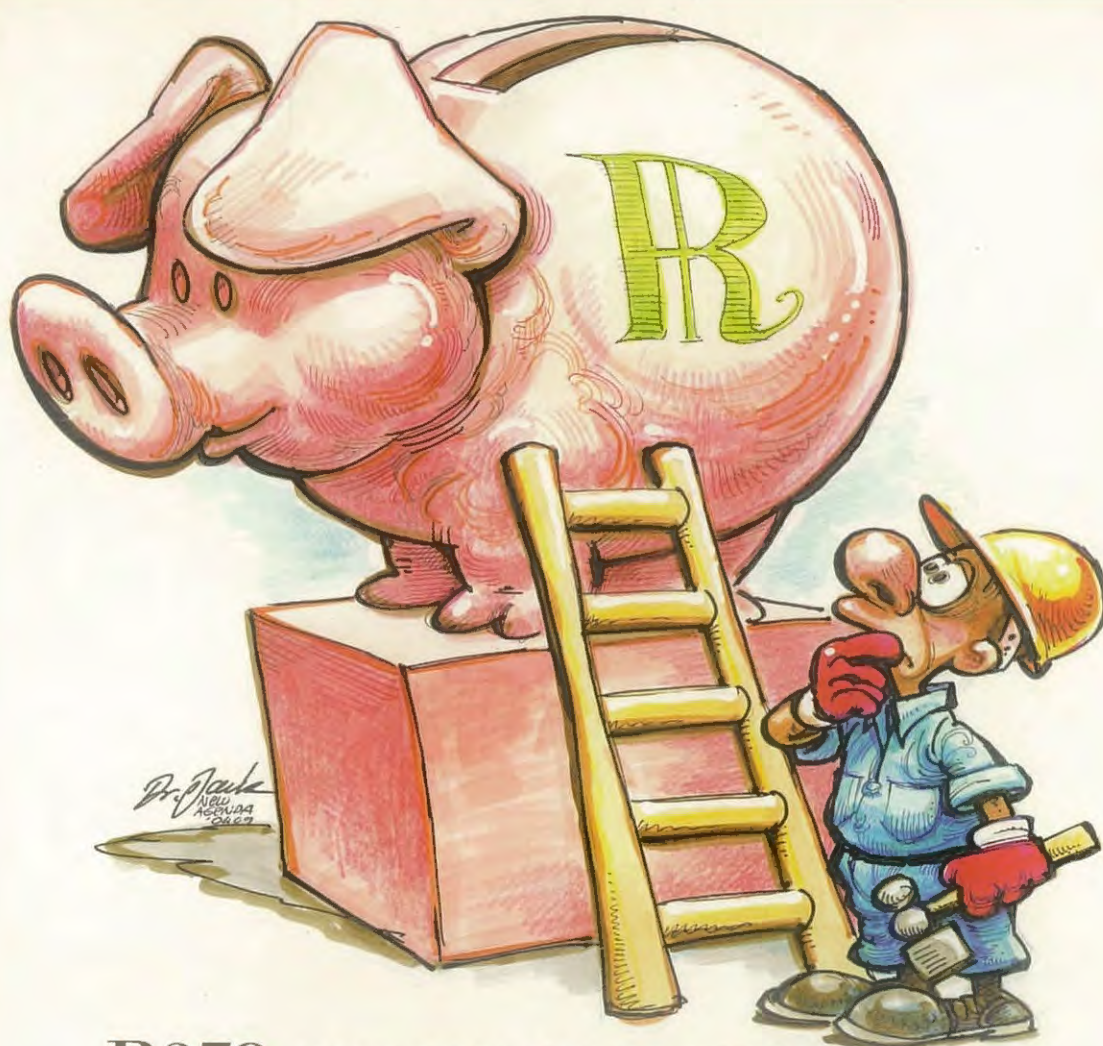


NEW AGENDA

South African Journal of Social and Economic Policy



R378-BILLION TO INVEST
WHO DECIDES?

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ISSUE 16

FOURTH QUARTER 2004

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AFRICAN UNION MUST ESTABLISH HUMAN RIGHTS FUND AND COURT

South African lawyers and civil society groups have made an urgent appeal to the African Union to establish the African Court on Human and Peoples' Rights without further delay. The African Human Rights Court was to have been established in July 2004. South Africa ratified the treaty establishing the Court on 3 July 2002 and nominated two South African judges to sit in the court on 26th October 2004.

A combination of bureaucratic delays and policy changes within the African Union has delayed the establishment of the court. The latest obstacle is the decision by the Assembly of the African Union in July 2004 to merge the African Human Rights Court and the Court of Justice of the African Union. The latter Court will deal mainly with disputes between and amongst AU member states, as opposed to human rights violations of citizens of African countries.

'The African Union has taken great strides on the economic and political front. But if this is not backed up by a human rights culture, the future is not secure for the majority of Africans who remain economically and socially marginalised,' said Yasmin Sooka, spokesperson for a South African network established to promote the African Human Rights Court, known as SANAC.

Sooka, a former Truth Commissioner, went on, 'With the many serious human rights situations afflicting the continent, from political persecution and conflict to economic exploitation, it is imperative that the African Human Rights Court be set up without further delay. The urgency of the human rights situation in Africa cannot wait another four or five years for the establishment of a joint court.'

In order to protect the financing of the court, in light of so many competing demands within the AU, SANAC is calling on the AU to urgently create a Human Rights Fund to which member states could make voluntary contributions and which would be used to fund the court. SANAC is also calling on all AU states that have signed up to the African Human Rights Court treaty to nominate judges to the Court as soon as possible.

The South African Network on the African Court on Human and Peoples' Rights (SANAC) was established in September 2004 and comprises of the Foundation for Human Rights in South Africa, the South African Human Rights Commission and the Commission for Gender Equality as well as a range of prominent individuals, legal institutions and civil society organisations.



**For further information on how your organisation can participate in SANAC
please contact Val on +27 (12) 440-1691**

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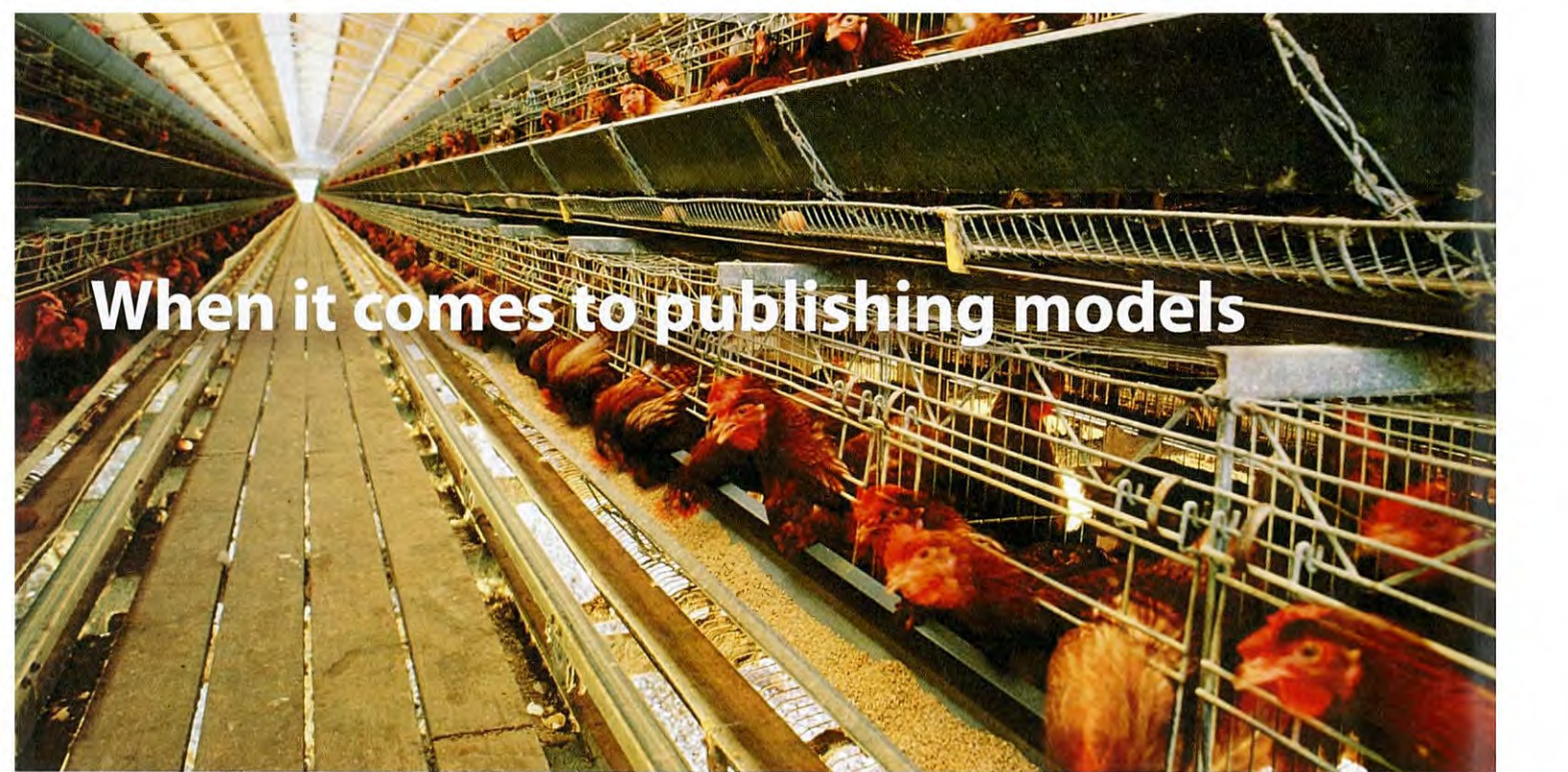
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OVERCOMING UNDERDEVELOPMENT

BY BEN TUROK

The condition of underdevelopment is understood to be the result of exploitation by a developed sector. Logically, therefore, the solution to underdevelopment lies within the developed sector (first economy) rather than in the underdeveloped sector (second economy).

However in the South African case, the developed sector, or the first economy, is geared to becoming increasingly integrated into the global economy and must therefore be competitive. It is being restructured to be even more capital intensive, high-tech, etc which means following the pattern worldwide to greater polarising and marginalizing of the rest of the economy. The capacity to "reach down" to build the underdeveloped sector is limited.

Only determined government intervention can assist the underdeveloped sector and create the environment where private enterprise will seek economic opportunities which will increase employment and incomes.

But government intervention needs a clear strategy and targets. For instance, increased skills development is an important enabling "ladder" for job seeking in the first economy. But the phenomenon of "graduate unemployment" is a common experience in developing countries and can become a dangerous social bottleneck for those who cannot find jobs for which they are trained.

The evidence is against a "trickle down" process from the first economy, even if it experiences good growth, at least in the short- or medium-term.

This leads to the conclusion that the second economy must be targeted by government intervention directly.

This requires a holistic development strategy and a clear sense of where state, and private, investment will produce tangible results in raising incomes and generating employment. The strategy must have two components for (a) the rural areas, and (b) the urban townships.

While a basic income grant would raise incomes, and, by generating local demand, provide incentives for productive effort and thereby employment, such a strategy contains the risk of fostering a culture of dependency and entitlement

which could bring major social strains if the funding should not be available in future years.

The preferred option, even in the short term, is to introduce support and incentives to enable people to apply their existing capacities, human and physical, to unlock their potential for being productive. This requires a major effort by all spheres of government, private sector and civil society in a coherent manner to harness peoples' will to improve their lives.

The key to unlocking the productive potential in the townships lies in:

- assessing the existing skills available
- improving the physical infrastructure where these skills may be put to work
- encouraging a culture of self-reliance in maintaining infrastructure
- encouraging the consumption of local services and products as much as possible and
- ensuring popular participation in all the above.

The key to unlocking the productive potential in the rural areas lies in:

- creating a network of government agents who can assess community and individual needs
- establishing an adequate fund to assist with financial support for productive work
- encouraging a culture of self-reliance in maintaining infrastructure
- supporting local commercial businesses which purchase local commodities and supply basic needs and
- ensuring popular participation in all the above.

The emphasis in the above approach is to focus on the second economy, rural and urban, as a specific concern which requires direct state intervention. Furthermore, although the ultimate objective is to narrow the gap between the first and second economies and integrate them, it must be accepted that this is a long-term prospect. Indeed the experience of countries in South America, especially Peru, is that the second (informal) sector grows, develops a life of its own, even overtaking the first economy over time. The persistence of income inequalities in South Africa, and the persistence of high levels of unemployment and poverty, indicate that immediate direct interventions are required to prevent us going the same route.

R378 BN TO INVEST – WHO DECIDES?

BRIAN MOLEFE,
Chief executive officer of the Public Investment Commission

INTERVIEWED BY BEN TUROK

BT: Let's start with the scale of the funds that you control at the Public Investment Commission (PIC). It's a massive amount of money. How much is it altogether?

BM: The unaudited figure at March 31, 2004 was R378 billion. We are still busy with the audit for last year.

BT: Where does that money come from?

BM: About 92 percent is from the Government Employees Pension Fund (GEPPF). Government employees pay a portion of their salary monthly and the state also contributes another portion, one third and two thirds. The GEPPF keeps an account per employee of how much money a particular employee has contributed and if they were to die or resign or retire, money would be due to them in terms of the GEPPF laws.

The GEPPF passes the total amount to the PIC to invest. So on a monthly basis, they give us all the money that they receive and we give them all the money that they need to pay out benefits. However, there is more money coming in than outgoing. So at the moment in South Africa, because the civil service is young, there are more people in the civil service donating than are retiring, or resigning or dying. But in Europe, because the population is ageing, more is drawn out in pensions than is being paid in.

BT: Currently, then, the GEPPF has a huge surplus. Do they need it? Why do they need such a large pool of money - because clearly the income is greater than the expenditure?

BM: That issue has been debated for a long time. Should defined benefit funds be fully funded or should they just rely on the cash that is coming in? The problem is that the pool may be needed eventually.

BT: This is a safety net for the civil servants and their children.

BM: Because this is a defined benefit fund, we match the liabilities to the existing assets. So that when people leave, we will not say that there has just been a huge epidemic and we are sorry that the money that you contributed all your life is not available.

BT: So, it's a safety net for public employees and all the money belongs to them. It's their property and if they change their mind about where it is invested they may do so. What would you do if the trade unions of employees decided that they no longer wanted to give this money to the PIC? They would rather go and play in casinos. Could they do it legally?

BM: They could do it. Strictly speaking, all they have to do is, in the bargaining chamber, where they discuss the conditions of service, they could say that actually from now on they don't need a pension scheme.

BT: They are legally entitled to do that?

BM: Well, except that now we have the Public Servants Act that says that civil servants and government will each contribute to a fund. Government would then be obliged to change those laws to be in line with the new agreement.

So it is conceivable that you could have an employment contract which does not have pension fund contributions, in fact there are lots of them. Temporary employees normally don't contribute to a pension fund and in many labour contracts people do not have benefits.

BT: Let's take a hypothetical case. Let's say that the government employees get very angry about something and they say we don't want to hand over our assets to the PIC but rather take all the reserves away. Can they do so?

BM: Strictly speaking, yes. But the mechanisms in terms of the law are that the employees, through their trade union representatives, elect trustees onto the pension fund who then control the pension fund. But because they contribute two thirds, they also have representation on the pension fund. Unfortunately, for quite a while the trade unions have not come up with their representatives and only government has done so.

BT: That is quite extraordinary! I think this is a very important point: you are saying that the trade unions are not taking their duties on the GEPPF seriously.

BM: Well, the trade unions have been dealing with this

problem. I had an informal discussion with one or two trade union representatives and they said that they are resolving the matter and they will be appointing someone soon.

But it should be understood that the entire fund management industry is underpinned by funds from ordinary people's pensions and insurance policies. People buy a policy from say, Old Mutual, and Old Mutual invests the money and decides where to invest it. So people give someone the right to decide where the money can be invested until they need it. In the case of COSATU, for instance, you will find that these pensions are in different private sector pension schemes. They are all over the place and it is not now possible to ask who takes investment decisions on this money.

BT: Certainly not employees. Is it the case that the PIC takes decisions without government employees knowing what decision they take?

BM: What is supposed to happen with the PIC is that the trustees of the GEPP are supposed to give a mandate to the PIC about where and how to invest the money.

BT: But that mandate is only from government trustees?

BM: Yes, that is how the situation is at the moment.

BT: You are the biggest investment fund in South Africa, is that right?

BM: Yes. Last year, at R309 billion, we were the biggest, and the second biggest was Old Mutual with about R250 billion.

BT: What proportion of South Africa's total investment funds is the PIC?

BM: In the whole market I would say about a fifth or a quarter. It is a large responsibility which lies with the board of the PIC. Formally the minister of finance chairs the board but he has delegated that to the deputy minister of finance.

BT: Is that board effective, does it meet and give you guidance and direction?

BM: Oh yes.

BT: In the introduction to the 2002 PIC Annual Report, Mr Mandisi Mpahlwa, the then deputy minister, said that many decades ago the PIC was a very modest affair and it was mainly responsible for financing the budget deficit and provider of funds on demand for government. It had a limited role then, but we all know that there was a period in South Africa when government funding was very well channelled and harnessed. While Afrikaner capitalism was building its own financial businesses like Sanlam and Rembrandt, government was also investing in state enterprises like Iscor and Eskom from government funds. This concentration of funds was

helpful in establishing these big parastatals.

BM: What happened was that the government budgeted for a deficit and then the PIC would buy government debts to finance the deficit. The expenditure was higher than the income, so on the expenditure side they could have higher salaries or social spending and then capital expenditure as well.

BT: A lot of third world governments have done that, some of them irresponsibly. But would you say that apartheid governments, especially in the 1940s and '50s, were actually harnessing funds in a very effective way to build parastatals?

BM: Indeed it was. The PIC was formed in 1911, when it was called the Public Debt Commission. Precisely for the purpose you say, just after the Union of South Africa was created. At the turn of the century there was in fact no Afrikaner capital to talk about. The Afrikaners were farmers, they never came to the cities, even after the discovery of gold and diamonds. When they did come, it was largely because farming was no longer viable after the Boer War and also after a severe drought at the turn of the century. That forced them off the land.

When that happened the problem of the poor white Afrikaner set in and Sanlam, started in 1918, was one of the responses to the problem of the poor white Afrikaner. I'm told that if you look at Sanlam's advertising campaigns of the 1920s and '30s you will find that although their premiums were higher than the other established insurances companies, Afrikaners bought insurance policies from Sanlam because they wanted to create jobs and deal with the problem of the poor white Afrikaner. So that was how the state and Afrikaner capital navigated through this problem right until the Afrikaner took political power in 1948 when they started dealing with this issue even more vigorously till the problem was more or less solved.

BT: It was an affirmative action measure really.

BM: Exactly. By the way, in 1912 the chairman of the Public Debt Commission was J. C. Smuts - and he had a qualified audit report from the auditor-general at the time.

BT: Let us get back to the main issue. Government employees in South Africa, with state support have created a pension fund, which is invested by the PIC. Does this investment follow the employees' desires or does it fall in line with government needs and policies?

BM: To the extent that government is a trustee, you can answer in the affirmative. But the most important consideration is a calculation of the liabilities and making sure that there is an investment mix of assets that caters for the liabilities.

BT: Who drives the policy? And for what purpose? Is there a potential conflict? Government has a political

agenda to do certain things and takes decisions based on its agenda. Let's say the government decided to build houses for every South African and the employees on the GEFP say no, it is loss making, we are going to lose money if you do that. Can there be that kind of conflict?

BM: What actually happens is that the trustees of the GEFP are primarily influenced by its liabilities. They will calculate how many people in the civil service are under 20 years old, how many people over 30, over 45, and so on, and then decide what portion of assets can be made liquid. We have a certain number of people between the ages of 55 and 60 who could either die or take retirement, so you must keep this portion of investments within an investment horizon for five years. For the greater portion, between 30 and 50, you can take a five to 15 year investment horizon and then, to the extent that there are people under 30, you can take a 30-year investment horizon. And so that then informs the assets that you can buy.

So you then decide how much you can allocate to property which is not liquid where the returns are over a long period. Other allocations are made to bonds of maturity of 3-15 or 3-20 years. Yet others are made to equities which are volatile but have a better return than bonds or property. Also, because there are people who are going to get out of the system in the next few years, we know how much must be kept in cash or in call deposits. So that informs the asset allocation.

Then the GEFP asks that the PIC must find the correct investments and get a return in terms of this asset allocation. Here are the guidelines for you to make these decisions: don't make any investments in gambling; don't make any investments overseas; make sure that your investments promote job creation; and promote black economic empowerment.

The decisions that we make at the PIC are tactical ones. But most important of them all is that we don't lose the money. Whether we take a decision to buy the V&A or to build a shopping centre in Mitchells Plain is a judgement call that we make at the PIC. It is a tactical decision. But it is a very big judgement.

BT: It seems to me that there is enough money to make a huge difference in South Africa.

BM: I agree with you. With that kind of money even the tactical decisions are very important, for instance whether you want to go into resources or the financial sector or into industrials. I agree that this fund is quite huge.

BT: Talking as an MP, we are told to get out there, do things and monitor government's performance and make sure that government assets are used correctly. But the PIC is far bigger than any government department in terms of money and you say that maybe your main criterion is not to lose the cash.

BM: So that when public servants go on retirement they will not report that the money's gone.

BT: Let me put it very crudely, while I am alive and my children are alive, we all want to make sure that when I die the money will be there for them. But we also want to make sure that South Africa flourishes and uses the available capital in the optimum way. Is that not part of your responsibility?

BM: Yes, those are the considerations I was talking about - don't lose the money, but make sure that you create jobs and that there is black economic empowerment. I agree with you.

I have been with the PIC for more than a year now and I agree with you. I believe that in the last couple of years there has been insufficient appreciation of what the PIC is and what can be achieved there. I think it is now beginning to sink in with the way that we are repositioning the PIC, particularly with the bill we put before parliament.

But we are also addressing issues about our systems, compliance, legislation, finding the title deeds for the properties that had been misfiled and things like that. So those are the sorts of things that we have been dealing with and a lot of them have been resolved.

The second phase in my thinking is that we have to sort out the governance issues and allow the PIC to attract the best personnel in the market. We need technical personnel, people that do financial modelling, the best dealers in the market, the best property specialists who can go up to a building and tell you if it is a good or bad building. The PIC can't compete with the market for these skills but we need to be able to. And when we do, we can then take strategic decisions and be confident that they will be executed professionally.

At the moment that is one impediment, which is why this legislation is very critical. Then we are at a phase when the government's issues are not a problem, the title deeds have been found and we know where our buildings are and so on. Then we will be able to be more rigorous about investment decisions.

BT: I would have expected that at some point the government would have felt that with this large amount of money being available to pursue its policies, apart from the fiduciary responsibility, there could more scope for giving direction. Should the cabinet take such a view?

BM: No, there should be a joint decision between labour and government within the GEFP structures. If you do it through cabinet it has all sorts of connotations. The onus lies with the GEFP to give us the mandate within which we exercise tactical decisions.

BT: I have been tracking PIC for several years and could never get answers to the sort of questions I am putting to you. It seems to me that the tactical questions that you are talking about are really very fundamental to the future of this country.

BM: Yes, for example we have invested about 35 percent of the PIC money on the JSE Securities Exchange, so we have 8 to 10 percent of the stock exchange. We own on average about 8 to 10 percent of shares in the top 40 companies which is about R112 billion. Now that makes us a shareholder of very big companies. We are the biggest shareholder in the top four banks. There is no other shareholder that has as many shares as the PIC.

BT: And all that is employees' money.

BM: We are not the majority shareholder, but have about twelve percent of Standard Bank for example. There is no other organisation or individual that has as many shares. Twelve percent of Standard Bank is billions.

BT: So do they come to you for your views?

BM: No, we have not been going to shareholders meetings. We have not been concerned about what they are doing and what they are not doing. Between the PIC and the Industrial Development Corporation (IDC) we own about 22 percent of Sasol for example, which is a listed entity. And we have not been exercising our shareholder influence. We have not been active shareholders. It was unfortunate that Sasol was one of the things that was discussed by me as I was taking over the job. They made a pronouncement and I said that as a shareholder I demand to know the reasons, in public. And it caused a big noise. That comment was made not as government instructing Sasol but as a shareholder on the JSE.

These are the tactical things that I was talking about. So, those kinds of investments can allow us to influence the behaviour of corporates, to make them good corporate citizens on black economic empowerment and on any other issues that we think are strategic. A decision by a corporate to delist in South Africa and go and list offshore, that decision may well be taken by the majority of shareholders but what does the PIC say about it? So we intend to get on top of these issues.

As I'm talking to you, ABSA is about to go into an annual general meeting. Before I came here, I had a meeting with the senior management of ABSA to discuss the resolutions that will be proposed at the AGM and have them explain to me what is happening in the company. That never used to happen. And that must happen increasingly going forward. So it is not just about investment but it's also about playing a particular role in the market. I've just seen the invisible hand operating in the market.

And when we made the presentation to parliament on the reasons for the legislation we based it on the strategic significance of the PIC in the markets.

BT: When government meets with labour in the GEPP, they decide on an investment policy, which is surely linked to economic policy?

BM: Yes, it is linked to economic policy, but also to the liabilities of the GEPP.

BT: To what extent are you driven by profit and to what extent by policy, in taking these tactical decisions?

BM: A little bit of both. Usually, while we are driven by returns and hurdle rates, it is possible to take decisions with lower hurdle rates than the market and that is where the difference comes in. You don't have to make an investment that makes losses, but you can make an investment that never makes super profits or losses. So, if that investment is slightly lower than the market but addresses other objectives, it is possible to do that. If we have to choose whether we buy the V&A or we set up a shopping centre in Mitchells Plain, it may be that the return on buying the V&A could be 22 percent per annum and the return from investing in the shopping centre in Mitchells Plain is 15/16 percent. Now it's still above inflation, we haven't lost any money but we have made the lives of people in Mitchells Plain better by making such an investment and it has had other multiplier effects that do not come directly to you as accounting profits. So I think it is possible for the PIC to make decisions like that.

BT: What sort of balance would you allow between these two?

BM: Well, it depends on the investment asset class. For example, in equities it is quite difficult. Bonds are quite standard because the bonds are government bonds so they have the same return. But at the Isibaya Fund it is possible to make decisions like this because there you get private equity. So you can finance enterprise development with a black economic empowerment component without demanding very, very high hurdle rates for your private equity funds. Or in property investment it is also possible to take decisions like that.

BT: You are accountable to your board which is chaired by the deputy minister of finance and that board is accountable to the GEPP board, to the extent that they have given a mandate. Are you accountable to the public at all, for transparency and good governance?

BM: Accountability really is to the GEPP trustees who are then accountable to the people that have elected them. The PIC is publicly accountable in a sense that we are listed in terms of the Public Finance Management Act and

report to parliament. I have been speaking in different forums, and addressed quite a number of meetings. We are not going on a roadshow but now and again people call us to speak at public meetings.

BT: Does government interfere in the PIC?

BM: The deputy minister sits on the board and he is obviously bringing messages from cabinet. But he doesn't say, can you please implement the following cabinet decision. In fact the PIC board meetings are driven by what the staff present. We know the mandate and normally we say from a tactical point of view, here are the investments that have either been proposed to us or that we think we should make and we ask the board to decide.

Incidentally, I informed the parliamentary committee that the PIC in South Africa is unique in the world. Remember that we have huge funds under management, close to one third of GDP, and with such strong links to government at the same time. In the United States there are such funds amongst the states but there is no federal pension fund. The California pension fund has in excess of \$300 billion under management and the governor of the state appoints the board.

My biggest concern about my new job at the PIC is that I am going to control funds that are in fact one third of GDP and the tactical decisions can affect the shape of the economy. In Canada, as well, they have state pension funds where the national minister of finance has a lot of influence. In Australia, the state of Victoria operates in similar fashion. In Singapore, the government investment corporation decisions are approved by the president.

BT: I want to talk about the Isibaya Fund. I have raised this question of Isibaya for years now in the finance and the trade and industry committees. How much has been invested?

BM: About R4 billion in all sorts of projects; in the last year we invested about R1 billion. For example in the Goldfields transaction, we invested there.

BT: If they made some serious mistakes could this destabilise the economy?

BM: Depends on the nature of the mistake. The biggest risk is that we could lose the funds and therefore the pensioners will not have the money when they retire. Then the state would have to step in and pay your pension from the fiscus. There is a state guarantee.

BT: Has the PIC lost any money so far?

BM: No, the PIC has done well because the bulk of our investments have been in government bonds which are guaranteed. The PIC is probably the only assets manager in the country who is long on government bonds and

they have done very well for us. Government bonds rallied, which means that the prices of government bonds went up, so there is capital accumulation as well as the interest rate that they pay. We have made a big capital appreciation and the interest is guaranteed. So we don't have to wrangle and argue with government about interest.

BT: Does the private sector influence your decisions?

BM: I think the market does. We are watching the market all the time. And there is about R112 billion on the stock exchange which is managed by other asset managers, such as Stanbic and Sanlam, who invest in equities on the stock exchange. But our bonds are managed in-house.

We set the asset managers a benchmark which they must follow and we monitor that every three months against performance.

BT: And if they are investing in their own businesses in preference to other businesses?

BM: I think that it may well happen. But they are professionals and are not supposed to make those considerations when they make investments with our money. They are authorised people in terms of the stock exchange and there are rules and laws about insider trading and things like that. So they are not supposed to. It is a very serious crime.

BT: Two last points. The PIC is a kind of parastatal?

BM: Yes. Hundred percent owned by the state with the minister as a sole shareholder and he appoints the board. We are like SARS or the IDC.

BT: So you are not privatising in any way?

BM: No. Not at all. Before this, the governing legislation of the PIC, the PIC Act of 1984 as amended in 1996, laid down that the minister shall appoint commissioners and the director general of the treasury shall second staff to do administrative work for the commissioners. There was no legal entity. It was a nightmare. The commissioners had no authority over the staff. I myself was seconded by the director general to be a secretary to the commissioners to take the minutes and do whatever they asked me to do. That is why we had to corporatise, to form one legal entity and streamline things. There is going to be a shareholder, the minister. And he will own 100 percent for the state.

BT: Is there anything else you want to say?

BM: It is actually quite encouraging to learn that somebody is interested. I was beginning to think that the world doesn't care.

BT: Thank you very much.

COSATU'S RESPONSE

The interview with Brian Molefe points to key debates on the investment of the pension funds. We agree on the need to redirect investment into more productive aims, especially job creation. But government has not helped worker trustees to achieve this aim. Meanwhile, the restructuring of the PIC has caused unnecessary conflict and uncertainty.

To understand the issues, we must first consider the link between pensions, as workers' savings, and investment. Pensions as a whole comprise a third of financial savings outside of the banking sector, and the PIC manages about two-fifths of pension assets.

Investment in South Africa remains unacceptably low, at 15 percent of the GDP. Moreover, it has been focused largely on very capital-intensive sectors - telecommunications, minerals refining, auto and heavy chemicals - which cannot create enough jobs to dent the 40 percent unemployment rate.

COSATU resolutions have long argued that pension funds should do more for job creation and equity. Today, with unemployment at 66 percent for young people under the age of 30, most pensioners must support some unemployed children or grandchildren. They would be better-off economically with a lower pension and jobs for their family members.

Government and unions thought that the pension funds' labour trustees, elected under the new Pensions Act, would direct investments to these ends. But trustees - mostly shopstewards and union leaders - face great obstacles:

- fund managers mostly resist developmental investments. Most want to maximise short-term returns, rather than investing to improve pensioners' overall economic position.
- the government has never defined what it would consider a desirable investment pattern. Its own regulations require that pension funds invest 95 percent of their assets in stocks and bonds.

In these circumstances, pension trustees take a dual risk on innovative projects: that they will earn less and yet not produce sustainable employment. Yet worker trustees have little financial or economic back-up.

As for the GEPE, Molefe seems a bit confused. To start with, labour appointed its trustees in February 2003. The government, which must convene the first meeting, has yet to do so. As a result, the finance minister still acts as the sole trustee.

As the interview indicates, it seems a problem may also be developing in the relations between the PIC and labour. COSATU has expressed strong reservations about the

corporatisation of the PIC. Experience with corporatisation in other sectors - for instance with Telkom - points to the difficulty of maintaining state control and guidance.

The argument that the PIC must pay unlimited sums for financial expertise is worrying. These salaries ultimately form a cost to the GEPE. Yet the PIC has yet to brief the public sector unions on its staffing and salary plans.

Finally, the PIC seems to prioritise BEE in a narrow sense. COSATU affiliates want to prioritise investments that create jobs and support small enterprise, and not just to enrich a few black fund managers.

More broadly, until there is a clear-cut economic development strategy to mobilise all economic actors for structural change, it will prove difficult to redirect pension investments. COSATU will continue to engage, including by developing a model mandate for fund managers, including the PIC. But pension trustees simply cannot substitute for a developmental state.



MINISTER OF FINANCE RESPONSE

REPLY BY FINANCE MINISTER, TREVOR MANUEL TO A QUESTION IN PARLIAMENT
ABOUT GEPF – AUGUST 27, 2004

The appointment of a permanent board of trustees of the GEPF is in process. On August 8, 2003 the rules of the GEPF were amended to make provision for the expansion of the board from the previous 12 persons to 16 persons.

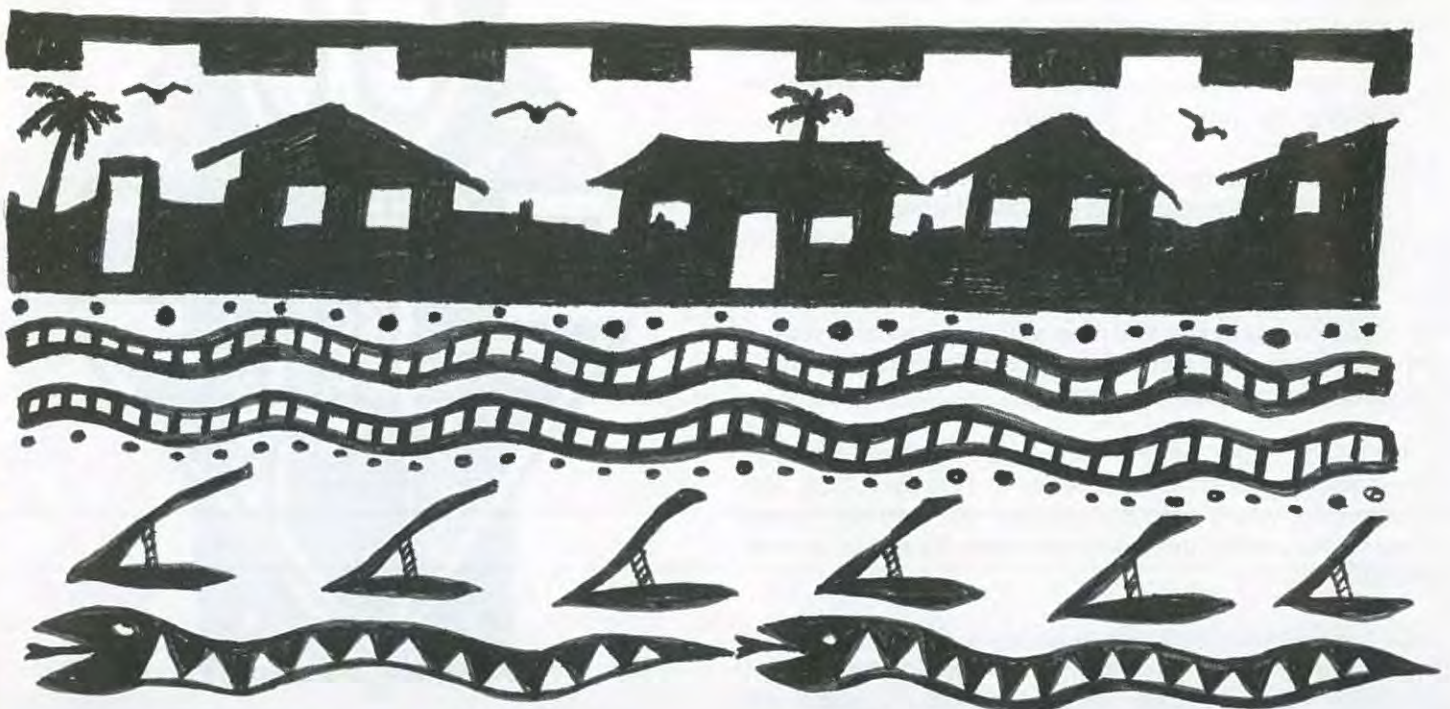
Under the new rules of the GEPF, members and pensioners of the fund are entitled to representation on the board, which representation shall collectively be equal in number to the representation by the employer. The relevant rules provide that the board shall consist of the following persons:

- Eight employer nominees designated by the minister of finance in consultation with the ministers responsible for the public service and administration, education, the South African National Defence Force, the South African Police Services, the National Intelligence Agency and the South African Secret Service. At least one of the employer nominees must have proven expertise in the following:
 - financial management and investment; and/or

- the management and organisation of pension funds in general.

The process is underway and the responsible ministers have been approached for nominations. The eight employee nominees on the board consist of the following persons:

- one pensioner representative elected by postal ballot by pensioners. This process was completed earlier this year and Messrs MA Bekker and HJ Koekemoer were elected as trustee and alternative trustee respectively.
- one person elected by members of the fund employed by the South African National Defence Forces, the National Intelligence Agency and the South African Secret Service. The election process is currently underway.
- six employee nominees designated by employee organisations admitted to the Public Service Coordinating Bargaining Council. Five of the six employee organisations have submitted names of representatives and alternatives to the PSCBC.



NATIONAL DEPARTMENT OF SOCIAL DEVELOPMENT

16 DAYS OF ACTIVISM – 25 NOVEMBER TO 10 DECEMBER –
UNITE AGAINST WOMAN AND CHILD ABUSE!

The 16 Days of Activism: No Violence Against Women is a United Nations campaign. It takes place annually between the 25 November (International Day of No Violence Against Women) and 10 December (International Human Rights Day). This campaign focuses primarily on generating an increased awareness of the negative impact of violence on women and children.

The Department of Correctional Services, as the lead department, is working closely with the Office on the Status of Women in the Presidency (OSW), the Office on the Status of Disabled Persons (OSDP), the Office on the Status of Children (OSC) as well as other government departments.

We need to unite in a peoples contract to fight violence against women and children.

All sectors of our society should unite to fight against woman and child abuse. Government on its own cannot defeat this scourge. In the same breath, all South Africans should challenge the social acceptance of domestic violence:

- Most violence against women and children is done in family homes and by people known to the victims. Families and communities need to help expose the perpetrators.
- Men and boys who do not abuse should be affirmed as ambassadors of no violence against women and children.
- All forms of abuse – physical, emotional and verbal – are unacceptable.

Crime fighting partnerships with government help empower survivors and victims of abuse and enable them to know their rights. These partnerships also help broaden access to trauma and counselling services for victims of violence.

Government further strengthens such partnerships through initiatives such as the victim empowerment programme, victim support groups (between SAPS and Business Against Crime) and community policing forums.

Government is unwavering in its commitment to fight violence against women and children.

