the need to reject the supremacy of commerce, the superiority of human rights over commercial law, rejection of the tribunal for regulating disagreements, the need for an appeals court, with the right of citizens to submit their case, etc.

This ability to make proposals shows the importance of the movement, its inventiveness and its social, political, intellectual and citizen-oriented capacities. However a multitude of proposals do not constitute a programme and are not enough for sketching out an alternative. It is in this sense that the movement had to pass from Seattle to Porto Alegre, which represents the desire to create an international space for all mobilisations to work together and elaborate such an alternative.

The proposals are designed neither to absorb dissenting opinion nor to be revolutionary in themselves: their relevance is to be decided according to the different situations. What is significant is that they form part of an overall strategy. Discussion of these proposals should be a political debate, not a theological one. Reactions to them are reflected internationally. The proposals are recycled by the dominant institutions, after having been purged of their subversive content and they help to make development policies evolve and adapt. However, these hijackings of the proposals, while they help to sharpen policies, can weaken the coherence of the model and legitimise the search for alternative conceptions.

The worldwide citizens' movement is building an alternative around the guiding principle of respect of people's rights. In each mobilisation, the reference to rights is becoming increasingly central. It has to be so once it is recognised that the aim of these mobilisations is not to define ideal policies and institutions - to

imitate power, when they do not have it. It is to call attention to values and principles, to demand guarantees, to monitor implementation. It is also to take initiatives and to protect the autonomy of movements and of people's practices. The mobilisation of societies to defend themselves and to demand guarantees for their economic, social and cultural rights is the first form of mobilisation for development. The universality of rights is recognised.

Ensuring respect for economic, social and cultural rights begins by guaranteeing, to everybody, equality of access to collective grassroot services. This means that the different levels - local, national and global - have to be taken into account. The discussion is not so much on the importance and existence of collective services, which is recognised by everyone. It is about the policies to ensure access, forms of organisation, linkages with the market and the role of different actors, the financing of grassroot services - all based on the principle of equality of access.

The events since September 11 2001 have however created a new situation, marked by uncertainties. What will be the consequences for the worldwide citizens' movement and, by the same token, what can the worldwide citizens' movement bring to this new situation?

The movement brings with it a vision that is in opposition to the binary and death-oriented presentation of a war of civilisations. It can only reject the prospect of closed worlds that are homogeneous and standardised for it believes in the wealth of civilisations, the diversity of the peoples in the world and their cultures, the complexity of situations, geographies and histories.

From a geopolitical viewpoint, this battle is not lost in advance. It can command the interest of Europe and the large countries of the South.

The movement believes in law rather than force, domination and injustice, which can be surmounted by law in each society and at the international level. The international campaigns which bring together North and South propose alternatives, the relevance of which are today evident. The options depend on the mobilisation of citizens and their capacity to form part of the international movement, to take up these questions in debate, to structure resistance to the neoliberal course of globalisation and the construction of a social project. What is difficult for the citizens' movement is to recognise where it actually stands, at the level of issues and at world level. For this reason it is necessary to build a new relationship between public institutions and social movements and to take responsibility for world peace and reconstructing it.

The mobilisations over the last few years have helped people become more aware of world realities and have shown up all the inequalities and injustices. They have helped to open up new prospects and hopes. People believe that other solutions are possible and there is increasing distrust of those who desperately solicit them. The mobilisations have also weakened the legitimacy of the world leaders and have forced them, for the time being, to bear in mind their limitations and not adopt extreme solutions. The reference to law in settling conflict is based on justice as opposed to vengeance and collective punishment. This reference to law must be applied in the present situation and enables us to prepare the future. International solidarity among peoples is a reaction to the absurd, murderous idea of the war of civilisations. Peoples' capacity to overcome a difficulty can give birth to progress. If civilisation is to advance, the first step is to attack the barbarity that constitutes the unjust world order.

THE AU AND NEPAD ARE INTEGRAL FOR AFRICA'S SUCCESS IN THE 21ST CENTURY

By Samuel Koma

The recent launch of the African Union (AU) in Durban and the subsequent embracing of the New Partnership for Africa's Development (Nepad) as the grand initiative through which the strategic objectives of AU could be realised should be commended by Africans in particular and the international community in general. This is because Africans have over the past decades been yearning for the renewal, rebirth, reconstruction and development of the African continent.

Foremost African political leaders like Kwame Nkrumah have long advocated the idea of African unity and prosperity. At the same time, Nepad is an African initiative led by Africans for Africa's development. However, the launch of both AU and Nepad have recently been the subject of heated debate and criticism by prominent policy analysts, political commentators, columnists, researchers and civil society organisations.

The implementation of Nepad in particular has received critical comment and generated sceptism. This does not suggest that Nepad is beyond criticism and critical scrutiny, however this should be made constructively and progressively. Some of the criticisms against Nepad are that it is opportunistic, irrational and underlined by pseudo political and policy analysis. In fact some critics of Nepad have rubbished the plan before it has even taken off the ground.

The fundamental questions that beg answers are: Why this glaring afro-pessimism attitude toward Nepad? Why criticise Nepad while it has not even taken shape in Africa? Why do analysts and commentators fail to accept that Africans, like any other race, have a vision and the courage to lift Africa from its economic morass, underdevelopment, political instabilities and abject poverty?

During the dawn of the 21st century, Africans unequivocally declared that this should be an African century. Nepad should be clearly viewed as a sound strategy within which the quest for an African century can be realised. For Nepad to succeed, it is important that its strategic objectives and programmes are articulated and cascaded down to the grassroots and ordinary citizens. It should not be conceived of as a political initiative driven solely by leading political leaders. The masses should have a sense of ownership and understanding/grasp of this initiative so as to make a meaningful contribution toward its success. In a nutshell, Nepad should be people-centred and driven. Thus, notions of Nepad elitist should be discarded and dispelled. It is incumbent upon the leading political heavyweights and influential actors on the scene to drive Nepad closer to the people.

The notion of an African renaissance and Nepad should be conceptualised as inextricably intertwined. The former cannot succeed without the latter. All interested stakeholders including, civil society, media, business, government institutions, education sectors and the broader society should take this into account. What is of utmost importance is that Nepad should in the long run bring about significant changes to people's lives particularly the poor, the unemployed, underprivileged communities, generate robust economic growth, massive development and investment so as to enable Africa to be globally competitive and integrated. This calls on the business community/private sector to channel huge resources (financial and technological) toward realisation of Nepad's key objectives. Given the necessary support from civil society, academic institutions, media, opinion makers and trade unions, Nepad stands to bring a sense of hope to Africans in their quest to build an African century.

Nepad provides a paradigm shift about African governance for the way politicians businesses, unions and all Africans do things. Let us all make Nepad a realisable dream for the African century. We owe this to Africa's notable and past generations of leaders and intellectuals such as Kwame Nkrumah, Pixley ka Isaka Seme, Albert Luthuli, Steve Biko, Patrice Lumumba, Oliver Tambo, Julius Nyerere, Ante Cheik Diop and a host of others.

REPORT OF THE RENAISSANCE SOUTH AFRICA OUTREACH PROGRAMME -

CONTINENTAL EXPERTS' MEETING ON THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT (NEPAD) AND THE AFRICAN UNION (AU)

ORGANISED BY THE AFRICA INSTITUTE OF SOUTH AFRICA (AISA)

Introduction

From June 17 -19 2002, over 300 scholars from the African continent held a meeting under the auspices of the Renaissance South Africa Outreach Programme in Pretoria. The meeting provided African scholars with a platform to deliberate on and inform the debate on the Constitutive Act of the African Union (AU) and the New Partnership for Africa's Development (NEPAD) in light of the forthcoming Summit of the AU. The objectives of the meeting were:

- **to critically engage with the NEPAD process**
- **to explore the role and responsibility of the African scholarly community in realising the goals of NEPAD.**

The meeting was addressed by South Africa's Minister of Foreign Affairs, Dr Nkosazana Dlamini-Zuma, who welcomed participants, and the Minister of Arts, Culture, Science and Technology, Dr Ben Ngubane, who introduced the South Africa's President, Thabo Mbeki. The meeting represented a unique opportunity as it was informed by an interactive dialogue between President Mbeki and experts participating at the conference.

What follows is a summary of the substantive debates that emerged from the two and a half days of deliberation and consultation.

General Overview

Participants acknowledged that Nepad was a welcome initiative by African leaders to address Africa's recovery from its worsening economic under-development and the promotion of sustainable development in a globalising world. It was born out of the conviction by African leaders that Africans must either develop themselves or remain under-developed. NEPAD was believed to be an initiative aimed at poverty reduction, reversing the

marginalisation of Africa, and promoting sustainable development, democracy and good governance on the continent in the 21st century. It was also aimed at the collective and integrated industrialisation of Africa. In other words, it was a political strategy intended to tackle the African development crisis. Consequently, participants welcomed the NEPAD initiative as timely, to be embraced by Africans, especially given the precarious situation of Africa at the end of the 20th century.

General Critique

1. Delegates argued that the context of the discussion needed clarification. In the view of many, NEPAD's challenges were largely economic in nature, relating to trade, finance and debt issues. Participants noted that the present global economy was not benefiting Africa. It was therefore suggested that Africa should find creative ways and regenerate notions of collective self-reliance and regional integration as the building blocks for African unity and development.
2. There were also concerns that the NEPAD initiative was located within the Washington consensus and as a result was likely to perpetuate and reinforce the subjugation of Africa in the international global system, the enclavity of African economies and the marginalisation of the majority of Africa's people.
3. The meeting expressed concern about the model of accumulation proposed in the NEPAD process and noted that it may not be appropriate for Africa's development.
4. Questions were raised about the enthusiasm of the G8 leaders for NEPAD. It appeared as if the G8 saw NEPAD as a partnership of global elites and Africa as an investment opportunity, without taking into account Africa's development. Concerns were raised that debt cancellation, to remove the debt burden that has hindered Africa's development efforts, was not on the agenda of the forthcoming G8 summit. Participants, however, cautioned that judgment should be reserved until the nature of projects to be supported by the G8 leaders at this meeting became known.
5. Participants also noted that the G8 was employing double standards by urging African countries to adopt free trade policies whilst in their own countries they were erecting protective barriers against African products, for example through the Common Agricultural Policy of the European Union and the recently enacted United States Farm Act.
6. Participants noted that NEPAD was the product of a small group of political elites without the participation of the African people and civil society organisations. Consequently, questions were raised as to whether

the African people could claim ownership of NEPAD given the absence of consultation and dialogue between these African leaders with civil society organisations. The meeting emphasised that partnership between African governments, intellectuals and civil society organisations, including trade unions, women's and youth organisations, was of cardinal importance.