The Sexual Offences Bill, soon to be passed, will broaden the definition of sexual violence and help ensure that heavy sentences are imposed on perpetrators who have been charged and convicted. An increasing number of police officers are also undergoing specialised training to enable them to deal sensitively with cases of violence against women and children.

There are now over 40 specialised Sexual Offences Courts and they will be expanded throughout the country. Government will also establish at least two Community Courts in each province by March 2005 to speed up cases awaiting trial and improve the conviction rate. Government is finalising the Victims Charter and the Victim Support Services Programme, will be implemented by the end of 2004.

Let us extend the 16 days of activism into the festive season.

Increased violence over the festive period means we must sustain the campaign and ensure that services and support are accessible during this period to reduce this violence.

We call upon all South Africans to break the silence against all forms of women and child abuse.

By wearing the white ribbon during the 16 days of activism, South Africans will demonstrate their support for a society that rejects violence against women and children. It is an act of solidarity with victims and survivors of violence. Show that you care. By wearing a white ribbon

during the 16 Days of Activism Campaign you will be saying 'I have heeded the call, I commit myself to fight against woman and child abuse'.

We all have a responsibility to help defeat this scourge. When we witness violence against women and children in our homes, workplace or neighbourhood we should speak out and unite to stop it.

Abuse against women: What needs to be done?

As we today mark the International Day for the Elimination of Violence Against Women, we need to ask ourselves what exactly is being done and still needs to be done to prevent violent abuse against women. Although South African women are increasingly becoming aware of their rights, the sad reality is that race, culture and other social inequalities still marginalise a lot of women and girl children in asserting their rights.

While we are well aware of how, race, class and gender conspire to position women, especially rural African women and girls, at the very bottom of the human rights hierarchy, we are at the same time concerned about the level of support among women in helping to empower those who are marginalised to be vigilant against abuse.

Adding to this problem the element of violence, or even the mere threat of it, thrusts these already marginalised women and girls into a space that affords little likelihood of resilience to crime and especially violent crime. Civil society bodies, such as women's interest groups, NGOs and other networks of concerned people and institutions need to work jointly with government for a common vision of equality that is fundamental to our Constitution and Bill of Rights – the kind of lived and experienced equality that invalidates the punitive effects of discrimination, domination and patriarchy.

The values of equality, respect and dignity need to take hold in the collective psyche if we are to put an end to the violence that is currently being directed at our country's women and girl children. Making people understand the relationships between the presence or threat of violence



and equality is essential. It is an established fact that societies demonstrating a low prevalence of violence show higher levels of equality between the sexes. In her exposition on the invisibility of human rights in the Human Development Report 2000, Mary Robinson interprets the freedom of fear as critical to the achievement of political, economic and social rights.

The right to achieve one's full personal potential must then be heavily compromised by the presence or threat of violence. Making men and women – in all walks of life – aware of the many faces of violence is essential. Inducing in them changed attitudes and changed behaviour is equally essential, but far more difficult to achieve. People must see the benefit in the proposed change. The challenge, however, is how do we convince men that equality is in everyone's best interests – it's good for families, it is the first line of defence in the reduction of crime and it makes good business sense.

So too, the reduction in violence directed at women must be put in a way that achieves buy-in and commitment. Tell a businessman that woman-abuse is wrong, he would probably agree, but do nothing. Show him how much it costs him in down-time and absenteeism and he will probably take a second look. The moral argument is that it's the right thing to do – but this often seems to be vague. But if we show people the real benefit, they will soon be attracted to the moral high ground. Through the systematic links between the government, the judiciary, lawmakers and civil society groups including the private sector, we need to engage actively with one another to populate the nation's human and social development agenda with key

issues that directly affect vulnerable groups.

Across the board, there is a need to bridge the divide between the apparently gender-specific measures we have put in place and the achievement of outcomes that speak to substantive equality. Our role as activists – in government, in civil society and in the private sector is pivotal.

A parliamentary Report on Violence Against Women issued in 2002, noted the involvement of civil society and its significant contribution to the fight against woman and child abuse. The report commended the efforts of the many NGOs that have stepped into the breach. Without their interventions, government would not have been able to offer the levels of counselling and administrative services that are currently being offered to victims of abuse in our courts, in our police stations and in the many Social Development offices around the country. We are deeply indebted to the people who provide these voluntary services on a daily basis.

We are therefore, all of us denigrated by each incident of violence, abuse and hurt that is directed at our country's women and children. Together, we must expose more people to the vicious and debilitating nature of violence, not only on women and children, but on whole societies. Our efforts each year must convince more people to take a stand and to become proactive agents of change – partners in the elimination of all forms of gender-based and child-directed violence.

During these 16 days, let us remember that the active participation of all sectors in this campaign will contribute to the real democratisation of our country by calling for an end to the suffering that has become the awful burden of our women and girl children.

**For more information of services available for victims of abuse call:
Department of Social Development, toll free: 0800 60 10 11**

**DEPARTMENT OF SOCIAL DEVELOPMENT
Building a people's contract to strengthen families and communities
for a better life for children.**

NO WAY TO COMMUNAL LAND RIGHTS: BOUNDARY DISPUTES WILL STALL THE CLR ACT

BY BEN COUSINS

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A key aspect of land policy and law that is often neglected is the feasibility of implementation and enforcement on a significant scale, to ensure that the rights created can be "made real" in practice, and thus contribute to transforming the lives of the intended beneficiaries of these policies and laws. Yet experience across Africa indicates that failure to consider the feasibility of implementation is often the single most important reason for the failure of such laws and policies.

This may well be the fate of the Communal Land Rights Act (CLRA) of 2004, a controversial piece of legislation that has generated wide debate. The Act was recently signed into law, the responsible government official asserting confidently that implementation of the CLRA would usher in "the biggest transformation of rural South Africa that the country has seen". But the prospects for such a transformation are in fact rather slim, and the more likely result is boundary disputes on a massive scale that will stall implementation and result in tension and confusion rather than secure property rights for the rural poor.

Why is communal tenure reform needed?

It is estimated that about one third of the population of South Africa lives in the former "homelands". Past policies systematically undermined the indigenous land tenure systems that prevailed in these areas, and created a system of second-class rights (mainly in the form of so-called "permits to occupy", or PTOs) and a land administration system designed to control the rural population. The consequence of these policies was insecurity of land tenure rights of the majority -insecurity against the state, against corrupt traditional leaders, against more powerful community members, and against outsiders.

This underlying insecurity was compounded by the massive overcrowding of black rural areas, both within the "homelands" and in so-called "black spots" of freehold ownership, as a result of forced removals and farm evictions. The result was that the land rights of the original occupants

and later arrivals were overlaid on top of one another, and a situation of fundamental conflict between these layers of rights was created. In addition, many groups were placed, against their will, under the jurisdiction of traditional leaders and tribal authorities that they often had no historical connection with.

Secure property rights for all citizens are a fundamental requirement of a functioning democracy. The urgent need for land tenure reform in post-apartheid South Africa is recognised in section 25(6) of the Bill of Rights, which requires government to enact a law to secure the land tenure rights of those whose rights were made insecure in the past, or to provide them with comparable redress.

To be consistent with the Bill of Rights, tenure reform legislation must also include measures to address deeply entrenched gender inequalities in relation to land rights in communal areas. These inequalities lead to massive insecurity and abuse, as most women do not gain land rights in their own right but only through men, and often lose their homes and fields on divorce or widowhood.

A further motivation for land tenure reform in communal areas is the urgent need for development and investment, given the depth and severity of poverty endured by the majority of residents. A situation of uncertain and insecure land rights constrains investment by local people (e.g. in irrigation schemes), limits land rental and sharecropping arrangements, and undermines management of common property resources such as grazing and forests.

Lack of clarity on underlying land rights leads to conflict between, on one hand, local government bodies attempting to implement development programmes (e.g. housing, water supply) and, on the other, traditional leaders and communities. Finally, tenure reform in communal areas is urgently needed because the inherited land administration system is in a state of near-total collapse in many parts of the country.

Criteria for assessing tenure legislation

What are the appropriate criteria for assessing the CLRA? Communal tenure legislation in South Africa must:

- secure the land rights of the members of rural communities through giving these rights strong legal status, and through defining their nature and content in appropriate ways
- fulfil the requirements of section 25(6) of the Constitution that deals with the right to tenure security, or comparable redress (notably in the form of additional land) in situations of overlapping and conflicting rights
- define communal land rights and create land administration systems in a manner consistent with the Bill of Rights in the Constitution (e.g. provide for equality; outlaw discrimination; create transparency and accountability in decision making)
- address gender inequality in land rights in an appropriate and effective manner
- allow rights holders to choose from an array of options for how their land tenure system will be structured (e.g. different combinations of individual and group rights)
- create the basis for an effective and sustainable land administration system, that

- supports rights holders in processes of claiming, recording, enforcing and protecting their land rights
 - is transparent and accountable, in the first instance to the holders of land rights in the area being administered
 - can be reconciled to and work co-operatively with local government bodies in relation to development planning and infrastructure and service provision.

The final criterion is critical:

- tenure reform legislation must be able to be implemented on a large scale, and to effectively secure the land rights of the 10-12 million people affected within a reasonable period of time.

Critiques of the CLRA

A number of submissions to parliament in November 2003 by community delegations, NGOs, statutory bodies and other organisations argued that the cabinet-approved bill failed to meet the criteria outlined above. For these reasons it was deeply and fundamentally flawed, and, as suggested by a range of legal experts, might well be unconstitutional in a number of respects. In brief, the critics argued that:

- The nature and content of the “new order rights” to be created in the bill are not clearly defined, and instead the minister of land affairs is given wide and sweeping powers to determine these rights on a discretionary basis.
- The minister is not explicitly required by the bill to define land rights in a manner consistent with the Bill of Rights, and leaves decisions on equal land rights for women to the discretion of the minister.
- The measures in the bill for achieving gender equality in relation to land rights are weak and unconvincing and are likely to be overridden by the provision that

traditional councils dominated by traditional leaders will allocate land, and can do so on the basis of custom.

- The minister will make determinations on who gets land rights, on what these land rights will be, and on the boundaries of the “community” that will have ownership of communal land transferred to it, and will be guided by the report of a land rights enquirer. However, the people whose rights are to be decided in this manner have no right to view or challenge the report that the enquirer sends to the minister, and no opportunity to agree or disagree with a decision to transfer title. The terms of community participation in the land rights enquiry are not made clear. There are no provisions that ensure that people will have a real choice over the nature of their tenure system or the content of their land rights.
- The wide discretionary powers given to the minister to make determinations on a range of issues central to the security of people’s land rights are probably unconstitutional, insofar as the Bill of Rights requires the law to define clearly the extent of the land rights to be secured. No clear criteria and factors to guide the minister’s decisions are provided, and few opportunities to either participate in making these crucial decisions or to challenge them are provided in the bill.
- Communities are required to adopt community rules to govern land use and administration, that will set out who can hold new order rights, but there is no requirement that the community must agree to the content of these rules, and no procedure for adopting these rules is provided. In addition the minister may impose a standard set of rules on a community (as adapted by the minister) should a community fail to adopt a set of rules.
- The constitutional requirement that tenure legislation provide for comparable redress in the event that land rights cannot be secured due to overlapping rights is not met in the bill, which devotes only two clauses to this issue, and does not define the extent of such redress nor provide any clear basis for doing so. Once again, the minister has wide discretionary powers, and no guidelines are provided to direct ministerial decisions.
- Democratic and accountable institutions for land administration are not provided for in the bill. The definition of land administration committee in the bill makes it clear that such a committee will be a “traditional council” in areas where the latter have been recognised or established, and the latter are defined in the Traditional Leadership and Governance Framework Bill (section 25(3)) as including pre-existing tribal authorities. Traditional councils have only 40 percent elected members, and the one third female representation required can consist entirely of women appointed by traditional leaders. No mechanisms to ensure accountability are provided.
- It is thus clear that the fundamental principle that the holders of land rights should have the democratic freedom to select a land administration body of their choice (a principle set out clearly in the White Paper on Land Policy of 1997) has been violated in the bill.
- Despite attempts in the bill to address the problem of

municipal service delivery on communal land transferred from the state into private ownership by communities, the problem will remain where undivided blocks of land are transferred, since ownership of infrastructure (e.g. water pipes) and buildings (e.g. schools) attaches to the owner of the underlying land. Where the land for development is excluded from transfer of title, long delays in compiling a communal general plan will result while detailed and long-term land use planning is carried out. In many cases such long-term planning will be seen to be inappropriate and untimely and will probably not happen at all.

For its critics, the bill clearly failed to meet most of the criteria outlined above, and it is no surprise that 31 of the 34 submissions to parliament called for it to be scrapped. In addition to questions of substance, most submissions were highly critical of the non-consultative nature of the process through which the bill had been developed. The memorandum to the bill claimed that a total of 50 consultative workshops had been held, together with civil society organisations. These involved "traditional leaders and their communities, the National House of Traditional Leaders, the Coalition of Traditional Leaders, Contralesa and the Ingonyama Trust Board". However, NGOs and community representatives were sceptical, said they were unaware of such meetings and called on government to release details of the dates and location of such meetings. Members of parliament also requested such information, and on the final day of the portfolio committee's deliberations a large file said to contain the information was given to the chairman of the committee. No summary was provided, the file was not available to the public and civil society suspicions that these meetings were largely fictitious were not allayed.

Another contentious issue was the financial implications of the new law. The memorandum to the bill stated that the annual costs of implementation were estimated to be R68 million, but portfolio committee members queried this, and the director general of land affairs admitted that it was a "guesstimate" only and that there was no systematic basis for this estimate.

Amendments, public controversy and passage of the Act

As the final parliamentary session of 2003 came to a close, the portfolio committee deferred further discussion of the bill until January 2004. The department of land affairs commissioned legal opinions on the constitutionality of the bill, and officials began to draft a number of amendments. An amended version went to the national assembly in mid-February, and was then passed by both the national assembly and the national council of provinces.

Amendments sought to address a number of issues. On the question of women's rights, one amendment provides that "old order rights", to be upgraded into "new order rights", are deemed to be held by all spouses in a marriage, not by the husband alone. However, no provision is made for securing the current use and occupation rights of

single women (widows or unmarried women), and no requirement that land administration committees allocate land on the same basis as men was inserted. The Women's Legal Centre raised doubts about these amendments, and their attorney Sibongile Ndashe said that one problem was that the status of women married under customary law is still legally in question.

Other amendments also seek to address potential challenges on constitutional grounds. Rewording of certain sections attempts to create greater certainty that section 25(6) of the Bill of Rights (requiring clear definition of the extent and content of "security of tenure") is being given effect to, but may still not be adequate. Amendments were also made in relation to decisions and determinations of the minister. For example, a land rights enquiry must seek to establish the majority views of a community, and these must inform the making of community rules. However, there is still no requirement that majority consent is necessary for the decision to transfer title, or for the establishment of a land administration committee, or prior to the minister reserving part of communal land for state use. One amendment states that the minister may not make a determination on land rights until outstanding disputes have been resolved, but no definition of dispute or clarity on who determines whether or not a dispute exists is provided.

The final version of the law also contains a definition of "land administration committee" that avoids specifying that it will be a traditional council in all areas where these exist. However, the law still does not specify clearly that an alternative structure (such as an elected committee) may administer communal land, and is open to competing interpretations.

Departmental officials told the portfolio committee that the real costs of implementing the law would probably be seven or eight times higher than the original estimate of R68 million, i.e. closer to R500 million, but could still not provide a detailed breakdown of costs. Opposition MPs sharply criticised government for "such an incredible discrepancy". In July 2004 a new estimate of implementation costs was released, doubling the total to R1 billion per year.

Feasibility of implementation

What of the seventh criterion, relating to implementation? In my view, implementation of the bill in its present form will:

- exacerbate existing boundary disputes of various kinds
- generate a host of new boundary disputes
- deepen tensions over imposed traditional leadership jurisdictions
- strain the limited existing capacity of the department of land affairs, leading to long delays in land transfers and a failure to intervene decisively in cases of abuse by traditional councils or land administration committees and, as a result of all these problems, will:

- fail to be implemented on a large scale, and
- create the possibility of severely adverse effects on the tenure security of rural people (and women in particular) - the very opposite of the intended consequences.

These potential problems arise most fundamentally from the underlying paradigm for communal tenure reform that informs the CLRA - the "transfer of title" from the state to the current occupiers and users of communal land. The clearest way to understand why this is an inappropriate paradigm is to examine the complex issue of land boundaries (with social, physical and legal dimensions) and how the CLRA proposes to deal with it. The first question that arises is: which land will be transferred, to which "community"?

Nesting of boundaries

The act is premised on a paradigm of transferring title of state-owned communal land to its rightful owners, the communities that currently occupy and use that land. This is understandable, given the historical legacy of dispossession of indigenous people's land rights by the colonial state, and in broad terms consistent with the principles of tenure reform set out in the government's 1997 White Paper on Land Policy.

But to which "community" will government transfer title? And what will be the boundaries of the land to which title is held? The bill defines "community" as follows: "a group of persons whose rights to land are derived from shared rules determining access to land held in common by such group". This is deceptively simple - but the reality of communal tenure systems is much more complex.

Communal tenure systems are, by their very nature, nested systems in which rights to land and natural resources are held at different levels of social organisation, not just at one level. Rights to arable land held by families in a "neighbourhood" usually also involve rights to grazing shared with all the families residing within a larger "village". They often also mean shared rights to forest or other natural resource products held by all the residents within a larger "cluster" of villages. At yet another level, people often have a shared identity as a larger political community, known variously as a "tribe", "nation", or "kingdom", and can claim material benefits from membership of such a community.

In pre-colonial societies these different levels of social organisation had equivalent levels of political authority (vested in, for example, headmen, sub-chiefs, chiefs, paramount chiefs or kings), that carried out a range of administrative functions, including land allocation, within the area under their jurisdiction. In essence, these levels of social and/or political organisation constitute different "communities", nested one within the other. To which level of "community" will title be transferred when the bill is implemented?

Communities on purchased farms

In some places the answer to this question can be arrived at

fairly easily, since the social boundaries of the community (the "outer" boundary, so to speak) are well known and widely acknowledged. This is usually the case where groups of people, or their forebears, purchased farms in the 19th or early 20th century as a way of securing their land rights from the depredations of white settlers or the Boer republics. This occurred mainly in the area of the old Transvaal province. Some of these groups continued to assert a "tribal" identity and were governed by traditional leaders, others moved away from such identities and systems of rule, and decided to be governed by elected bodies. Often the boundaries of these farms are already surveyed. Physical and social boundaries thus neatly coincide.

The most common "boundary" problem for communities such as these is the continued jurisdictional authority over them of tribal authorities created by the Black Administration Act of 1927 and the Bantu Authorities Act of 1951. Except in cases where these groups have managed in recent years to secure court orders to protect themselves from the actions of these imposed tribal authorities, many of them suffer from a range of abuses, including allocation of their land to outsiders, extraction of their natural resources and private deals with investors.

As community consultation meetings have made plain, transfer of title to "communities" defined in terms of traditional leader jurisdictions will exacerbate existing boundary disputes, and give land administration and ownership functions to institutions that are deeply hostile to groups wishing to assert their independence from "traditional" authorities.

Communities in "tribal" areas

In other communal areas the answer to the question "which community will take transfer of title?" is not arrived at so easily. In areas where groups did not purchase farms as a defence against loss of land rights, but remained within large areas of "tribal" land (such as the so-called native reserves of the former Transkei, Zululand, Venda etc.), the old nested systems survived without any boundaries being surveyed. Although the traditional systems of authority were distorted by the conquering powers - through the deposing of leaders who resisted dispossession, and the imposition of compliant chiefs and headmen, as well as through the requirement that these carry out tasks such as tax collection on behalf of the colonial and apartheid state - the principle of nested levels of social organisation remained.

This principle continued to define land rights and natural resource use as community-based, but with the relevant "community" varying with the resource in question. Rights were thus simultaneously held at more than one level of social organisation, or community. This is, in fact, a defining feature of "the African commons", and gives these property regimes a very different and more inclusive character to those of European origin.

A contemporary example is that of the Khanyayo community of the Mkambati area in Pondoland, analysed in great detail by Thembele Kepe (1997; 1998; 2001). This example is instructive and highly relevant to the Communal Land Rights Act.

In 1997 the residents of Khanyayo lodged a restitution claim to the land within both the Mkambati Nature Reserve and the adjoining Transkei Development Corporation (TRACOR) farm on the grounds that they had been forcibly removed from this land in the 1920s. At the same time another community also lodged a restitution claim to the same land, on the grounds that they too had had occasional access to its grazing, fuel wood, thatching grass, medicinal plants and other natural resources before the forced removal took place, and that "the land cannot be claimed by people from one area only, when they all have one "father". This second community is that of the Thaweni tribal authority, which includes Khanyayo village but also the villages of Thahle, Cele, Ngquza, Maramzeni and Fleyi.

A bitter dispute over who the rightful land claimants are has raged since then, fuelled by the prospect of massive eco-tourism investments and associated development opportunities on the claimed land, under the aegis of the Wild Coast Spatial Development Initiative (SDI). This dispute has led to threats of violence, brandishing of firearms in meetings, land invasions, looting and illegal disposal of TRACOR assets, accusations of corruption against certain committees, and loss of support for traditional leadership. It has also further undermined the local land administration system that was already in some disrepair and suffering a lack of institutional support from the state.

In response to the counter-claim by the Thaweni tribal authority community, the Khanyayo group re-established their pre-annexation (i.e. pre-1897) links with their "rightful" chieftaincy in Bumbantana in Bizana district. Backed by the Bumbantana, the Khanyayo people then argued that the Thaweni tribal authority was imposed on them by colonial authorities, and had no rightful claim to the land and resources in question. In other words, a third possible "community" was added to the cacophony of voices claiming ownership rights to land in Mkambati.

What does the CLRA say about community boundaries?

The question that arises from this case study is this: if the Communal Land Rights Act were to be implemented in the Mkambati communal area, which "community" would have title to the land transferred to it? Would it be Ngwenyeni (a large isithebe or "neighbourhood" within Khanyayo village), or Khanyayo village, or all the residents within the jurisdiction of Thaweni tribal authority, or the people under the authority of the mPondo paramount chief? The act provides no obvious way to answer this question.

What it provides is:

- discretionary power for the minister (after receiving

the report of a land rights enquirer) to determine the "location and extent of the land to be transferred to a community or person"; and

- an apparent assumption that the relevant boundaries are those of existing tribal authorities (which are deemed to be "traditional councils" by the Traditional Leadership and Governance Framework Bill and thus become recognised as land administration committees in terms of the CLRA.

In the Mkambati area the latter assumption is highly problematic. If enforced, this definition would undoubtedly provoke determined resistance from members of Khanyayo, which constitutes a community at a different level to that of the tribal authority, and the members of which do not currently wish to share ownership of land and resources with the larger group they have been in dispute with since the lodging of the land claim.

Even without the latter assumption, the CLRA provides no solution. It is unclear what factors will guide the minister's determination of the location and extent of the land to be transferred. The initiation of a land rights enquiry as the first step in a process to transfer title, which might be said to be the primary means to determine these boundaries, is likely to spark major disputes over boundaries in many such areas, just as the restitution claim in Mkambati has done.

Why is this so? The reason is that title to land (private ownership) in Western property law has certain clear legal consequences. It allows the owner to exclude non-owners from use or benefits other than through lease or agreement, and transfer of title is rightly perceived as near irrevocable (except through expropriation). In other words, the stakes are very high indeed, and it is thus unsurprising that people are prepared to fight so hard when private ownership is the end result of a process of tenure reform.

It is interesting to note that the August 2002 version of the draft Communal Land Rights Bill contained a very different definition of "community" to the present version. It defined community as a group, or a portion of a group, of people living in an area who have a shared history, shared rules about land rights, and who use the land as if they were the owners of the land. Because this definition could exclude people who have been living in an area for a long time, but do not share the same history as the others, the definition included a provision that long-term occupants who do not have a historical connection with the community must be regarded as members of the community. It also provided that a portion of the group who occupy a particular part of the land may define themselves as a separate community and so qualify for a separate transfer process.

A later version of the bill, of June 2003, omitted any definition of community altogether. Clearly the drafters have wrestled with the problem of how to define community and have come close to giving up. The current minimalist version may be present simply because a law

premised on transferring title to "communities" clearly has to provide some definition of a basic component of its proposed solution to the problem of securing communal land rights.

The underlying problem

The source of the difficulties in relation to the definition of "community" is twofold in character, and goes to the heart of what is wrong with this act.

(i) The nested character of land rights in communal tenure systems has to be recognised and provided for, and this the law fails to do.

(ii) As a result of this feature, there is an inherent tension between the inclusive nature of communal tenure systems and exclusive European-based private property systems, which means that "transfer of title" approaches involve a radical re-engineering of communal tenure.

These considerations mean that any attempt to transfer title to communities who have previously held rights in terms of nested systems, is inherently complicated and bound to generate tensions over boundaries. In the South African context, given our history of forced resettlement, overlapping and conflicting rights, imposed tribal authorities, and a broken-down land administration system, it is a recipe for boundary disputes on a massive scale. This fact alone would stall effective implementation of this act on a meaningful scale, regardless of the capacity problems of the department of land affairs and the many other complicated tasks required of officials, such as rights enquiries, registration of rules, development of communal general plans, etc.

Another factor is that a great many boundary disputes are already in existence, whether in relation to restitution claims or tribal jurisdiction. In some areas these have an ethnicity dimension. Speakers at the Mashamba community meeting in Limpopo Province, convened by Nkuzi Development Association in November 2002, warned of the dangers of defining communities on the basis of traditional identity, which could take people back into apartheid-era divisions. The area has a history of ethnic disputes between Tsonga, Venda and Pedi groupings, and a number of competing land restitution claims on these bases are pending. Transfer of title as proposed by the CLRA is potentially a catalyst for even greater levels of conflict in these kinds of situations.

Implications for tenure reform legislation

These considerations do not mean that communal systems are incapable of re-inventing themselves and moving towards land titling, either in the form of communal freehold (with exclusive surveyed boundaries), or of fully individualised private property systems. The former is exactly what the "black spot" communities and groups such as those at Kalkfontein have done. They chose to go this route, bore the costs involved, and developed a form of local land administration to meet their needs.

Community titling should therefore certainly be one tenure option, and in the case of those groups who historically purchased land but were prevented by apartheid law from owning it in their own name (like Kalkfontein), this would almost surely be the only option they would find satisfactory. This option should definitely be on offer within tenure law and policy. The same applies to individual title, should a democratic majority in a community decide that this is what they want.

But titling as the only option for communal tenure reform, to be implemented simultaneously in all communal areas across the whole country, is a sure recipe for implementation failure. In the African context more generally, this prognosis is now almost universally agreed on by land tenure experts. Rather than titling, a number of alternative approaches to communal tenure reform are now being implemented in a number of African countries.

Alternative approaches

In my view, the CLRA is so deeply flawed that it cannot be amended and "panel beaten" into shape, as parliamentarians appealed to civil society groups to help them do in November 2003. Rather, it should be put aside and a new process of drafting begun.

What is the alternative to the approach adopted in the CLRA? New land tenure laws in Mozambique and Tanzania, in both cases adopted after lengthy and painstaking processes of public consultation, demonstrate the way forward. They recognise and protect existing occupation and use of communal land, and give them the status of property rights, without requiring their conversion to Western, exclusive notions of private ownership. Rights are vested in the people who occupy the land, and the law enables the rights holders to further define and record these rights at the local level. An ongoing balancing act between group and individual rights, at different levels of social organisation, is supported and facilitated.

Security of tenure in legal terms is not created case by case, as this bill requires, but everywhere at once, after enactment of the law. To become realities on the ground, however, support must be provided to local processes of defining, negotiating and administering rights and obligations. Officials have to be available to assist local bodies and group members to define and record their rights, and to resolve disputes. This is costly, but probably not as expensive as the titling model.

Would such an approach reproduce the two-tier and discriminatory tenure systems of apartheid? If all land was vested in the state, as in Mozambique and Tanzania, this would not be an issue, since one system would govern all citizens. Nationalisation of land may not be a feasible option in South Africa - but neither is the act's approach.

Recognising existing rights and providing institutional support for community-based systems should be one of

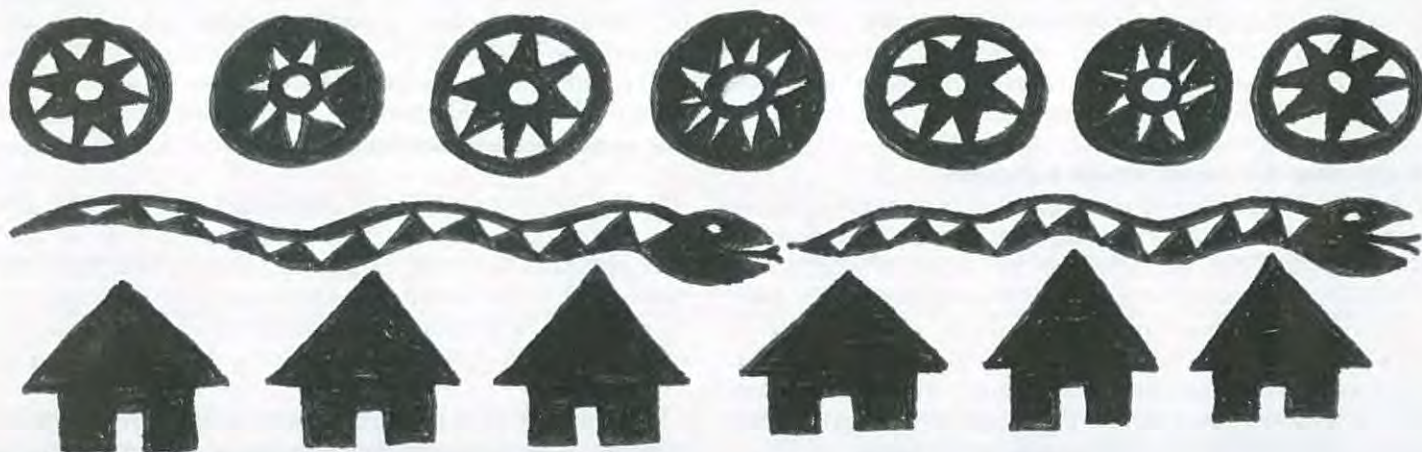
the options available to South Africans within a unified but diverse system of property rights. Alternatives to exclusive ownership already exist, such as sectional title and share-blocks, which allow forms of shared property rights. Legislation protects tenants and occupiers from the arbitrary actions of owners. All these tenure options need to be placed on an equal footing, supported by the law, government and an array of service providers.

Community-based systems and locally held records, rather than titling, need not be seen as second-rate - but the state needs to provide these with appropriate legal recognition and dedicated institutional support. The Communal Land Rights Act does not do this, and instead promotes a land titling approach that has failed throughout Africa, and will do so here as well.

- ⁱ ThisDay, July 23, 2004.
- ⁱⁱ Mail and Guardian, January 30, 2004.
- ⁱⁱⁱ Cape Times, January 27, 2004.
- ^{iv} ThisDay, July 23, 2004.
- ^v See Okoth-Ogendo (2002) for a discussion of this ubiquitous feature of African systems of land tenure.
- ^{vi} A case in point is the Kalkfontein community, representatives of which presented a submission on the Communal Land Rights Bill to the Portfolio Committee.
- ^{vii} For a detailed analysis of one such case in the Sekhukhuneland District, see Claassens 2001.
- ^{viii} These features of communal tenure are found across the African continent, and are described and analysed in great detail by scholars such as Prof. HWO Okoth-Ogendo of the University of Nairobi and Dr John Bruce of the University of Wisconsin and the World Bank.
- ^{ix} In 2001 the claim was "resolved" in favour of 40 residents of Khanyayo village, but tensions persist with continued unhappiness both within the village and within the broader Mkambati "community".
- ^x Claassens 2003: 27.

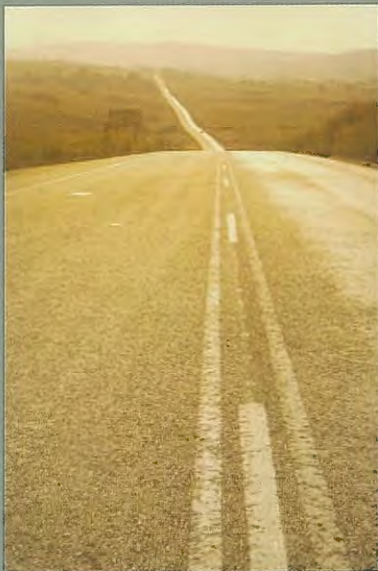
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Nazir Allie



ESTABLISHING THE SOUTH AFRICAN NATIONAL ROADS AGENCY LTD: A LESSON IN LEADERSHIP AND LEARNING

BY NAZIR ALLI
AND NEIL TOLMIE



1. INTRODUCTION

The South African National Roads Agency Limited (SANRAL) was established in April 1998, by an Act of Parliament, in accordance with Government's commitment to the transformation of the Public Sector.

SANRAL's mandate is to plan, finance, manage, develop and maintain the South African National Road Network, a network of 10 800 kilometres. Refer to Figure 1.

A unique feature of SANRAL's business is that it manages both tolled and non-tolled roads. A further distinctive aspect is that its toll road portfolio is made up of private concessioned toll roads and SANRAL owned toll roads financed by loans backed by Government guarantees.

2. CREATING SANRAL

SANRAL was established primarily to enable efficient and effective public service delivery. The transformation initiative, i.e. from a Government Department (Chief Directorate National Roads (CD:NR)) to a Public Company, was driven by the then CD:NR management team, with the support of its Board and Minister.

2.1 Required reform

Effective and efficient delivery through commercialisation is the key concept behind the proposed reform whereby national roads are brought into the market place and placed on a fee-for-service basis and managed like any other business enterprise. However, since roads are a public monopoly, and ownership of most roads will remain in government hands for some time, commercialisation requires complementary reforms in four important areas.

These focus on:

- creating ownership by involving road users in the management of roads to win public support for more road funding, to control potential monopoly power, and to constrain road spending to what is affordable;

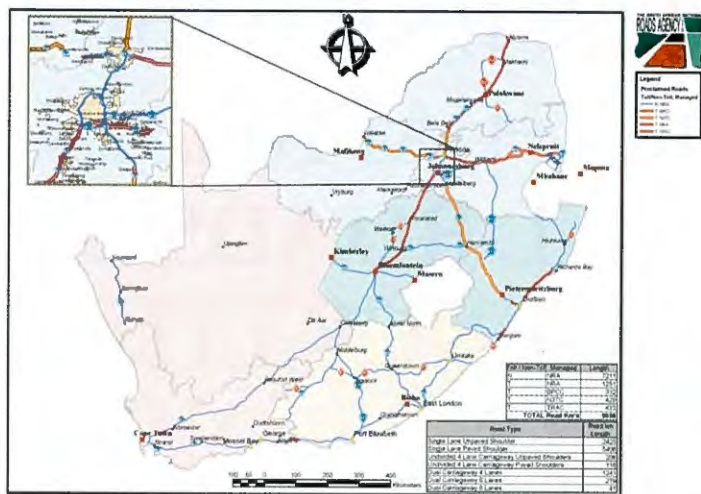


Figure 1: South African National Road Network

- stabilising road financing by securing an adequate and stable flow of funds;
- clarifying responsibility by clearly establishing who is responsible for what; and
- intensifying managerial accountability.

SANRAL started with a new vision and mission for the transformation process. Its vision "to be recognised as a world leader in the provision of a superior primary road network in Southern Africa", and its mission "we are a commercially driven organisation committed to achieving its vision for the economic development of the Southern African community through

- a highly motivated and professional team
- state-of-the-art technology
- proficient service providers; and
- promoting the 'user pay principle'

SANRAL was born three years after the initial thoughts.

2.2 Critical success factors

The following factors were identified as the critical success factors in the transformation process. These areas required special attention.

- Political Will
- Legislation
- Identifying core and non-core activities
- Organisational Structure
- Stable Funding

2.2.1 Political will

Without the political will for public sector reform the then Chief Directorate National Roads (Pre 1998) was doomed to fail in its transformation process.

In South Africa, the advent of democracy in 1994, provided an ideal opportunity for the transformation of the public sector.

2.2.2 Legislation

The legislation established was "to make provision for a national roads agency for South Africa to manage and control the country's national roads system and take charge, amongst others, of the development, maintenance and rehabilitation of national roads within the framework of government policy."

Although in SANRAL's case, the legislation amendment is classed as one of the lesser hurdles to overcome, caution is expressed, as poor or incomplete legislation will stifle implementation and operations.

2.2.3 Identifying core and non-core activities

With the adoption of commercial and business principles in order to promote effectiveness and efficiency SANRAL had to decide on its core and non-core activities and the degree of vertical integration, i.e. how much SANRAL would undertake in-house. The easy part was identifying the core and non-core activities, the difficult part was managing the staff members affected by the out-sourcing of the following non-core activities:

- Property portfolio – management of the land required for national road purposes
- Land Survey Office
- Traffic Counting
- Drawing Office
- Soil and Bitumen Laboratories

A number of models were proposed, from management "buy out", to outright tendering for staff, equipment and services. The process agreed upon by mutual consent between management and the affected staff was to publicly call for a request for proposal (RFP) to take over the identified non-core functions and the affected staff members. This route was preferred by the affected staff members. Since the intention was not to create any social problems for society (e.g. adding to the unemployed), and to capture the spirit of entrepreneurship, the RFP contained a number of non-negotiable conditions combined with incentives.

2.2.4 Organisational reform

SANRAL adopted what it terms the Cluster Concept, which is a combination of talent and skills grouped together, wherein expertise, vision and experiences are harnessed into a holistic and multi-disciplined approach to the task at hand.

This coordinative power of knowledge, skills and expertise of the participating specialists in a cluster reduces the vagueness and complexities, and apportionment of blame associated with formal organisational relationships. The organisational structure shown in Figure 3 captures the ethos and distinctive spirit of SANRAL's multi-disciplined approach and the links between the various components.

Changing the work culture, from bureaucratic to commercial was both

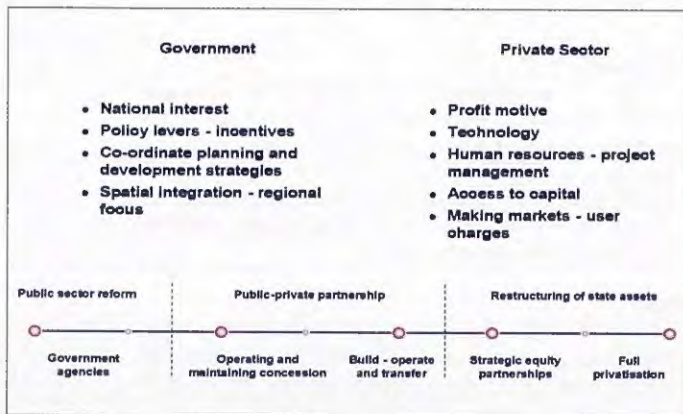


Figure 2: Typical reform process

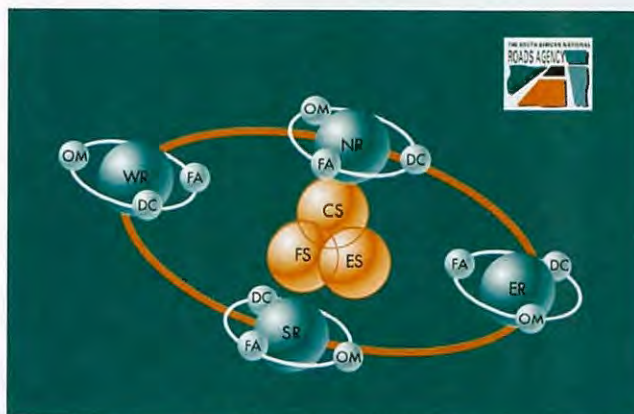


Figure 3: Organisational Structure



interesting and challenging and was most effectively achieved by leading change. In order to achieve this it was critical that the 'change leaders' had what it takes in both human behaviour and technical expertise.