7. Following from the above, participants observed that scholars were now being invited to discuss details of implementation instead of reflecting on the project's origins and ideological grounding. Against this background, participants noted that this "expert meeting" was not adequately briefed by the NEPAD Secretariat.
8. Questions were raised whether Africans had learnt the lessons necessary to make NEPAD a success, given the past experiences of Africa's development efforts, including the Monrovia Strategy of 1979, the Lagos Plan of Action of 1980, the IMP-World Bank imposed Structural Adjustment Programmes (SAPs) of the 1980s and 1990s, and the African Alternative to SAPs of 1989. The SAPs, especially, appear not to have reversed Africa's underdevelopment.
9. Participants noted that there was a lack of a common understanding of the concept of democracy and whether African politicians, given their antecedents, were to be trusted with representing the interests of the people - either nationally or continentally via the Pan-African Parliament (PAP).
10. Questions were also raised about the lack of minimum performance criteria for countries to qualify for AU membership.
11. The location of Peace and Security structures at the level of Heads of State and Government, at the expense of involving civil society groups such as human rights NGOs, was noted with concern.
12. Participants noted that some countries did not have properly elected and constituted national legislatures, but were instead ruled via one-party systems, military regimes and monarchies. In light of this experience, participants expressed concern that the PAP was going to consist of delegates from national parliaments rather than being directly elected by the people. In addition, concern was expressed that it would have little or no legislative power binding on national governments.
13. It was noted that although NEPAD alludes to infrastructural development and access to resources like water, it is vague about the distribution of these resources.
14. Similarly, participants noted that the land question was not adequately addressed. The role of the state in land ownership and distribution remains undefined in the NEPAD project; as well as how to resolve existing conflicts around access to land.
15. The meeting raised the question of how NEPAD was going to address the

issue of negligible investment of resources in African states. It noted that internal resource mobilisation was critical given the drought of Foreign Direct Investment and Official Development Assistance, and the waste of resources through conflicts and wars in many parts of the continent.

16. Similarly, participants noted that NEPAD seemed to benefit foreign investors at the expense of domestic investors.
17. While lauding the goals of NEPAD, participants expressed concern about the lack of clarity as to how its projects and programmes will be implemented at national, sub-regional and continental levels. Perhaps more important was the time frame set for accomplishing the projects under the International Development Goals (IDG) and how those of NEPAD could work within this context. For example, under IDG, the proportion of people living in extreme poverty has to be reduced by half in 2015, having started in 1990. By implication, NEPAD is already 11 years behind schedule and has just 14 years to achieve the results. Nor has much progress been made by the various African countries such as Nigeria that had embarked upon poverty reduction projects. As for the elimination of gender disparity in primary and secondary education enrolment, the target year is 2005. Again, it means that NEPAD has just three years to implement strategies for sustainable development at national level. One implication of keying into the time frame of the IDG was that NEPAD might not be able to achieve the expected results.
18. It was noted that there still remained a lack of a shared vision about Africa's development needs and an African identity. Participants expressed dismay that the NEPAD process did not give adequate attention to this important question.
19. Participants expressed concern about the relationship between Africa and its Diaspora which has been characterised by complexities and problems in view of changes in historical linkages and geographical context. It was also marked by asymmetrical relations between communities and the Diaspora.

Recommendations

1. That an "All Africa Academy of Arts and Sciences" or an "African Academy of Scholars" be established to institutionalise the intra-African academic partnership as a civil society component of NEPAD. It is believed that such an Academy will optimise the opportunities for Africa's intellectuals to add value to and participate in the NEPAD process by means of relevant, dedicated research and scientifically-based recommendations on topics critical to Africa's development. Because of the evident contributions that an organised partnership of African intellectuals can make to informed

debate, NEPAD funding should be made available for the above objective.

2. To ensure the success of NEPAD's objectives, efforts should be made to ensure the co-ordination of various activities across the continent. Given the level of Afro-pessimism, efforts must be made to ensure that successes be visible. Africa needs Centres of Excellence to inspire its people and to change foreign negative perceptions of Africa, as well as serve as models for the broader continent. In this regard, intellectuals can play an important role by identifying and guiding such Centres of Excellence.
3. Following from the above, it is suggested that national and regional institutions be identified or established to facilitate networking by African intellectuals and to carry out detailed research on a number of issues including the mode of accumulation suitable for Africa's development, an African definition of democracy, and the question of poverty eradication strategy amongst others. It is crucial that the appropriate model of accumulation needs to be re-examined if NEPAD is to succeed. Accordingly, participants commit themselves to explore the possibility of convening, in the near future, another meeting of experts representative of the continental and national institutions in order to allocate research responsibilities and priorities as agreed at this meeting. This research will also require a detailed analysis and critique of the sectoral approach in NEPAD. Research output will be popularised among the African people, universities, research institutions, civil society, business, the AU and governments.
4. As part of their tasks, identified national and sub-regional centres or networks should initiate holistic debates on developmentalism and the type of development required in Africa.
5. Ownership/partnership: Participants call for further reflection on the relationship between African intellectuals and policy-makers, as NEPAD has not yet shown such a relationship or social contract. Consequently, participants call for a summit between the African scholarly community and the African political leadership over the NEPAD agenda and the AU.
6. African leaders are urged to speedily implement the decision of the Lusaka Summit of the OAU in 2001 to popularise the AU and NEPAD and involve civil society in this process.
7. Furthermore, African leaders are called upon to create a conducive environment, and to transform the informal economy to make it more productive, as a means of income generating activities and as a source of sustainable livelihoods. This requires micro-economic research by academics that can complement the economic policy-making, poverty alleviation and development efforts of the continent.
8. It is recommended that African leaders create and nurture an environment

for democracy and good governance. The feasibility of democracy in Africa will however depend not so much on the declarations of African leaders as its relationship with the existential conditions of Africans. Moreover, it will depend on how far democracy can be used to meet the people's social needs. In essence, the democratisation project by African leaders has to be monitored to enable NEPAD to realise its set objectives.