The new structure promotes freedom of thought, inspires initiative and participation by all and has eliminated hierarchy and bureaucracy. The new structure contributes to a change in the approach of individuals and also,

- encourages team work
- encourages communication
- integrated decision-making
- commitment and
- accountability

At the core is Corporate Services (CS), Engineering Services (ES) and Financial Services (FS) all coordinated from our Head Office. This core acts as a support system for the regional offices and deals with the external bodies including the Minister of Transport on policy matters. Orbiting Head Offices are the decentralised regions whose core functions include Design and Construction (DC), Operations and Maintenance (O&M) and Finance and Administration (FA).

2.2.5 Funding

The current funding sources include:

- Toll Income – the 'user pay principle' is now well established. Toll roads were first established in 1984 in South Africa. The current toll income on SANRAL operated toll roads is \$100 million (2004) per annum. The length of toll roads operated is 1200 kilometres.

- Borrowing Powers – SANRAL is empowered, with the approval of the Minister of Transport and in consultation with the Minister of Finance, to raise funds by means of loans from any source including the money and capital markets. SANRAL utilises the bond markets for this purpose.
- Private Sector Borrowings – In view of the borrowing powers of SANRAL, financing is procured from the private sector and/or through Concession Contracts and the toll income provides the income stream to service these loans. All toll-road projects are structured so that all private sector borrowings plus interest can be repaid within a 30-year time frame.
- Treasury Allocations – SANRAL receives an annual budget allocation from the National Treasury to finance its non-toll roads.

3. CONCLUSION

The transformation process requires a radical departure from the present and leadership initiative to drive and manage the change. The key elements include the need to solve problems (effective use of limited resources) in a way, which removes them altogether. Therefore the need is to deal with core problems and not symptoms. It recognises that problem-solving tools must be robust in all environments and answer the three main questions of,

- what to change?
- what to change to?; and
- how to effect the change?

Transformation by its nature involves a multitude of change management issues, all of which must be addressed if success is to be the outcome.



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WHY POOR PEOPLE STAY POOR: THE CHALLENGE OF CHRONIC POVERTY

BY ANDRIES DU TOIT

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Poverty reduction and eradication are among the central challenges faced by South Africa's democratic government, but evidence is mounting that progress on this front is slower than had been hoped. Real average remuneration rose since 1994, but this has benefited mostly those in well-paid and skilled jobs, while unskilled employment has declined (Seekings 2003, Seekings et al, 2003). While the proportion of people in poverty had by 2003 declined marginally from 51 percent to 48 percent, the actual number increased by more than a million, and the proportion living in extreme poverty increased from 9.4 percent (3.7 million) to 10.5 percent (4.7 million) (UNDP 2003). An analysis of the 1999 October Household Survey and the 2002 Labour Force Survey suggests that the number of people whose expenditure fell below R800 a month increased in that period by about 4.2 million; the number of new poor may be as much as a million more than the increase in the population (Meth and Dias 2003).

The persistence of poverty and inequality despite the best intentions of a democratic government raises important questions. Debate is growing, for example, between those who blame GEAR and those who believe labour market rigidity is harming job creation, and about whether a basic income grant (BIG) is the best way to tighten the loose weave of South Africa's welfare safety net. These debates are politically charged, are often informed by widely divergent ideological and political worldviews and draw on deeply differing underlying assumptions about the nature of poverty and its causes. In this context, we need to know more about why poor people stay poor. We need to know more - not simply about the causes of poverty, but also about its maintainers: those factors that keep poor people poor, and which undermine their efforts to better their conditions.

PLAAS's research has highlighted the depth and multi-dimensionality of poverty. Poverty and chronic poverty are characterised by cascading, interlocking and mutually reinforcing cycles of vulnerability, deprivation, stress and exploitation. These relate not only to economic deprivation and vulnerability, but also to the stress placed on social networks - and the mutually reinforcing links between

poverty, malnutrition, poor health and the burden of disease and mental stress. Together these create a disabling environment that undermines poor people's ability to act. In the long run, this is the most fateful consequence of poverty: it saps people's ability to take their full place as citizens in a democratic society.

Patterns of poverty

The roots of all these problems lie much deeper than joblessness. The most important cause, obviously, is poor people's lack of access to key economic resources. It hardly needs repeating that colonial settlement and dispossession have left poor people in South Africa with very low rates of access to the resources that would allow household-level food production. What is less often remarked on is the interplay between this impoverishment in basic assets, and the highly monetised nature of South African society. Even in the most distant rural areas, entitlements and access to resources are crucially dependent on whether one has cash. It is because of this that the failure of the economy to create stable and adequate forms of employment is so serious.

Table 1: Access to land, employment and food security in the three target sites (PLAAS, CPRC)

	Mount Frere	Khayelitsha	Ceres
Percentage of households with access to land for food gardening	87	-	11
Percentage of cash income from land-based production	1.2	0.7	0.45
Percentage of household expenditure on food	44	39.2	44
Percentage of adults with access to employment	23	36	59
Percentage of individuals with access to permanent employment	14	22	26
Percentage of households reporting loss of income by breadwinner in previous year	27	32	25
Contribution of grants to income in grant-receiving households	79	56	54
Percentage of households reporting periods of insufficient food	83	80	70

These patterns are found everywhere, but they play out in different ways from place to place. In Mount Frere, for instance, there are higher levels of access to land, but severe biophysical constraints, lack of infrastructural investment and a lack of capacity to invest resources in agriculture means poor people are not able to meet any but a fraction of their food needs through own production. Even in the midst of the deep rural Transkei, livelihoods are only in a small part land-based. Amid the wreckage of an agrarian economy devastated by emigration, HIV/AIDS and systematic under-investment in infrastructure, people depend in large part on their ability to cling to pensions, remittances, government jobs and the tiny trickles of income that can be squeezed out of the service economy.

In Ceres, the agrarian economy is highly productive - but ownership of that economy is concentrated in the hands of a small closely-knit landed white community. Their control has been only partially interrupted and diluted by democratic transition. Global integration - happening at a time when value chains are increasingly controlled by Northern supermarkets - has exposed producers to growing pressure on their margins as well as higher levels of risk. Partly in response to this, owners have tended to opt for casualisation and externalisation (du Toit and Ally-Schmidt 2004). Many workers who previously lived under the ambiguous protection of racialised farm paternalism now find themselves having to make a living in informal settlements or RDP slums in rural areas, and although the agrarian economy still creates jobs these are increasingly seasonal and insecure (du Toit 2003).

In Cape Town's African townships, chronic poverty is shaped, not by agrarian underdevelopment or by agro-industrial rationalisation, but by the racial and spatial politics of the post-industrial metropolitan labour market. Clearly migrancy stemming from the collapse of the homeland economy is one part of the picture; another is the development path of Cape Town's economy, which has heavily emphasised high-skill manufacturing and the service sector. The perpetuation of apartheid urban geography - the continued racial demarcation of life and work by deep spatial divisions (Robins 2002, Grunebaum and Henry 2003) - maintains the chasm between core and periphery, relegating the chronic poor to unsafe and crime-ridden peri-urban ghettos (De Swardt 2004). An indication of this isolation is that 46 percent of those surveyed in these areas who have already been living at their present address for more than five years were said to be able to speak only Xhosa. (It is also interesting to note that 18 percent of those who were reported to have no English had passed Standard 8 (Grade 10) or higher.) Cape Town is perhaps the most white-dominated urban economy in South Africa: recent migrants who are unable to speak English or Afrikaans, and who are unconnected to the personal and informal networks on which access to unskilled jobs often seem to depend, are at a massive disadvantage.

Social networks in stress

But these patterns of economic deprivation, stress and vulnerability are only part of the story. As important is the vulnerable, stressed, power-laden and conflictual nature of

the broader social networks on which people rely for survival and dignity. Although formal and informal social networks and connections - "social capital" in development-speak - do play a vital role in cushioning the impact of poverty-related shocks and stresses, their contribution is limited and ambiguous. The resources that they can help redistribute are scarce. They often work in highly unequal and gendered ways. And while they can function as a buffer against shocks, they can also function as a brake to accumulation, reducing the scope for the kinds of savings or investments that could lead to sustained escape from poverty. Moreover, these networks are highly stressed, vulnerable and characterised by relatively high rates of conflict. Violence is another thing that is unequally distributed in society. In 2001 homicides accounted for 133 and 120 deaths per 100 000 persons in Nyanga and Khayelitsha respectively, as opposed to 35 for the wealthy southern suburbs (Scott et al 2001). Some 27 percent of male mortality in Khayelitsha is attributable to homicide, while the same figure is 9 percent in the South Peninsula (Groenewald et al 2001).

Furthermore, poor people are often pitted against each other in the struggle to survive. Local elites - if that is the right term for such vulnerable layers of society, themselves barely hanging on to the edges of the formal economy - do their best to monopolise what local resources are available. Those who have permanent jobs in Mount Fere are often also those who have the best rates of access to land, and who jockey for rent-seeking positions in a meagre local service economy. In Ceres farm workers who have been moved off local farms often simply end up exchanging one patron - the paternalist white farmer - for another: gangsters, micro-lenders and credit racketeers (du Toit and Ally-Schmidt 2004, du Toit 2003).

These interlocking and mutually reinforcing forms of stress and vulnerability create a corrosive and dispiriting context that undermines people's ability to make use of whatever resources they do possess. This is a crucial point, particularly in view of the significant attention given in development debates to the agency of the poor, and the emphasis placed on recognising the resources and "capitals" which they do possess. This emphasis is important. But the reality is that very often these disabling dynamics limit people's capacity to, as it were, capitalise on their capitals. Deprivation, stress and vulnerability reduce poor people to a dependent status in complex and unequal relationships of patronage and exploitation, requiring them to devote whatever resources they can muster to the task of scrabbling for survival, and radically diminishing their impact on the world around them. Ultimately, one of the most serious and significant aspects of poverty is how it marginalises people in the political and social realm. Powerlessness maintains poverty - but poverty in turn begets powerlessness, rendering people voiceless in the political realm and ultimately robbing them of the opportunity to take their full places as citizens in society.

The human wreckage of racialised capitalism

But poverty is not something that is only perpetuated by those processes and dynamics that can be grasped at the micro-level of individual or group agency. These are maintained

by the broader systems of social relations in which they are embedded.

This is something that is often passed over in present-day debates on poverty. The debate often seems to be dominated by a return to the liberalism that guided mainstream South African social thought in the 1970s. Then, as now, this produced an analysis that ignored the close connections between inequality, racial discrimination, economic growth and capitalist accumulation. Racially based inequality is, for instance, blamed on "malfunctioning labour markets" (Leibbrandt et al 2001:1), or the problem of inequality and poverty in South Africa is seen as a result of the fact that "society is highly inefficient in converting economic resources into equitable social welfare outcomes" (ibid.). Seductive and appealing as these metaphors might be, they are not very helpful. Firstly, they lead to an underestimation of the persistence, adaptability and utility of racial discrimination and racism in the midst of highly modernised economies. Secondly such analyses are often blind to the extent to which labour markets and economic growth themselves depend on and perpetuate inequality and poverty.

It is not enough to conceptualise the situation of the chronic poor in terms of "social exclusion". This notion has been touted as an important aid to understanding the disempowering and marginalising effects of poverty - not only in the highly industrialised countries where the concept was first used, but also increasingly within "developing countries". In its broadest sense the concept of social exclusion may help focus attention on the exclusionary effects of poverty: on how it brings civic disempowerment in its wake. But when social exclusion is used as an explanation for poverty, it obscures more than it reveals. Usually the problem with marginalisation is not simply that poor people have been excluded, but that they have been included - but only on inequitable or invidious terms.

This has direct relevance to what has become known as the "two economies" debate: the argument advanced in August 2003 by President Mbeki that South Africa contains two economies - a modern "first world" one, and a "third world" economy existing alongside it, but structurally disconnected from it. This intervention represents an important advance. It recognises the limitations of trickle-down approaches to poverty reduction. But the notion of "structural disconnection" does not capture the complex actual relationships that do exist between the wealthy core of the South African economy and its underdeveloped and impoverished periphery. Shack dwellers in Khayelitsha, seasonal farm workers in Ceres and villagers in Mount Frere cannot be meaningfully described as being "disconnected" from the South African economy. Their impoverishment, on the contrary, is directly related to the dynamics of 150 or more years of forcible incorporation into racialised capitalism - on disadvantageous terms. Indeed, it may well be that many of the obstacles to accumulation from below among poor people are at present linked to the depth of corporate penetration of the South African economy as a whole. The issue is not that there are "not enough linkages" but the nature of those linkages, and the extent to which they

serve either to empower poor people or simply to allow more money to be squeezed out of them.

Chronic poverty in South Africa is not a residue, the by-product of incomplete growth and modernisation, and the chronic poor are not simply those "left behind" or "not reached" by growth, or excluded by too-rigid labour laws. They are also the human wreckage cast aside along the path taken in the development of racialised capitalism, authoritarian state formation and top-down modernisation. These processes scraped people off the land and shook them out of the moral economies of traditional existence in order to be made available as cheap labour, only for them to be abandoned after the 1970s by an economy running out of steam and apparently increasingly allergic to employing unskilled black workers - particularly, it must be said, if those workers had rights. The formation of a democratic South African state, committed by its constitution to the welfare of all, is a crucially important countervailing development. The question is what it can do - or help do - to ameliorate, contain or even reverse the historical processes that create and maintain poverty.

Reducing chronic poverty

If chronic poverty is to be understood not only in terms of lack of land and lack of jobs, but also in terms of deeply entrenched dynamics of vulnerability, marginalisation and powerlessness, very particular challenges follow for poverty reduction and pro-poor governance. Above all, interventions are needed - from citizens as well as from the state - to address vulnerability (reducing levels of risk and increasing the capacity to recover from shocks) and to address disempowerment (creating access to resources and promoting self-organisation).

- Social protection should become more sensitive to the dynamics of chronic poverty, vulnerability and disempowerment. One important implication is that there is a need to think very carefully about targeting. For instance, tightly linking access to welfare - whether in the form of grants, indigent support or public works - to income through periodic means-testing is problematic. Temporary access to precarious sources of income should not be the occasion for cutting off access to grants, particularly not when we bear in mind the significant costs involved in applying and re-applying for social assistance.
- Poverty monitoring should become much more focused on assessing vulnerability. Poverty surveys should go beyond focussing on income and expenditure levels. Careful attention needs to be given to the variability, seasonality and insecurity of income. There are a host of innovative monitoring and measuring tools and attempts to incorporate these into official national surveys should be encouraged. Similarly, proposals to include assessments of access to public goods should be welcomed. Other challenges will be rather more difficult. Vulnerability cannot be measured; and many of its key determinants cannot be simply quantified. This is a particular challenge for governments, which tend to want poverty indicators that can be easily tracked across an entire population. It is hoped that initiatives like the development of a national Food Insecurity and Vulnerability

Information Mapping System (FIVIMS) will give thought to the need to include qualitative information.

- Labour market policy should be aimed at reducing the vulnerability of those at the margins of the formal economy. Job creation is obviously important - but it is important to understand its limits. For one thing, there may be structural constraints on the number of unskilled jobs that can be created in the South African economy in the first place. For another, much depends on the nature of those jobs. It is probably dangerous to equate access to a job - any job - with an escape from poverty. More than two-thirds of wage earners in PLAAS's study of Cape Town's African poor lived below the poverty line. And while it is true that insecure income is better than no income, insecure incomes may not facilitate the kinds of investment or the strategies that allow long-term and sustained escape from poverty. Certainly, in Ceres, access to low-waged and for all intents and purposes unregulated harvesting jobs in the fruit sector raised incomes while still allowing significant amounts of food insecurity. And often it is the weakest and most powerless among the poor - such as children whose care is compromised by "working poor" parents - who pay the biggest price.
- As important as reducing the levels of risk and vulnerability among poor people is the challenge of encouraging processes of self-organisation and empowerment. Government has recognised the importance of this in its emphasis on partnership, and on ensuring participation. But participation has often been based on simplistic assumptions about buy-in - and by a tendency to treat the poor as if they are a homogenous group. One of the most important issues in supporting the agency of poor people is how to deal creatively and realistically with the gender, racial and class conflicts that exist within poor communities and households, and how to ensure that the benefits accruing from development and black empowerment are not captured by local elites.
- Clearly, ensuring that an enabling environment is created for informal economic activity among the poorest and most vulnerable is another key aim. Land reform needs to support not only access of Africans to industrial and capital intensive commercial agriculture, but also to the smaller local economies of informal production. This has relevance to debates about a Basic Income Grant (BIG) as well. Though the broadening of access to social protection will increase general income levels, its actual impact is likely to be highly mediated by the dynamics of local class relations and corporate penetration. In a context where the economy is so highly dominated by big capital, the multiplier effects of a BIG are likely to be diminished. Whether the broadening of access to social protection is achieved through a BIG or through other means, this will have to be complemented by strategies that ensure that local entrepreneurship is configured to recycle money locally.
- The most serious question, however, is the ability and scope for a social contract that includes the forgotten and marginalised chronic poor. A social policy geared

only toward promoting growth, and sensitive only to the concerns of those who are already politically and economically enfranchised could easily lead to a political calculation that prolonging the lives of the unemployed is not a political priority.

This last point relates to more than HIV/AIDS and the cost of treatment. If poverty is to be reduced, it will require going beyond the comforting and sunny notion of a growth path that makes winners of everyone. Growth is important, but there will need to be real trade-offs along the way. Some will benefit more than others. The key test of the future is to what extent the haves will be willing to invest in the well-being of the chronically poor, even though there is no direct and selfish short-term benefit.

The chance exists. South Africa's first ten years has, for those who have benefited, helped to generate a broad-based sense of national identity, a generous-spirited new democracy and a genuine sense of patriotism. The question is whether the patriots will be willing to walk their talk.

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THE SOUTHERN AFRICAN REGIONAL POVERTY NETWORK



The goal of the Southern African Regional Poverty Network (SARPAN) is to contribute to the sustainable reduction of poverty through effective pro-poor policy, strategy and practice in the SADC region. Its purpose is to deepen and widen debates on policy, strategy, practice and decision-making processes that impact on poverty in the Southern African region.

SARPAN provides platforms that widen participation by bringing people together across the region to exchange ideas, and disseminates information to deepen understanding of poverty issues and improve policy and practice.

Currently in its fourth year of existence, SARPAN was originally established as a project within the Integrated Rural and Regional Development Programme of the Human Sciences Research Council (HSRC). The organisation is presently undergoing a process of transformation, intended at establishing SARPAN as an independent institution with truly regional structures and impact.

Governance

SARPAN is governed by a Board of Directors, consisting of individuals of significant stature and capacity including Trevor Ncube who chairs the board. A central figure in media circles around the southern African region, Trevor Ncube brings significant insights to SARPAN on matters relating to poverty and its reduction, as do the other members of the SARPAN board. Being drawn from each of the countries these members are representative of the SADC region in terms of nationality.

In September this year, SARPAN appointed Ms Sue Mbaya as its first director. Zimbabwean by origin, Sue Mbaya has worked in the development sector at national, regional and international levels. Her expertise encompasses the areas of land reform, HIV/AIDS and land as well as issues around the humanitarian/ development interface.

Establishing a role in the region

In its first three years SARPAN made a significant contribution to poverty reduction policy and practice, particularly in the land sector, and stakeholders have strongly endorsed the role it is playing. The organisation's commitment to open and equitable access to 'poverty knowledge' and debates on poverty issues has earned it the reputation of an

honest broker able to build bridges for inclusive discussions on poverty issues in SADC region.

By building relationships with key players in the policy community SARPAN has helped to expand the 'African voice' on poverty issues in the region and internationally. It has also worked with organisations and networks in the region that can pass on information to those without access to electronic communications.

SARPAN's role as a facility and platform to promote debate and information sharing on poverty reduction processes and experience has given the organisation a comparative advantage as a knowledge bank among other roles. This advantage stems from the fact that SARPAN does not have an advocacy agenda beyond widening and deepening the debate with a particular focus on including those directly and negatively affected by poverty. This 'honest broker' role has also been crucial for building SARPAN's profile of relationships and partnerships. It also allows SARPAN to play a significant role in contributing to the growth of a stronger regional identity among people in SADC region.

Programme being implemented

SARPAN's programmatic focus over the coming three years will be in the following thematic areas: Primarily in the following areas:

- Land, food security and HIV/AIDS;
- Social safety nets in the context of relief, rehabilitation and development;
- Economic policy, regional integration and trade (with focus on SADC, AU, and NEPAD);
- Macro approaches to poverty reduction (including initiatives related to the MDGs, PRSPs and RISDP).

The initiatives that constitute SARPAN's programme of activities are intended to:

- Widen access to discussion platforms by those seeking to influence poverty related processes;
- Deepen the level of debate around poverty issues; and
- Facilitate stronger links between role-players involved in the fight against poverty.

CONNECTING PEOPLE, IDEAS AND INFORMATION TO FIGHT POVERTY



Trevor Ncube – Chairperson



Sue Mbaya – Director

These initiatives centre around SARPAN:

- Fostering and facilitating debates of policy relevance;
- Undertaking/facilitating consultations;
- Undertaking/commissioning studies intended to yield information thought to be important to poverty reduction initiatives and processes;
- Managing knowledge (creating, (re)packaging, disseminating and utilising it);
- Convening and attending events that examine issues of policy relevance; and
- Convening and participating in initiatives that foster linkages among those working to impact policies related to poverty.

Planning for the future

A recent evaluation of SARPAN's operations emphasised the need to develop greater strategic focus and improve the organisation's enabling conditions. Based on this SARPAN developed a strategy that builds on its existing strengths to consolidate its regional character and enable it to achieve its potential across the region.

The strategy is based on the following principles:

- Poverty is the central challenge in the region;
- A rights-based approach to development is needed to address poverty effectively;
- The inclusion of all stakeholders is essential for effective poverty reduction;
- Poverty reduction involves informed political choices;
- Equitable access to debate and decision-making processes are essential for effective and informed participation; and
- Stronger regional linkages are required for effective poverty reduction.

In line with its role as a regional public good SARPAN is committed to:

- Good, effective and inclusive governance;
- Open access to information;
- Regional consultation; and
- Complementing and enhancing other initiatives

Working with stakeholders

In order to ensure a truly regional focus, SARPAN works with a region-wide stakeholder base.

SARPAN's primary stakeholders are those people in the region that directly experience the negative effects of poverty. At present, however, poor people generally have very limited say in policy processes. SARPAN's strategy therefore aims to contribute to poverty reduction by targeting:

- Those individuals, groups and organisations with the responsibility and potential to have a significant impact on poverty reduction;
- Those that can make a meaningful contribution to giving the 'voice of the poor' a more meaningful role in policy processes; and
- Those doing evidence based research and documenting experiences in poverty reduction programmes.

This will entail expanding its network of links and working relationships with and between a range of individuals, institutions and organisations involved in policy processes or with the potential to make a meaningful contribution to them. SARPAN plans to map policy processes and role players in the region to help to identify significant role players.

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UNDERSTANDING GAUTENG'S CHANGING LANDSCAPE

EXCERPTS FROM THE ANC GAUTENG'S BASE DOCUMENT
TOWARDS THE 9TH PROVINCIAL CONFERENCE

Economic transition

The structure of the South African economy has changed profoundly over the last 30 years as a result of domestic as well as global factors. Since the 1970s, there has been a significant erosion of the employment opportunities in the formal economy, against the backdrop of the exhaustion of economic apartheid. Jobs were shed in the context of a global shift away from primary and secondary industries towards the tertiary sector, particularly services. These trends have accelerated since the advent of the information and technology revolution, which has spurred productivity gains. This qualitative transformation of the productive forces has reshaped the mode of capitalist development. At the same time, neo-liberal ideologies have sought to extract maximum benefit from these processes for the rich and powerful, to the detriment of workers, the poor and developing countries.

Apartheid's legacy of skewed human development, combined with the continued existence of racially-based labour market institutions and practices, means that while benefiting from social changes, black people have continued to be systematically excluded from these new economic opportunities. Economic growth has tended to be strongest in those sectors of the economy that are the least labour absorbing, and which require the highest levels of skill. In Gauteng, 31 percent of Africans above the age of 20 have had no high school education, while 8.4 percent have no education whatsoever. This means that close to 40 percent of Africans in this age group have limited chances of getting work in the formal sector, except as part of the cohort of unskilled, temporary or casual workers, who are poorly remunerated. This mismatch between the skills of our people and those required by the growth sectors in the economy is the central challenge of economic restructuring.

The growth of the service sector, the turnaround in manufacturing performance, as well as increasing access to and opportunities for informal sector employment have meant that, overall, the last 10 years have seen an increase in the number of people employed in Gauteng. But while the numbers employed have increased slightly, the numbers unemployed but seeking work have increased dramatically. Amongst the economically active population the 1996 census counted 2.6 million employed people in Gauteng and 1 million without a job. Five years later, there were 2.8 million employed people, but 2 million without a job;

Gauteng's rate of unemployment had increased from 31 percent to 41 percent!

These "two economies" are not mutually exclusive, separate compartments; they function together as part of a single economy, albeit structurally divided into a dualistic system. Most of the economic activities in the periphery are highly dependent on markets created by formal economic activity. For example, a hawker selling wage-goods in a township can only expand business to the extent that wages of the formally employed themselves expand. But the wages of the formally employed are placed under constant pressure by the existence of a vast reserve army of labour in the form of the unemployed and informal, underemployed workers.

Under the impact of the global and national forces we have discussed, the two economies are reflected in three flexible zones of work, where workers experience different conditions of employment:

- The core workforce: Workers that benefit directly from global integration, advances in worker rights and other forms of inclusion in social, economic and political institutions. Formal sector workers are generally highly organised in the trade union movement. Though their numbers have diminished, they still constitute almost half of the economically active population. While they enjoy higher salaries, secure employment and good working conditions, growing numbers of people depend on their wages. Men rather than women are more easily absorbed into this core of the labour market.
- The non-core workforce: Those pushed into more precarious and intensive working conditions become part of a non-core workforce. The restructuring of the workplace is increasing the levels of atypical employment. This includes casualisation, fixed term contracts and working from home. Because of the temporary nature of their work, union organisation is much harder amongst the non-core workforce. The rights won by workers in the core of the economy are difficult to realise in an environment of poorly organised temporary and casual workers, where women are more likely to find work.
- The periphery: The peripheral zone consists of those who have been excluded from the formal economy and engage in informal income-generating activities on the margins. This includes the street traders and hawkers

who sell basic commodities to the poor, memorabilia to tourists and food to urban workers. While some of those operating in the urban economy are able to secure relatively stable niches in markets created by formal sector economic activity, others find themselves excluded from such markets altogether and eke out a survival through their dependence on welfare grants and the barter of goods and services.

The shift to the tertiary sector, together with increasing employment in secondary sectors, holds the key to an increase in the number of quality and sustainable jobs, at least for those with appropriate skills. The ANC manifesto commits us to halve unemployment and poverty in the next decade. This target could be achieved if the government steps up its strategic interventions in the economy through infrastructure investment and targeted interventions in labour absorbing sectors, providing focused support for SMMEs, affirmative procurement policies and broad-based BEE and by promoting co-operatives and sustainable livelihoods in the informal sector. These interventions should lead to the expansion and transformation of the core of the economy, increasing its labour absorbing and wealth creation capacity, at the same time ensuring access into this core and transferring resources from the first to the second economy.

Social transition

The phenomenon of greater levels of urban poverty is a result of increased urbanisation that cannot be matched with available economic opportunities. More people still feel it is better to move to Gauteng and live in an informal settlement even at the risk of going to sleep with an empty stomach, than live in the hinterland where there is something to eat but no chance of getting a job. This highlights the importance of countrywide sustainable development interventions so that the city is not the only place or space where people can achieve sustainable livelihoods. The success of such interventions should be in the interest of both rural and urban society, because of the dependency of the two on each other.

The position of new generations in Gauteng

Gauteng is a young province. Two thirds of the population (67 percent) are under the age of 35. Compared to other provinces this is not particularly high; in South Africa as a whole 70 percent of the population is below 35. However, Gauteng has an unusually large concentration of working age youth: those between the ages of 20 and 35 constitute almost 40 percent of the population, whereas in other provinces they amount to 30 percent or less. Gauteng has 3.4 million youth of working age, accounting for 25 percent of working age youth in South Africa.

In April 2004, the ANC machinery throughout the province succeeded in filling the FNB stadium to capacity. A significant proportion of those who attended were young men and women who could not have been old enough to participate in the "struggle" politics of the 1980s or earlier. The challenge in the next decade, for

the ANCYL as well as the ANC, will be to translate this mobilisation into organisation and the development of a new generation of cadres and leaders.

And we do not have room for complacency. In the 2004 Gauteng Provincial Legislature list not a single ANC candidate was under the age of 30. By 2009, therefore, a cadreship concentrated in the older age groups will have to organise a Gauteng electorate where more than 40 percent of the voters are under 35, and where about one third will have been born after the 1976 uprising.

The ANC must find ways to benefit from the regeneration and enthusiasm that only the youth can bring into its ranks. New generations are the raw materials from which our next generation of leaders of the ANC are developed. Adept with new technologies, skilled with new competencies and globally connected, it is the new generations which will be able to integrate the cutting-edge technologies into the organisational practices of an ANC in need of ongoing renewal.

Since the social ferment of the late 1980s and early 1990s youth membership of public organisations has declined substantially. In 2000, 57 percent of youths said they belonged to no organisation. In 1992, 15 percent of youths said they belonged to a political organisation, 17 percent said they belonged to a youth organisation and 5 percent a civic. In 2000, only 4 percent said they belonged to a political organisation, 7 percent to a youth organisation and 1 percent to a civic. Church and sports organisations remain the most popular in terms of youth membership today, but are also well down from the high levels of membership associated with the social ferment of the late 1980s and early 1990s.

Youth disengagement from the new institutions of democracy compared with older age groups is also apparent in the registration figures. Only 30 percent of 18-19 year olds are registered. It appears the older you are, the more likely you are to be registered.

Young people, especially those who are the poorest and most vulnerable, continue to be excluded and marginalised by society in general. Youth unemployment and poverty, together with the growing impact of HIV/AIDS present the youth with new challenges that their parents could hardly have imagined. Young people will turn to gangs and substance abuse when alternative places of inclusion such as schools, families and the workplace fail them.

Youth disengagement at its most extreme manifestation can result in sub-cultures of violent and criminal behaviour. Destructive masculine tendencies are particularly prevalent amongst young men, who are both the primary victims and perpetrators of violent crime in South Africa. The prevalence of a sub-culture of gangs that revolves around violence as a means of acquiring status presents significant threats to society at large, especially to young women.

Youth culture renaissance

However, such problems are by no means the norm in the youth sector. To suggest so would do a great disservice to the majority of young people who are not prone to violence or joining gangs. While only a small proportion of all youth are involved in crime and violence, these actions have a disproportional influence in society. This warrants urgent attention to avoid the emergence of destructive cycles that can become self-perpetuating over decades.

Youth "disengagement" is sometimes explained by invoking a powerful myth: it is said that the youth are apathetic, apolitical, consumerists. In fact, nothing could be further from the truth. Numerous opinion surveys show that, far from being "apathetic", the youth are the most interested in politics and elections, are the happiest with processes of change and the programme of the ANC, and are most optimistic about the future.

It is not so much that youth are not interested in politics; rather it is the institutions of democracy that are less interested in the youth. New generations are socially conscious and ready to translate their idealism and energy into activism for a better life. However, most do not see politics as the vehicle through which to exercise social responsibility.

Traditional modes of political engagement tend to ignore and exclude the youth because they do not speak the language of the new generations. Consequently, young people have sought other means of channelling their energy and idealism. This has led to a renaissance of youth culture, not witnessed since the days of Sophiatown.

The emergence of Kwaito and other youth cultural movements are a fertile ground for the development of a truly South African, non-racial culture. Kwaito music, house, hip-hop and reggae, which form a single cultural milieu for South African youth, strongly asserts African and black identity, is fundamentally non-racial and draws in large numbers of youth from all national minorities. This cultural movement is the social context in which a new subjective non-racialism is emerging as a direct consequence of our own victories.

However, obviously not as politicised as their 1970s and 1980s counterparts, new generations are highly conscious of their identity as black people living in a society that has still not fully achieved non-racialism. As a result they are largely sympathetic to the liberation movement, at least for now.

But the majority of the 3.4 million youth of working age are not active in the structures of the democratic movement: ANC, COSATU, SACP, ANCYL and ANCWL. This poses a serious challenge to the approach we use to organise. Increasingly, it may be a sign that larger sections of society only relate to the movement during election time. This is dangerous because they can easily be

swung away from the ANC if the movement does not have mechanisms of involving them actively in development campaigns and organisational life.

The conditions of workers and the changing world of work in Gauteng's economy

A recent survey of COSATU members reached a number of interesting conclusions:

- The majority of respondents were male, aged between 26 and 45, and were increasingly becoming more skilled with high levels of education. Of respondents, 42 percent viewed themselves as "skilled". The majority were full-time, permanent employees.
- There were high levels of trust in political parties and also in elected political institutions. More than 50 percent trusted political parties and elected institutions to defend workers' rights, although the vast majority believed a union was also necessary.
- The ANC remained the party of choice for workers, with 73 percent support for the movement, about the same as in 1994. Sixteen percent refused to say who they would vote for while only five percent said they would not vote. Only seven percent felt that COSATU should form its own party.
- The majority of workers believed that there had been improvements in the levels of service delivery by government over the last 10 years, although jobs, wages, HIV/AIDS and crime remained key concerns.

The organised working class remains solidly behind the movement. This is not surprising since in many respects they have benefited considerably from the extension of citizenship and worker rights as a consequence of the National Democratic Revolution. Although the context of poverty means that greater numbers of people are depending on their wages, their income and working conditions have dramatically improved.

A recent study of the manufacturing sector found that: "Rising labour productivity has resulted in a slow but steady increase in labour remuneration. Average manufacturing wages in June 2002 were 21 percent higher than in June 1990 - with two-thirds of the increase post-June 1995. Moreover, while more data was needed here, there were clear indications that the earnings of unskilled and lower paid employees in manufacturing increased more rapidly than those of the skilled and higher paid employees. Preoccupation with the employment numbers has led to a neglect of this important dimension of equity - for those in formal manufacturing employment, and more particularly for lower paid employees, there have been persistent and solid gains in remuneration."

The union movement is increasingly concentrated within the core of the labour market. Within that core the shift away from manufacturing has changed the character of

union organisation. Within COSATU the dominant role of the mining and manufacturing unions (in terms of membership numbers) has been reduced by the growth of public sector unions, such as NEHAWU and SADTU. Today, unions organising government employees account for 41 percent of COSATU members. Even in COSATU's Wits region, which excludes Tshwane, public sector workers account for a third of union membership.

The relative weight of the black middle strata and the emerging black bourgeoisie in Gauteng

The 2004 preface to the ANC's Strategy and Tactics document notes that the black, emergent capitalist class "needs to be organised and mobilised to serve the interests of reconstruction and development". While politically and socially significant, especially in Gauteng, this "black bourgeoisie" remains tiny in numerical terms. In fact, by any measure they continue to be a small fraction of the capitalist class. Of thousands of executive directors of listed companies only 64 are black! The capital they own amounts to less than 1 percent of equity listed on the JSE Securities Exchange. In senior management of corporations and key economic professions black representation is also miniscule. In many respects the black bourgeoisie is still a fraction of "capitalists in search of capital". Nevertheless, black capital, concentrated in the mining and financial sectors, is concentrated in Gauteng province.

The Strategy and tactics document warns us:

"In some instances what is hailed in the private sector as 'black empowerment' is symbolic and devoid of real substance. There are possibilities that some of these forces are dictated to by foreign or local big capital on whom they rely for their advancement. There are possibilities too, that the path to riches for some can be directly via public office, sometimes through corrupt practices. Though such instances may be an exception to the norm, experience in other countries has taught us that, without vigilance, elements of these new capitalist classes can become witting or unwitting tools of monopoly interests, or parasites who thrive on corruption in public office."

While the black bourgeoisie remains tiny, the growth in numbers of the black middle strata has been phenomenal. This includes the various intermediate classes (i.e. neither labour nor capital) such as managers, professionals, small business owners, public servants, etc. As education levels improve and the service sector grows it is to be expected that this black middle class will become even more significant.

Traditionally, South Africa's middle class has been racially defined as white and structurally separated from the majority. In contrast, the new black middle class has greater organic links through culture and family ties to the majority of the population. As a result, the economic power that they wield could be directed into patterns of consumption and investment which are less polarising than those traditionally associated with their

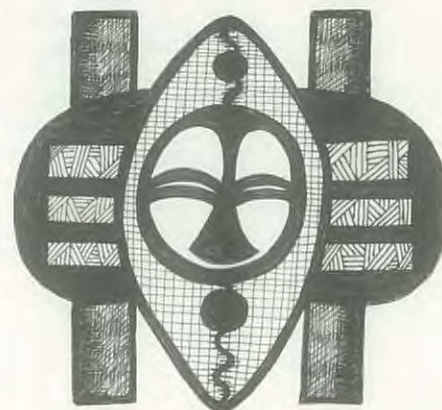
white counterparts. The growth of an African middle class can form an important force for integration between the first and second economies, as well as provide a boost to domestic demand, thus spurring the creation of broader-based economic activity.

However, this will not take place automatically: "Fundamental change also demands the redefinition of outlook, cultural values and moral attributes that characterise South African society. This is the realm of ideology; the battle of ideas; in which new values and mores that place humanism above greed and individual selfish interest need to be strongly asserted" (Preface to Strategy and Tactics, 2004).

Cultural and political divisions within the African majority and the increasing class differentiation within this bloc will have important implications for the ANC. As people experience a growing gap in the lifestyles of the rich and the poor, along class rather than racial lines, consciousness of "relative deprivation" is compounded, especially if only a select few are perceived to benefit from "black economic empowerment" and affirmative action.

Intermediate strata, endowed with educational advantages and new political cultures, influenced to a greater degree by global trends, may increasingly seek alternative means of political expression, which bypass ANC structures and engage directly with the state. Middle class politics may seek alternative forms of expression to that of the ANC branch. This poses the challenge of managing ANC branches that can transcend emerging class divisions (e.g. including 'maids and madams' within a single structure).

Historical experience, especially in developing countries, points to the possibility of intermediate classes pursuing their own historic projects, independent of workers or capitalists. These could include radical reform movements, whether of the populist or of the revolutionary kind. As these classes pursue their historic project, in distinction from that of workers or capitalists, the politics of petty-bourgeois opposition may take the form of right wing (e.g. religious fundamentalist) or left-wing (e.g. socialist) ideology.



THE NORTH WEST DEPARTMENT OF TRANSPORT AND ROADS




TAXI INDUSTRY

Taxi industry

The taxi industry was operating in a very violent and conflict driven environment. Through dedication and hard work by both government and the industry, the north west taxi industry was transformed into a more stable and responsible industry by doing the following:

- Registration of taxi operators and associations. To date approximately 4000 taxi operators are registered and more than 70 associations.
- Legalisation of illegal taxi operators by means of the Be Legal and the Special Legalisation Programme.
- Democratisation of the taxi industry. A provincial and five regional taxi councils were established by means of a democratic process unlike in the past where executives were appointed by undemocratic and coercive means.
- The formation and establishment of the five regional transport cooperatives with fully constituted boards of directors. These cooperatives serve as the economic muscle of the taxi industry.
- The Taxi Retail Installation (TRI) programme, a partnership between government, the taxi industry and Caltex (SA) is in full swing. This is the first 'real' evidence of achieving the ultimate objective of this initiative to empower individual taxi operators in our province through the cooperative collective bargaining business initiative and will provide the taxi industry in our province with a capital investment of R30 million from government over three years, Caltex will invest R12,5 million and the Industry R6,5 million.

IMPLEMENTATION OF THE NATIONAL LAND TRANSPORT TRANSITION ACT, ACT 22 OF 2000 (NLTTA)

The Province achieved the following:

Compliance with the requirements for recapitalisation, such as:

- Application process of converting the old taxi permits into public transport operating licenses.
- Taxi registration by 4000 operators.
- Scholar transport – the publication of regulations and the public participation process communicating with the public on the need for legal operators has been successfully completed.

BUS INDUSTRY

- The key achievement is the restructuring process of North West Transport Investment.
- It will largely contribute to the entering of the previously disadvantaged into the bus operators' arena. In addition the staff is transferred on existing terms and conditions to the new employer, resulting in job protection.
- The introduction of transport for farm children is also an achievement. R13 million was supplied for this.

NON-MOTORISED TRANSPORT

- The bicycle project is proceeding positively. To-date, 3 400 bicycles have been procured and mainly distributed in the Bophirima Region to learners who travel more than 10 kilometres to school.
- The animal-drawn carts prototype has been launched and will soon be distributed to deserving communities. The features of the cart will incorporate features that should improve safe road usage.

AIR TRANSPORT

- Re-introduction of the Johannesburg-Mafikeng air route with effect from 5 December 2003.
- Training of some 35 men and women from previously disadvantaged backgrounds was conducted in order to facilitate provision of aviation security at the Mafikeng Airport. Various organisations, such as SAA, are using the airport as a centre for flight crew training.

ROAD TRAFFIC MANAGEMENT

- All law enforcement officials were supplied with subsidised vehicles resulting in improved mobility.

- For effective monitoring the vehicles were fitted with a Global Positioning System.
- Since 1994 the staff compliment has increased by at least 30%.
- In the years 2002 and 2003 drivers from the North West Province were crowned National Driver of the Year at the inter provincial competition.
- An electronic system was introduced to identify motorists with outstanding fines/warrants of arrest at the roadside.

FLEET

- The fuel and maintenance of the pool vehicles were successfully outsourced resulting in some reduction of fraud.

GENERAL

- The transportation of delegates at the pre-summits at Bafokeng (Women Summit) and Bakgatla (Youth Summit) of the World Summit for Sustainable Development (WSSD) in the province. The department successfully coordinated the necessary transport logistics for the delegation.
- The transportation arrangements of cricket fans in the North West Province by the Department of Transport supported by our major public transport partner, the taxi industry in conjunction with the National Department of Transport during the recent ICC World Cup Cricket.

UNDER ROADS

The Department implemented Roads Programmes that made a significant developmental impact across the province. The developments have demonstrated government's commitment towards service delivery including provision of much needed access to rural areas.

The total number of kilometres forming part of the Roads Programmes over the past ten years amounts to the following:

- Rehabilitation – 1932 kilometres
- Surfacing of gravel roads – 560 kilometres
- Upgrading of gravel roads – 835 kilometres
- Special project for surfacing of gravel roads – 89 kilometres

Some of the above-mentioned projects have provided an opportunity for emerging contractors to venture into the road building industry. The socio-economic impact of the above-mentioned projects includes the creation of 2 460 job opportunities.

Always at your service.



**The Department of Transport and Roads
North West Province, Republic of South Africa
Private Bag X2080, Mafikeng, 2745
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THE PRIVATE SECTOR, POLITICAL ELITES AND UNDERDEVELOPMENT IN SUB-SAHARAN AFRICA

BY MOELETSI MBEKI

The author is at the South African Institute of International Affairs. This is an expanded version of a talk given to the Africa Club at the London Business School in June 2004.

Why are most Africans in Sub-Saharan Africa poor and why are they getting poorer while most people in the rest of the world are becoming better off? The World Bank and the International Monetary Fund, who have become Sub-Saharan Africa's fairy godmother and godfather respectively, every year churn out statistics that tell the same tale – Africans are poor and in many instances have fallen so far down it is difficult to imagine them getting poorer. With poverty and growing impoverishment go conflicts over scarce and shrinking resources. Hence Sub-Saharan Africa's apparently never-ending cycle of violent conflicts.

In its seminal study, *Can Africa Claim the 21st Century?*, the World Bank made the following observations about Sub-Saharan Africa:

"Despite gains in the second half of the 1990s, Sub-Saharan Africa (Africa) enters the 21st century with many of the world's poorest countries. Average per capita income is lower than at the end of the 1960s. Incomes, assets, and access to essential services are unequally distributed. And the region contains a growing share of the world's absolute poor, who have little power to influence the allocation of resources." (1)

The World Bank's observations are corroborated by other researchers. This was how the prestigious (US) National Bureau of Economic Research summarised the living conditions of Africans:

"Thirty-six percent of the region's population lives in economies that in 1995 had not regained the per capita income levels first achieved before 1960. Another six percent are below levels first achieved by 1970, 41 percent below 1980 levels and 11 percent below 1990 levels. Only 35 million people reside in nations that had higher incomes in 1995 than they had ever reached before." (2)

Key to economic development

All modern schools of political thought, from Karl Marx and Vladimir Lenin on the left to Friedrich Hayek and Milton Friedman on the right, are agreed on at least one thing: the private sector is the driver of modern economic development.

In a quest for greater security and comfort, the theory goes, private individuals and their households are driven to seek more and more material wealth. This process in turn compels these private individuals to produce more and more and exchange what they produce with other individuals who are also seeking greater security and comfort. The sum total of these acts of production, exchange and consumption constitute the modern capitalist economy. The capitalist economy is therefore inherently driven to produce more and more so that its denizens may get greater and greater security and comfort.

For the private individuals to produce more and better, they must generate savings that they plough back into the production process as new and improved techniques, processes and products. This enables these private individuals to constantly produce more products, better and more diverse products that can be exchanged with other private individuals who are doing the same.

This is the inexorable logic of capital accumulation. The more you produce, the more you must produce, the cheaper you must produce and the better products you must produce because if you do not, others who are seeking greater security and comfort will displace you in the marketplace and you will therefore suffer reduced security and comfort. The key words of this system are therefore production, exchange, markets, savings, improved techniques (research and development), medium of exchange (money) and economic growth.

Africans are, of course, no different from other human beings in that they also want security and comfort. What is happening, however, is that the great majority of Africans are today experiencing the opposite: less security and comfort and in many instances they face hunger, homelessness, threats of violence and actual violence, and starvation on a daily basis.

Africa, however, has arguably one of the largest private sectors in the world today. Most Africans live and work in private households that populate the African countryside (see Table 1). Theoretically, if we refer to the model described above, Africa should be a hive of economic activity and growth driven by the logic of these private individuals and households attempting to maximise their security and comfort. What has gone wrong?

Table 1 Percentage of labour force working in Agricultural, Industrial and Services sectors.

Services	Agriculture			Industry					
	1970	1980	1990	1970	1980	1990	1970	1980	1990
Agricultural countries									
Ethiopia	91	89	86	2	2	2	7	9	12
Kenya	84	82	80	5	6	7	9	11	13
Oil Producing Countries									
Nigeria	71	54	43	11	8	7	19	38	50
Gabon	79	65	52	9	12	16	12	22	33
Newly Industrialising Countries									
Mauritius	34	27	17	25	28	43	41	45	40
South Africa	31	17	14	30	35	32	39	48	54

Source - The World Bank: African Development Indicator 2002

In the model described above, the underlying assumption is that private individuals are free to pursue their search for security and comfort and they therefore own and control the means of achieving their objectives. They are assumed to be free to exchange what they produce without let or hindrance and that where they are able to make savings, they are free to retain those savings and plough them back into improved techniques or other investment avenues as they may wish.

This is not the case with the private sector in Sub-Saharan Africa. Africa's private sector is predominantly made up of peasants and, secondly, of subsidiaries of foreign-owned multinational corporations. Neither of these two groups has the complete freedom to operate in the marketplace because they are both politically dominated by others - non-producers who control the state. Herein lies the weakness of the private sector in Africa that explains its inability to become the engine of economic development. Africa's private sector lacks political power and is therefore not free to operate to maximise its objectives. Above all, it is not free to decide what happens to its savings. Let us start with the situation of Africa's peasants.

Peasants' vulnerability

According to Marx, peasants are not able to form an independent political force that can represent their

interests; they are therefore open to exploitation by other social groups that dominate them politically.

In one of the famous passages from his classic analysis of French society in the 19th century, Marx had this to say about the powerlessness and therefore vulnerability of peasants:

"The small-holding peasants form a vast mass, the members of which live in similar conditions but without entering into manifold relations with one another. Their mode of production isolates them from one another instead of bringing them into a mutual intercourse... Each family is almost self-sufficient; it itself directly produces the major part of its consumption and thus acquires its means of life more through exchange with nature than in intercourse with society. A smallholding, a peasant and his family; alongside them another peasant and another family. A few score of these make up a village, and a few score of villages make up a department... In so far as millions of families live under economic conditions of existence that separate their mode of life, their interests and their culture from those of the other classes, and put them in a hostile position to the latter, they form a class. In so far as there is merely a local interconnection among these small-holding peasants, and the identity of their interests begets no community, no national bond and no political organisation among them, they do not form a class. They are consequently incapable of enforcing their class interests in their own name, whether through a parliament or through a convention. They cannot represent themselves, they must be represented." (3)

But who represents the interests of the peasants in Africa today? The answer is nobody.

The one African politician who claims to act in the interests of peasants, Zimbabwean President Robert Mugabe, has reduced the once proud and almost self-sufficient Zimbabwean peasants to paupers who now have to be fed by the United Nations' World Food Programme. Africa's peasants are therefore prey to the forces that have the ability to form political organisations and therefore control the state. The way that peasants are preyed upon by the controllers of the state - the political elite - has been studied extensively, not least by the World Bank itself. (4)

Fundamentally, the political elite uses its control of the state to extract the surplus or savings that the peasants would have invested in improving their production techniques or to diversify into other economic activities. Through marketing boards, taxation systems and the like, the political elite diverts these savings to finance its own consumption and the strengthening of the repressive instruments of the state. The Economist (London, 17.07.2004) made the following observation about Ethiopia's dependence on foreign food donations:

"By law, all Ethiopian land is owned by the state. Farmers are loath to invest in improving productivity when they have no title to the land they till. Nor can they use land as

collateral to raise credit. And they are taxed so heavily that they rarely have any surplus cash to invest."

A great deal of what Africa's political elites consume and what the African state consumes, is however not produced locally but is rather imported. Elite and state consumption therefore does not create a significant market for African producers but instead acts as a major drain on national savings that would otherwise have gone into productive investment in Africa.

This is the secret to Africa's growing impoverishment despite its large private sector. The more the African political elites consolidate their power, the more they strengthen their hold over the state, the more the peasants are likely to become poorer, and the more the African economies are likely to regress or, at best, to mark time.

One of the most striking illustrations of this phenomenon is Nigeria. According to a study of Nigeria prepared by the Centre for the Study of African Economies at Oxford University, over the period from 1980 to 2000 per capita GDP (in 1996 purchasing power parity terms) fell from US\$1 215 to US\$706. The authors point out that growth and poverty are very closely related and that the 40 percent drop in purchasing power parity understates the size of Nigeria's problem:

"First the fall in real per capita consumption was very much greater while the available evidence suggests that inequality rose. This combination of a very large fall in per capita consumption combined with increasing inequality implies a large rise in poverty." (5)

According to another source, the number of Nigerians living below the poverty line increased from 19 million in 1970 to 90 million in 2000. This was accompanied by a massive rise in inequality. In 1970 the top 2 percent of the population earned the same income as the bottom 17 percent, but by 2000 the income of the top 2 percent was equal to that of the bottom 55 percent.(6)

The most graphic illustrations of this iron law of African underdevelopment is the role that the oil industry plays in Africa. Oil revenues make it possible for the political elite to literally become detached from the local population and economy and therefore to live in an oasis. When this happens there is therefore no need for the political elite and the state it controls to invest in mass education, healthcare, housing and transportation infrastructure that the population at large needs. Everything thus goes into a state of decay except of course for the welfare of the political elite and the repressive machinery of the state.

This was how *The Economist* (London, 25.01.2003) described the impact of oil production on Equatorial Guinea and Gabon:

"Equatorial Guinea now pumps more oil per person than Saudi Arabia. Its economy, once negligible, has grown at an

incredible 40 percent annually since 1996, when the oil boom began. A few years ago, the streets of the capital, Malabo, were as quiet as Sao Tome's are today. Now, Malabo's pretty Spanish colonial architecture bristles with satellite dishes, and the streets, bathed at night in an orange glow from gas flared at a nearby methanol plant, are gaudy with sports cars, tropical palaces and prostitutes who flutter in from nearby countries such as Cameroon. And the tiny country's agriculture is blighted: cocoa and snail farmers have rushed to the town to grab at the oil bonanza.

"Equatorial Guinea was never well governed: Obiang Nguema, the president, seized power by executing his uncle in 1979. But oil has made his regime increasingly paranoid. Several members of the ruling family are thought to want a bigger slurp at the oil barrel. Mr Obiang sees plots everywhere, and arranged periodic crackdowns. Several opposition leaders were jailed last year after a mass trial, to which many defendants turned up with broken arms and legs. Mr Obiang scoffs at western notions of transparency, insisting that how much money his government earns from oil is nobody's business. 'Oil has turned him crazy,' says Celestino Bacale, a brave opposition politician.

"In next door Gabon, Omar Bongo has been in power since 1967. He is more subtle than Mr Obiang. He does not torture his enemies but buys them off. Decades of oil revenues have corrupted Gabonese society and eroded its work ethic. Citizens aspire to soft billets in the civil service, and turn their noses up at menial jobs like taxi driving and shop-keeping, which they leave to immigrants from poorer places such as Togo and Mali. Agriculture in Gabon, as in Equatorial Guinea, is all but dead."

Vulnerability of multinational corporations

European joint stock companies have operated in Africa since the dawn of the capitalist era. They financed, insured and operated the ships that transported the slaves to the New World. One of the most famous among them, the Dutch East India Company, started the colonisation of South Africa in the mid-17 century. With the emergence of colonialism after the 1884 Berlin Conference, these companies followed close on the heels of the colonialists' conquering armies and established agricultural plantations, mines, railways, harbours and new cities. Later they diversified into making consumer goods for the burgeoning African market, from soap and beer to blankets, fishing nets, processing of raw materials, etc.

When the colonialists retreated from the 1950s onwards, these colonial subsidiaries lost their key protector, the colonial state. Before long they, like the peasants, fell prey to the appetites and whims of the new African political elite who controlled the newly independent African states. The lucky ones were nationalised and their owners were therefore paid compensation; the not so lucky ones were "privatised". Many survived as best they could through corrupting the new elite or finding ways of ingratiating themselves with the new masters. Western oil companies have perfected their survival tactics in Africa. They periodically make

huge payments to foreign private bank accounts of heads of state of oil producing countries. The US Senate recently uncovered vast sums paid by oil companies to the private bank accounts in Washington DC of Equatorial Guinea's head of state. (Mail & Guardian, Johannesburg, 30.07.2004)

What has been most striking about the political elites in Sub-Saharan Africa is their aversion to becoming involved in industry, whether manufacturing or mining. The private sector in these sectors is therefore still dominated by foreign owned companies with parastatals increasingly playing a minor role.

A recent study by the World Bank shows that the most productive companies in, for example, Nigeria are those owned by a multinational corporation or by non-African industrialists – Indians, Chinese, Lebanese etc. (see Table 2). All these owners are easy targets as they are not represented within the political elites. In common with the peasants, they are therefore subjected to all sorts of official and unofficial taxes ranging from backhanders for factory inspectors and customs officials through to artificially high electricity tariffs, arbitrary municipal rates and the like.

Table 2: Value added per worker in US \$ in the manufacturing sector in Nigeria

Value Added per worker	
Local	3 137.52
Foreign	8 790.12
Indigenous	4 460.05
Non-African	7 791.56
Micro	2 765.58
Small	3 859.39
Medium	5 020.36
Large	4 198.73
Very Large	11 094.26

Source – The World Bank, An Assessment of the Private Sector in Nigeria, September 2002

This is another way that the African political elite contributes to fostering Africa's underdevelopment. By obstructing the operations of industry and diverting a large part of its profit to elite consumption and to capital flight, Africa's manufacturing industries are unable to grow and therefore to create employment for all grades of workers.

According to a Ghanaian researcher, his country's economy was in "free fall" before 1983 when the World Bank came to the rescue.

"Between 1970 and 1980 per capita GDP declined by a total of 19.7 percent; from 1980 to 1983 it dropped by a further 21.3 percent. There was sharp decline in both domestic and export production. The manufacturing index plunged from 100 in 1977 to 69.0 in 1980 and 63.3 in 1981, with average capacity utilisation in that year estimated at only 24 percent."

Even after a decade of the World Bank and other donors trying to breathe life into Ghana's industry from 1983:

"Overall capacity utilisation improved from 30 percent in

1983 to 40 percent in 1989 and appears to have stagnated at around this level for much of industry in the 1990s." (7)

Not surprisingly, Africa loses more than 20 000 graduates every year who emigrate out of the continent.

The issues raised above do not mean there is no new investment in Sub-Saharan Africa, far from it. Investment in petroleum and other extractive industries proceeds apace and, more recently, investment in mobile telephony. There are a few new investors who have entered the field, in particular South African and Mauritian corporations and a few companies from Asia and Latin America. These investments however do not make a significant dent in the continent's underdevelopment.

The peculiarity of South Africa

Though part of Sub-Saharan Africa geographically, South Africa has two features that distinguish it from the rest of the region. Firstly, South Africa does not have a peasant social class.⁽⁸⁾ Secondly, its private sector is owned mainly by South African citizens, one of the unintended consequences of sanctions and disinvestment in the 1970s and 1980s. These two features have enormous implications for governance in South Africa.

While South Africa is ruled by a political elite that has much the same roots and characteristics as most of the political elites in the rest of Sub-Saharan Africa, its room for manoeuvre is enormously constrained by the fact that it does not have a passive peasantry to exploit. Instead it is surrounded by a dynamic private sector that is owned by South African citizens whose rights are entrenched constitutionally and are enforceable by the propertied classes themselves through the franchise, through the judiciary, and through the independent mass media that sees itself as the watchdog over the rights of citizens.

Secondly, African nationalists – the political elite to be – in South Africa were compelled in the struggle against apartheid to enter into alliances with the black urban working class. South Africa's urban working class is existentially the opposite of peasant smallholders in that it is organised into independent social movements, especially trade unions, which articulate and represent its interests. Central to the interests of the black working class and private sector owners is job creation for the former and profit maximisation for the latter. Both these major social and political forces thus have a common interest to promote economic growth and therefore to minimise the private consumption of the political elite.

It is this that makes South Africa different from the rest of the region and that accounts for its ability to grow its economy while the economies of the rest of Sub-Saharan African countries are stymied by the dead weight of political elite consumption.

All this does not mean that the political elite in South Africa, like other political elites in the rest of Sub-Saharan

Africa, will not try to enrich itself at the expense of private sector producers. Black economic empowerment (BEE) in South Africa is in reality the flipside of the attempt to siphon savings from private sector operators in an environment where there are no peasants and where most of the private sector is locally owned. The fact that BEE has proved to be a far more uphill battle for the political elite in South Africa is due to the ability of the private sector to resist dispossession. But these are early days. Time will tell who will come out best from what could be a titanic struggle – recently joined by organised labour with its own agenda – by the political elite to “privatise” the private wealth of South Africa’s current private sector owners. An even bigger question however is what impact these struggles will have on the future growth potential of the South African economy.

Interestingly, the political elite in South Africa is being encouraged in this BEE venture by elements of the super-rich who seek political favours from the state to externalise their assets, to get the first bite of government contracts, and to buy seats at the high table of economic policy formulation.

Foreign multinational corporations however continue to play an important role in the South African economy both as old investors and as new investors. The property rights protection enforced by the South African constitution also protects foreign investors. The sophistication of the South African economy and its extensive entanglement with the global economy in reality means that foreign corporations have an independent clout in South Africa in the sense that South Africa’s economy cannot operate without access to the international licenses, patents, copyrights, etc., it must have in order to function on a daily basis. This point was recently brought home in the negotiations between South Africa and the American Chamber of Commerce over black shareholding in American information technology companies operating in South Africa. Not surprisingly the giants of US information and communication technology will not be required to accommodate black shareholders if they do not wish to. (Business Day, Johannesburg, 13.08.2004)

New democracy for Sub-Saharan Africa

Can the New Partnership for Africa’s Development (NEPAD) change the lethal equation that afflicts Sub-Saharan Africa? While NEPAD may address some of the worse excesses of the political elites through the African Peer Review Mechanism it does not address the fundamental malaise, that is, the enormous power imbalance between the political elite and key private sector producers.

If the driving force behind Sub-Saharan Africa’s underdevelopment is the structural powerlessness of producers and therefore their inability to retain and control their savings, it should be self-evident that until this equation is reversed there will be no development in the sub-region. But how is this to be reversed and by whom?

If Sub-Saharan Africa is to develop, it needs a new

type of democracy, a kind that will empower not just the political elite but that will empower Sub-Saharan Africa’s private sector producers as well. In the first instance, it is necessary that peasants must become the real owners of their primary asset, land. This is the only way that there can be land improvements in Sub-Saharan Africa instead of what is happening at present, that is, rampant deforestation and accelerating desertification. This means freehold must be introduced and the so-called communal land tenure system, which in reality is state land ownership, must be abolished.

Secondly, peasant producers must gain direct access to world markets without the political elite, through state corporations, acting as the go-between. This means that internationally traded cash crops – coffee, tea, cotton, sugar, cocoa, rubber, etc – must be auctioned by the producers themselves.

Another important innovation that is needed is new financial institutions that are independent of the political elite and will address the financial needs of not just peasants but also other small-to medium-scale producers. These could be co-operatives, credit unions, savings banks, etc. Besides providing financial services, these institutions would undertake all the other technical services that are not being provided at present by the political elite, such as crop research, extension services, livestock improvement, storage, transportation, distribution and many other services that would contribute to make agriculture in Sub-Saharan Africa more productive.

This is where foreign donors could play a more constructive role than they are doing at present through their current efforts to sustain the political elites and African states with budgetary support and the like. Donors could support these independent institutions by providing the expertise to manage them and to some extent help shield them from predators.

What socio-economic system would these changes bring about? Certainly not socialism! These changes would for the first time bring into being in Africa a capitalist market economy that answers to the needs of African producers rather than to the needs of colonialists and, in more recent time, non-producers who try to perpetuate the role cast for Africa by colonialists as a primary producer.

An important lesson Sub-Saharan Africa could draw from are the agricultural reforms that took place in China during the past 25 years or so. It was in the first instance changes in the agricultural sector that made it possible for China to embark on its current break-neck industrialisation process.(9)

Notes:

1. World Bank, Washington DC, 2000, p.1
2. Richard B. Freeman & David L. Lindaner; *Why not Africa?*, NBER Working Paper 6942, Cambridge MA, 1999
3. Karl Marx, *The Eighteen Brumaire of Louis Bonaparte in Karl Marx*

& Frederick Engels; *Selected Works in One Volume*, London 1970, pp.170-1

4. *Can African Claim the 21st Century*, Chap 6. See also World Bank, *Accelerated Development in Sub-Saharan Africa*, Washington DC, 1981

5. Centre for the Study of African Economies; *Sources of Growth in Nigeria: An Initial Analysis*, Oxford University, Oxford, April 2003 (unpublished)

6. Nancy Birdsall & Arvind Subramanian; *Saving Iraq from Its Oil*,

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7. Eboe Hutchful; *Ghana's Adjustment Experience; The Paradox of Reform*, Oxford 2002, p.6 & pp. 81-2

8. Colin Bundy; *The Rise and Fall of the South African Peasantry*, London 1979

9. Chen Xiwen; *Reform of Economic Structure in China's Rural Areas*, in Wang Mengkui (ed), *China's Economic Transformation over 20 Years*, pp. 197-264, Beijing 2000

THE LIFE OF OSCAR MPETHA

Remembering Oscar Mpetha on the 10th anniversary of his death

BY WILLIAM M. GUMEDE

The author is a PHD candidate, London School of Economics and former deputy editor of *The Sowetan*.

He was frail, elderly, barely audible when speaking and his left leg was amputated below the knee. But still, his eyes full of fire, Oscar Mpetha struck fear in the hearts of South Africa's iron-fisted apartheid rulers. During one of my interviews with him, in that stifling and tense summer of 1992, when South Africa was precariously tilting between a head-long plunge into violent breakdown and the tantalising, but then seemingly elusive promise of a bright new dawn of peace and democracy, Mpetha's spirit was undaunted. As the "Cape Doctor" howled loudly outside his neat Gugulethu home, perched on a hill in the wind-swept and sandy Cape Flats township, he would determinedly repeat the slogan: "Freedom in my lifetime". Mpetha's wish would come true. He died, from diabetes, at his home on Tuesday, 15 November 1994. He voted in South Africa's historic non-racial democratic elections in April 1994. Assisted by helping hands, tears streaming down his cheeks, but smiling, even managing to lift his clenched fist in one last "Amandla", which seemed to sap all his strength.

During that interview in 1992, the veteran trade unionist was already confined to his bed, speaking haltingly. Drinking water from a cup was an agonising labour. By then, heart wrenchingly, the visitors to his home in Gugulethu had become a trickle. "This man gave his life to the struggle. Shame on us if he is to be abandoned and forgotten," a worried neighbour told me, standing at his gate. A passer by concurred, nodding her approval.

He was born in Mount Fletcher in rural Transkei in 1909, from humble peasant stock, a year before the Union of South Africa was proclaimed, which brought Afrikaner and Briton

together as the rulers of the country to the bitter exclusion of blacks. He grew up under the chilling backdrop of the 1913 Native Land Act, which overnight plunged hundreds of thousands of Africans into deep despair by forcefully appropriating vast productive and fertile lands in their hands. The Land Act banned Africans from owning land except in the "reserves" that were often tiny plots, the soil arid, hard and unforgiving. Many rural African families who were existing in traditional, but self-sustaining livelihoods were uprooted as they were driven from their land to the "reserves" or later by that particular window-dressing language of the apartheid regime called "homelands". Such was the harshness, that many were even banned from burying their dead on the land they and their families lived on for countless generations.

The great journalist, writer and activist, former ANC general secretary Sol Plaatje hauntingly described in Dickensian tones how, "awakening on Friday morning, June 20, 1913, the South African native found himself, not actually a slave, but a pariah in the land of his birth."

So, in 1934, Mpetha was forced to join the trek by many young Africans now forced off the land to seek work in the teeming metropolises. He gathered his most precious belongings, bid farewell to his family and took the long journey to Cape Town. He first landed a job on the docks and would later work as a waiter, hospital orderly, road worker and factory worker. But his leadership qualities would quickly stand out.

Mpetha's first few years in Cape Town saw the introduction of the "Hertzog Bills", sponsored by the former South African prime minister, J.M.B. Herzog. These bills built on

the 1913 Native Act and aimed to delete even the remaining small group of black voters in the Cape from the voting roll.

But black organised protests were at a low ebb. By the early 1930s, the early heady promise of the Industrial and Commercial Workers' Union (ICU), South Africa's first modern mass workers' movement of blacks built by that other pioneering black trade unionist Clements Kadalie, had petered out. Pixley ka Seme, the bright and visionary founder of the ANC, would turn out a rather poor leader. Comrades and foes alike described his presidency of the ANC that lasted between 1930 and 1937, as "culpable inertia". Membership plummeted and the organisation was on life support. Similarly, the Communist Party was in turmoil. Making an "ultra-left" turn, after an instruction from the Comintern in Moscow that it should change ideological course, it descended into an orgy of purges of its members perceived to be "deviants".

Joined the ANC

Mpetha, angry with his and fellow black workers' exploitation by callous white employers, joined the ICU – though by this time it was on its spiral towards eventual collapse. He led his first successful strike in 1940. But Mpetha soon came to the conclusion that changing the miserable conditions of black workers necessitated the overhaul of the whole society and government, for which a political movement was going to be crucial. Mpetha joined the resurgent African National Congress in 1938. The year earlier, Z.R. Mahabane had ousted the lethargic Seme as president and he now started to breathe new life into the ailing organisation. Similarly, the Communist Party started to shape up, with many of the "purged" comrades brought back into the fold. The stirrings of the Second World War helped to push the political mood among black South Africans to reach fever pitch. Mussolini's fascist invasion of Ethiopia caused particular outrage. Mpetha was not left untouched.

Mpetha was a member of that electrifying generation of black trade unionists and communists, which numbered J.B. Marks and Moses Kotane, that after the Second World War would lead a fresh charge to radicalise the ANC and the SACP after an almost decade-long lull. Their mantra was to create "political trade unionism", believing that trade unionism in South Africa can never be only limited to "bread and butter" shop floor issues, such as negotiating only for higher wages. To them trade unionism meant actively working towards securing a democratic, non-racial government and an equitable and caring society.

Mpetha was a founder member of the South African Congress of Trade Unions, the predecessor of the latter-day Congress of South African Trade Unions. He served as its first national organiser. He joined the African Food and Canning Workers' Union in 1947, becoming its general secretary three years later. In 1958, he became the Western Cape leader of the ANC in a heavily contested election.

Mpetha was an extraordinarily competent organiser and an electrifying speaker. He was the least sectarian of

men. He passionately believed in non-racism. His close comrades spanned the race and ethnic divide. He was always courteous, never dismissive and made lasting and enduring friendships. His humanity touched everyone he met. The trade unionist Archie Sibeko, then hard-at-heel and fresh from the platteland (countryside), described how Mpetha came to his help, though he was a total stranger, offering him tea, securing him introductions, helping him secure a job.

Mpetha banned

From 1954 onwards Mpetha was often banned. After the brutal Sharpeville killings of protestors by the police, he was amongst the political leaders targeted by the apartheid government and was banned. But he defied his 1959 ban and was thrown in prison for four years for furthering the aims of the ANC.

He was a seminal figure in the fiery debate at the 1957 SACTU national conference, on whether to defy the government's 1956 Industrial Conciliation Act, which together with the Native Labour Settlement of Disputes Act of 1953, racially segregated the membership of trade unions and excluded Africans from the officially recognised and state-regulated trade union system. Mpetha called for sactu to defy the act. Mpetha asked angrily: "SACTU as a progressive organisation had to reject the act ... Why could we not negotiate from strength? ... Have we no confidence in our own workers that they will change the tide in South Africa? We must not underestimate their strength."

However, the dominant leadership view was to accept registration on a racial basis, which they eventually did. The leadership argued the trade union movement was still too weak to defy the apartheid regime. How things would have turned out if SACTU had defied the act is a matter of conjecture. But what is certain, is that for Mpetha, vigorous internal debate and democracy was the keystone of the struggle, not slavish groupthink and trying to please the leadership at all costs.

Crucially, he was one of the internal leaders that endlessly worked behind the scenes in the early 1970s to regenerate the ANC inside the country, following the lull after the crushing jailing of almost an entire generation of the liberation movements' leadership during the Treason Trial, the banning of the liberation movements and the exile of many others.

COSATU general secretary Zwelinzima Vavi says Mpetha, along with Ray Alexander, Liz Pike and others, was instrumental in laying the foundations for the "new wave of union militancy after 1973," that culminated in the formation of COSATU in 1985. Moreover, this opened the way for the great wave of political protests both internally and outside South Africa which finally led to the collapse of apartheid. "Their contribution will never be forgotten and their ideas will never die," says Vavi.

Mpetha was also a key figure in the new kind of civic movement that sprang up in the 1970s. He was leader of

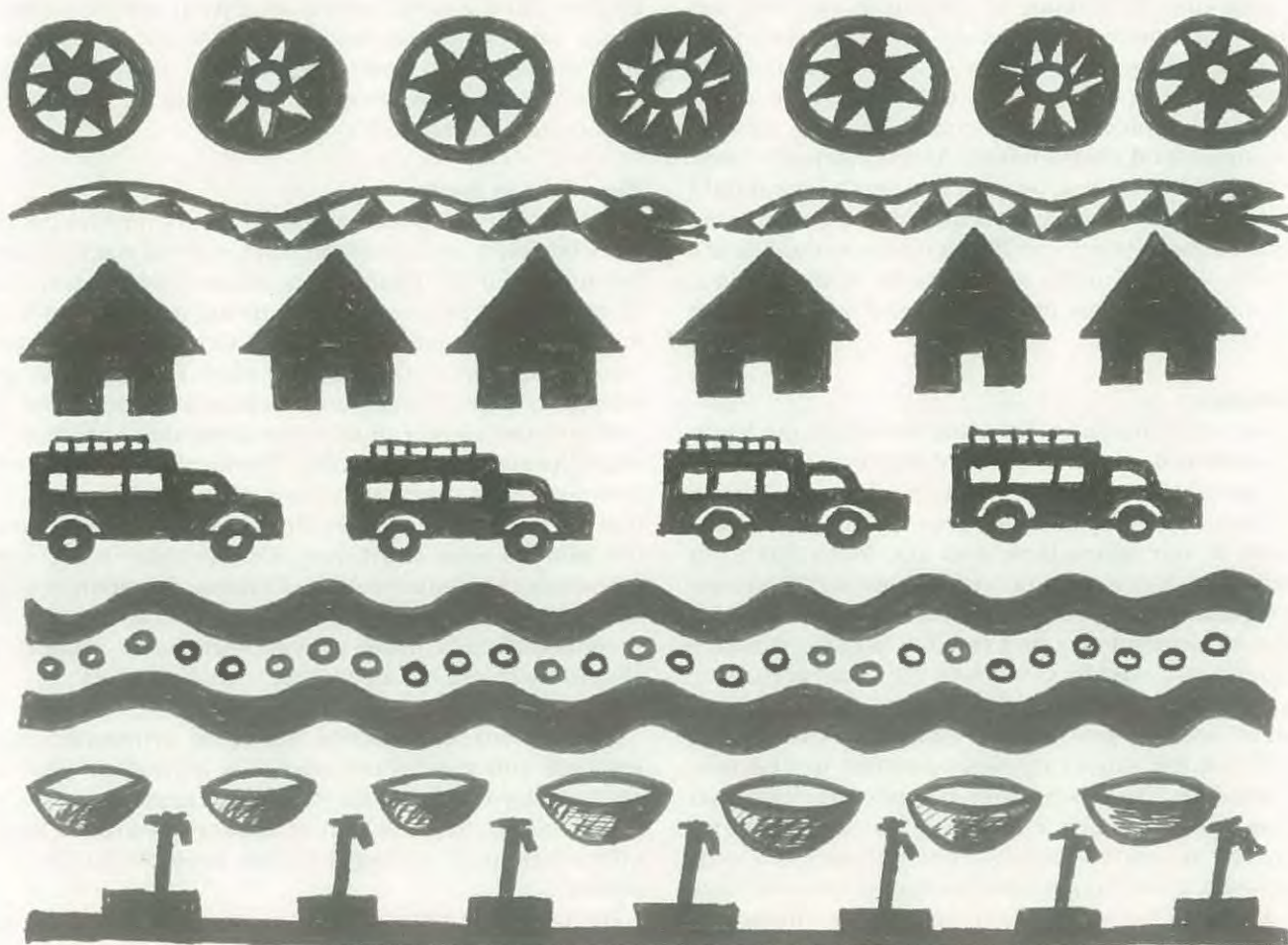
the powerful Nyanga Residents Association in the 1970s. He spearheaded the bitter fight to stop the 1980s removal of squatters from Crossroads and the 1980 bus boycott in Cape Town.

The apartheid regime's security pounced on Mpetha in August 1980. He was given a five-year jail sentence for terrorism. In 1983, while awaiting the outcome of an appeal against his sentence, he was elected co-president, with the human rights activist and lawyer Archie Gumede and the stalwart ANC activist Albertina Sisulu.

Mpetha's conviction was upheld and in 1985 he became the oldest political prisoner in South Africa. His sentencing triggered international condemnation of the cold-hearted apartheid regime. Even British Prime Minister Margaret Thatcher, an implacable foe of the liberation movements, petitioned apartheid hard man P.W. Botha to release Mpetha. The British Hansard recorded a motion handed to the House of Commons calling for the release of Mpetha. "That this House calls upon the South African government to release Oscar Mpetha... (B)elieves that his imprisonment is solely due to his struggle on behalf of black workers..."

Mpetha was refused permission to leave prison to attend the funeral of his wife in 1986. It hurt him deeply that he was absent at the laying to rest of the person who stood behind him during the hard years of the struggle. Mpetha was released with Walter Sisulu and other senior ANC leaders in 1989, heralding the eventual release of Nelson Mandela the year thereafter and starting the tumultuous events that lead to South Africa's non-racial democratic elections on 27 April 1994.

Oscar Mpetha symbolised the unselfish dedication to the struggle shown by activists who risked their lives and those of their families and who spent the best part of their lives in cold, hard apartheid prisons or on the run. We cannot allow these contributions to be forgotten or written out of history. Nor can we forget their ideals of building an open, transparent democracy: ideals of democracy which go far beyond just the ritual of elections every five years; where criticisms are not seen as unpatriotic, but appreciated as the life blood of democracy; and of the creation of a caring and humane society, where economic and political benefits are distributed equitably, not only to the few and well-connected.



GM CROPS AND AFRICA'S FOOD SECURITY

BY OWEN SICHONE

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As with any new technology that directly affects the well-being of the human population, the introduction of genetically modified (GM) crops has generated a lot of anxiety and debate. On the one hand, champions of biotechnology and free trade assure the world that this is the only way to solve the world's food shortages, while on the other, opponents of the new agricultural and economic policies caution against unleashing forces that we cannot control. This polarisation of opinions has made it difficult for a middle course to be followed but there is a need to strike a balance between scientific advance and individual choices, especially where food is concerned. This paper will suggest that production of GM crops may contribute to agricultural growth but this will not automatically translate into improved food security. It will also argue that given the widening gap that exists between Africa and countries of the north in the field of biotechnology, combined with Africa's relatively unpolluted environment, African farmers enjoy an advantage in the field of organic farming which should be developed to the maximum so that high value organic farm produce from Africa can find a niche on the world's supermarket shelves next to American GM produce. There is a fair chance that most consumers will prefer "to pass" on the GM crops.