9. To realise the above objective, participants proposed that national, regional and continental civil society networks be created or strengthened as part of the NEPAD process.
10. Furthermore, it is proposed that a mechanism be put in place to bridge the gap between the state and civil society. This should take the form of national, sub-regional and continental fora where both the state and civil society will have dialogue on a regular basis.
11. It was agreed that the NEPAD initiative requires a strong and democratic state that must meet the needs of African people - education, health care and other social needs.
12. Delegates urged African leaders to pursue policies and projects aimed at initiating an African agrarian revolution as one of the primary objectives of NEPAD.
13. Delegates call on AISA and its partners to convene another meeting of this nature to consider other issues related to civil society participation in organs of the AU such as the PAP, the Economic, Social and Cultural Council (ECOSOCC), Court of Justice and the Commission for Human and People's Rights. This is especially needed since at the AU summit, only government officials will be represented and in such a process the voice of civil society will not be heard.
14. It is recommended that African scholars engage on a daily basis with the struggle of the African people to build a new social base for sustainable development. It is further proposed that a review of the curriculum of our schooling systems at all levels be undertaken with a view to inculcating new values in our people in order to achieve the goals of Africa's development as envisioned in the NEPAD initiative.
15. It is proposed that NEPAD adopt a bio-regional planning and management approach on an Africa-wide scale. This approach recognises that sustainable development can be achieved by people working together in a geographical space defined by ecological systems and human settlement patterns. It is within this context that individuals, governments and NGOs can play their rightful role and that the value of monetary, natural and social capital can be optimised. Within this context, it is important that all bio-regions benefit from sustainable development initiatives at all levels. The proposed establishment of Africa-wide Centres of Excellence could be important building blocks for local and regional development.

16. It is proposed, as part of the NEPAD process, to mobilise the "best and brightest" from among the Diaspora and within the continent to harness and mobilise domestic resources to unleash the necessary potential for Africa's development. Towards this end, it is recommended that the AU undertake an audit of the Diaspora so that their skills can be drawn upon for the realisation of its goals.
17. It is recommended that processes be put in place to revive Africa's diverse cultures with the aim of developing a common African identity. In this regard, participants welcome the initiatives to host the 3rd FESTAC in Durban in December 2002. It was however proposed that much more marketing and promotion needs to be done to increase awareness of the FEST AC so as to mobilise African people around it.

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HAS THE FREE FOX IN THE FREE HENHOUSE HAD HIS DAY?

By Margaret Legum

The description of the unregulated market as "the free fox in the free henhouse" was popular in the 1920s and 1930s - the last period of global capitalism, which led to the Great Crash. Of late, similar conditions have been developing which should surely end the illusions that surround the ideology that global de-regulated capitalism is good for us.

The first was the collapse of WorldCom, following the Enron scandal, plus Xerox, IBM, Merrill Lynch et al. They reveal the corruption at the heart of corporate America. They involve not only the companies themselves, but also the accountancy, legal, and investment banking industries, found to be up to their necks in hiding the truth.

The second was the G8 Summit presented to Africa as offering the basis for collaboration with the G8 in NEPAD. We in Africa were to offer "good governance" - transparent, honest institutions, democratically responsive - in exchange for a latter-day Marshall Plan in the form of aid and trade.

What was mooted in advance was a three-fold package. First, trade: a reduction in the barriers to Africa's exports to G8 countries, and cuts in the $1 billion subsidies to G8 farmers, which enable them to undercut African farmers. Nothing whatever was offered here.

Second, $15-20 billion was to be offered in extra debt-relief to Africa - partly to make up for the fall in commodity prices. Instead $1 billion was offered. Third, $25-35 billion was estimated as needed in aid and investment to start Africa on the process to poverty-reduction. Only $6 billion was offered by the year 2006.

Compare that to the Summit's principal handout, which was $20 billion to Russia, to help safely decommission its nuclear weaponry. Clearly a worthy cause, its pre-eminence was dictated by the War on Terrorism's need to ensure that nuclear devises do not leak from Russian establishments.

We in Africa need to get smart about what the American model offers us, and what we can expect from rich countries. "We have undertaken a policy of very substantial macroeconomic reform. But the rewards are few." So said our Finance Minister Trevor Manuel. He did not add that that policy of reform derived from advice given us by the rich countries, which have substantially benefited by our compliance. We, by contrast, have lost employment, capital and the right to set our monetary, fiscal and exchange rate policies so as to suit our own developmental needs - which are not the same as those of the G8.