Food shortages

In the 1970s, at the height of the Cold War when the battle for the hearts and minds of Third World citizens was at its peak, we were bombarded with free Soviet, Chinese and American publications. One free US magazine that we studied in our spare time was *The Plain Truth*, an apocalyptic anti-European and anti-communist Christian magazine published by the Worldwide Church of God. Some of their propaganda, as I recall it, boasted that one American man's breakfast could feed six Chinese men for a whole day. The implication being that the Chinese were underfed which may well be true. Recently, however, the possibility that the Americans were overfed, has become more admissible. *The Plain Truth* recently admitted that Americans eat too much and are a "Glutton Nation". Unfortunately so are the wealthy middle classes of China, India and even "starving African" countries. We therefore have to ask whether some of the arguments offered for promoting the production of GM crops are valid. Is there

a food shortage? Is Africa's population growing? Have alternative agricultures outlived their usefulness? Are the wealthy middle classes not perhaps eating too much meat, sugar and bread in their industrial diets? Is there not a need to promote healthier eating habits for all and is healthy eating, whether in China or France, not based on the world's peasant cuisines?

Even if it is true that we need to increase global food production to cope with population growth, we cannot escape the fact that we eat too much and that a change in diet will be more effective in creating a healthier population than plant breeding experiments. Should we believe that the world's food security situation is now (or in the near future) so fragile that without GM crops we shall not be able to feed ourselves? Are the people making that suggestion referring to the American industrial or traditional Chinese diet?

The cause of famine

It is not always a poor harvest to blame for famine, even the Bible tells us that seven years of poor harvests could be survived if the pharaohs made use of the seven years of plenty and planned for the drought. If the rulers are unable to plan for famine, GM crops may not benefit anyone, least of all the starving poor. Famines have been known to co-exist with food surpluses. And science does not have the answer to every problem that human beings face. The benefits of penicillin, chemical fertilisers, plastics and numerous other inventions of the 20th century have had an undeniable impact on people's lives, but most of the benefits were short lived. On the other hand, simple peasant technologies used by Chinese, Egyptian or Indian villagers have sustained human life and civilisation over several millennia, have proved reasonably reliable and should therefore not be treated with disrespect.

Our current all-powerful capitalist civilisation is not very old and spectacular advances as well as disastrous reverses have marked its short life. There must be a way of combining the best that all human inventions have to offer. Putting all our eggs in one scientific basket is not prudent.

The two main issues that have provoked debate around the adoption of GM foods are:

- has enough consultation with the public, supposedly well-informed consumer-citizens, been undertaken by the biotech firms that are promoting GM crops?
- do we know enough about the long term health and environmental consequences of GM based agriculture? To these we can add another:
- are the claims that the champions of GM crops are making, especially with regard to food security in Africa, justified?

Let us start with the last question for it is the easiest to answer. People starve not because there is no food but because they cannot access it. Put simply this is what Nobel prize laureate for economics and Master of Trinity College Cambridge Amartya Sen has shown. His critics have found this suggestion unoriginal and too common-sensical to be regarded as a breakthrough in economics. It is precisely because it is so simple and ignored by government planners that so many people continue to starve needlessly.

We know, for example, that most Southern African countries record bumper harvests as well as famine in alternate cycles. Even without planting GM maize, peasant farmers in Malawi and Zambia have been known to produce massive surpluses when the right marketing, state support and climatic conditions prevailed. These poor countries could be self-sufficient in basic grain foods if they were able to store their surpluses instead of exporting to earn foreign exchange. By the same token, a bumper harvest of GM maize in future will not be able to make any difference to local food security if the authorities and food traders sold crops abroad. Biotechnological advances on their own cannot guarantee food security. More holistic planning is required, based on open and transparent scientific research driven by people's needs and desires rather than the agendas of monopolistic biotechnology firms.

GM crops in Southern Africa

Two years ago, when Zambia refused to accept GM maize as food aid, the impression was created that irresponsible African governments let people starve needlessly. Similar accusations have been made about Zimbabwe and Angola. If it is true that the US Department of Agriculture reported that only about 30 percent of the domestic crop was genetically modified, then surely providing food aid to Africa from the 70 percent that was not genetically modified should be easy. Why then are US officials so eager to have Africa and indirectly European consumers accept the GM maize? Even South Africa, which has been most enthusiastic about the new technology, still produces most of its maize the conventional way. Reportedly between 10 and 15 percent of South Africa's maize crop is estimated to be grown from GM seeds that are modified to prevent infestation with insect pests, such as the crop-devastating stalk borer.

When Zimbabwe accepted 20 000 tonnes of food aid to feed hungry people, a spokesperson for the US embassy in Harare, Heather Lippitt, told the UN information network,

that she understood it was on the condition that the maize was milled before being imported.

I have personally argued that Zambians were right to be hesitant about receiving GM maize from abroad. In the past they were also unhappy with yellow maize delivered as US food aid but there was no sympathy for their reluctance to consume it. Since they prefer their own white maize, about which more below, Zambians should ensure that they grow what they want to eat and when the conditions are right they do. But it would be short-sighted to condemn their distaste for yellow maize or GM grain as irrational. 'You are what you eat' and food is an emotive issue that cannot simply be left to the plant breeders and agricultural economists to decide. Sometimes people will rather choose to go hungry than to have food that they do not feel comfortable eating.

Food preferences

In most societies, the consumption of food is a ritualised and culturally important exercise which marks people's daily, seasonal, annual and other cycles. People do not just eat maize because it has carbohydrates, but give it many complicated cultural meanings. Food is about tastes, aromas, colours and textures more than it is about calorific counts. Japanese consumers do not like to eat American rice and when Japan, for example, imports American rice in order to balance bilateral trade, it may donate this rice as food aid to poor countries. Japanese farmers are supported by the state so that they can continue to grow their traditional fragrant varieties of rice because their food would just not be the same without local varieties of rice. There are many Chinese or Indian food restaurants in South Africa that substitute Asian varieties of rice with long grain American rice and this undermines the quality of their cuisine. GM crops can of course be designed to cater for the different tastes of consumers all over the world or is the attitude going to be that it is all starch anyway and people are just being silly when they refuse to eat foreign varieties of maize, rice or wheat? This matter of choice is not just politically important as a consumer's choice, it is also about identity and a sense of belonging.

Even refugees in African refugee camps have been known to throw away some of the powdered eggs and high protein biscuits that they have received as food aid from donor agencies because it tastes awful and gives them stomach-aches. So although beggars cannot be choosers, it is very difficult for people to learn new food habits. Southern Africans prefer white to yellow maize and each time they have to resort to yellow maize they are reminded of their humiliation as food deficit countries. Many times they try to mix the yellow with the white maize from depleted local stocks just to minimise the strange taste of yellow corn which to them is a reminder of their poverty. It is very unlikely that plant breeders specialising in the production of insect resistant or vitamin rich varieties of genetically modified rice, maize or wheat pay any attention to such local needs. The advantage of peasant agriculture is that local plant breeders are in charge of the

whole process and can therefore match local preferences with seed selection. It follows that the inappropriateness of GM crops is both technical and cultural. A democratic science should be decentralised and nothing is more decentralised, transparent and sustainable than peasant agriculture. If GM technology were readily available to the smallest of local research stations around the world, the dangers posed by global monopolies and the discomforts that people suffer when obliged to consume strange-tasting food would be minimised. Countries like South Africa and Kenya that have a relatively advanced biotechnology capacity may by all means take advantage of the new advances in plant breeding, but most African countries have little or no access to the new technologies whereas conventional seed hybridisation techniques are more common.

Zambia's maize-producing knowledge

One of the reasons why Zambia is reluctant to accept food aid from American GM maize stocks is that Zambian plant breeders have been very successful in producing local strains of hybrid maize, most of them derived from the Zimbabwean SR-52. First released in Zimbabwe in 1960, SR-52 was the first commercially grown single-cross hybrid in the world. Zambian plant breeders developed their SR-52 derivatives in the 1970s when relations between Zambia and Zimbabwe were cut off due to the liberation struggle and international sanctions against the rebel regime of Ian Smith. Zambian breeders released many different varieties of hybrid and improved open pollinated maize as part of the state funded and heavily subsidised maize promotion campaign. Although the Zambian maize bias can be criticised as colonial in that its main objective was to provide cheap food to the urban work force and is partly to blame for the decline in the production of numerous indigenous food crops, it is important to note that it facilitated the emergence of local research expertise. Zambian varieties of maize are suited to local tastes, regional soil and climatic conditions and the varieties of seed released are able to cater for the needs of both large scale and peasant commercial farming.

The government has been criticised for poor management of the peasant loans schemes without which the maize biased agricultural policies could not be sustained. The pressure to reform Zambian agriculture in the 1990s all but destroyed small scale commercial agriculture and made food an expensive luxury. As the following table shows, the boom in maize was overdependent on state funding. This inefficiency however was the alternative to the widespread poverty that many Zambians have been exposed to under structural adjustment policies. One reason why European countries insist on maintaining their agricultural subsidies is that it is the only way of protecting the countryside and the rural way of life. This sounds like a good reason as after all, farm life is not just about increasing crop yields and profits. The African countryside is also worth preserving and agricultural subsidies and the promotion of appropriate farming methods are a small price to pay in the long run.

Maize production growth in selected African countries (compound annual growth rates)

Country	Boom period		Period of uncertainty	
	Years	Growth %	Years	Growth %
Kenya	1965-80	3.3	1990-2000	-1.5
Malawi	1983-93	3.1	1994-2000	4.4
Zambia	1970-89	1.9	1990-2000	-2.4
Zimbabwe	1980-89	1.8	1990-2000	-0.2

Source: International Food Policy Research Institute, April 2004

Government and agricultural development

IFPRI researchers have argued that governance issues are very important in agricultural development. It would be a mistake to think that plant breeders alone will solve the world's food security problems. The processes of agricultural research have to be owned locally. Researchers must be accountable to local publics. It is all very well to convince one's peers that the results of laboratory research are valid but food security is also about economic pricing mechanisms and the influence of unpredictable factors such as speculative trading. Gender inequalities and the unequal access to the benefits of improved yields also affect the final assessment of whether any intervention has been effective.

It is not accurate to suggest that GM crops are just the latest in a long line of agricultural interventions that farmers have been implementing since farming began. Selective breeding is one thing and altering the genetic make-up of maize or cotton is quite another.

Elsewhere I have argued that Africa's comparative advantage lies in its unrivalled potential for organic farming and that governments should promote that as a way of competing against the over-subsidised European and US farmers. I suggested that Zambia is one of the world's 'under-polluted' countries (except for pockets of industrial production) and we should focus on producing organic foods, for that is where we would enjoy an advantage. Organic farming is labour intensive, healthy and produces foods that fetch high prices on the world market.

Consumers anywhere in the world, when presented with a choice between organically grown foods and GM crops will probably choose the former to be on the safe side. Those who like taking risks or are too poor to care will go for the latter. Countries that cannot compete in the field of GM technology, but can produce herbal pesticides and compost as well as anybody else and have enough peasant farmers to do the job competitively, should not be forced to import GM food.

As the following quotes from several experts show, there is more to GM maize than simply feeding the poor:

- Asked if people were going 'too far' by saying that gene-altered humanitarian exports were part of a strategy to spread the crops around the world, Neil Harl, professor of economics at Iowa State University, said: 'I'm not sure that is going too far.'

- "If these crops get in, then farmers basically lose their rights to their own agricultural resources" - Carole Collins, senior policy analyst for the Washington-based Africa Faith and Justice Network
- "Food is power. We use it to change behaviour. Some may call that bribery. We do not apologise" - Catherine Bertini, Executive Director, World Food Programme. It was precisely this sort of power that converted the South Korean diet from all rice to wheat products like bread and pizza.

Conclusion

Amartya Sen has shown that famines occur not necessarily because of declines in food production but when some social or political catastrophe occurs such as the mass unemployment that many African countries now face. To resolve such hunger in the long term secure employment needs to be created and even in the short term those that are rendered too poor to feed themselves may be better served by food for work programmes than by GM food research. It is not enough to increase food production.

FINANCING AFRICA'S DEVELOPMENT: CAN AID DEPENDENCE BE AVOIDED?

BY PROFESSOR KWASI ANYEMEDU

The Author is a professor at the University of Ghana

A central theme of NEPAD is that Africans must take control of their own destiny. One finds in the document such uplifting declarations as "Africans must not be the wards of benevolent guardians, rather they must be the architects of their own sustained upliftment," and: "the hopes of Africa's peoples for a better life can no longer rest on the magnanimity of others." When it comes to the question of mobilisation of resources for development, however, the central NEPAD statement seems at first sight, at least, to be somewhat contrary in spirit to the ringing declarations quoted above. The document states as follows;

"To achieve the 7 percent per annum growth rate needed to meet the IDGs (International Development Goals) – most importantly, to halve poverty incidence by the year 2015 – Africa needs to fill an annual resource gap of US\$64 billion. This will require increased domestic savings, as well as improvements in the public revenue systems. However, the majority of the needed resources will have to be obtained from outside the continent. The African initiative focuses on debt reduction and ODA (official development assistance) as complementary external resources required in the short-to medium- term and addresses private capital flows as a longer-term concern."

This focus on external resource inflows and aid, in particular, is to a large extent compelled by the reality of the current African situation. It is generally accepted that given the low incomes in Africa, the scope for increasing

significantly domestic savings in the short - to medium - term is not very big. Further, a sharp rise in domestic savings would prevent a rapid increase in consumption and slow the reduction in poverty.

There is however another reality. The levels of ODA required by the programme are unlikely to be attained. Further, aid is increasingly accompanied by a growing number and range of conditional policies covering both economic and political areas. Already it is looking as if, to "deserve" the increased amounts of aid that the programme envisages, Africans will have to do as the Western aid donors wish in economic as well as political matters. Before the Zimbabwe elections, The Economist warned that the refusal of African leaders to criticise President Mugabe came "dangerously close to declaring that African heads of government regard solidarity with dotting tyrants more important than sound economic management, free elections and the rule of law – a grim message to be sending in a year when Africa is trying to present itself as newly serious, responsible and deserving of aid." In the circumstances, it is not surprising that Nigeria's President Olusegun Obasanjo has warned that we must guard against NEPAD being turned against us as a tool for new conditionality. And Wiseman Nkuhlu, chairman of NEPAD's steering committee and special economic adviser to President Thabo Mbeki, is reported to have rejected a warning by the United States that the African endorsement of Zimbabwe's presidential elections could hurt Western support for NEPAD and declared that: "For Africans to be dictated to like this is simply irritating."

The prospect of rather less than the envisaged inflows and the likelihood of even more pervasive and intrusive conditionality require a response of two kinds. The first is that elaborated by President Obasanjo: "NEPAD is being drawn up in such a way that, with or without adequate contributions from our development partners, it can be implemented to a significant extent, based on our own visions and our own programmes." The second strand of a response calls for more attention to be given to domestic savings mobilisation, especially in those areas in which collective or co-operative actions by African states can make an important difference.

It does appear that domestic savings mobilisation has not been given as much attention as the other possible sources of finance. It is instructive that while the NEPAD document stipulates actions which might be taken under the debt, ODA reform and private capital flows initiatives, no such actions are proposed for domestic savings mobilisation.

The emphasis on aid first and then private capital flows, reflects the conventional wisdom on the financial sources for Africa's development. This analysis reasons that the only realistic source of significant finance to initiate a process of rapid growth for Africa is official overseas development assistance. This is because Africa is not yet an attractive destination for private capital and current income levels are too low to permit any significant increase in domestic savings. If African countries are able to achieve rapid growth as a result of the enhanced aid flows, it is expected that the resultant increase in per capita incomes will enhance the capacity to generate domestic savings. At the same time, if Africa becomes a fast growing region, it will become more attractive to private investors. The combined effect of these two developments will eventually reduce Africa's dependence on aid.

While this writer acknowledges the realism of the above analysis, both the introduction of NEPAD and the possibility of even more conditionality require that more urgency is imparted to the task of domestic savings mobilisation. It is also probable that if we devote as much attention and energy to this as we do to the attraction of foreign private capital, we may well find that the scope for domestic savings mobilisation is bigger than we think. As Arthur Lewis noted in 1955: "No nation is so poor that it could not save 12 percent of its national income if it wanted to; poverty has never prevented nations from launching wars, or from wasting their substance in other ways." Arthur Lewis wrote at a time when savings of the low income countries averaged 4-5 percent of national income, but thought 12 percent was feasible. Domestic savings in Sub-Saharan Africa now averages 13-14 percent of GDP, though as we shall see later there are significant differences in individual country performance on this score. Under NEPAD, we should explore ways of increasing this in the shortest possible time so that the transition period from heavy aid-dependence to substantially reduced dependence is shortened.

Aid – trends and prospects

Aid or official development assistance (ODA) consists of concessional loans and grants to developing countries to promote development in the recipient countries. For loans to be qualified to be included in ODA figures, they must include a grant element greater than 25 percent.

Aid, as now conceived, can be seen as a product of the Second World War. The International Bank for Reconstruction and Development (the World Bank), the leading ODA institution, was established to provide loans for post-war reconstruction and made its first loan to a developing country, Colombia, in 1950. A major development after the war was the Marshall Plan initiated by the United States which transferred \$17 billion for the rehabilitation of Western Europe. The Marshall Plan aid had a grant element of 90 percent and the annual flows represented 1.5 percent of the American GNP.

The Marshall Plan captured the imagination of people and up till today it is evoked when aid is discussed. Katarina Tomasevski observes that: "(t)he idea of a Marshall Plan as a panacea has not withered away. It was advocated by the former UN Secretary-General, Kurt Waldheim for Africa in 1974; referred to as a solution for the Philippines in 1988; and demanded for Eastern Europe in 1989." At the recent International Conference on Financing for Development in Mexico, the Ghanaian delegation stated rather optimistically that: "It feels as if we stand on the threshold of a new Marshall Plan"

Declining aid flows in the region

The trend of ODA to developing countries was generally upwards from the 1960s till it reached a peak in 1992. Since then aid volumes have declined. Aid received by developing countries declined by 3.8 percent in 2000 to \$40.7 billion and is estimated to have fallen by a further 3.4 percent in 2001.

One reason for the decline in aid flows was the end of the cold war, which reduced the competition between the East and the West to offer aid as part of the ideological struggle and at the same time reduced the ability of recipients to play off one donor against another. Another important factor has been budgetary difficulties in the donor countries. The perception that aid flows have failed to promote development has also reduced support for aid. Another factor is the ascendancy of neo-liberal economic ideas which tended to challenge the need for aid and recommended that the developing countries should rather look principally to private capital flows.

While there has been a surge in private flows, Sub-Saharan Africa has not been able to attract as much as the faster developing regions, with the result that the shortfall in ODA has not been offset in this region. At the same time, Africa's relative dependence on aid has increased. For Africa as a whole, per capita receipts of ODA declined from \$32 in 1990 to \$19 in 1998. If we look at aid as a percentage of GNP, 21 out of the top 30 aid recipients ranked by aid as proportion

of GNP were African countries in 1997. In 1990, Sub-Saharan Africa received 37.2 percent of total ODA inflows as compared to a share of 31.2 percent in 1999. Over the same period, ODA as a percentage of GNP for the region declined from 5.8 percent to 4.2 percent.

Uncertain donor prospects

Between 1992 and 2000, total ODA from the donor countries declined steadily from 0.33 percent of their combined GNP to a low of 0.22 percent.

At the UN Conference on Financing for Development which took place in Mexico in March 2002, the United States made an important pledge to build up its spending on aid from 2004, so that by 2006 US ODA would be \$5 billion higher than the current \$10 billion annual expenditure on aid. Annual US expenditure of \$15 billion on aid would be equivalent to 0.16 percent of US (2000) GNP and would not quite reflect generosity of Marshall Plan proportions, but an increase of \$5 billion would be a very significant increase and would provide a welcome addition to the resources available for development.

The European Union countries, which provided aid of \$25.4 billion in 2000, have also pledged to raise their spending on ODA to an average of about 0.39 percent of their GNP from the current average of about 0.33 percent of GNP. This is expected to yield an additional \$7 billion a year by 2006. If these pledges are honoured, there would be at least a temporary reversal of the declining trend of aid flows.

The medium-term prospects are however uncertain. Two of the four largest donors, Japan and Germany, have fiscal problems which may reduce their capacity to sustain increases in aid and it is not clear if the US pledge, even if honoured, signals a permanent change in US attitude to aid. The World Bank's Global Development Finance, 2002 believes there is little likelihood that a rise in aid will be significant and sustained.

Aid and conditionality

The use of aid to influence broad national development policies goes back to the Marshall Plan. The concentration of the World Bank and the bilateral donors on project loans throughout the 1960s and 1970s reduced the focus on general policy, though interest in it among lenders was never completely absent. Indeed in the mid 1960s, officials of the United States Agency for International Development (USAID) set out the basic rationale for attaching conditions to development lending:

"In the long-run aid's 'influence potential' is much more important than its resource contribution. This is true for two reasons: Total aid from all sources has probably contributed roughly 20 percent of total investments in the developing countries in the past few years. The use made of the remaining 80 percent is clearly much more important in accelerating growth than is the use of aid alone. Furthermore, policies and procedures in import licensing arrangements, investment codes, marketing board

pricing policies, power and transportation rate structure, tax provisions, to name only a few - affect economic development at least as powerfully as the presence or absence of adequate infrastructure or technical skills. Successful efforts to influence macroeconomic and sectoral policies are likely to have a greater impact than the added capital and skills financed by aid."

Before the early 1980s, however, the International Monetary Fund (IMF) was about the only major institution substantially involved in policy-based lending. The introduction of the World Bank's structural adjustment programmes in the early 1980s greatly expanded the use of policy conditionality in lending. Since then, the "influence potential" of aid has been extended beyond the realms of economic policies and "good governance", respect for the environment, the observance of human rights and the holding of free and fair elections have all become matters which can be conditions for the granting, or continuance of aid. And it goes without saying that not all the influence that policy conditionality seeks to exercise is directed at the growth or development in the recipient countries. Donors use aid to advance their commercial interests as well as their diplomatic and political objectives.

Sub-Saharan Africa is the region most subject to policy conditionality. This is partly because Africa is the region most dependent on aid, but it is also partly because of the weakness of African states. Tony Killick has observed that: "the extent to which policies in that region (Sub-Saharan Africa) are under the direct influence of the IFIs (international financial institutions) and bilateral donors is without historical parallel." It is clear therefore that if NEPAD is truly going to represent an African initiative, then there should be less rather than more conditionality.

It is worthy of note that, although a considerable amount of literature has been devoted in recent times to questioning the effectiveness of conditionality in inducing or extracting the policy changes and reforms desired by the donors, there has been no challenge to the principle of conditionality. There has also been no questioning of the appropriateness of the content of conditionality. There has been the tendency, when aid has not produced the desired economic performance, to assume that this is because there has been less than full compliance with the policies stipulated as conditions to aid, or there have been problems with implementation. There has not been a willingness to examine whether the policies forced on the recipient countries by policy conditionality have been appropriate for the economies concerned. It is rare indeed to find advice such as given by Dani Rodrik that:

"Economic development ultimately derives from a home grown strategy, not from the world market. Policy makers in developing countries should avoid fads, put globalisation in perspective and focus on domestic institution building. They should have more confidence in themselves and in domestic institution building and place less faith in the global economy and the blueprints that emanate from it."

Reducing the burden of receiving aid

The World Bank, the leading aid organisation which sets much of the international development agenda, is convinced that policy conditionality improves economic performance. It is quite clear therefore that however "irritating" African leaders and their officials find the conditionality attached to the aid they receive, the World Bank, the US and the other bilateral donors are not about to abandon the practice of attaching conditions of various sorts to aid they provide to Africa. There is however sufficient dissatisfaction with the current practice of conditionality, even among those who believe that conditionality is appropriate and useful, that there have been several proposals for reform.

Many of the reforms focus on reducing the administrative burden on recipient countries through improved co-ordination among donors. The World Bank also claims that donors are making greater efforts to "ensure that policy conditions in adjustment assistance reflect a programme that has the full support of the government and other domestic shareholders." The most far-sighted of the proposals for reform are based on the ideas of Thorvald Stoltenberg, a former Norwegian Minister of Foreign Affairs. The proposals call for "development contracts" which will bind aid donors and recipients in a form of reciprocal obligations. The commitments to be made by aid recipients and donors will include:

- a development strategy which fully embodies the priorities of the developing country with respect to the various objectives of development
- a longer-term perspective, recognising that development may be a matter of decades and that many of the specifics of the policy required cannot be determined and/or predicated in advance;
- an emphasis on development, which requires not only stabilisation and adjustment, but also an explicit strategy in which private and public institutions can participate
- reciprocity in the sense of a guarantee of credits or aid from the donor country(ies) over an extended period, encompassing successive five-year development plans, subject only to limited concepts of conditionality
- an assurance that a country's development programme would not be disrupted by external shocks such as export shortfalls by the timely provision of offsetting compensatory or supplementary financing, so long as the country was adhering to a policy framework for enhancing production incentives
- the provision of foreign savings support for human development, minimum social security and environmental protection elements of a country's development programme
- the reduction by the developing country of its military expenditure to a defined level preferably not exceeding 2 percent of its GNP by the end of its first five-year development plan period.

The NEPAD document states that a critical dimension of Africans taking responsibility for the continent's destiny is the need to negotiate a new relationship with the

development partners. This new relationship is to involve mutually agreed performance targets and standards for both donors and recipients of aid. It is to be hoped that such a new relationship can be worked out, for old-style conditionality is not likely to be compatible with Africans taking responsibility for their own destiny.

Private capital flows

Private capital inflows come in three broad forms – private debt (mainly commercial banks), foreign direct investment (FDI) and portfolio equity flows. In spite of quite vigorous efforts aimed at attracting private capital, not much success has been achieved by Africa. As UNCTAD (2000) points out, long-term bank lending has completely disappeared since the mid-1990s and for Sub-Sahara Africa private capital inflows have consisted mainly of FDI and short-term bank lending.

With respect to FDI, the World Investment Report 2001 reveals that total FDI inflows for Africa as a whole declined from \$10.5 billion in 1999 to \$9.1 billion in 2000, while the flows for Sub-Sahara Africa declined from \$8 billion in 1999 to \$6.5 billion in 2000. The total amounts of FDI to Africa declined in 2000 relative to 1999 in spite of the fact that FDI flows for the whole world grew by 18 percent in 2000, reaching a record of \$1.3 trillion. As a consequence the share of Africa in world FDI flows fell below 1 percent in 2000.

The top 10 African destinations for FDI currently are Angola, Egypt, Nigeria, South Africa, Tunisia, Sudan, Cote d'Ivoire, Mauritius, Uganda and Lesotho. The bulk of the investment has gone to mineral or petroleum production. Mergers and acquisitions for countries such as South Africa and privatisation of state-owned enterprises have also attracted some FDI.

Among the reasons cited for Africa's inability to attract much FDI inflows are political uncertainty and social unrest, small size of markets; inadequate and poorly maintained infrastructure; and shortage of skills. NEPAD seeks to address some of the problems which have inhibited adequate flows of private capital to Africa. The first priority, the NEPAD document declares, is to address the perception of Africa as a "high risk" continent, especially with regard to insecurity of property rights, regulatory weakness and markets. Accordingly, among the actions proposed under the private capital flows initiative are the establishment of a task team to carry out audits of investment-related legislation and regulation with a view to risk reduction and harmonisation within Africa and assessment and feasibility studies on financial instruments to mitigate risks associated with doing business in Africa.

As the document points out, initiatives under NEPAD generally relating to the maintenance of peace and security, improvement in political and economic governance and in infrastructural development should help enhance Africa's prospects in attracting foreign direct investment. So too should more effective sub-regional or regional integration

which NEPAD may be able to foster. Many studies have singled out large market size as the most potent magnet for the attraction of FDI.

Domestic savings

Domestic savings may be subdivided into private domestic savings and government domestic savings. Private domestic savings are from two sources – corporate savings or the retained earnings of corporate enterprises; and household savings which represent that part of household income that is not consumed. Government savings are primarily the excess of government revenues over government consumption, defined as all current government expenditures plus capital outlays for military equipment. Where they exist, profits from state-owned enterprises can also contribute to government savings. Mainly because of low incomes in Sub-Sahara Africa, the region's domestic savings rates are lower than those in other regions.

Within Africa, savings performance varies rather widely. In 1999, Algeria's domestic savings rate was 30 percent, Angola's was 48 percent and Republic of Congo had 45 percent, all no doubt benefiting from petroleum royalties and other revenues. The only other country which had a domestic savings rate of more than 20 percent in 1999 was Cote d'Ivoire (25 percent). At the other extreme, Eritrea (-20 percent), Lesotho (-35 percent), Rwanda (-1 percent) and Sierra Leone (-2 percent) had negative savings rates. A comparison of performance in the two years shows that the number of countries which improved their savings performance over the period was about the same as those whose savings performance deteriorated.

Harmonisation of corporate taxes in Africa

The measures usually suggested for enhancing domestic savings include more effective tax administration, the development of financial intermediaries such as banks, community and postal savings facilities and the institution of pension and provident funds. There are however other crucial areas which are less often mentioned and on which NEPAD can initiate some discussions and actions.

Most studies on FDI flows show that tax holidays and other fiscal concessions have little impact on inward investment. Nevertheless in their anxiety to attract foreign investment, many developing countries institute fiscal concessions which can lead to considerable loss of revenue. There have been calls for a world-wide harmonisation of taxation on business profits and capital gains, as well as the introduction of obligatory minimum tax rates to mitigate the budgetary revenue losses suffered by developing countries as a result of the use of tax concessions to compete for FDI.

Under the auspices of NEPAD, African countries can discuss optimum levels of taxes on business which take into due account the need to be competitive as well as minimise avoidable loss of revenue.

Restraining some public consumption expenditures

The notion that it is difficult to increase domestic savings in

poor countries is partly based on the fact that it is difficult to compress private consumption further without worsening poverty. The same reasoning however does not apply to some items under public consumption expenditure, which can be reduced with benefits to the poor.

• Expenditure on official vehicles/ presidential jets

Many African countries spend inordinate amounts on money on official vehicles for the political leaders and top government officials. In Ghana, the former president is reported to have left office with more than a dozen official vehicles still in his possession. Such levels of provision for the comfort of political leaders are excessive by any standards. For African countries running around the globe begging for money, it is unconscionable and quite obscene for so many resources to be devoted to the comfort of a few.

It is always important to consider the opportunity cost of such expenditures. The cost of a couple of official vehicles can provide blackboards and tables for at least one village school. Under NEPAD, African leaders should encourage each other to be modest so that more of the continent's meagre public revenues can be devoted to poverty alleviation.

• Foreign travel/ diplomatic representation

Foreign travel by African leaders and their officials consumes considerable amounts of resources which can be devoted to more productive uses. This tendency to travel extensively has in recent times been justified by the need to attract foreign investment. As already indicated, African countries have not had much success in attracting foreign investment and where FDI inflows have been substantial, this has been due to factors other than the travels of the leaders.

Again, the opportunity cost of these travels can be quite substantial and they should be subject to minimum tests of costs and benefits. How much FDI inflows can we expect from the travels and image enhancement and after what time lag?

Many African countries have attempted to prune down their diplomatic representations to reduce costs. Under NEPAD, consideration should be given to the pooling or consolidation of African representation at such bodies as the WTO. A beginning can be made on this at the sub-regional level. Such consolidated representation will not only save costs but also encourage African countries to arrive at united and harmonised positions on trade negotiation issues, thus enhancing the capacity of Africans to ensure that their interests are more effectively protected during negotiations.

• Military spending

Published figures on military spending would seem to indicate that military expenditures as a percentage of GNP are reasonably low for many African countries. Only Angola, Botswana, Burkina Faso, Burundi, Cameroon,

Democratic Republic of Congo (DRC), Republic of Congo, Eritrea, Kenya, Lesotho, Mozambique, Sierra Leone, South Africa, Zambia and Zimbabwe have military expenditures in excess of 2 percent of GNP. Given the known fact that many countries do not report their military spending accurately, it is possible that many more countries spend more than 2 percent of their GNP on the military. Any success achieved in reducing military spending translates into an expansion of public domestic savings and African leaders should explore ways of achieving such reductions.

Many of the countries which in 1997 had large military expenditures such as Angola (21 percent of GNP), Eritrea (7.7 percent), DRC (5 percent), unfortunately were all countries which were engaged in wars or civil conflict. Efforts under the NEPAD Peace and Security initiative to promote peace and security on the continent should eventually have a beneficial impact on domestic savings if they succeed in reducing the need for high military expenditures on the continent.

• Public procurement / corruption

Government procurement of goods and services is often tainted with corruption resulting in inflated prices for the country while individual political leaders and officials transfer millions of dollars abroad. Individual countries in Africa have initiated programmes to combat corruption with varying degrees of commitment. NEPAD proposes to institute reforms designed to produce "effective measures to combat corruption and embezzlement." There will also be the need for supportive reforms in the advanced countries whose businessmen and suppliers collude with corrupt officials. There have also been calls for an international convention on combating corruption as well as another convention for the repatriation of misappropriated public funds. These efforts deserve the support of countries so that public funds in Africa and other developing countries are utilised to promote development and the welfare of the citizenry rather than disappear into individual pockets.

All these areas of public spending discussed above not only have the potential of diverting resources away from more development-oriented uses, but they all also involve expenditures in foreign exchange and therefore have implications for the balance of payments which are often in deficit or crisis in many African countries. Although possible savings in some of the individual items may not be very big, the cumulative effect of savings in all these areas can be quite substantial. It is also the case that sometimes loans in the region of \$1-2 million are contracted by African countries and the lenders are able to leverage these levels of aid to influence policy in the general economy or major sectors of the economy. No savings are too small to be worth attention.

The mobilisation of domestic savings will be facilitated by favourable developments in the international economy. The World Bank's *Can Africa Claim the 21st Century?* argued that aid dependence cannot be reduced unless Africa recovers its lost share in world trade and calculates

that since the early 1970s Africa has lost trade equal to 20 percent of its GNP. There is no doubt that if Africa is able to diversify its exports and if the industrialised countries guarantee unrestricted market access for the products of African countries, incomes and government revenues will increase in Africa. Increased incomes and revenues however do not automatically translate into higher domestic savings: there is the need to reorient policies and attitudes towards faster accumulation. It is the expectation that under NEPAD, African countries will recognise the imperative of increasing domestic savings in the shortest possible time and enhance the chances of Africa pursuing a genuinely home-grown development path.

Conclusion

There is potential tension between the aspirations of NEPAD to ensure that Africa controls its own economic destiny and the major dependence on aid as a source of finance in an era where aid is subject to heavy policy conditionality. Both African and donor governments have claimed that what is envisaged is a new partnership that will replace old aid and its passive donor-recipient relationship. It remains to be seen how this supposed new relationship will develop. What is clear is that the more Africa relies on its own resources, the greater the likelihood that it will be fully in charge of its own destiny. Africans and their leaders under NEPAD will have to ensure that this goal is achieved sooner rather than later.



REPORT ON THE AFRICA CONFERENCE ON AGEING

BY MARY TUROK

The author is a former member of the South African Parliament.

The Africa Conference on Ageing held in Boksburg, South Africa from August 18-20, 2004 brought together academics, activists and government officials working in the field of ageing and older persons themselves to learn about and discuss the ageing of Africa's population. The conference was co-sponsored by the Union for African Population Studies (UAPS/UEPA), the Human Sciences Research Council and the Department of Social Development. Research papers on South Africa, Botswana, Uganda, Zimbabwe, Senegal and India were presented. Although similar conferences have been held elsewhere in Africa this was the first such conference to be held in South Africa. Speakers explained that, unlike the developed world, African populations are still predominantly young, but they are ageing at a faster rate than did the population in the developed world and this process is occurring in societies which still experience high rates of poverty and face the additional challenge of the HIV/AIDS epidemic.

The facts about Africa's ageing population

- With declining mortality and fertility rates there will be a "demographic revolution" in three generations. The proportion of older persons will grow from 8 to 19 percent and the proportion of children will drop from 30 to 21 percent.
- By 2010 AIDS will have reduced life expectancy in some sub-Saharan countries so that the population pyramid will resemble a chimney with a reduced middle-aged population supporting the young and old.
- The challenges posed by increasing numbers of older persons are even more important in Africa than elsewhere because of high levels of poverty as well as HIV/AIDS prevalence.
- The population of over 60s in Africa is predicted to grow from 42 million in 2002 to 205 million in 2050, or from 2 percent of the total population to 10 percent.
- In Southern Africa this population is predicted to grow from 6 percent to 13 percent of the total population with a higher percentage of older women than elsewhere in Africa.

Changes in the family

Papers presented at the conference made the following points:

- although the increasing number of older persons can be attributed to demographic changes, the deterioration in

their living conditions is due to the erosion of the traditional family system resulting from rapid modernisation, urbanisation and migration

- there is a widespread belief that the family is still strong in Africa but evidence points to changing values and the weakening of filial responsibility
- research among youth shows many no longer want to live with grandparents in rural areas, although most still recognise the cultural imperative to support older persons
- the higher incidence of disability and abuse of older persons points to the disintegration of the extended family
- the roles of older persons are changing from those needing care to those providing care. They are not prepared for these new roles - information programmes only target younger persons
- HIV/AIDS has forced older persons into roles they thought they had retired from and they find it difficult to handle children who have been taught to be independent

The challenges facing African governments

- ageing is irreversible and should no longer be seen as a problem but as a natural process
- an ageing population should not be seen as a burden on the working population but as a valuable component of society's resources which can participate in and contribute towards development
- there is, however, a need for new social policies and additional resources to address poverty and disease - often the main obstacles to successful ageing
- the preponderance of older women in the ageing population coupled with evidence of their poorer health and economic status highlights the need to address the status and treatment of older women specifically and their representation
- more research on the health status and needs of older persons is needed and more reliable data on morbidity and mortality patterns
- there is a lack of education, training and information about ageing
- policies and programmes on HIV/AIDS are uncoordinated, not focused on families and communities and overlook both the plight of older persons infected by the virus and the role of older women in particular in care and management of people infected and affected by the epidemic

Conference Recommendations

Delegates recognised that major differences existed between African countries with respect to the situation of older persons and urged national governments to adopt their own national strategies and priorities to meet the above challenges. In particular, the conference made the following recommendations:

- governments and civil society, including communities and older peoples' organizations, should collaborate in addressing the challenges of population ageing
- national councils on ageing should be set up as a platform where older persons could be a resource and participate in policy-making
- a Pan-African mechanism should be established which could serve as a focal point for co-operation on research and where common problems, achievements and solutions could be worked out and shared
- more research should be carried out on population ageing issues and the needs of older persons. The knowledge thus gained would provide a sounder basis for planning and for the improved well-being of older persons
- gender should be mainstreamed in all policies, programmes and services and measures should be taken

to enable full and equal participation of older persons in decision-making at all levels, older women in particular

- health policies should promote life-long good health including healthy lifestyles, disease prevention, early diagnosis and intervention, rehabilitation and sexual healthcare
- HIV/AIDS: Adequate information, training in care-giving skills and social support should be available to older persons caring for people infected and affected by HIV/AIDS. More attention should be given to older persons infected by the virus, including treatment and medical care
- education and training in the various aspects of ageing, including geriatrics and gerontology, should be available to professional care givers and older persons themselves. Literacy, numeracy and self-care training for older persons should be promoted and programmes developed for older persons as teachers and transmitters of culture and knowledge
- recommendations were also made on income and social security, the right to housing and affordable services, programmes for older persons in rural and remote areas, recognition of the contributions of older persons, legal protection and a continuum of care for older persons.

JUSTICE FOR AFRICA, BUT ONLY IF IT'S NOT RUSHED – NEW AFRICAN COURT

BY CESARE P.R. ROMANO

The author is assistant director of the Project on International Courts and Tribunals, New York University.

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Sunday, January 25 2004 was a milestone in the history of Africa and the international protection of human rights. It marked the entry into force of the protocol for the establishment of the African Court on Human and Peoples' Rights. After Europe and the Americas, Africa will be the third continent with a regional court to bindingly adjudicate human rights violations.

Yet one crucial insight gained from a century of establishing international courts and tribunals is that while it is essential to keep momentum, there is no second chance to do it right.

The African protocol was signed in 1998 by more than 20 states, but until the end of 2002 only a handful had

ratified it in their national parliaments. In 2003, several more states, each for independent reasons, decided to join. The fact that Libya, an influential member of the African Union, decided to change its foreign policy tack and improve its international standing gave the final and sudden impetus.

The birth of an African human rights court is to be fêted. Yet its launch should be deliberate, not rushed, or it risks foundering in the docks. In Africa, the process is progressing at a startling, and worrying pace. Nominations for the first bench are due by the end of April, with the aim of holding elections at the African Union summit meeting in Addis Ababa starting July 5.

Past experience teaches that once the judges have been

appointed and the rules of procedure adopted, they are there to stay - with all their faults.

Building sound international judicial bodies takes time and resources and a lot of support. It took more than four years from the adoption of the Rome Statute to the appointment of the judges of the International Criminal Court and endless meetings and travail to establish the tribunal. It required a massive effort both by the United Nations, several major countries and hundreds of non-governmental organisations and think-tanks.

Admittedly, sometimes time is a luxury. The International Criminal Tribunal for the former Yugoslavia and the one for Rwanda, established on the spur of ongoing heinous crimes, opened shop in less than a year.

However, the price of the rush has been evident. As cases started flowing in, the statute and the rules of procedure had to be patched on the fly. The statute of the Yugoslavia tribunal has been amended four times and the rules of procedure no less than 27 times. Figures for the Rwanda tribunal are only slightly better.

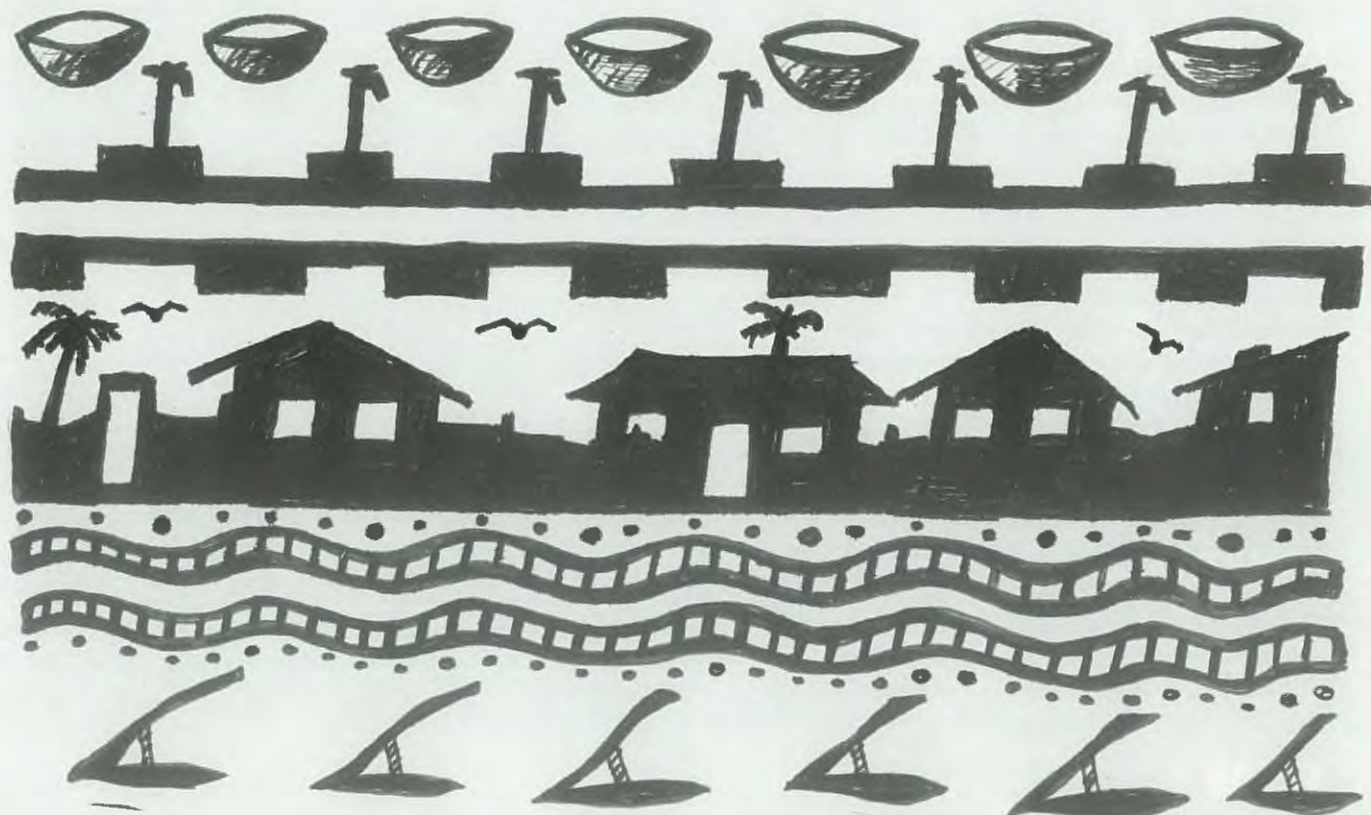
That is a poor record for courts of law. The tinkering was possible because there was consensus in the UN Security Council on the need not to stall these trials. But most of the time it is simply impossible to find the majority and support necessary to modify the statutes and rules of procedure of international courts and tribunals. They are documents

that, time and again, have shown themselves remarkably resistant to change.

To be effective, courts need to be independent from political power. But this can only be achieved if the right conditions are created from the onset. Selection of adequate candidates for judicial appointment is key. In the European human-rights system the process takes place by involving civil society at large and through the severe scrutiny of the parliamentary assembly of the Council of Europe. It is only through an open and transparent process that the best candidates, those who give the greatest guarantees of independence, can be identified. That takes time.

Moreover, the first bench of any international court is fundamental, as it is typically entrusted to those judges to prepare and adopt a series of other key documents, such as rules of procedure, internal regulations and financial regulations. As the ICC experience teaches, appointment of judges is only the last step of a long preparatory work. African heads of state would be better off discussing in Addis Ababa where the court will be located and, even more critically, how it will be financed, rather than rushing to nominate judges of a forum that is still largely on the drawing board.

Africa needs a strong human rights court that commands respect by African states and governments. Fifty years after Europe and 25 years after the Americas, it is about to attain that. To do it right, it can take a few more months.



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BACKGROUND

The company came into operation on 4 April 1999 as a result of the SITA Act (Act 88 of 1998).

The primary reasons for the creation of SITA were the Government's difficulties in:

- Recruiting, developing and retaining skilled IT personnel;
- Managing procurement and ensuring that the Government gets value for money;
- Using IT to support transformation and service delivery;
- Effectively utilising expensive IT resources; and
- Integrating IT initiatives.

In short, SITA was established to consolidate and co-ordinate the State's information technology and information management interests.

In line with the mandate from the Shareholder and the Board of SITA, the executive management has in earnest begun implementing the recently adopted SITA strategy. This Turnaround Strategy is geared towards ensuring that SITA focuses its resources, both human and capital, towards speedy delivery on the "Must Do" areas as captured in the SITA Amendment Act of 2002.

The Turnaround Strategy is informed by the following Strategic imperatives:

- Radically improve service delivery to our clients;
- Prioritise citizen-focused projects and engage clients to build and execute a SITA value proposition;
- Drive the best demonstrated practices in people management and leadership;
- Overhaul internal and external communications to improve transparency, visibility and image;
- Build an appropriate organisation structure and team to achieve our strategic objectives;
- Maintain financial sustainability.

PRIMARY FUNCTIONS

SITA must:

- Provide or maintain PTN/VAN;
- Provide or maintain transversal information system;
- Provide data processing for transversal information system;
- Provide IT for Government;
- Set standards of interoperability;
- Set standard for information systems security;
- Set standards for certification of IT acquisition;
- Certify all acquisition for standard compliance;
- Eliminate duplication;
- Leverage economies of scale.



SITA

state information technology agency

A photograph of a man and a woman in front of a light blue house. The man is standing in the background, wearing a blue jacket over a pink shirt and dark trousers. The woman is sitting on the ground in the foreground, wearing a black jacket and a headscarf, with a floral patterned skirt. The house has a dark door and windows with metal grilles.

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CREATING A NEW AFRICAN

BY SHADRACK GUTTO

The author is director of the Centre for African Renaissance Studies at the University of South Africa. This article originally appeared in *ThisDay* Thursday, 15 June 2004.

Of late I have been overwhelmed by the number of people who want to know what "the African renaissance" is all about and what the chances are of realising it. How does one translate a vision and revolutionary mission, an historical impulse, into simple and plain language that common or ordinary people can understand? This is the challenge.

Simply put, the African renaissance is about changing Africans and Africa. It is a call for rebirth, renewal, reinvention and the repositioning of Africans and Africa in a globalising world.

The fact that natural and people-made resources in Africa have been exploited and used over centuries for the benefit of the rest of the world and not for the benefit and progress of African people creates the necessity to fundamentally change the African and Africa. The condition of Africans and Africa is neither natural nor desirable.

It is the law of human progress that the mode and means of production and reproduction - that is, the manner in which people engage with nature and one another in producing and distributing goods and services for use and exchange - gives rise to a complex set of beliefs, myths and social values that, in their turn, fuel the processes and systems of production and reproduction. By way of shorthand, these subjective factors - values, belief, myths - fall under a variety of labels, such as individual and collective world outlooks, mindsets and spiritual impulses.

Our collective experience of slavery, colonialism (including apartheid) and neo-colonialism bred a culture of subservience, dependency and lack of self-belief among many Africans, irrespective of race, colour and ethnic origin.

Many of us lack confidence. We lack the belief that we are as good as, if not better than, other human beings and deserve real equality with the rest of humanity in all spheres of life. Many of us were and are led to believe that the miserable status of the African person in the world is natural and even predestined by some supernatural or metaphysical forces. The education system contributes a great deal to this constructed "reality".

Between the objective and the subjective lies the zone of interaction between the two. This is where we can locate the institutional framework, including those of formal and informal governance. These too have contributed

significantly to creating the African and Africa that the renaissance calls on all of us to change.

In essence the African renaissance is a challenge and a call to us to relearn and rediscover who we are and where we are in the global scheme of things. Beyond that, the African renaissance should inspire us with a vision for a new and qualitatively better African and Africa.

The transformation of the Organisation of African Unity (OAU) into the African Union (AU) has seen the creation of a regional system that allows for the state and the masses to participate in issues of governance in Africa. The OAU was more of a forum for states. The AU has also expanded the mandate of the regional system from the mainly political to one that engages with politics, the economy, social affairs and peace and security. These are institutional changes undertaken to facilitate the renaissance mission.

The other tool that could be developed and used to propel the African renaissance is the New Partnership for Africa's Development (NEPAD). Principles in NEPAD that resonate with the idea and dream of African renaissance include: the call to Africans to refuse to be "conditioned by circumstance"; the declaration of our collective commitment to "determine our own destiny"; the promise of a "people-centred development" based on "national and regional priorities and development plans that must be prepared through participatory processes involving the people"; and, most important, the recognition that the ideals of NEPAD can only be successful if the whole initiative is "owned by the African peoples united in their diversity". It should be understood that the vision and mission of the African renaissance is bigger than the AU and NEPAD. But these two are important instruments with the potential to contribute to the renaissance.

There are many other initiatives by individuals, communities, governments and multilateral institutions that can contribute to the African renaissance. In other words, the African renaissance is an historical project. It must become a force that drives us to a better future. The starting point is to shake off the historical baggage that has enslaved us for centuries. The African renaissance calls for a paradigm shift in the way we think and do things - it is revolutionary in its intent and expected outcome. We must not only aspire to emulate "world class" standards set by others. We must set world standards for others to emulate.

AFRICAN PEOPLE'S DECLARATION ON AFRICA AND THE WORLD TRADE ORGANISATION

Statement issued at the end of a joint Africa Trade Network (ATN) Southern African Peoples' Solidarity Network (SAPSN) pre-Cancun Strategy Conference, held in Johannesburg on August 14-17, 2003
Published in Global Dialogue, Volume 8.2, October 2003

Resisting the WTO

From August 14-17 2003, we activists from across Africa, representing African civil society organisations, labour unions and other social movements, gathered in Johannesburg, South Africa to evaluate the current state of negotiations in the World Trade Organisation (WTO) and to strategise and make known our positions on the 5th WTO Ministerial Conference due to be held in Cancun, Mexico, from September 10-14 2003.

Our stand on the WTO's role

We re-affirm our recognition of the WTO as a key instrument of transnational capital in its push for corporate globalisation. We noted the many destructive effects of WTO agreements on the lives of working people and the poor, especially women, in Africa and throughout the world. We renewed our determination to continue resisting corporate globalisation and the WTO itself until it is replaced by a fully democratic institution.

The context of the Cancun meeting

We noted that the forthcoming WTO Ministerial meeting is taking place against a background of a crisis of credibility of neo-liberal policies and global capitalism, that has been deepened by the Enron and other corporate scandals exposing the duplicity and venality of the bosses of transnational capital. At the same time, the world is faced with the aggressive militarism of the United States under a political leadership whose illegal attack on Iraq under false pretences has shown that law and morality are no barrier to what it will do to advance the interests of American capital. Across Africa and in other developing countries neo-liberal economic policies are putting basic services, such as health and education, beyond the reach of ordinary people and deepening unemployment, poverty and social inequality. We, however, take heart from the growing strength in the

organised expression of all those around the world opposed to militarism and corporate globalisation.

Conclusions on the current state of affairs in WTO

After our deliberations on the WTO Doha agenda and related issues, we concluded as follows:

- the WTO has ignored the continued and growing opposition by popular movements throughout the world to its policies and methods, such as the illegitimate ways by which the Doha agenda was imposed on developing countries in the 4th ministerial of the WTO
- the failure of the WTO to meet agreed deadlines in various negotiations notably agriculture, TRIPs and public health, special and differential treatment and the many implementation issues - is primarily due to the refusal of the Quad (USA, EU, Japan and Canada) to accept the legitimate demands of developing countries
- these failures are merely an aspect of the double standards the Quad countries apply in international trade issues; marked by one set of rules for themselves and another that they impose on developing countries, exposing the WTO as a thoroughly undemocratic institution
- we particularly condemn both the EU and the US for their role in resisting the fulfilment of the deadlines and undertakings on agriculture and their refusal to honour the compromise consensus on TRIPs and public health
- on the Singapore or "new issues" (that is, investment, competition, government procurement and trade facilitation), we reiterate our total opposition to their inclusion in the WTO, or the initiation of discussions on modalities with a view to the launch of negotiations on these in Cancun. We stand by our demand that these issues should be removed from the WTO's agenda altogether
- it is clear that, as Cancun approaches, the Quad are accelerating the deployment of old and new undemocratic practices and pressures both in and outside the WTO so

*This style
is what we want*

as to force their will on developing countries. In order to limit such illegitimate and underhand practices by the powerful, we endorse the campaign for internal transparency and participation in the WTO recently launched by many NGOs

- we note the opposition to the launch of negotiations on these issues expressed by African countries, especially the declaration by African trade ministers at the end of their meeting in Mauritius in June 2003. We also note a new initiative taken at the WTO on August 13 by a group of African countries to demand that the official WTO text that goes to Cancun includes proposals for improving the decision-making process in the WTO; as well as repeating their opposition to the new issues. We call on these countries to stand by these positions, as a matter of democratic principle and also urge other African and developing countries to join them

Call to action

In the light of the above we have agreed and call on other African civil society organisations, labour unions and other social movements who share our views to join us to:

- mobilise the broadest possible sectors of African civil society to express their opposition to the continuing destructive role of the WTO in the lives of working people and the poor and upon our countries' development aspirations and prospects
- mobilise and sustain strong political pressure on our governmental representatives, in ways best suited to the specific conditions in our countries, before and during the Cancun ministerial meeting; actively holding our governments accountable for the positions they take in the Cancun ministerial meeting and expose any attempt to betray the best interests of the African peoples
- pressure institutions of government and our legislatures and relevant public officials in our various countries so as to ensure the defence of our peoples' interests in the forthcoming Cancun Ministerial meeting. Especially important are:
 - blocking the launch of negotiations on the Singapore issues and
 - rejecting any attempt by the Quad to manipulate developing countries into accepting negotiations on the Singapore issues by linking these to issues of concern to developing countries
- pressure our respective governments to endorse the two proposals tabled at the WTO by 11 African countries on August 13, 2003
- be alert to, and therefore resist, the inevitable attempts by representatives of Quad countries and other governments who, between now and Cancun, will be visiting our national capitals under various guises and contacting groups within our own countries to bully African governments to take positions detrimental to the African people on the issues on the Cancun agenda
- launch an information dissemination campaign in our various countries to publicise what is happening in and around the WTO in the run up to and during the Cancun Ministerial meeting
- mobilise a strong team of African activists to give voice

to African perspectives in the activities of civil society organisations who will gather from around the world in Cancun

- affirm our links with our partners in organisations of civil society outside Africa, including in the global North, to pressure their governments (especially those of the Quad) in the interest of working people and the poor throughout the world and in the interest of our planet
- work together across Africa on the WTO, before and during Cancun, under the umbrella of the Africa Trade Network (ATN) to ensure common focus and strength in unity

We issue this statement and our call as part of our commitment to the global movement against neo-liberalism and corporate globalisation and the struggle for the establishment of alternative systems and institutions for all of humanity and the world.

Another Africa is possible!





EXPANDED PUBLIC WORKS PROGRAMME: NOW IN ACTION!

MMOHO RE A AHA

The successful provincial launch of the Expanded Public Works Programme (EPWP) was indeed a watershed event. The huge turnout by ordinary people – more than 10 000 people attended the EPWP launch rally – was indeed a practical expression of the EPWP provincial slogan: Mmoho Re a Aha (meaning: together we build).

The launch therefore marked the official beginning of the EPWP implementation in the Free State province.

The EPWP is a nation-wide programme that will draw significant numbers of the unemployed into productive work, so that they gain skills while they work, and increase their capacity to earn an income. It is one of government's programmes aimed at alleviating poverty and reducing unemployment.

The provincial launch of EPWP

In line with the Presidential dictum made in the State of Nation Address in May 2004, that all provinces should hold their provincial launches by September 2004, ours in the Free State was therefore held on the 28th September 2004, at Charles Mopeli Stadium, in Phuthaditshaba.

The launch was graced by the Public Works Minister, Ms Stella Sigcawu and Public Works Deputy Minister, Mr. Ntopile Kganyago, who both addressed the people.

The Free State Premier, Ms Beatrice Marshoff also made an address,

while our MEC, Mr. Seiso Mohai presided over the occasion.

The EPWP launch rally was also part of the National Imbizo Focus Week (September 24-30). The content of this year's Imbizo Focus Week was about government leaders – councilors, premiers and MEC's, members of parliament and cabinet ministers – interacting with the people about government's mandate and the Programme of Action elaborated in the May 2004 State of the Nation Address.

The main anchor projects for the launch are the following:

- **Makwane Road:** This is a two year project that runs through nine villages; 13 km long and will be constructed by using paving bricks.
- **1000 Rural Houses:** Construction of low-cost houses along the Makwane Road in Qwaqwa. More than 500 people will be employed during the construction phase. The total cost of the project is R 33 300 000.
- **Hydrophobic Project:** It is about growing seeds up to the stage of transplanting them.
- **Tswaranang Waste Management:** A cleaning project that involves removing waste from individual households and taken by the Maluti-A-Phofung Municipality to the landfill site.

All these projects are in the Maluti-A-Phofung Local Municipality area, where the provincial launch took place.

The provincial launch Steering Committee, comprising of relevant



MEC Seiso Mohai



Minister Sigcawu, Premier Marshoff and
Deputy Minister Kganyago



Deputy Minister Kganyago (right)



provincial departments and the Maluti-A-Phofung and Thabo Mufutsanyane Municipalities, worked very hard to ensure a successful launch that was attended by more than 10 000 people.

EPWP is Government's Practical Commitment to Creating Work and Fighting Poverty.

Government has, together with other social players at the June 2003 Growth and Development Summit, set a national goal of halving poverty and unemployment by the year 2014. A People's Contract has been identified as a key motor-force that must drive and inspire the process of achieving this important national goal.

The essence of the whole notion of a People's Contract is about ensuring that development is people-driven and centered, both in terms of meeting their social needs and at the same time relying on their energies to drive it. This is what the liberation movement visualised, in broad terms, at Klipton in 1955, when the Freedom Charter was adopted and asserted that: The People Shall Govern! And it was later elaborated and concretised in the Reconstruction and Development Programme in 1994.

The contract also includes other important social players, namely: the business and the organised labour; that in a partnership with government they must help grow our economy in a manner that addresses the needs of the vast majority.

The national GDS held in June 2003 and the Provincial GDS held in October 2003 went some long way in outlining programmes along this path.

The objectives of the EPWP therefore include the following:

- To alleviate poverty and create (temporary) jobs within a shortest possible time by means of labour intensive methods.
- To provide skills training to workers as well as entrepreneurship and emerging contractors through the provision of infrastructure.
- To provide specific opportunities for women, youth and the disabled.
- To better the living standards and quality of life of the poorest segment of the province through the creation of useful assets.

Job Creation, Skills Development and SMME Promotion.

Government is building and consolidating on the experiences of the past 10 years in addressing infrastructure backlogs, and at the same time addressing the socio-economic needs of our people. The important experiences accumulated in the implementation of programmes such as Community Based Public Works, will be utilised and consolidated.

This will also be extended to addressing developmental needs of our people in the economic, environmental and social sectors in an integrated manner. This is why we refer to this as the Expanded Public Works Programme.

Opportunities for the implementation of EPWP have been identified in three sectors in the province, namely:

- Infrastructure – led by the Department of Public Works, Roads & Transport (PWR&T).
- Social – led by the Department of Social Development.
- Economic and Environmental – led by the Department of Tourism, Economic and Environment Affairs.

The EPWP shall therefore create employment, develop skills – through learnerships and other accredited means – and promote the development of SMMEs, along the trajectory of a Broad Based Black Economic Empowerment. The unemployed, women, youth and the disabled shall be the main beneficiaries.

The preliminary figures in the draft business plan already estimate the following minimum with regards to job creation in the current financial year:

- Infrastructure: a minimum of 10 000 jobs.
- Social: 5733 jobs.
- Economic and Environmental: 1607 jobs.
- The total number of jobs can therefore be estimated at: 17340.
- EPWP shall consciously promote the development of SMMEs.
- Women (40%), youth (30%) and disabled persons (2%) shall receive special attention, in line with our policy of targeted groups.

With regards to accredited training, a minimum of 10% of the project budgets will be spent on the following training:

- Project Management for Project Steering Committees.
- Technical skills for workers on the programme.
- Life skills for all programme beneficiaries.
- Learnerships for emerging contractors.
- 30 Learnerships from the National Department of Public Works (90 beneficiaries).

The coming months (and years) will witness the rapid implementation of many EPWP projects by all government departments, local and district municipalities, and state owned enterprises. This is in line with a people's contract to create work and fight poverty, which shall inform the work of government for the next 5 years.

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OECD AND THE MILLENNIUM DEVELOPMENT GOALS: "GO DUTCH"

BY EVELINE HERFKENS,

OECD high-level parliamentary seminar on policy coherence for development

I was a member of parliament in the Netherlands between 1981 and 1990 and, during that time, I was also a member of the parliament assembly of the Council of Europe. The economic committee, to which I was a member, used to have a dialogue with the Organisation for Economic Co-operation and Development (OECD). The economic committee of the parliament assembly of the Council of Europe created a North-South Commission that had a big North-South campaign together with non-government organisations (NGOs) and local authorities across Europe and in all member countries of the Council of Europe. Much of that campaign was on issues of coherence, trade and debt. We are discussing the same subjects today - 17 years later - and note that we did not get very far.

But today we have a sexy package to market - the Millennium Development Goals (MDGs) - that puts human development back at the heart of the global agenda - where it belongs. The MDGs are about halving the number of poor people, getting all girls into school, putting an end to child and maternal mortality, fighting HIV/AIDS and ensuring sustainable development. This is exactly the type of package that parliamentarians should embrace because it can help you to reconnect with your electorates on these issues. Those of us from the development business finally came out of our ivory towers and moved away from talking in difficult abbreviations. Now we talk about things that people really understand. It would be interesting to see to what extent parliamentary assemblies which are working on development issues can reinvigorate the idea of having a campaign to raise awareness of the MDGs package in OECD countries.

The MDGs are unique

One hundred and eighty-nine heads of state and governments signed onto the Millennium Declaration at the United Nations Millennium Summit in New York in September 2000. Never before and never since, have so many world leaders come together to adopt and agree on something so important. The MDGs came from the UN,

but the goals were warmly endorsed by the International Financial Institutions (IFIs). They came from governments but NGOs also embraced the package. Finally, after wasting 30 years of debating between North and South, between the UN and IFIs, between governments and NGOs, we have a package that everybody endorsed. The beauty of the package is also that it puts an end to this endless North-South debate where the South was blaming the North for not being helpful enough and the North was blaming the South for not having good policies and governance. But what happens often when heads of state or governments or ministers go to international meetings is that they sign a beautiful declaration and then they return back to their capitals for business as usual. Parliaments need to make their governments accountable to their promises. Note here that the signatories are not just development ministers; it also means that trade ministers and finance ministers are committed to the millennium pledges. So it is now up to parliaments to scrutinise policies of their finance and trade ministers. They need to ensure that positions of their ministers in the International Monetary Fund (IMF), in the World Bank and in the World Trade Organisation (WTO) are consistent with their commitments in the Millennium Declaration.

Now there is a clear division of labour. Both rich and poor countries have to do their homework. The first seven goals are the primary responsibility of developing countries - to fight poverty, get girls into school, improve health systems, etc. The MDGs explicitly recognise that poor countries cannot achieve these goals unless rich nations deliver on goal eight (the global partnership for development). Goal eight is about what rich countries should do on aid, debt relief, trade and technology transfers. At the International Financing for Development Conference in Monterrey, all parties again confirmed that each party has to do their homework; each has to pay their dues. As they say in English, we have to "GO DUTCH". I use this phrase "GO DUTCH" because the letters G.O. D. U. T. C. H. will help to spell out exactly what it is that rich countries need to do to achieve the MDGs.

"G" IS GOAL 8: GLOBAL PARTNERSHIP FOR DEVELOPMENT

I will focus here on the G of "GO DUTCH". This covers the global partnership for development and, given today's agenda, I would like to elaborate particularly on trade issues.

The Doha development agenda is truly the answer to the Millennium Declaration. OECD countries set the rules of global finance, global trade and these rules do not benefit developing countries. Poor countries were not present during early negotiations. Their voices and demands were not heard. The present playing field is tilted towards the rich at the expense of the poor. There are too many barriers that stifle and starve. What we saw, in the outcome of Cancun, is the tremendous frustration of developing countries that perceive trade negotiations of the last 10 to 15 years as a boulevard of broken promises and broken dreams. Under the Uruguay Round, poor countries felt that they would get real concessions on agriculture and textiles, but we know that there were really no concessions made. At Doha, developing countries were convinced that for the first time trade would really serve development; they would become equal players in the game. They thought they would be more than just the beggars at the feast in the round. In Monterrey, rich countries said that "trade is the single most important source of financing for development". G-7 finance ministers reconfirmed that they were going to ensure the implementation of Doha promises. We saw very little of that. Here follows a few critical trade issues that I addressed in Cancun from my "Doha Checklist":

- Agriculture. From a point of view of the first goal (halving the number of poor people), agriculture is indeed the most important. Seventy-five percent of poor people in developing countries live in rural areas. They are dependent on agriculture and/or activities related to the sector. Present export subsidies undermine their livelihoods. When I was development minister in the Netherlands, I saw firsthand how the impact of aid was eroded by agriculture subsidies. We had a project in Tanzania intended to help farmers to increase milk production. It was a very successful initiative, but whatever these cows produced at whatever low costs, the milk factories would still buy Dutch milk powder. Tanzanian local farmers cannot compete with cheap, subsidised Dutch milk powder. So unless you get coherence, what is the point of continuing to deliver aid money? We had similar successful irrigation projects that helped to increase the production and cost effectiveness of citrus fruit in Egypt. But an EU trade agreement between Europe and Egypt prohibited that citrus fruit from our markets. So there are frictions there. As the Common Agriculture Policies (CAP) might have answered needs in Europe, 30 or 40 years ago, it got totally out of hand. When we were just six members, it was not that bad. But every enlargement brought in more countries and more products under those same agriculture policies. US domestic subsidies (e.g. cotton), export credits and tied food aid have the
- same destructive impact on poor farmers in developing countries. Moreover, while we dump on developing countries markets, we allow very little market access for their products on our market. Barriers against products made by poor people in poor countries are twice as high as barriers against products made by rich countries. Textiles are an obvious example. These barriers are directed towards products where poor countries have a competitive advantage.
- Non-tariff barriers. As a former politician, I know how difficult it is to question standards for health and environment. But some of these health and safety standards go way beyond what is needed to meet internationally accepted safety levels. A classic example is aflatoxine in African groundnuts, where the amount of aflatoxine allowed per pound of these nuts was such that only 1.7 out of one billion people would die if they ate these nuts. If you would apply the same standards to the EU transport sector, we would have to ban all motorised vehicles. Special interest groups in our countries promote protectionism in disguise of our health and safety. Thirty years ago at university, I learned of protectionism for the first time. Switzerland allowed the import of milk only from cows that grazed above 700 meters. Now you know that the cows in my country graze under sea level: a very classical example.
- Tariff escalation. Developing country exports are locked out by tariff escalation, whereby the tariff increases at every stage a commodity is processed. How can developing countries develop and move away from being dependent on the export of raw commodities, as long as we discourage countries from processing commodities themselves? This would improve their incomes and job opportunities and the investment in adding value in poor countries. This would enable possibilities for government to tax incomes in order to pay for primary education.
- Trade-Related Issues for Intellectual Property Rights (TRIPs). The TRIPs Agreement is very anti-development. It is not just the issue of affordable medicines. If you force developing countries to implement TRIPs, it would be a \$6 billion to \$8 billion transfer from South to North to pay for patent rights. In really poor countries like Mali and Burkina Faso - where they are hardly able to build enough schools and staff them with primary education teachers - building a patent office is really not a development priority.
- Special and differential treatment (SDT). Amartya Sen said: "Equal rules for unequal partners constitute unequal rules." Poor countries need affirmative action on trade rules. I know that we, Europeans, are very proud about Everything But Arms (EBA). But early evaluations show that EBA is not very effective and it is really limited. The rules of origin stifle the potential of the initiative and the bureaucracy is just simply too difficult. All rich countries have preferential schemes for the poorest countries. The

US has the Africa Growth and Opportunity Act (AGOA) and the Europeans have EBA; the Canadians have their own initiative, as do the Japanese and Norwegians. If you are a poor exporter in Mozambique, you simply cannot go through this spaghetti bowl of different rules of all these schemes. Rich countries need to bind and harmonise present preferential agreements.

That's the G of "GO DUTCH".

O IS OWNERSHIP. Donors do not develop countries but countries develop themselves. Much aid over the last 50 years was wasted because donors knew better and donors imposed their hobbies and latest fads onto recipient countries. We are writing blueprints of development strategies for poor countries from our capitals. We know that aid is only effective if it backs home-grown strategies and priorities of developing countries.

D IS DEPT. The Heavily Indebted Poor Country (HIPC) initiative has been extremely helpful. Thanks to many parliamentarians and the Jubilee 2000 Campaign, high debts accrued by poor countries were forgiven because of this initiative. Resources have been directly channelled into financing the MDGs. A lot has gone to primary education and many countries are using the funds to fight HIV/AIDS. HIPC has been extremely successful, but it is still too little and the debt is still not sustainable. This issue has to be revisited. It is on the agenda of the IMF/World Bank development committee and OECD parliamentarians should scrutinise the positions of their governments to ensure they will be generous enough to fund sufficiently the originally intended outcome of the HIPC initiative.

U IS UNTIE AID. This is really one of the worst inconsistencies. Tying of aid is extremely costly. It means that the value of aid goes down. It distorts agreed priorities. It burdens poor countries with all kinds of local and recurrent costs because you pay for the goods, but if you give an x-ray machine, who is going to pay for the nurses to operate it? It is also very corruption-prone as tying aid excludes competition and open bidding procedures. So untying aid is very important, particularly also of technical assistance (TA). Still today, \$1 billion of grant money a year goes to sub-Saharan Africa as tied TA. We send our experts, our expatriate staff, to poor countries and they ignore the local culture and capacity, imposing institutions and Western concepts on the existing social and political fabric of societies there, norms and values that do not correspond to local needs. And when the experts return home, the TA proves to be unsustainable. It perpetuates the dependency on aid and destroys the motivation of local people to take charge of their own future.

U IS ALSO UNIQUE OPPORTUNITY. There is a unique window of opportunity now politically to put an end to tied aid. Finally, the European Commission has ruled that tying aid to individual member states is inconsistent with the European competition policy: a good moment to start the debate in the OECD-DAC to put an end to this practice.

This coincides with the new Millennium Challenge Account (MCA), launched by President Bush, that - if fully funded by Congress - would be the biggest increase in US ODA (official development assistance) since the Marshall Plan. Congress is still debating if this would be tied in terms of procurement. Here we have a unique political opportunity to put an end to this harmful practice.

T IS TRANSFER OF RESOURCES.

- **Quantity.** Firstly, rich countries need to provide more resources. The World Bank presented an excellent paper to the development committee in Dubai that clearly shows that developing countries have honoured their part of the Monterrey pledge - much more than rich countries. There has been a lot of reform in poor countries, but it was not matched to that extent by rich countries increasing ODA. Some of your governments claim that there is not enough absorptive capacity for more aid. The World Bank puts an end to this argument; and so do the UN, Zedillo panel and Jeffrey Sachs' Millennium Project, who have calculated what it would take - in terms of external aid - to achieve the MDGs. All come up with an estimated need of \$52 billion to \$60 billion. After 10 to 15 years of declining ODA, the tide was turned in Monterrey - at least in terms of promises. It is you parliamentarians who set the laws and hold the purse. Please ensure that as a start the \$20 billion promised in Monterrey really comes on the table. Portugal, Italy and Spain promised to achieve 0.33 percent by 2006. Please make your governments live up to that. France committed 0.7 percent by 2012. I also would like to underline that it is important for rich countries to live up to our part of the deal in advance of 2015. ODA and trade opportunities are the inputs to the output of 2015 of halving the number of poor people. We cannot say our cheque is still in the mail, so our commitments must be delivered in advance of 2015. Presently \$57 billion has been given.

- **Quality.** We could also double the impact, in terms of achieving the MDGs, of the present \$57 billion by improving the quality of our aid. OECD DAC reports are made on a peer review basis for each individual donor every few years. These reports should be discussed in parliaments to help encourage your governments to improve aid quality. One of the quality issues is the need to target poor countries. Too much bilateral aid has been driven by geopolitical objectives to middle-income countries that do not need it. Donors should direct ODA to poor countries, particularly in sub-Saharan Africa, that need it most; and among those, to the countries that are better governed. Also aid has to be given on multi-year basis. How can the finance minister of Mali or Mozambique use aid effectively if they do not know in advance how much is coming, when it is coming and what for? Aid must also respect national ownership. It has to be aligned behind the poverty reduction strategies of these countries. Every donor wants to have visibility. Sub-Saharan Africa is littered with schools buildings and hospitals not used anymore; but they still have

this plaque that says, "thanks to the solidarity of the Swedish people" or "opened by the British Development Minister". But they are not used because we built the schools and hospitals, but nobody ever thought of who would pay for teachers, nurses or the teaching materials. That takes local and recurrent costs financing. To achieve the MDGs, these countries need cash and budget support - e.g. through the Education for All Fast Track Initiative (EFA-FTI) that is grossly under-funded.

C IS COMPENSATORY FINANCING. Poor countries are very vulnerable to external shocks. Some of the HIPC countries like Uganda, Mozambique and Mali did everything the donor community told them to do. They cut their budgets, they implemented reforms and they hoped to see light at the end of the tunnel. After three years, the light at the end of the tunnel was the light of the incoming train of terms of trade moving against them. Coffee prices and cotton prices collapsed. Their budgets were already cut to the bone; and they had to be cut even deeper. The IMF, World Bank and donors should create a facility to help countries through these external shocks so they do not have to derail their policies.

H IS HARMONISATION. There was this great conference in Rome, but again this is one of these conferences where ministers signed a declaration and returned home to business as usual. I would encourage parliamentarians to ask their ministers to come up with an action plan to implement the Rome Declaration on Harmonisation. Every donor has its own procedures and poor countries have limited institutional capacity. Instead of developing and implementing their own health policies, the few bureaucrats spend their time making reports to each of us, according to our different procedures. They prepare project proposals; they audit, evaluate, account and monitor reports. They are being held accountable to us instead of to their own parliamentarians, or to their own people. They have to wine and dine 2 000 missions of individual donors a year. We are overloading and overwhelming institutional capacity in poor countries with our different hobbies and procedures. We need to work together and harmonise one set of procedures. If something is good enough for the auditing system in the UK, it should be good enough for Sweden. We have to come with a common procedure and stop creating the absorptive capacity problems ourselves with these procedures that some donors subsequently refer to as the reason not to increase aid.

The politics of agriculture reform

Now let me conclude with a few points on the political economy of agriculture reform. Firstly, the problem that I also had as a parliamentarian is that those who lose from policies - be it trade, be it other types of reforms - have faces and come to your parliament and demonstrate. But the winners, the taxpayers and consumers, do not. Reforming agriculture or textiles or steel would create economic growth worldwide that would enable developing countries to import from us other products, creating jobs

in other sectors; but these beneficiaries do not have a face either. The difference between a politician and a statesman is that a statesman looks beyond the short term and beyond their own constituencies, boundaries and terms of elections.