And to what end? Make no mistake: global connectedness ensures we all go down when the American bubble bursts. Do we want that degree of dependence? And do we really think the type of capitalism we are now seeing in the West is superior to any other? Don't get me wrong. There is only one sensible way for prices to be set - through the market mechanism. And there are substantial benefits to trade. But there are many versions of economic relationships that can offer both. It is the unregulated free market, the enforced compliance with one model of economic development, that leads to corruption, monopolies, the triumph of the strong and the dependence of the weak.

Government regulation is always needed to protect the weak from the strong. That is what governments are largely for - to ensure the fox is unable to take advantage of the domesticated hens. That is why we have rules in any human endeavour - to pre-empt the law of the jungle. Regulation is civilised.

Moreover, it is time we accepted that the rich democracies cannot and will not defy their agricultural lobbies or their steel workers or any other source of votes

so as to give our exports serious markets. Chinese garlic has already attracted tariffs of 400 percent; the Japanese impose 1 000 percent tariffs on rice. Of course they do. Their own electorates are more important to them than ours. And despite huge increases in wealth, aid flows have fallen from 0.8 percent of GDP in the 1960s to 0.1 percent in 1999 - in response to pressures in rich countries.

South Africa should abandon illusion. We must reclaim our diversity and self-responsiveness. We need to restore the barriers to trade which have disadvantaged us, and thus protect our labour-intensive industry until it is ready to compete globally. We need to deny access to our markets - for goods and capital - to outsiders unless and until they offer us equally valuable access to theirs. We need to tell them we will believe the benefits when we see them. Until they are able and willing to take on their sectional interests we must give our full attention to the interests of our own people. That will restore some of our power.

VIOLATIONS OF HUMAN RIGHTS IN THE FARMING COMMUNITIES

By Chris Derby Magobotiti

Introduction

Many years of colonial oppression and institutionalised racial discrimination have left South Africa with a terrible legacy of vast social and economic inequalities. In the case of Queenstown this legacy resulted in the dispossession of land and wealth by the majority of black people forced into the reserves, locations and white owned farms and oppressed and exploited in various ways. Frontier wars of land dispossession created some significant tenure farming communities in the jurisdiction of Queenstown. Until now there has been exploitation and oppression of farm workers, evictions, crime and violence, feudal practices and the violation of human rights. These conditions continue to exist despite the ongoing democratisation and constitutionality.

Constitutionality in the context of farming community

The 1994 democratic breakthrough marked the defeat of apartheid minority rule and ushered in a constitutional democratic state. South Africa prides itself in being a constitutional state which has entrenched democratic institutions, a Bill of Rights, Human Rights Commission, Public Protector, Constitutional Court and an independent judiciary. Despite these achievements, farm workers continue to be subjected to degrading abusive practices by farmers. Urban South Africans witness their rural counterparts in the farming community being isolated from the macrocosm of society and prohibited from enjoying their rights. Human rights textbooks tend to view human rights violations as practices carried out by the state through its agents such as the police, the army, courts and anyone acting with the authority of the state against the individual or citizens.

In essence human rights abuses have been the dominant factor on a broader scale. A silent side of human rights abuses which is equally devastating, if not worse, include violations in the farming community over claims of ownership. The recent case in November 2001 in Tarkastad frontier jurisdiction was a devastating one where it was alleged that three farm workers were shot and killed by their farm boss after a dispute about wages and employment status. The ongoing case of illegal evictions in Queenstown farms exhibits the gravity of the problem. Section 7(2) of the Constitution states that: "the state must respect, protect, promote and fulfil the rights in the Bill of Rights." This section places positive obligations on the state not to be neutral or play a regulatory role while its laws and people are being violated. Section 23 broadly guarantees rights and fair labour practices including unionism. Section 26(3) of the Constitution states that: "no one may be evicted from their home demolished, without an order of court made after considering all the relevant circumstances, no legislation may permit arbitrary evictions." Section 27(1)(a)(b) of the Constitution states that: "everyone has a right to have access to health care services including water." These are the major sections or constitutional rights that seem to be commonly violated in the farming community. Other infringements include section 10 which relates to the right to human dignity and section 11 which relates to the right to life.

Extension of Security of Tenure Act, 62 of 1997 (ESTA)

This Act became law in February 1997 and secures occupiers the legal right to live on and use the land. In the context of farming communities, the Act seeks to prohibit unfair or arbitrary evictions. It does permit legal evictions under certain circumstances on court orders. Access to water and education services are provided. It goes on to give special rights to people who are 60 years or older and who have been on the land for 10 years or longer. According to the Act:

"if owners force occupiers off the land or deprive them of use of the land or water against their will, they commit a criminal offence and can be jailed or fined for this." Broadly the Act provide rights and duties to both owners and occupiers. It is important to note that the Act is in accordance with the constitution and enacted in the context of land reform.

In the case of Queenstown farming community, some lessons with regard to the notion of deracialising and democratising ownership can be drawn. In this case, the new black farmers have been charged for breaking the Extension of Security of Tenure Act, 62 of 1997 and violating other Constitutional rights discussed above. The conduct and oppressive practices by black farmers against former farm workers has exposed serious distortions in some circles about the notion of deracialising and democratising the economy. In an interview with some workers and families, there is a sense that present black farmers have replaced their former white bosses in the oppression and abusive practices. The responses of the respondents and the nature of the case suggest that capitalists, whether black or white, are distinguished by their pursuit of private profits. In this regard, race or individual background is often used opportunistically in the land reform project. Individual background or race do not automatically lead to progressive conduct rather what seem to be fundamental is class interests. There is a possibility that the rights enshrined in the Constitution and Extension of Security of Tenure Act, 62 of 1997, can serve only the rich and the elite including chauvinistic and reactionary elements. They can afford to pay for powerful lawyers in cases of litigation. In this regard, land rights and Constitution can become a commodity and serve the interest of the powerful elite.