A second point on political economy that I would like to make is that opinion polls in all of your countries consistently show that your voters want your government to do more on aid. In all OECD countries, majorities are prepared to pay 1 percent more tax if that would help put an end to child mortality in poor countries. This 1 percent more tax would actually bring on the table the \$50 billion we need to achieve the MDGs. But public opinion in some of your countries is sceptical about the effectiveness of aid. Some development ministers in Northern Europe are now linking aid to the MDGs, showing the taxpayer how the ODA contributes to girls going to school in Mali, or reducing child mortality in Tanzania. This is shifting the image of aid away from that notion that our middle-income taxpayers' money goes into the pockets of rich elites in poor countries who do not pay tax at home. We can change that image by changing our policies and making the MDGs the overarching objective of development policies, showing taxpayers that ODA flows contribute to achieving these goals.

Coherence begins at home

I would like to make one final point on coherence. People talk about coherence as if it is an international problem. Coherence is a national problem at home. It is not a problem of coherence between the WTO and the UN and the World Bank. We, member states, create problems of coherence. I was an ambassador in Geneva to both the WTO and World Health Organisation (WHO). The TRIPs Agreement was reached on patent protection at the WTO, at the same time that WHO health ministers in the annual health assembly agreed on a strategy to have affordable basic medicines for everybody. These decisions were totally inconsistent, but this is what happens when health and trade ministers do not talk at home before they travel to Geneva. Unless you get coherence at home, you yourself are exporting disagreements into the international arena. Similar problems arise when what your central bank says at the IMF differs from what your foreign affairs minister says in the UN. It is at home where parliamentarians can scrutinise consistency of what their government does. In the Netherlands parliament, for the last 25 years, we always debate instructions to every international meeting - for WTO ministerials, EU councils, IMF/World Bank meetings or the UN General Assembly. But sometimes parliaments are as compartmentalised as the government. The economic committee in parliament talks the lingo of the trade minister and the foreign affairs committee talks the lingo of the foreign affairs minister and the health committee talks the lingo of the health minister. We need more coherence there and we need more coherence through parliamentary groups or parties.

The MDGs can be an extremely useful tool for you to

insist on coherence at home and for you to insist that what your government does is consistent with what your government promised. You, parliamentarians, are in charge of making governments accountable for their promises. There is a tremendous opportunity here. We are the first generation that can put an end to poverty. We know what to do. We have the means, the technologies and the resources. It takes the political will of all the 189 countries that signed up to these goals. I imagine a

world in 2015 - a beautiful mosaic that is dependent on the beauty of each of its (national) tiles. Each of the 189 national tiles represents nation states and members of the UN signatories of the Millennium Declarations and each of the individual tiles needs to turn the right colour to make the mosaic beautiful. We are the first generation, if we implement this package, that can put an end to poverty as we know it and we should refuse to miss this opportunity.

UN REVIEW HIGHLIGHTS SOUTH'S CONTINUING FINANCIAL WOES

BY MARTIN KHOR

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A year and a half after the UN's International Conference on Financing for Development (FfD) at Monterrey, Mexico (March 18-22, 2002), the financing situation of developing countries appeared to be worse - with developing countries not only not receiving more resources and finances for development, but achieving a negative transfer, or net transfer from developing to developed country and international institutions of \$200 billion in 2002.

This came out clearly at a "high-level dialogue" convened by the UN in October 2003 to review the implementation of the commitments made by governments at Monterrey.

\$200 billion South-North outflow

One of the things that came through prominently was that despite Monterrey, the financing situation has worsened for developing countries. This is symbolised by the most talked-about figures at the dialogue: the rise in net transfer of financial resources out of developing countries to almost \$200 billion in 2002. Instead of receiving funds, the poor countries are now transferring enormous amounts to the rich countries.

The UN secretary-general's report to the dialogue shows that in 1994-1997 the developing countries were receiving \$30 billion a year on average. But in 1998-2000 this had reversed

and they were transferring out \$111 billion annually in net terms. Then the situation further worsened dramatically. In 2001, the net outward transfer was \$155 billion and it rose further to \$193 billion in 2002.

Though there were a few bright spots (such as a reversal of the trend of decline in official development assistance (ODA), these were more than offset by lack of progress on the debt situation, by declining commodity prices, the fall in foreign direct investment (FDI) and, most significantly, the failure of Cancun and of the World Trade Organisation (WTO) to deliver on its development promises. Nor was there progress in global financial system reform or in developing countries' participation in decision-making in the Bretton Woods institutions (i.e. the IMF and World Bank) and the WTO.

Most of these issues - especially the net transfer of funds from developing countries - featured prominently at the dialogue's highlight, the opening plenary. More of the blunt comments came at the interactive dialogue that followed.

At the opening, UN Secretary-General Kofi Annan called for the reversal of the negative balance sheet and for the system to be fixed so that all countries and people, especially the poorest, can benefit. While ODA had increased to \$57 billion in 2002, the modest gains had been dramatically offset by the largest-ever net resource transfer - some \$200

billion - from the developing world, he said. Even taking all subtlety and nuance into account, the overall result defies common sense, he said, adding that funds should be moving from developed countries to developing countries, but those numbers revealed the opposite was occurring.

Funds that could be promoting investment and growth in developing countries, or building schools and hospitals, or supporting other steps towards achieving the Millennium Development Goals (MDGs), are instead being transferred abroad, he added.

The implementation of the Monterrey commitments showed a mixed report card. While ODA had increased, it was still far short of what was required to meet the MDGs. In the trade area, subsidies and tariffs were stifling poor countries' ability to compete fairly. FDI in the developing world was down. Too many developing countries continued to carry too much debt, making it clear that perhaps the Heavily Indebted Poor Countries (HIPC) debt relief initiative had been over-optimistic and that perhaps there is need for an international framework for debt restructuring.

Annan referred to recommendations in his report for the dialogue:

"Steps should be taken to get more out of the annual spring meeting between the UN Economic and Social Council (ECOSOC), the WTO and the Bretton Woods institutions. That meeting needs better, more focused preparation if it is to fulfil the special role given to it by the Monterrey Consensus as a guardian of coherence, co-ordination and co-operation."

UN's role in development funding

The UN General Assembly President Julian Robert Hunte (the foreign minister of Saint Lucia) said the Monterrey Consensus reflected the critical decisions taken to address the challenges of financing for development. It brought together all stakeholders to address key cross-sectoral issues of trade, finance and development.

The dialogue should be a frank discussion of challenges to the implementation of the Monterrey commitments and agreements. One must ask whether the UN system was positioned adequately to impact the development funding process. Had sufficient steps been taken to improve coherence and efficiency among donor agencies? What should be ECOSOC's role in tracking progress made and proposing further steps to implement the Monterrey Consensus?

He said the assessment report on implementation of the Monterrey Consensus showed mixed results. On the positive side was a 4.8 percent increase in ODA after Monterrey. Some donor states had reached the United Nations ODA goal of 0.7 percent of GNP and had committed to reaching 1 percent during 2005-2006. Others had set time frames to reach 0.7 percent.

There were also nascent and encouraging signs

regarding resolution of the debt crisis, like proposals for a comprehensive, statutory approach to restructuring governments' external debt and the use of collective action clauses. For their part, many developing countries were working to create enabling environments at the national level by strengthening economic governance and enhancing democratic participation.

On the other hand, he noted, net private financial flows to many developing countries had declined or become negative. There had been little change with respect to challenges such as market access, special and differential treatment, debt, the deteriorating situation of commodity-dependent countries, agricultural subsidies and the lack of participation of developing countries in the decision-making of international financial institutions.

The World Bank, the IMF and the Monterrey Consensus

World Bank President James Wolfensohn said it was really no secret that much remained to be done if the aims of Monterrey were to be met. The industrialised countries must lead the way by living up to past commitments. But with the failure of the WTO talks in Cancun, lagging development assistance and abiding inequities in the international trade system, it was clear that more co-operation, dialogue and action were needed.

It was noted this was the first time a World Bank president had addressed the assembly on any subject. But the financing for development partnership made co-ordination between the two bodies critical. The bank was concerned with the imbalances, such as that \$800 billion had been spent for defence budgets while only \$56 billion went to development assistance.

Horst Kohler, IMF managing director, said that the global economic outlook was improving, with improved prospects in advanced economies. But risks remained, especially the excessive dependence of the world economy on US growth and the resulting global current-account imbalances. He believed resolving those imbalances in an orderly manner should be the primary objective of international economic policy. That required a co-operative approach involving all major countries and regions.

The IMF, he continued, would continue to play its role in implementing the Monterrey Consensus. In its work with low-income countries, the fund was concentrating on a framework for sound macro-economic policies and institutions. It had reduced the scope of its conditionality by focusing it on those areas that were central to achieving key macro-economic objectives.

The IMF's effectiveness as a co-operative institution depended on all members having an appropriate voice and representation, he said. With that objective, the fund had recently taken several steps to bolster the capacity of executive directors' offices of developing and transition countries, aimed at enhancing their effective participation in policy formulation and decision-making.

Policy coherence

UN Conference on Trade and Development (UNCTAD) secretary-general Rubens Ricupero called for ECOSOC to be the forum to discuss policy coherence that could produce a global growth environment conducive to attaining developing countries' domestic policy objectives. This could be a building block of the new international architecture.

He said Monterrey was a holistic approach to the problems of financing development, but did not provide a blueprint for development. It was not a point of arrival, but a point of departure for an ongoing process. The challenge was to combine and sequence the various aspects of the consensus in a way that allowed progress in its implementation and to identify those areas in which the consensus needed to be extended and amplified.

The impetus for such a conference originated in the negative net transfers of real resources by many Latin American countries in the aftermath of the 1980s debt crisis - the lost decade of development. The net financial flows in the recent past were still from the developing to the developed world. This year would be the seventh year of negative net flows of financial resources, thereby suggesting the world may be in another "lost decade".

Unfortunately, some countries, such as Argentina and Bolivia, that were early in implementing the measures that were eventually included in the consensus were now experiencing living standards far below those of the lost decade and found themselves excluded from external financing possibilities.

FDI flows remained positive but they had declined substantially, despite the fact that developing countries had taken steps to increase their capabilities to attract and absorb increased FDI flows. The growth in global trade had also fallen more or less in step with the decline in capital flows. This affected prices of the poor countries' commodities.

It was indispensable to resume the WTO negotiations from the point they were interrupted in Cancun, to deliver on time and at the right level of ambition, the development promises of the Doha declaration, Ricupero said. He stressed the need for better economic policy co-ordination among major developed countries to eliminate major macro-economic imbalances that are a major cause of volatility in exchange rates and capital flows. As part of the Monterrey Consensus, policies needed to be developed which were consistent with both domestic and global stability.

He also noted that the monitoring of the consistency of national policies with respect to employment growth was a mandate to be given to ECOSOC under the Havana Charter.

"But the charter was never implemented and the

Article IV surveillance in the IMF Articles of Agreement has tended to concentrate on the appropriateness of national policies for domestic stability rather than on their compatibility with global growth," he said.

"Given the greater participatory and universal character of the UN process, this is an area in which ECOSOC, with the support of the FfD office, could provide an appropriate forum to discuss increased policy coherence that could produce a global growth environment conducive to attaining domestic policy objectives set for developing countries."

This could be a useful building block of the new international architecture in the context of the reflections about profound reforms called for by the UN secretary-general.

Unequal and insecure

UN Development Programme (UNDP) administrator Mark Malloch Brown said today's world was more unequal and more insecure than ever. In a world of six billion people, one billion owned 80 percent of global wealth, while another billion struggled to survive on less than \$1 per day. Poverty on that scale was no longer inevitable. The world possessed the means to achieve the MDGs but what was too often missing was the political will.

Monterrey had struck a global partnership in which sustained political and economic reform, more private investment and better governance in developing countries would be matched by direct support from the developed world in the form of trade, aid and investment. However, although the decade-long decline in ODA had been reversed after Monterrey, as ODA rose to \$57 billion in 2002 with OECD projections showing an additional commitment of \$16 billion by 2006, the total commitments made at Monterrey would still fall far short of the \$100 billion in ODA needed annually to achieve the goals.

The key to the Monterrey commitments had been the agreement on the importance of country ownership in development strategies, he continued. The UN system, under the co-ordination of the UN development group, had worked to implement the consensus, including thorough follow up of the commitments to streamline donor procedures and practices based on the principle of full country ownership made at the Rome high-level forum on harmonisation in February 2003.

The success or failure of Monterrey basically depended on a larger vision of global partnership. The goals were part of the global commitment. No matter how successful the reform efforts of developing countries, the first seven goals could not be achieved if donor commitment to Goal 8 on development assistance, investment and trade, was not met. The failure at Cancun to agree on the policies needed to create a pro-poor, legitimate global economic strategy thus constituted a step back in implementing Monterrey. All must now commit to renewing the spirit of partnership

Increasing activism

According to Francisco Thompson-Flores, deputy director-general of the WTO, the 2001 Doha Development Agenda was a framework to empower developing countries to achieve development. While trade could be an engine for growth, developing countries faced too many obstacles in the present international trading system. The Doha negotiations could bring benefits well beyond those in other areas. But the Cancun setback and the ultimate failure to reach agreement on the Singapore issues meant that WTO members had to take collective responsibility for the outcome of that round.

Cancun had proved to be a disappointment, but it was not a collapse. The WTO was already exploring ways to move forward, the first step being to identify the areas of greatest difficulty at Cancun and to get people discussing them again.

He said the WTO had witnessed at Cancun the emergence of new groupings of states, united in advancing their common interests. One had to ensure that the increasing activism of developing countries, which added greatly to the complexity of the negotiation rounds, was adequately recognised and reflected. Comprehensiveness of participation and substance had to be the goal.

SOUTH AFRICA AND PALESTINE: FRIENDSHIP, SOLIDARITY, CRITICISM

BY SUREN PILLAY

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On June 29-31, 2004, the United Nations hosted an African conference on the rights of the Palestinian people, formally titled the "United Nations African Meeting in Support of the Inalienable Rights of the Palestinian People". It was to be a two-day conference of governmental deliberations to be followed by one day of sessions at which African and Palestinian civil society organisations would converse with each other.

The Palestinian issue can now be characterised as a 100 year war of sorts. At its heart in the modern period is the project of sections of the European Jewish community to create a homeland for Jews. This project, known as Zionism, emerged from the same mindset that various other nationalist projects had emerged from in Europe in the wake of the collapse of the Hapsburg and Romanov empires. This nationalism took on the form of what is known as an ethno-nationalist formulation. That is to say, it was framed in the period when to think of the nation was also to think of a homogenous cultural linguistic community with certain unique characteristics, or "essential" features.

But as Tony Judt, the distinguished New York University historian points out, the problem is that the Zionist project "arrived too late. It has imported a characteristically late nineteenth century separatist project into a world that

has moved on, a world of individual rights, open frontiers and international law".

That homeland, seen as even more necessary after the ghastly Nazi genocidal violence, was to be in what was then Ottoman Palestine, which came under British mandate with the collapse of the Ottoman Empire. The homeland would be a place where Jews could be assured of their safety. It is of course a richly instructive and tragic irony that there are few places where one is more unsafe as a Jew today than in Israel. In 1947 a partition plan gave a Jewish state 56.4 percent of Palestine at a time when the population of "Mandate Palestine" was 70 percent Arab and Jews owned only 7 percent of the land. After 1948 Israel captured a further 22 percent of historic Palestine, in the process driving out 750 000 Palestinians. Israel was thus created on 78 percent of historic Palestine, in the process creating the world's longest and largest refugee problem. Following the 1967 war Israel occupied the rest of the 22 percent it had previously not controlled. It is this 22 percent that the PLO demands when it urges a return to the pre-1967 borders and withdrawal from the Gaza Strip and the West Bank.

We may think of Palestinian nationalism as the victim of bad timing too. As a nationalist movement it was relatively unsuccessful in realising its aims during the heyday moment of decolonisation. It endured through the

Bandung period, of non-alignment, Pan-Arab nationalism and the Manichean division of the Cold War, which all exerted their own forces of repulsion and attraction in international alliance politics. Palestinian nationalism remains unfulfilled where others, like South Africa, Northern Ireland and East Timor have found some form of realisation, giving the conflict its intractable dimension. In a post-Cold War world Palestinian nationalism is situated within another appalling dichotomy, which is being framed as religious and cultural, at least according to the superficial analysis of orientalist like Bernard Lewis and political scientists like Samuel P. Huntington. Palestinian nationalism now suffers the fate of being seen as part of the family of Islamic fundamentalism, a part of the extended family which includes the likes of Osama Bin Laden and even more preposterously, Saddam Hussein. It makes demands in a world where the identity of being Muslim carries with it an increasingly pejorative connotation where these things seem to matter most, in the United States and Europe. That it found a receptive audience in Africa, via the UN, was therefore a welcome gesture.

The conference enjoyed a reassuringly high profile South African government presence, from President Thabo Mbeki, who opened proceedings, to Ronnie Kasrils, Aziz Pahad, Frene Ginwala, Kader Asmal and a fair range of South African civil society groups. The Palestinians were almost entirely represented by the Palestinian National Authority, including its chief negotiator, Saeb Erakat as well as Ali Halimeh. The civil society forum had an illuminating presentation by one of the only Palestinian non-governmental representatives who demonstrated the pernicious effects of Israel's security fence, the nine meter high, 200-mile long behemoth that snakes through the West Bank. She explained through an evocative slide presentation how this "fence", which Palestinians call the apartheid wall, is dividing communities, further humiliating Palestinians and destroying farming and irrigation infrastructure.

The conference was in large measure an act of solidarity with the struggle of the Palestinian people who have been occupied and displaced. To that end it was of some symbolic importance for those who support that cause. Although Palestine is increasingly a cause highlighted at major international civil society forums, like the World Social Forum, all acts of solidarity have an intangible effect on the morale of those involved in the daily battle of finding a solution to this seemingly enduring problem. The presence of organisations like Jewish Voices and the South African chapter of Not in My Name also bolstered support and was invaluable necessary in showing that Zionism and being Jewish are patently not the same thing. This distinction sometimes evades a few in the solidarity movement here and elsewhere. Outside the lavish hotel conference venue another group of people, under a gentle drizzle, showed their solidarity with a march and placard demonstration. Organised by a number of different organisations, like the Palestine

Solidarity Committee (PSC) and the Anti-War Coalition, this group was addressed by a range of civil society leaders, including representatives from COSATU, Max Ozinsky of the ANC, as well as Wits academic and PSC leader, Naiem Jeenah. The striking thing was that solidarity was pledged inside and outside the conference venue, but to different solutions to the same problem, divided by a plethora of quite unnecessary police and razor wire which kept marchers on the outside and harsh words on the inside.

The Webster dictionary tells us that "solidarity" comes to us from the French word *solidarité* and from "solid": an "entire union or consolidation of interests, responsibilities, fellowship and community". To show solidarity therefore involves maintaining some kind of unity of interest. To show solidarity involves being in relation to something, or some one, a cause or a movement. And to be in a particular kind of relationship, where one shares, is sympathetic, or empathetic, to that which one chooses to be in solidarity with. I was wondering about what it means to be in solidarity with a cause when I attended the civil society forum of the conference. In this session some younger members of the Palestine Solidarity Committee had raised two issues - one was about the kind of solution being advocated by the PNA and its leader, Yasser Arafat. The other was about what the South African government could do to show more solidarity with Palestinians. The former issue had been raised stubbornly throughout the conference. To be clear, the official position of the PLO, which was adopted in 1988, is for a two-state solution, in which Palestine and Israel would be contiguous but independent nation-states. The Oslo accords, out of which the PNA was formed as an embryonic but truncated state, had of course stalled and the demand of Arafat and others is for the implementation of what is commonly known as the "road map". That is to say, the map that will lead to the formation of an independent Palestinian state along the 1967 borders. There are other issues too of course, like the fate of Jerusalem and the thorny question of the right of return for Palestinian refugees, endorsed by UN resolution 194.

The two-state solution

One of the questions raised at the conference by the members of the Palestine Solidarity Committee was whether a two-state solution was possible or desirable at all. To this came a number of rejoinders. Saeb Erakat pragmatically pointed out that the two-state solution and the "roadmap" was, whether we liked it or not, "the only game in town". Others cautioned the South African activists that they should be wary of being "more Palestinian than the Palestinians". In one rather heated moment a participant reprimanded those questioning the official Palestinian solution, by saying that they (Erakat and others) were from the battlefield, implying they knew better and had to be supported unconditionally. Whilst this unfortunate and crude outburst was the extreme to show solidarity, according to most of the South African government officials who spoke, it was not to display

public dissension, nor to question those with whom one was in solidarity with.

While the conference was of valuable symbolic importance, its form of solidarity meant that there were mostly diplomatic governmental statements of commitment. The civil society forum took decisions about what could be done, but the governmental sessions did not, except for the issuance of a "final document" which endorses the call for a full withdrawal from Gaza as part of the "road map". Solidarity here had a rather silencing consequence in my view since it seemed to necessitate an ethic of uniformity and consent. A discussion about what form of solution might be desirable or possible was therefore denied a spot on the agenda and when it did emerge surreptitiously, it was quickly put back in the closet as if it was an ungraciously embarrassing act by the host to engage your guest in an exchange of this nature. This was rather disappointing for a number of reasons, particularly since the South African "model" seems to be increasingly widely referenced by Palestinians in their own struggle and there are lessons therefore to be exchanged.

Critical solidarity

What is the relationship between solidarity and criticism? Does solidarity mean that one abrogates the right of critical reflection? Can those who are in solidarity legitimately expect to be able to be critical with those with whom one is in solidarity? Is solidarity not part of the act of criticism and does one have to make a choice between them? Is this a matter, in the infamous words of George W. Bush, no authority on this matter I concede, of "you are either with us or against us"?

In my view we need to rethink this way of being in solidarity. It seems to me we may want to try and think of these acts together. That is to say, to find a way to be in solidarity which does not require the setting aside of critical reflection, but rather encourages criticism. To find a way to practice criticism in solidarity, rather than criticism or solidarity. And to begin to be able to make that distinction, a distinction that seemed sadly lost among some South African officials who were there.

I am not for one moment suggesting that we can tell the Palestinians how to run "their struggle", or that solutions can be parachuted in, whether in the form of ideas or bombs. But the Palestinian issue is more than just a particular case for national independence. It is a matter that concerns all of us since it involves injustices to human beings. It requires a form of conversation that enables the critical exchange of ideas and this is something that Palestinians do engage in through their tenacious civil society. So, a discussion of alternative solutions could have been entertained by the forum, which would have been a livelier affair for it. There is another reason that a discussion of alternatives would have been useful. These are tricky matters in international affairs I understand and enter into questions of protocol and inter-governmental

relations. But a broad discussion of the Palestinian issue need not only rely on the views of the representatives of the PNA. A full grasp of the situation would usefully have come from the presence of a wide range of voices in Palestine and its diaspora which reflect the full diversity of debates about where to go from here amongst Palestinians themselves.

To that extent, the PNA's position should be treated with the gravitas it deserves, but not as sacred and beyond human scrutiny and therefore exempt from critical engagement. This, after all, was a discussion among friends, so to speak. And friendship comes with obligations but also rights. Perhaps it was a matter of logistics and travel restrictions that explains the absence of a wider range of voices from the region. I was part of organising a conference that brought South Africans and Palestinians together in New York two years ago and getting Palestinians out of the occupied territories so that they could travel was very challenging and in some cases not possible. But this does not explain the aggressive attitude toward the articulation of alternative views from within the audience who did attend. And this is perhaps symptomatic of the ways in which we as South Africans have tended to engage, or homogenise, diversity of opinions within our own traditions of struggle and solidarity. This has carried over into the rather unnuanced manner in which criticism of the post-apartheid government is sometimes received, responded to and made. It is possible and in fact desirable in a democratic society, I am suggesting, to be able to be critical in solidarity.

It might be useful then to get a sense of what the debates about the forms of solution in Palestine are. Since the two-state solution is the most well known one, I will not spell it out in further detail. What I would like to do is outline one of the alternative positions for the purposes of continuing the conversation between those of us in solidarity so that we have a fuller sense of the issues and that we can reflect on how we as South Africans, both in civil society and government, engage with the issue and work out policy. The two state solution, adopted in 1988, was a way of displacing the option that would not recognise the legitimacy of either side's case. For Palestinians, this would mean driving "all Jews into the sea", as the scarecrow version put it, the equivalent of our own "one settler one bullet" slogan. And there is a small minority who would still argue this. For Israelis it would mean completely getting rid of Palestinians either violently, or through what is called euphemistically "transfer"- forcing those remaining three and a half million Palestinians in Gaza and the West Bank to leave, preferably to Jordan: ethnic cleansing. This latter position is still argued for by some on the Israeli right, including members of Ariel Sharon's present cabinet. The two-state solution was thus an answer to the fears of mutual annihilation through the recognition of each side's right to existence. The subsequent peace plans and roadmaps are supposed to be working towards the realisation of this.

The one-state solution

But there is an idea that is enjoying some currency again in both Israel and the Jewish diaspora and Palestinian circles of late. It was floated by certain members of the PLO in 1969 but did not get much support. And that is the notion of a one state solution, variously seen as a "bi-national" solution. There are two forms that this idea could take. The one is where citizenship is based on individual identity, as in South Africa and not on distinct group identities. The second model is a single-state with power sharing through confederal, federal and consociational models that afford distinct recognition of group identities, whether cultural or religious. Now, in the current context, where we see the wall going up and where relations seem at an all time low between the two sides, this must appear as the most far fetched fantasy, or nightmare, depending on where you stand. But paradoxically, it is because things are as bad as they are that this idea has re-emerged, for different reasons and to different effects. Is it far-fetched?

On January 8 the Palestinian Prime Minister Ahmed Qurei, in what was characterised as a "private opinion", made the statement that: "we will go for a one state solution in which Palestinians have the same rights as Israelis", which he retracted three days later apparently after being chastised by the Fatah leadership which dominates the upper echelons of the PLO. Meron Benvenisti, a former deputy mayor of Jerusalem has gone on record as stating that a two-state solution will not work. He finds himself in the company of intellectuals like Martin Buber, Hannah Arendt and Tony Judt. In this company also are some of those known as post-Zionists, like the Israeli historian Ilan Pappé. Amongst Palestinians the most prominent consistent proponents of this view were late academic and activist Edward Said and Bir Zeit University intellectual Ali Jarbawi. In the next few paragraphs, I want to outline just two or three factors which might suggest that the possibilities of a two-state solution are not as straightforwardly acceptable.

Zionism, citizenship and discrimination

Zionism is an idea based on the notion of an ethno-nationalist community that affords citizenship on an exclusive basis. In a controversial piece in the New York Times Book Review of October 2003, Tony Judt argued that "the very idea of a 'Jewish state' - a state in which Jews and the Jewish religion have exclusive privileges and from which non-Jewish citizens are forever excluded - is rooted in another time and place. Israel is, in short, an anachronism."

He argues that a state that affords rights and privileges to some and not all of its citizens and a state that aspires toward cultural and religious homogeneity is out of touch with present developments in the world. Most states are now recognising their diversity, which has in some cases always been there and in other cases is the result of recent waves of political and economic migrations. Paris, London and even Stockholm are now home to peoples of

all shades and nationalities who are bringing into these polities, not without some resistance, their own presence and influences and which are slowly reshaping the national identity of these states. This argument therefore is about what we should aspire to as the appropriate form of political community today and what we should turn our backs on as inappropriate for our times.

Proponents, like Marian Kromkowski, also argue that the conflict is not between Jews and Palestinians, but between "a Zionist Israeli state based on religious exclusivity and colonial expansionist policy." Being Jewish, she argues, has been made synonymous with the state of Israel through a conscious effort on the part of pro-Zionist ideologues. Having a Jewish state is therefore assumed to be integral to being "Jewish", a formulation that is and has been questioned by Jews since the very beginnings of the Zionist project. Could Jews not be a coherent cultural community in a state made up of different peoples, including Christians and Muslims, she asks?

In this view Zionism is in fact bad news for Judaism and the pernicious and increasingly known effects of implementing Zionism in relation to the Palestinians is fast exhausting the cultural capital afforded Jews as victims of the Nazi holocaust. This is because there is a big problem: "what to do with the people, when all you want is the land?" Furthermore, the recognition of Zionism as a valid political project, inherent in a two-state solution, critics argue, will mean accepting a solution that legitimates the annexation of 78 percent of the land Israel claimed in 1967. In other words, it will legitimate an historical injustice. Furthermore, what would happen to the nearly one million Palestinians, some 20 percent of the population, who currently reside in Israel and other religious minorities?

As it stands, although the Israeli state argues that they are equal citizens, they are in fact treated as second-class citizens, or according to some, third-class citizens, after non-orthodox Jews. Writing in the Egyptian weekly, Al-Ahram, Jonathan Cook laments that Israeli democracy is consistently sacrificed to "security concerns" which allows for the humiliation of Israeli Palestinians. A more or less permanent "emergency status" and the absence thus far of a constitution, has enabled systematic rights violations. In a rare investigation into the killing of Palestinians in Israel, Supreme Court Justice Theodor Orr admitted that "the police had a history of treating Palestinian citizens as the enemy", even though all the soldiers charged in that particular case, where twelve Palestinians were killed, were merely given a nominal fine: the commander was subsequently promoted. In matters of language, education and job opportunities too, Palestinians are treated with consistent prejudice. Arabs, for example, comprise a third of the schooling population, but get only 7 percent of the education budget, resulting in what a Human Rights Watch report in 2001 identified as "systematic discrimination in education resources that disadvantages Palestinian children". A two-state solution

will therefore have to confront the fate of minorities, since at its basis, critics argue, is the endorsement of racial and ethnic exclusivity that produces discriminatory acts.

200 000 settlers

Another set of arguments that question the viability of a two-state solution has to do with what Israelis and Palestinians call the "facts on the ground", that is to say events, occurrences, or processes that are beyond dispute and irreversible. The first of these has to do with the growth of the settlements in the occupied territories. The mammoth bulldozers, custom built by Caterpillar for house demolitions, have been working at an alarming rate. There are some 200 000 settlers deep into the West Bank and Gaza, with roads and irrigation infrastructure which by-pass Palestinian areas. There are also 180 000 settlers in East Jerusalem. While the Geneva accords and pronouncements by Ariel Sharon suggest the dismantling of settlements, there is very little optimism about this actually happening. It was under Sharon, as minister of trade and industry, later construction and housing and national infrastructure, that grants and low-interest loans were given to settlers for housing and for the development of infrastructure for roads, water supplies and industry.

It is common knowledge that after the Oslo peace accords and in violation of them, a massive settlement programme was implemented so as to create "the facts on the ground". That is to say to create the irreversible situation which was endorsed by George W. Bush's recent comment that Israel could not be expected to return to the pre-1967 borders. According to the widely respected Israeli journalist Amira Hass, writing in Haaretz on 30 May, 2001, the "pace of the settlement expansion in the Occupied Territories since 1993 has created the geography of a single state". Gary Sussman, of the Middle East Report, notes that the former head of the army's central command, Yitzhak Eitan, fears that "dismantling settlements will trigger a civil war, making evacuation near impossible". And to quote Tony Judt again: "There are too many settlements, too many Jewish settlers and too many Palestinians and they all live together, albeit separated by barbed wire and pass laws. Whatever the 'road map' says, the real map is the one on the ground... Many of the settlers will die - and kill - rather than move".

If the removal of settlers is as potentially explosive as noted by Eitan and others, then it appears that settlement dismantlement beyond token small outposts is highly unlikely, which will mean having to offer Palestinians even less than the 22 percent of the land they are demanding and above all, offering them non-contiguous cantonments, or as some have called them, "Bantustans". Virginia Tilley, in the London Review of Books, puts the predicament succinctly: "Carved up by populous Jewish-Israeli settlements, neither the West Bank nor the Gaza Strip is a viable national territory. And if it follows that there can be no reversal of the settlement policy, a Palestinian state is not practicable". The settlement programme is compounded by the building of the wall,

which cuts through Palestinian villages and which makes a Palestinian state even more fragmented and therefore and elusive possibility, or perhaps an impossibility.

If a viable state is not possible, is a two-state option a viable solution? This concern is not lost on PLO policy makers. Saeb Erakat heads what is called the negotiations support unit, staffed by a group of mostly younger Palestinians who assist and advise in the formulation of policy. One of its members is Diana Buttu, an expert on refugee and international law. When asked about a one state solution by Isabel Kershner of the Jerusalem Report, Buttu noted that "while we are still firmly committed to the two-state solution" the issue "cannot be separated from the settlement issue, which is making a two state solution impossible anyway". She notes sanguinely that her personal belief is that the two-state solution is "just about a fiction already. I and the other people are beginning to question the logic of two states".

Palestinian majority

The second compelling fact on the ground that is at play is the demographic changes underway. In as little as seven to 10 years, projections indicate, there will be a Palestinian majority between the Jordan River and the Mediterranean Sea. Israeli Deputy Prime Minister Ehud Olmert has elaborated the implications of this development: "We don't have unlimited time. More and more Palestinians are uninterested in a negotiated, two-state solution, because they want to change the essence of the conflict from an Algerian paradigm to a South African one. From a struggle against occupation...to a struggle for one man, one vote... For us this will mean the end of the Jewish state."

Ariel Sharon's pronouncements of unilateral disengagement must be understood in this context. A Palestinian state is increasingly in the interest of a Zionist project. Transforming the Palestinian struggle into one for civil rights within the same state with a Palestinian majority is the apocalyptic scenario for Zionists, similar to the demographic terror evoked in South Africa's white nationalist minority by the "swaart gevaar" and "verkaffering". Olmert recommends an 80 percent unilateral disengagement from Gaza in order to "maintain a Jewish democracy". But as Akiva Eldar said in Haaretz, this will create no more than a "Bantustan in Gaza", where all major sovereign decisions about security and movement remain with Israel.

Why then would Arafat and the Fatah leadership continue to back a two-state solution when it is increasingly apparent that the form of Palestinian state they are likely to be offered is a series of dependent Bantustans at best? Gary Sussman of the Middle East Report argues that the two-state solution is increasingly associated with PLO-connected elites, who between 1994 to now have amassed considerable financial and political interests through the Palestinian Authority. Virginia Tilley observed that "many of Arafat's cronies - and his rivals - would lose major

sources of economic power and political leverage" and that "they would sooner have a separate Palestinian state, however weak and co-opted it may be". Edward Said often forcefully articulated this perception of the current nationalist leadership in his accounts of his split with Arafat. Said was perhaps an extra-ordinary exemplar of the practice of which I speak - criticism in solidarity. It was precisely because of his solidarity with a just cause that Said could criticise what he saw as unjust actions in the name of this just cause. Solidarity with the Palestinian cause should not be conflated with unquestioned endorsement of Arafat, or the PLO, or its methods and solutions. The injustice here is more compelling than the individuals who currently claim to speak for its victims and with whom we stand in solidarity.

Said noted, in the New York Times magazine of 10th January 1999, that "for all this, the problem is that Palestinian self-determination in a separate state is unworkable...The question, I believe, is not how to devise means for persisting to separate them but to see whether it is possible for them to live together as fairly and as peacefully as possible". If South Africa is an inspiration for Palestinians, then it has to do with this: it enabled living together in a single state rather than separation and it did so by making a threatened minority feel that they would belong in a post-settlement society. In Israel this means enabling a society where Jews have to feel that their

identity will flourish, rather than survive under siege. The demographic terror that Zionists point out need not be a crippling fear as it was in South Africa for so long.

The end of a Jewish state need not be the end of a Jewish identity. What the situation requires is radical acts of imagination. These are already present amongst some Palestinians and Israelis, particularly amongst a younger generation and among those who campaign in civil society and work at grass roots level, such as the Palestine National Initiative, headed by Mustapha Barghouthi. A one-state solution is perhaps one such idea of radical imagination in these trying times. But to say that "the road map is the only game in town" knowing full well what the "facts on the ground" are, is perhaps the real utopia here: unrealisable, unworkable and perhaps undesirable? Is it an idea that we should be in solidarity with? We should allow an open discussion of this question amongst those who are in solidarity with this just cause in the South African government and civil society. I conclude with an abundantly suggestive observation, once more from Edward Said: "It isn't enough to speak generally of peace. One must provide the concrete grounds for it and those can only come from moral vision and neither from 'pragmatism' or 'practicality'. If we are all to live - this is our imperative - we must capture the imagination not just of our people, but of our oppressors. And, we have to abide by human democratic values."

REFLECTIONS ON AMERICA POST-9/11

BY JOHN HUND

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As Americans we have been instructed at regular intervals since 9/11 that "they" attacked "us" because "they" hate everything we stand for, our freedoms most of all. If this is the case, history will have to explain why post-9/11 America was so quick to rein in the freedom of debate.

Ever since George Bush Jr's remark that "either you are with us or against us" the possibility of rational debate has become less and less and enthusiasm for war has flowered. Bush's disjunction is an instance of Trotsky's remark that "you may not be interested in war, but war is interested in you." We may not be interested in choosing either one of Bush's mutually exclusive alternatives, but if we fail to choose at all and reject his spurious disjunction, we have

automatically chosen to be "against" the US and thus, by implication, a suspect person whom the paranoid US security community may be interested in checking up on. As enthusiasm for war grows, fanned by the militarist Bush administration, space for reasonable protest shrinks almost to the point of nothing.

American anti-globalisation protestors have toned down their rhetoric since 9/11. Anti-globalisation protest is seen by Bush administration officials as more than a minor irritant. Looked at through a "zero tolerance" lens it is viewed as highly suspicious activity and thus, in terms of Bush's either/or scenario, dangerously close to being anti-American (mainly in virtue of being anti-big business). Even peaceful support of the just Palestinian cause in America is

seen as being part of an anti-American syndrome. In this atmosphere, any sort of criticism of American foreign policy has been treated as a display of anti-Americanism. The refusal of France to back the US-British invasion of Iraq triggered an outpouring of anti-French sentiment in the US and provoked Congress to pass legislation banning France from enjoying the spoils of the war on Iraq.

An argument often deployed against US anti-war protesters was that the US must be backed because it's the only game in town and more enlightened than the ones it seeks to destroy - the "lesser of two evils" argument. Most Americans seem to believe, however, that America has not done, or cannot do, anything seriously wrong in the world and that the American way is the world's last, best hope for humanity.

This attitude makes many people (including myself) wonder why presumptions of innocence and self-righteousness are so central to the American self-image. Could American television and the US media have anything to do with it? It seems that the US has developed a tradition of being oblivious to self-examination. Just after 9/11, syndicated columnist Richard Brookhiser wrote, in knee-jerk fashion, that "terrorists hate the fact that America is mighty and good." He went on to pronounce that "the world's losers hate us because we are powerful, rich and good." It seems that many Americans have a Disneyland version of the world.

Noam Chomsky does not represent the mainstream of American opinion. He has asked Americans to "recognise that in much of the world the US is regarded as a leading terrorist state." Over the years Chomsky has developed a view of America as an aggressive and closed culture, where the nature of global domination remains half-hidden from people by a media dominated by big business. Edward Said has warned that the US media has become little more than an arm of American's war on terrorism. I am inclined to agree. Seeking causes of 9/11 is often portrayed in the press as unpatriotic. Many leading American journalists seem to have abandoned unbiased observation and independent thinking in favour of bellicose flag-waving and jingoism.