Access to justice

In this context, the notion of access to justice should entail empowerment of workers to know their rights and change their social and economic conditions. This involves effective land use by the workers as they constitute the majority and possess skills through experience of working in the land. In the case of Queenstown, some lessees have been charged for illegal eviction by the department of land affairs (DLA) of Queenstown and East London, Border Rural Land Committee, Human Rights Commission of P.E. and Lawyers for Human Rights. These structures and institutions responded sensitively to what seems to be a trend in human rights abuses in the farming communities. While the DLA and human rights based organisations can appoint legal representatives for the evicted families, many do not know what their rights are or cannot afford legal services.

Accountability and independence of institutions in addressing the problem

In recent years we have witnessed attempts by the courts to resolve cases of evictions and criminal offences in a manner that shows a sense of accountability and independent judiciary. In S v Mhlakaza the public sentiments were generally running high and it is in this judgment that sentencing dynamics were revealed. The court decision was that: "the duty of the court is not to satisfy public opinion but to serve the public interest." In the case of Mosoko Rampuru, who was brutally murdered by his farm boss, the trial court handed down a disproportionately lenient sentence to the accused.

Way forward

There are enormous challenges facing the farming community which requires human rights education. The cases discussed above suggest that institutions and structures that are already created by the new Constitution need to be pro-active and reach out in order to prevent human rights abuses. In this regard the upcoming conference by the South African Human Rights Commission on the abuses of human rights in the farming community, including the killing of farmers, is the great step forward. The conference might generate ways of resolving the problem.

The issue also presents challenges to the South African Agricultural, Plantation and Allied Workers' Union (SAAPAWU). At present SAAPAWU border regional office is based in East London and most areas in Queenstown district are not unionised due to the union's lack of capacity to service the workers. The union has to be visible in the farming community and carry out its task to protect and advance workers interests and their rights. It can carry its revolutionary tasks in liaising with the above institutions and rights based bodies before it is too late.

Conclusion

This discussion recognises the seriousness of the ongoing violations of human rights in the farming communities. It takes into account the realities that have been created by the Constitution and ESTA as the bases from which to depart from in the struggle for justice.

VISUAL ARTS AS ECONOMIC ACTIVITY

By Bongi Dhlomo-Mautloa - Artist

For the purpose of this article, art will refer to the visual arts encompassing painting, sculpture, tapestries, drawing, graphics, etc and artist(s) will refer to the visual art practitioners such as painters, sculptors, weavers and ceramists.

Art material outlets exist because there are artists that buy art materials in order to produce art. Artists produce art for many reasons but they produce art mainly because there are people who have an interest in buying and owning art. Art patrons buy art because they need to beautify their environments such as their homes and places of work. Public art collections buy art to keep in museums for historical purposes and for posterity. There are many public commissions memorials, monuments, public sculptures, etc, whose production sometimes take many months and thousands of rands to complete. Most artists study art at tertiary institutions alongside their peers who study for other careers. Everyone aspires to higher levels of education because with proper qualifications, they believe they will earn more from their careers, improve their standard of living, be able to send their children to good schools, be able to take holidays and travel. Visual arts practitioners have the same aspirations as all other professionals.

Buying art materials, buying and owning art - buying of any sort cannot take place without money exchanging hands. Looking at the brief scenario of economic exchange that occurs in the process of artmaking one cannot but agree that art contributes to the country's economic activity. Art practitioners are not seen in the same light as their counterparts in the fields of law, medicine, education, etc. The reason is that art is seen as an activity, yes, but it is not seen as an economic activity in the same way as car manufacturing, goldmining, medicine, law, banking, etc.

Art practitioners, as creative members of society, are an integral part of societies within which they live. Visual arts practitioners, in particular, are mirrors that reflect the way society lives. Society sees itself in theatre and drama performances, in movies and in paintings and sculpture. Art practitioners record evolutions of societies in their immediate environments and far afield. If there were no societies around, there would be no creativity. Artists are also citizens of the world in that through the work they do they are able to project images - through exhibitions, through sales of their work - of the country they live and

make art in. They are able to talk a language that is not necessarily based on issues in their country. This ability to transcend borders and barriers that have been created by history can only work to the country's advantage in that people who know very little about South Africa can see the artwork coming out of this country and learn about the state of the country. There are artists who produce socio-political work because they believe that they are mirrors of society. They take from life around them and, through their production, they give back to life. It therefore stands to reason that as the life of any society is intertwined and dependant on its different facets to survive, art practitioners as role players in recording the state of things in the country, contribute to the economic activity of the country.

It is disturbing to note that art practitioners are not regarded as professional contributors until they make the breakthrough or die. If artists do not make that "breakthrough" and become recognised as professionals, they will remain in their studios making art that no one sees and no one buys. To get to the point of earning a living as a professional, artists need to assert themselves and take their place within the country's economic machinery. This is easier said than done however. Artists are discouraged at every turn by the fact that their peers, as well as society as a whole, do not think of artists as professionals but more as people who have time on their hands to play with paint, wood and clay.

It is not unusual to hear parents who have children who still need to decide on their careers discourage them if they show any interest in the arts in general and the visual arts in particular. A black father who is in the corporate world wants his son to follow in his footsteps. The young man clearly wishes to become an artist. In desperation, on one weekend, the father takes all the weekend newspapers and spreads them in front of his son and demands that the young man should show him one job advert that is looking for a qualified artist. Of course there are no companies who are looking for a fine artist, maybe a graphic designer, but not an artist. The father feels vindicated and sends his son packing to the business school where he fails all his courses. At last the father relents and allows the child to follow his chosen career. Do we blame the father for insisting that his child follow in his footsteps rather than go into the "wilderness"? Of course we understand that the father has the best interest of his son in mind and he does not wish to see him move into a field that has no security. This is the risk that artists all over the world take. They have the will to create and hope. Hope that one day they will make that breakthrough or die and leave a legacy. But more than this, artists take the risk that somehow the work they do will reach audiences and help them to understand life around them.

South Africa is no different from other countries of the world. But South Africa's experience is unique in that art education was, for a long time the privilege for white students as it was taught only in white universities, with the exception of one black university that had a faculty of art. This anomaly which is South Africa-specific makes it difficult for the majority of the South African society, the black community, to even start to comprehend what art is, what its significance to society is, what its contribution to the economy of the country is. It is not surprising to see well educated and professional people, in social circles, raise their eyebrows in wonder if a peer declares that he/she is a professional artist. The tendency is to condescend by saying; "Yes it's fine you are an artist, but what is your real job?" "What do you do for a living, how do you put food on the table for your family?" These are people who have the opportunity to travel the world, visit art museums of the world but still ask an artist what they do for a living. These are people who do not think twice to say when they see an artist they know: "When am I getting a couple of paintings from you? You know I have bare walls at home and in the office." If the answer from the artist is: "How much have you budgeted for the artwork?" the immediate answer is: "Ah, no - I meant to keep them for so long for you, I was not thinking of buying ..." If and when there is an interest in buying and the artist indicates what the price is, there is always huge surprise at the high cost of the artwork.

While it is important to recognise the fact that art is an integral part of any society, it is important to assist members of society to understand that art may be a hobby to some people, but it is an earnest and at times the only career for other artists. The attitude of study towards the arts in general is to have "something to fall back on". This attitude confirms the school education system indoctrination which graded students from A downwards. The A-students for Maths and the Sciences - the students destined for a bright future in the fields of medicine, engineering and technology. These students would be followed by the next grade destined for commerce and, bringing up the rear would be students who aspire to be the A-student but needs "something to fall back on." Once a student in the arts adopts this attitude towards their chosen career, society also adopts a similar attitude by bargaining for complimentary tickets at the theatre or free paintings for their bare walls.

By its very nature, the fine art is a lonely activity. Artists can lock themselves in a studio and make art for an exhibition. They will not need to talk to anyone - they do not need a scriptwriter or a director to achieve their production. It would seem that these ongoing absences from the "work" environment by visual artists, may have created the impression that what they do is not as important as being a doctor. This is an attitude that can be changed by artists taking centre-stage and

claiming their space in the country's economic sphere. It is important to highlight that there are artists who started their careers in private art education institutions but are now international household names. They make a good living through their art that sells all over the world. It is also important to mention that there is a lot of money exchanging hands through sales of artworks by dead artists from the same education backgrounds. The artefacts plundered from the African continent are now valued in thousands, at times millions, of dollars. While the actual exchanges do not enrich the artist or their immediate family members, it is interesting to note that the South African economy is able to enter the realms of world economy through the visual arts.

I would want to argue against the opinion that art is leisure and something you do when you have "nothing else" to do. It becomes more and more "something to fall back on" and not "something to move forward to". The "fall back on" attitude instils a sense of doubt in the aspirant artists and also in the consumers of art. If art and artists take that centre-stage and demand recognition, then the consumer is going to take note of the products from this creative field. We should be able to see the consumers spend time looking for the right vehicle, that particular house and spend their hard-earned cash to buy that car and that particular house. We should see the same consumers visit the galleries and buying that painting or that sculpture. When this happens, the artists will be able to use that hard-earned cash to buy art materials, that particular car, that house, send their children to school and enter the country's economic activity. What will also happen is that the patron, through their purchase of the art, will be making a long-term investment that have a upward growth and opportunities beyond the borders of South Africa. It would seem that looking at art as a "country-cousin" to other players in the country's economic activity is a big mistake. Try to imagine your particular office without any creative image - a painting, sculpture or well designed pen holder. It is important to take stock of what art and artists mean to the South African economic activity on a daily basis.

Sir,

The complaint by Tito Mboweni about grasping business executives is timely and welcome. It chimes well with President Mbeki's condemnation of greed and unbridled acquisitiveness of aspirant elites, though the targets are different. However, we need to go beyond moral exhortation, important as that is, especially from the highest levels in our society.

Our dilemma at present is that the ANC is committed to deracialising the economy. This goes back to the Freedom Charter which is based on the principle of the sharing society. But it was never the intention that that sharing should be through the route of Black people taking up dominant positions in the economy side by side with the powerful white interests that have held economic power for so long. Yet this is what is happening. The inequality among Black South Africans now matches the inequality in the population as a whole.

It is in this context that avarice flourishes. White business is doing what it has always done, reaping the fruits of what was the world's most exploitative system, where colour bars created a cheap labour force which brought super profits. In the current period the practice of chief executives helping themselves to huge salaries and handouts, in line with US methods, only exacerbates what has always been a highly exploitative system. In his new book, "The World We're In", Will Hutton says that the rest of the world is following the US lead in self-enrichment of chief executives. "Four thousand executives on Wall Street earn more than a million dollars a year each", much of it based on short-term profit maximisation through stock exchange mergers and acquisitions rather than sound economic value creation.

Our problem is that Black economic empowerment is taking shape within the inherited setup. A small component of our previously disadvantaged people seem to feel the need to "keep up with the Jones'" by conspicuous consumption and the acquisition of the symbols of wealth. To do so, some engage in avarice and self promotion on a scale we never anticipated and a class system involving new social forces is steaming ahead.

Worse still, some aspirant elitists are using the system of government and parastatals to pursue these ends. Remuneration at top parastatals is way out of line, and no one seems able to stop this.

Clearly, the ANC has much policy work to do. In 1994, we should have insisted on reducing the inherited inequalities. As new incumbents of the liberation movement moved into official positions we should have built in controls over income and reporting thereon such as exist in Taiwan and elsewhere. If the will and understanding had been in place, we could have developed mechanisms to ensure that the new incumbents did not have to receive the same package as the officials they replaced. Instead, everywhere the cry was, " why can't we get the same as the whites!", conveniently forgetting that the whites got what they did through the exploitative and repressive system of apartheid.

I have previously referred to our "skyscraper economy" where a central powerhouse in terms of finance, skill and sheer muscle was surrounded by a symbolic shantytown of poverty and underdevelopment. This system can only be replaced by a massive programme of development from below coupled with reward at the top which reflects genuine value creation. The priority for the ANC and the government now is to restructure our economy to change the legacy and this will not happen through elite enrichment, back and white.

Furthermore, national reconciliation cannot come about without a high profile programme of social development which is seen by the mass of the people as the primary goal of government.

The challenges facing the ANC and government are very tough. Not only is the legacy filled with structural inequalities, the international environment is also not conducive to serious social engineering. But the bulk of our people are impatient and our own history requires that we fulfill our mandate.

Yours

Prof Ben Turok M P (ANC)

BOOK REVIEW

Building Representative Democracy South Africa's Legislatures and the Constitution

Written by Prof. Christina Murray and Lia Nijzink

"This publication has the potential to play a supportive role in advancing and consolidating democracy." - Naledi Pandor, Chairperson: National Council of Provinces, Parliament,

The dawning of our new democracy in 1994 created the opportunity for South Africa to establish itself as a beacon of representative democracy. This new era in the history of our country offered institutions of democracy the opportunity and potential of representing the true aspirations of the people of South Africa. These institutions previously represented the interest of a minority and in no manner reflected the values of democracy, accountability and a people centered approach to development.

With the adoption of our final Constitution in 1996, South Africa's legislatures entered a paradigm of governance that ensured representative democracy through the separation of powers between the executive and legislative institutions.

The publication "Building Representative Democracy South Africa's Legislatures and the Constitution" begins the review process of our institutions of democracy within the legislative sector. The publication attempts to undertake a macro snapshot of the responsibilities and functions of these institutions in relation to their mandate and policy directives under the Constitution of South Africa.

This book sets out the role that the Constitution expects South African legislatures to play and explores the ways in which they have met the challenges. It looks at their institutional arrangements, and their record in making law, overseeing the national and provincial executives and forging links with the public. It is a study of young legislative institutions building a new democratic culture in a society undergoing important changes.

The mandate of our legislative institutions is to deliver a quality set of laws for the people of South Africa. Secondly, it expects legislatures to ensure that these laws are implemented efficiently and in a way that is responsive to the needs of citizens. Many challenges face the legislatures in fulfilling this oversight function but the impetus for proper oversight is growing.

The first challenge is to become active agents in the constitutional project of transforming the country and not to be relegated to the sidelines. The very active role that some parliamentary committees have played in developing new legislation in crucial policy areas attests to considerable initial success in this regard, particularly in the national Parliament. This challenge will be fully met only when the goal of transformation is integrated into all the work of all the legislatures and when they fully succeed in grasping their oversight responsibility.

South Africa's legislative institutions have established themselves within a remarkably short time. Many challenges still confront our new institutions in ensuring that the notion of a people's government becomes a living reality in their day to day functioning.

The problems that face South Africa's young legislatures today are not unique. Many other countries with similar political systems, experience similar challengers all around the world, critics lament the extent of executive dominance and the tyranny of party discipline in parliament. Complaints about the lack of a truly deliberative style of decision making and weak links between members and the people are equally common. It is important to note that these difficulties are to some extent endemic to representative democracy within parliamentary systems. It is equally important to recognise the additional challenge of South Africa's specific circumstances. To consolidate democracy in a country with a divided and violent past, no democratic tradition and an urgent need for social and economic transformation, is by no means an easy task. But, it is the project that the Constitution demands from the government and the representative institutions of South Africa.

Central to change and development is the reality of transformation. Our institutions are required to be instruments of transformation. This publication by no smal measure begins to advance these ideas in both theory and practice.

The book is published by the Parliamentary Support Program and funded by the European Union.

For your free copy send your name and postal address to - eupsp@iafrica.com

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