The American public gets less and less access to foreign news and is governed by elected representatives who increasingly have never ventured beyond America's borders. US television ventures outside the national boundaries only to report disasters and US-led wars. It is dedicated to promoting consumerism and to keeping the masses of US consumers titillated with violence and sex. Since the days of the Reagan administration, media power has been concentrating into fewer and fewer hands. Nationally syndicated columnists sing the praises of the US war machine. One would have thought that this would have sparked a vigorous debate in America about freedom of speech and the nature of patriotism, but this has not happened. Chomsky is right to call American intellectuals a "lapdog class."

Most Americans take it as self-evident that the US has a "free press", that the US is promoting freedom and human rights around the world and that the rest of the world is backward and envious of America's freedom and democracy. It comes as a rude awakening to them to find out that the rest of the world sees things differently.

US global capitalism

US global capitalism is seen by many as a fig leaf for covering and hiding American economic exploitation of the world. America appears set to get richer from a global economic system that uproots the local, the traditional and the national and makes some people in society much richer and a great many people poorer. This is not just my opinion. It is a widespread point of view that has been well-documented.

David C. Korten, who worked as a high-level USAID manager, tells how he became alienated from US development programmes that increasingly aligned themselves with strictly money values. He explains how "development", as it is vigorously promoted by the US-dominated World Bank and International Monetary Fund (IMF) "isn't working for the majority of humanity... The roots of the problem [of poverty] are... found in countries that set global standards for wasteful extravagance and dominate global policies that are leading our world to social and ecological self-destruction."

Korten describes how the US denies democratic control over their own economic destinies to developing countries. These countries have little say at the IMF and World Trade Organisation (WTO). Policies tied to the IMF loans lead the way to foreign big business ownership and domination of Third World economies, especially in the manufacturing and financial sectors. Consider the following examples: Senegal was ordered by the IMF to withdraw territorial sovereignty from its territorial waters or else its debt would not be rescheduled. It did so. The result? The factory-trawlers of Europe have taken the fish for the supermarkets of the European Union. The waters from which the fishermen of Senegal drew sustenance for thousands of years have been taken over by transnational corporations. The people of this country are suffering because now there is a shortage of fish. Or consider Bolivia. Bolivia was ordered to privatise its water as part of structural adjustment measures. The poor were forbidden by law to collect rainwater that had accumulated on their roofs. Water rates soon became prohibitive.

Trade liberalisation

The US interprets "trade liberalisation" to mean one-way, open access for US big business. The removal or reduction of barriers to international trade in goods and services has been accelerating, especially since the 1980s. Under the WTO's Agreement on Agriculture (AOA) and World Bank/IMF-imposed "structural adjustment programmes" developing nations have had to make significant changes in their food and agriculture policies and open up their economies to cheap food imports, while reducing and limiting

support for their farmers. The AOA has been described by Oxfam as "an act of fraud". It enables big business to export its goods cheaply to developing countries in which farmers, unable to compete, are put out of business.

The US promotes a type of "economic freedom" that actually destroys the economic freedom of the poor. On the one hand, it has opened the terrain for its technology-driven businesses to enter freely and capture the markets of the world; on the other it has inhibited the efforts of developing countries to boost their own products and exports and bars them from US markets.

Having cornered most of the world's resources (the latest prize being Iraqi oil), the US now has its eyes set on the last remaining resource of developing countries - the flora, fauna, biodiversity and the very DNA of the indigenous people of the world. Big US biotech and pharmaceutical companies are set in a quest to appropriate the ancient knowledge and wisdom of indigenous people.

The US has consistently opposed the Convention on Biological Diversity, the first international effort to set legal standards for genetically modified organisms. The US opposes most of the rest of the world on making the "precautionary principle" the basis for the protocol. Underlying the use of this principle, which was first formulated in the 1992 Climate Change Convention, is the assumption that biotechnology can generate potentially dangerous outcomes and that we should proceed with caution into this area.

That principle - now enshrined in many international regulatory statutes - has become the guiding spirit of the European Union's science policy. The US - the biggest developer and exporter of GM organisms - is one of the few countries that reject the precautionary principle. Developing countries working for a strong bio-safety agreement are routinely accused by the US of blocking international trade.

Stingy nation

American consumers are led to believe that America is the world's most generous nation. According to a rating by the UN Economic Co-operation and Development Agency this is flat wrong. In terms of the proportion of GDP that the US allots to foreign aid, the US ranks 22nd out of the 22 most developed nations, leading former president Jimmy Carter to say that "we are the stingiest nation of all." The official website of USAID frankly proclaims (albeit in very fine print) that "the principal beneficiary of US foreign assistance programmes has always been the US." The website adds that "nearly 80 percent of USAID contracts and grants go directly to American firms."

The US acts like an overgrown bully, constantly expressing indignation at having to accept limits on its behaviour. The US insistence to be free to do as it chooses is almost tantamount to having declared a war on the developing world. The US has structured the global economy to perpetually enrich itself and reduce non-Western societies

to poverty and dependence. "Free markets" is a euphemism for free mobility of US capital, unrestrained expansion of the American economy and freedom of big business to buy up the rest of the world to exploit it for as much profit as possible (with as little social responsibility as possible).

The world has no trust in America, no confidence in its willingness and ability to use its power responsibly, or to define the use of its power for anything except selfish, short-sighted motives.

The US warfare state

The US deploys its military to enforce its economic hegemony and to "make the world safe for capitalism." NY Times syndicated columnist Thomas Friedman shamelessly waves the US flag when he writes that "for globalisation to work, America can't be afraid to act like the almighty superpower that it is. The hidden hand of the market will never work without a hidden fist. McDonald's cannot flourish without McDonnell-Douglas [the designer of the F-15]."

America's history is, on many levels, a war narrative. Could it be that America's long habit of drawing entertainment value from violence and destruction has helped shape its immediate reaction to 9/11? Has it influenced ideas about how the US should respond to its actual and perceived enemies - Rambo style? The American public's views of "American justice" may come more from decades of delusory popular entertainment that glorifies war and violence than from any serious understanding of how the world really is.

The European experience of the two World Wars did not find violence redemptive and the idea of a perpetual global war promoted by George Bush Jr.'s regime is repugnant to most decent people of the world. His administration is making the US a closed, xenophobic, right-wing nation. What is even more demoralising is that so many Americans stand behind an administration that has made war and ruthless economic expansion its reason for being.

While the European powers cut their defence spending after the fall of the Berlin Wall and China held its spending in check, the US military budget increased from the US\$260 billion of the mid-1990s to US\$329 billion in 2002. Since the invasion and occupation of Iraq, that figure has now climbed to over US\$400 billion - half of all the military spending in the world. And this is in a Republican administration that claims to despise big government.

Despite its unmatched military might and the astronomical figures of its defence budget, this money has not bought security. The US feels so threatened that it now insists on the militarisation of outer space. While it forces other nations to abandon their nuclear plans, it continues to develop its own programmes, developing "mini-nukes" and restarting nuclear tests.

Security fears

The main block to rational debate is that the whole of

American life, its mind-set and political, military and economic orders, are increasingly galvanised around security, especially high-tech military security, while, in reality, real security evades everyone. Nothing is secure. Orange and yellow terror alerts flash daily. People rush to supermarkets to buy duct tape so they can seal off their homes from biological and chemical attack. Anything, anyone, different or strange is suspect. People who privately worry about the policies of the US are kept quiet by intense social pressure to shut-up. People are growing intolerant. Anything that is not the official line is considered treachery and betrayal. There is no space for rational discussion. National Democratic chairman Terry McAuliffe has accused George Bush Jr. of vilifying people who oppose his policies: "[He] has unleashed a new McCarthyism that, under the cloak of a time of crisis and peril, has vilified and questioned the patriotism of those who have policy and political differences with him and his administration."

The Bush Jr. administration demonises and imposes sanctions against states that develop or hold stockpiles of biological and chemical weapons - yet it has the world's largest stockpile of smallpox, anthrax and other biological weapons. It has refused to support any UN initiative that would ban the development of biological and chemical weapons.

Since Bush Jr. took office, the US has walked away from the Kyoto climate-change protocol, has withdrawn from the anti-ballistic missile treaty with Russia and has killed negotiations aimed at strengthening the Biological Weapons Convention. Shortly before the invasion of Iraq the US Secretary of Defence, Donald Rumsfeld, testified before the US House of Representatives that the Pentagon should be allowed to use chemicals as weapons of war in Iraq, if it became necessary in the event of urban warfare. Not the lethal nerve gases it possesses, but the misleadingly named "non-lethal" chemical agents used for riot control. When he was told that such weapons would contravene the Chemical Weapons Convention (CWC) which was ratified by the US and became law in 1997, the secretary referred to the CWC as a "straitjacket" which should not be allowed to limit options in the forthcoming war against Iraq. Previously the US Secretary of State, Colin Powell, had said that the US would not be "handcuffed" by the United Nations (specifically by Security Council Resolution 1441).

US imperialism

In 1924 Trotsky wrote that "oil, which now plays such an exceptional military and industrial role, totals in the US two-thirds of the world output." He predicted that "American oil, at the current rate of consumption, will... last 25-40 years." He then forecast that "in 25-40 years, America with her industry and fleet will be able to take oil away from all the others 10 times over again." What a visionary!

The self-sufficiency in raw materials that characterised

the US came to an end after WWII. The need for cheap gas in an automobile culture meant the domination of parts of Latin America, the Middle East and Nigeria. This need meant more and more political interventions, local wars and the establishment of US military bases all over the planet as the simplest way to fight communism and protect US capitalism. Of the 187 members of the United Nations, the US has a military presence in over 100 of these countries.

After WWII, the US created a permanent war economy that was to have a major impact domestically. It created a permanent arms economy which stimulated heavy industry and encouraged research in electronics, aircraft, chemistry and space. At first, this military-industrial complex produced goods whose sole purchaser was the US state. Later on it became a global supplier of armaments.

Chalmers Johnson, anti-war activist and author, wrote: "One of the things this huge military establishment... does is sell arms to other countries, making the Pentagon a critical economic agency of a United States government. Militarily oriented products account for about a quarter of the total US gross domestic product. The government employs some 6 500 people just to coordinate and administer its arms sales programme in conjunction with senior officials at American embassies around the world, who spend most of their diplomatic careers working as arms salesmen."

The US military-industrial complex created a stable sector, relatively unaffected by the fluctuations of the economy. It helped cushion the impact of recessions that have been a regular feature of US capitalism. In his farewell speech to the nation on 17 January 1961, President Dwight D. Eisenhower had this prescient warning about the US warfare state: "Until the latest of our world conflicts, the US had no armaments industry... We have been compelled to create a permanent armament industry of vast proportions. Added to this, three and a half million men and women directly engaged in the defence establishment... The conjunction of an immense military establishment and a large arms industry is new in the American experience... We must guard against the acquisition of unwarranted influence... by the military-industrial complex... Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together."

The "alert and knowledgeable citizenry" that President Eisenhower referred to did emerge during the Vietnam war. The anti-Vietnam war generation challenged the fantasies of US generals and rebutted untruths spun by American leaders to bring an unjust war to an end. This was the high tide of American democracy. Many people around the globe saw the US as a shining city on a hill, something to be admired and emulated by all. That quickly came to an end.

A need for enemies

After the fall of the Berlin Wall and the implosion of the Soviet Union, a thought percolated upwards from the gut of the US Republican right-wing - would it be possible to maintain a permanent war economy if there were no enemies, no more conflicts? Could some enemies be found or manufactured? From this Machiavellian point of view, 9/11 was not just a national tragedy, it was an historic opportunity to mobilise the nation against an enemy that had hitherto seemed too ephemeral and far away for most Americans to seriously worry about.

National priorities inaugurated by the George Bush Jr. administration following 9/11 made the US into a "mobilised polity". Leading US academic Daniel Bell defines a mobilised polity as one in which "the major resources of a country are concentrated on a few specific objectives defined by government." In such a polity, the state calls the shots, sets priorities, dominates the media, universities and civil society in a way not unlike that described in George Orwell's 1984. The terrorist attacks of 9/11 did not "cause" the US to become a warfare state, it merely hastened a process that had already been long underway.

Defence spending and the development of new high-tech defence industries created new markets to compensate for retrenchments in other public-sector expenditures. A new model of US capitalism was born which was as radically different from the system based on Keynes's model of the 1945-75 period. The era of "responsible capitalism" was over. America undertook the largest-ever defence build-up in peacetime and, in absolute dollar value, the largest military programme in the history of mankind. The dramatic military build-up of the Reagan administration, combined with its regressive tax reform (favouring big business) is now being brought to its fanatical conclusion by the Bush Jr. regime.

The political crisis suffered by the US state in the late 1970s, both domestically (Watergate) and internationally (Vietnam, Iran, the erosion of its political control in Africa and Central America, increasing economic and technological competition from new powers, especially Japan, strategic parity achieved by the Soviet Union in the arms race), created a state-of-emergency mentality in the Republican Party. This mentality flagged for a while under the "feel good" mood of the Clinton administration, but came back with a vengeance with the terror attacks of 9/11. Henceforth the US would flex its muscles to show that it was ready to fight to preserve its super-power status. The bombings and invasions of Afghanistan and Iraq were calculated moves away from the collective memory of the Vietnam fiasco.

Iraq and oil

The debate on the war with Iraq and the arguments surrounding UN Security Council Resolution 1441 quickly became a global referendum on US power. The Bush Jr. administration wanted to call the attention of the world

to the danger posed by Saddam Hussein's defiance of UN resolutions, only to discover that the world was far more worried about the danger posed by American war-mongering. The US threat to use force made weapons inspections work in the first place and the Security Council wanted them to continue. Recognising the weakness of its original positions justifying an invasion, the US shifted its position willy-nilly to justify its war plans.

The antiwar majority believed that the invasion of Iraq was nothing more than a naked display of military power. It was not predicated on self-defence or the protection of others. In spite of outright fabrications of evidence of weapons of mass destruction and official denials (most crassly and stupidly made by the White House Press Secretary, Ari Fleischer) reasonable people knew that it was a crude attempt to impose US hegemony on a strategically important region and that it was *inter alia* about oil.

Underlying America's aggression was its crude understanding of what makes the Arab world important, namely, the world's largest reserves of cheaply accessible oil. As far back as 1945 the US State Department had declared that the oil reserves of the Arabian Peninsula were "a stupendous source of strategic power and one of the great material prizes in world history". This self-evident fact explains the various oil wars that have already taken place. Editorials appearing in the Financial Times and Newsweek which argued that oil was not a motivating factor for invading Iraq were dismissed by most thoughtful people as disingenuous diversions.

The real prize is oil. US energy moguls are already privatising Iraq's oil industry. This could thoroughly destabilise OPEC. The US also wants to reimpose the dollar as Iraq's reserve currency. In 2000, Saddam began demanding that all oil exports be paid for in Euros. That was the last straw for Bush Jr's hawkish cabinet. If other countries, like Venezuela and Iran, were to make the same switch, the effects upon an already weak US economy would be difficult to conceal.

Iraq and Israel

If you ask Arabs about the invasion of Iraq they will say it was about oil, yes - but it was also about Israel. In his *Longitudes and Attitudes: Exploring the World after Sept. 11*, Thomas L Friedman elaborates: "Just go anywhere in the Arab world - Egypt, Saudi Arabia, Pakistan - and you will hit your head against this problem. You say the problem is Islamist terrorism; they will say it is Israeli brutality to Palestinians. You say America liberated Afghans from the Taliban; they will say we bombed innocent Afghan civilians. You say Saddam Hussein is an evil; they will say that Ariel Sharon is worse."

Mention of Ariel Sharon brings us to the core of the immovable object that now stands in the way of the US "roadmap" to reorder the Middle East, now that Iraq has been successfully invaded. Israeli settlement activity throughout the Oslo process poisoned trust in

Israeli promises of peace. The only way to rule so many Palestinians would be to follow the universally discredited South African bantustan model.

The larger issue is whether, since 9/11, the US can continue to afford aligning its national security interests as closely as it has done with the Israelis. There is scant hope that Ariel "Bulldozer" Sharon, the long-term chief proponent of the Israeli settlement programme, will ever agree to halt Israeli expansionism. Saeb Erekat, the veteran Palestinian negotiator who (at the time of this writing) had just resigned from the new Palestinian cabinet, said that he had abandoned all hope of Sharon's accepting the international roadmap to Middle East peace. He is quoted as saying that "it would be easier for the Pope to cancel Christmas Mass than for Sharon to accept the road map (which prohibits further settlements)."

At first sight, 9/11 bound together the security interests of the US and Israel. Both are threatened by Islamic "fundamentalism". For the US, maintaining a stable Israel within secure borders has long been seen as both a matter of national interest and a post-WWII strategic commitment. But the American occupation of Iraq, combined with the freedom of Israel to expand permanently into the West Bank and Gaza, is a sure-fire recipe for more terrorism. Consider the following illustration from the New York Times:

"[An] Iraqi schoolboy, with short-cropped hair and an unblinking stare, stands erect by the car and clutches a tunic red all over from the dried blood of his uncle, shot dead by US troops at an anti-American demonstration in Fallujah. 'I hate Americans', he says, 'I want revenge. I will wait, I will join a group and, one day, I will kill Americans.'"

So much for George Bush Jr's war on terrorism. Ariel Sharon's government would like to see the US victory in Iraq followed by US willingness to stand by while Israel extends settlements further and further and eventually extinguishes by slow strangulation the last hope of Palestinian self-determination. The US is formally committed to a two state solution, but it may conclude that tacitly authorising Israeli expansion is easier than imposing peace on a renegade Israeli state.

Many UN resolutions define Israel's occupation of the West Bank, Gaza Strip and East Jerusalem as illegal. Yet Israel receives 40 percent of all US foreign aid. This money is used to build new settlements on Palestinian land and to buy US-made warplanes and helicopter gunships which are used to kill stone-throwing youngsters venting their rage against an illegal occupying force.

There are parallels between the Israeli occupation of Palestine and the US occupation of Iraq. In Iraq, it is an invasion and occupation only just begun. Israel has been in the occupied territories for nearly four decades. Israel's brutal military tactics against the Palestinians in the occupied territories have set a precedent that America could be forced to follow against Iraqi "terrorists". There have

already been suicide bombings against US forces in Iraq and Afghanistan. More can be expected. In the meantime, the most powerful military machine in history has been sent on a US\$20 billion manhunt for a band of bearded zealots in Afghanistan whose appearance, speech and general outlook would have been familiar a thousand years ago. Yet al-Qaeda remains undefeated, regrouped and as dangerous as ever. And Osama bin Laden is nowhere to be found.

Proliferation of weapons of mass destruction (WMD)?

Right now the US is teaching a very ugly and dangerous lesson - if you want to defend yourself from us, you had better mimic North Korea and pose a credible military threat. Otherwise, we will bomb you into the Stone Age.

Even before the US began beating the drums of war against Iraq, there were warnings that US military adventures would lead to a proliferation of weapons of mass destruction. Given the fact that the Iraqi people have shown the entrepreneurial spirit to appropriate everything from hotel chairs to cultural antiquities, as long as it carries a price tag on the black market, it is prudent to assume, unless proven otherwise, that the alleged underground stashes of Saddam Hussein's weapons of mass destruction, if they still exist, are now available to the highest bidder.

It would be an ironic, if tragic, result if the war against Iraq were to result in weapons of mass destruction falling into the hands of terrorists. On the other hand, for US hawks there is a silver lining to every dark cloud. More terrorist attacks mean more war on terrorism, more perpetual war - more business for the warfare state. The US national security state is a war machine. It must have an enemy for its powers to appear legitimate; its biggest threat is that the enemy disappears.



BRAZIL'S NEW OPTIONS FOR DEVELOPMENT: LEAPFROG TECHNOLOGIES, PLUS JOBS IN ECO-EFFICIENT INFRASTRUCTURE

BY HAZEL HENDERSON

Henderson is the author of *Beyond Globalization* and other books.

Ab C/Hs

Brazil's government headed by President Luiz Inacio "Lula" da Silva has proved to doubters in international finance its competence in managing the economy. This sprawling nation is self-sufficient in energy, with plentiful agricultural land and natural resources and vast untapped domestic markets. Its 180 million motivated citizens boast, by the new quality-of-life statistical measures, one of the highest levels of per capita income and wealth in the world. Investors who distrusted President Lula's economic team lost big. They watched Brazilian bonds and stocks rise over the past 15 months by over 150 percent and the equally stellar performance of Brazil's exports.

Now President Lula is braced to implement his promise to develop Brazil's real economy: provide jobs to address official unemployment figures of 13 percent and match its export-led growth with similar growth of its vast untapped domestic markets. This will entail a bold change of emphasis - away from the now-discredited conventional formulas for GDP-growth favoured by the "Washington Consensus" (the IMF, the World Bank, the US Treasury and their economists).

Brazil must focus on its own reality rather than the old "one-size-fits-all", trickle-down, averaged GDP-growth model - akin to flying over the country at 50 000 feet. On-the-ground details show a country with now 82 percent of its people living in cities - still migrating from the rural areas where two-thirds of them lived in 1950. This rapid urbanisation had many causes. Mechanised monoculture of soy, sugar cane, etc drove many out of agriculture into self-built favelas around cities where they sought work and the better life portrayed in mass media and advertising. Land was widely bought up as a "store of value" during periods of high inflation and distrust of a depreciating currency.

Neither private sector companies nor public sector infrastructure could absorb this growing urbanised population's need for employment. As in most Latin American countries, resourceful people made their own way, built their own housing, started micro-enterprises on the city streets and lobbied for basic sanitation and public services for their own neighbourhoods. Peruvian economist Hernando de Soto has documented the striving for better lives of these informales, the smart entrepreneurs and homebuilders of the favelas of Peru in *The Other Path* (1989). His formula for recognising the human and property rights of these micro-entrepreneurs and workers in this emerging "third sector" of civil society is now widely-accepted.

Many Latin American governments, as well as those in Asia and lately Europe and North America now have statisticians trying to document the enormous size (sometimes over 50 percent) of these informal sectors not included in their official GDP and other macro-economic measures. For example, in Italy, half of the population still relies on their roots in the informal, traditional and agricultural sectors when jobs dry up in the official GDP-measured sector.

Thus, the first order of business for President Lula will be to accept the report of the October 2003 International Conference (ICONS) in Curitiba, co-hosted by FIEP and many companies, which brought 700 statisticians from Latin America, Europe, Asia and North America to compare their new statistical models beyond the conventional GDP. These capture the informal sectors and the jobs and livelihoods they contribute, where underserved poverty areas require basic sanitation (showing that \$1 of investment yields a saving of \$4 in reduced health costs, epidemics, etc), statistics readily available from the Brazilian Association for Quality of Life, IBGE and IPEA.

The reports from ICONS also highlighted the need to unpack official unemployment statistics such as Brazil's current 13 percent (and the USA's 5.6 percent). In Brazil, adding back in those "discouraged" job searchers dropped from the statistics after one year brings unemployment to 20 percent. The working age population is 115 million people. Documented workers in the private sector only number around 20 million (less than one quarter) while another seven million are employed in public sector services. This shows the enormous size of Brazil's informal sector - a huge untapped resource. There are high-leverage returns to public investment providing the huge backlog of public services: in basic sanitation; the 6 million affordable, upgraded housing units for 20 million people; and catching up the lag in public infrastructure, green space, etc in cities due to the rapid rural to urban migration.

All these public investments would provide basic platforms for local development both in underserved neighbourhoods in Brazil's large cities and hundreds of small towns. Some towns in beautiful coastal areas have lost valuable tourist trade due to soiled beaches from inadequate sewage treatment. Investing in such basics - a programme advocated by a broad coalition around CUT (Central Unica de Trabalhadores - the PT group of Brazilian unions) - would not only provide millions of new jobs, added tax revenues and a rapid multiplier effect on local economies. It would pay off in better public health, more children in better schools and real advances toward "zero hunger" and other important sustainable development goals.

Will Brazil move toward such broader, sustainable development goals? A big question is whether Wall Street and global bond markets will see this as just "adding to Brazil's public debt" or more "Keynesianism." US President Bush's massive economic and fiscal stimulus, which has taken the USA from a large surplus to a \$550 billion deficit since he took office, is similarly criticised. The difference is that Mr Bush's policies produce few lasting public assets. His tax cuts skewed toward corporations and wealthy investors produced little retail spending (since these people save and invest). Investment tax credits are often used not to create jobs in the USA, but to move jobs and factories to China and India. This accounts for the current backlash and growing support for Democrats. Furthermore, over \$100 billion has been committed, so far, to the war in Iraq and reconstruction there. While US states have deficits of some \$65 billion, over \$450 billion will go to the 2004 military budget and \$40 billion to homeland security. Three million jobs have been lost in the USA since 2001. New jobs are mostly in government and the public sector, i.e. "industrial policy" and Keynesianism.

Brazil is a very different case: the huge infrastructure backlog in cities could be matched by underutilised local workforces, stimulating growth in domestic markets. Credit unions could recycle these funds within local communities. The small businesses of SEBRAE, their national association, support this domestic growth strategy. Key to success is assuring global investors that Brazil's infrastructure

development will create valuable long-term public assets and goods. As financial markets are beginning to adopt the new statistics of sustainability and quality of life, they will recognise the needed corrections in GDP national accounts.

This means creating a long-recommended asset account to balance public investments with the long-term value of the public infrastructure they create. These are amortised (as in corporate balance sheets) over the life of these assets: universities, schools, hospitals, roads, airports - even the public investments by President Juscelino Kubitschek that created the bustling city that is Brasilia! When these retroactive and current asset accounts are adopted (as "savings" in the USA since January 1996 and by Canada in 1999) the size of the actual public debt is cut by about half! Such "stroke of the pen" accounting corrections contributed one third of the US surplus during the late 1990s and a \$50 billion surplus in Canada.

Finance minister Antonio Palocci and central banker Henrique Meirelles have done a great job of helping to correctly portray Brazil's enormous economy with its huge untapped, uncounted potential assets. Now they need to educate Wall Street and inform Washington Consensus ideologues about Brazil's cultural, social, human and ecological assets. While recent conventional GNP measures by consultants Global Invest show Brazil as slipping from the world's 12th to 15th largest economy, broader measures of its uncounted assets would likely place Brazil in the top ten. These and the new public investments such as CUT proposes should, from now on, be correctly accounted as investments - not "spending" in the PPA - and added to GDP. The dividends from these new assets can also be projected: more jobs, tax revenues, local economic development, better health, education and visible improvements in urban quality of life for 82 percent of Brazil's urban dwellers.

Once financial markets grasp Brazil's new development model they will also see that Brazil is more than a great exporter of a full range of competitive products - from airplanes to agricultural commodities. Brazil can also show the world what a sustainable world trade model looks like. SEBRAE is developing such a strategy, on which I was asked to comment at their convention of more than 1 500 Latin American entrepreneurs in Vitoria, October 2003.

At the heart of a sustainable world trade strategy is still the model of comparative, not competitive, advantage. This is widely misunderstood today. The current Washington Consensus model of promoting export-led growth and foreign investment has put many developing countries into competition to export identical products, from coffee to computer chips. This has led to many glutted world markets, worsening terms of trade and greater public and private debts and defaults, as in Argentina.

Comparative advantage is a co-operative "niche" strategy - thinking harder about a country's unique assets: cultural, social, human and ecological. SEBRAE's rethink of Brazil's

"brand" in world markets led to much more careful analyses - and a better balance between domestic market versus export market development. SEBRAE's focus is practical - building on all Brazil's real strengths: social, cultural and natural resources. Some shifts may be simple. For example, I suggested, as a US analyst based in Florida, that beyond competing with US trade barriers and selling orange juice to Floridians (who often have fresh oranges in their local markets and gardens), Brazil could send us their delicious mango juice - a delicacy we rarely see.

Lastly, Brazil can continue its focus on smart eco-efficient investments in leapfrog technologies, expanding partnerships with Chinese and Indian innovators in solar, wind power, hydrogen and fuel cells. Brazil led the world in flexible

fuel vehicles (FFVs) that can run on mixtures of gasoline, ethanol and methanol - and can mandate these and other transitional electric-gas hybrid cars now widely favoured in the USA. PETROBRAS, FIEP, CEMIG, member companies of Instituto Ethos de Empresas e Responsabilidade Social and those that are endorsers of the UN Global compact are now repositioning themselves in these growing 21st century global markets. They will take advantage of the more efficient, cleaner, greener technologies and investments that will provide Brazilians jobs and prosperity over the next 20 years. Unlike the USA, which is still backing into the future looking through the rearview mirror, Brazil's Economic and Social Council's "BRASIL VISION 2020", created at FDC in Belo Horizonte, in October 2003, provides the roadmap to this equitable, prosperous, sustainable future.



MPUMALANGA DEPARTMENT OF ROADS AND TRANSPORT



The MEC for the Mpumalanga Department of Roads and Transport carries a mandate of leading this province as the ANC provincial chairperson and the MEC for the Department of Roads and Transport.

Amos Fish Mahlalela was born in the far east of Mpumalanga, Nkomazi area in a place called Mbuzini, just a stones throw from his house is where Samora Machel's jet crashed. He did his junior secondary education at Mdzabu Senior Secondary School and went on to matriculate at Inkomazi High School in 1982.

Having shown his interest in mathematics and science as well as obtaining best results in mathematics, he was recruited to join the teaching staff of Mbhudula Secondary School from 1983 – 1985. He has produced one of the best mathematics educators in the Mpumalanga Province. Realising that the apartheid government was monitoring his movements and activities, he decided to go into exile where he joined its wing uMkhonto weSizwe in Mozambique in 1985, then underwent military training in Tanzania and Ethiopia.

He was then deployed to Angola where he became an instructor for Physico in the Barney Molokwane ANC camp and was part of a team that established the Moses Mabhida Camp in 1987. His stay and activities in Angola led him to be selected to undergo vigorous training in Russia for Military Combat Work (MCW) and Special Intelligence in 1988. After his return from the training in Russia, he became part of the Eastern Transvaal



underground machinery as a commander in 1989.

In 1991 during his underground operations in the Eastern Transvaal, he was arrested and detained for four months. In 1991 after his release from prison, he continued to operate inside the country, and worked as a biology teacher in 1992 at Nkomazi High School. During the then Eastern Transvaal ANC Regional Conference, he was elected to serve as a member of the regional executive committee of the ANC, which position he held since 1991 – 1994. During this period he was also mandated to work as a project manager for the South African Council of Churches (1992 – 1994). When regions were changed to provinces, he was elected into the provincial executive committee (PEC) since 1995 to date.

After the 1994 dispensation and general elections, he was deployed as an MP (National Assembly and served on the following portfolio committees – transport committee, public works committee and home affairs committee). He was further re-deployed as an ANC provincial chief whip in the Mpumalanga Provincial Legislature in 1998, and served on the following committees: chairperson of the petitions and public participation committee; public works, roads and transport committee, agriculture, conservation and environment committee; finance and economic committee and public accounts committee.

During all these hectic years, he managed to enrol for a diploma in Human Resource Management and was successful. He is currently studying for another diploma in Public Administration. Cde Amos Fish Mahlalela is currently the ANC provincial chairperson and a member of the national executive committee of the ANC, positions which he held since 2002 to date.

He also served as the MEC for the then following departments: Environmental Affairs and Tourism, Department of Sport, Recreation, Arts and Culture as well as the Department of Local Government, Traffic Control and Traffic Safety.

His character, stature, dignity and independent thinking earned him a deployment in the Mpumalanga Provincial Legislature as the MEC for Roads and Transport. He is carrying a mandate to meet the challenges posed by the State of the Nation and State of the Province Address which paid special attention to the objectives of the Election Manifesto, which objectives are to create work, fight poverty and promote equality.

It became apparent during our strategic planning session that we should align our first year of calendar events with the three main focus areas of the first year of activity of the National Department of Transport: namely:

- To review the public transport subsidy system towards establishing an efficient, widespread and affordable public transport system that covers rail, taxis and buses;
- To develop a comprehensive logistics strategy and investment plan by November 2004; and
- To overhaul the department through the implementation of institutional changes to enable the department to effect its new direction.

My department has also planned amongst other things to:

- Establish a community based transport planning and development process to appraise community development and investments.
- To ensure adequate and maximum participation that would serve as a wave that brings about an integrated planning development.
- To develop and practically implement the Rural Public Transport Development Strategy with innovations that knows no limit.
- To constantly reduce the cost of business engagement with improved quality transport infrastructure services, i.e. making the general transport and passenger transport at a glance more accessible and yet more service to the people.
- To improve the image of the department through the transportation of management and become vehemently impatient to corruption.
- To improve the conditions of our roads so that it becomes practically possible for the realisation of an integrated mobility system.
- To reduce fatalities on our roads thereby strengthening the Arrive Alive campaign through proper education and training of all road users.

Our vision is to 'provide quality, safe, affordable and accessible transport services'



Mpumalanga Department of Roads and Transport
Private Bag X11310, Nelspruit, 1200
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NEDLAC CELEBRATES SOCIAL DIALOGUE AND THE 10 YEARS OF DEMOCRACY IN SOUTH AFRICA

In February 1995, the National Economic Development and Labour Council (Nedlac) was launched, ushering in a new era of inclusive decision-making and consensus-building in the economic arena of South Africa. Nedlac had (and still has) unique features aimed at meeting the particular needs of the national situation: it includes the traditional social partners - government, business and labour - as well as organisations that represent different community interests.

Nedlac was created specifically to enable representatives of all non-governmental sectors to play key roles in developing effective and sustainable public policies, designed to support and promote much-needed economic growth, increased participation in decision-making and social equity in South Africa. This unique form of multilateral decision-making at national policy level (undoubtedly a global 'first') continues to provide an opportunity for all the major stakeholders in South African society to have a voice at government level and to make a dynamic contribution towards reconstruction and development.

Nedlac as an 'institution' is highly context-specific. Its origins lie in the struggles against both apartheid and the unfairness of unilateral decision-making processes. In this respect, it may be that Nedlac's development has only been possible because of the comparative strengths of the business sector, NGOs and the unions in South Africa at that time. The comparatively peaceful overthrow of a repressive regime brought with it confidence and energy. There were calls almost immediately from all sectors for policy decisions to be taken in a more inclusive and transparent manner; a striving for cross-sectoral consensus bringing with it active engagement in, and shared 'ownership' of, the country's new policy agenda.

As President Mandela said at the launch of Nedlac: 'Our democratic gains will be shallow and persistently threatened if they do not find expression in food and shelter, in well-paying jobs, and rising living standards'. He was positioning Nedlac as a key piece in the complex task of remaking South Africa. Experience over time has endorsed Mandela's perspective of Nedlac.

Key achievements to date include inter alia:

- Employment Equity Act
- Growth and Development Summit (GDS)
- Labour Relations Act
- Finance Sector Summit
- ICT Sector Summit
- Skills development
- Retirement funds trustees conference

While recognising that Nedlac is possible because of a series of context-specific circumstances, this does not necessarily mean that its achievements are only of interest to those in South Africa. Far from it. In our view, Nedlac has many elements of real interest and potential value to other nations.

In February 2005 it will be 10 years since Nedlac was established.

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THE REAL REASON FOR THE EXPLODING US DEFICIT

BY PAUL KRUGMAN

Published in the International Herald Tribune, January 28 2004

Even conservatives are starting to admit that President George W. Bush isn't serious when he claims to be doing something about the exploding budget deficit. At best - to borrow the already classic language of the State of the Union address - his administration is engaged in deficit reduction-related programme activities.

But these admissions have been accompanied by an urban legend about what went wrong. According to cleverly misleading reports from the Heritage Foundation and other like-minded sources, the deficit is growing because Bush isn't sufficiently conservative: he's allowing runaway growth in domestic spending. This myth is intended to divert attention from the real culprit: sharply reduced tax collections, mainly from corporations and the wealthy.

Is domestic spending really exploding? Think about it: farm subsidies aside, which domestic programmes have received lavish budget increases over the last three years? Education? Don't be silly: No Child Left Behind is rapidly turning into a sick joke.

In fact, many government agencies are severely underfinanced. For example, last month the head of the National Park Service's police admitted to reporters that her force faced serious budget and staff shortages, and was promptly suspended.

A recent study by the Centre on Budget and Policy Priorities does the maths. While overall government spending has risen rapidly since 2001, the great bulk of that increase can be attributed either to outlays on defence and homeland security, or to types of government spending, like unemployment insurance, that automatically rise when the economy is depressed.

Why, then, do we face the prospect of huge deficits as far as the eye can see? Part of the answer is the surge in defence and homeland security spending. The main reason for deficits, however, is that revenues have plunged. Federal tax receipts as a share of national income are now at their lowest level since 1950.

Of course, most Americans don't feel that their taxes have fallen sharply. And they're right: taxes that fall mainly on middle-income Americans, like the payroll tax, are still near historic highs. The decline in revenue has come

almost entirely from taxes that are mostly paid by the richest 5 percent of families: the personal income tax and the corporate profits tax. These taxes combined now take a smaller share of national income than in any year since World War II.

This decline in tax collections from the wealthy is partly the result of the Bush tax cuts, which account for more than half of this year's projected deficit. But it also probably reflects an epidemic of tax avoidance and evasion. Everyone who wants to understand what's happening to the tax system should read *Perfectly Legal*, the new book by David Cay Johnston, the tax reporter for The New York Times, who shows how ideologues have made America safe for wealthy people who don't feel like paying taxes.

I was particularly struck by Johnston's description of the carefully staged Senate Finance Committee hearings in 1997-1998. Senators Trent Lott and Frank Murkowski accused the Internal Revenue Service of "Gestapo-like" tactics, and Congress passed new rules that severely restricted the IRS's ability to investigate suspected tax evaders. Only later, when the cameras were no longer rolling, did it become clear that the whole thing was a con. Most of the charges weren't true, and there was good reason to believe that the star witness, who dramatically described how IRS agents had humiliated him, really was engaged in major-league tax evasion (he eventually paid \$23 million, insisting he had done no wrong).

And this was part of a larger con. What's playing out in America right now is the bait-and-switch strategy known on the right as "starve the beast." The ultimate goal is to slash government programmes that help the poor and the middle class, and use the savings to cut taxes for the rich. But the public would never vote for that.

So the right has used deceptive salesmanship to undermine tax enforcement and push through upper-income tax cuts. And now that deficits have emerged, the right insists that they are the result of runaway spending, which must be curbed.

While this strategy has been remarkably successful so far, it also offers a big opportunity to the opposition. So here's a test for the Democratic contenders: details of your proposals aside, which of you can do the best job explaining the ongoing budget con to the American people?



A CALL TO ALL PERSONS OF GOODWILL BY THE MINISTER OF SOCIAL DEVELOPMENT, DR ZOLA SKWEYIYA

'Say YES to the people's contract to create A BETTER SOUTH AFRICA... and a better world'

Government, and the Department of Social Development, in particular, celebrates annually the Social Development Month throughout all provinces in October. The Social Development Month (SDM) 2004 campaign comes within a background of Ten Years of Freedom and International Year of the Family celebrations in South Africa and the world, respectively.

We have come a long way...

From a mere 2.7 million people in 1994, to date over 8 million beneficiaries receiving social grants are assured of at least one meal a day. Again, through the National Food Emergency Scheme (NFES) which is part of an integrated approach to eradicate food shortage and food insecurity, Government has responded to the immediate food crisis of more than 415 911 households countrywide since 2002.

Building self-reliant communities

Through the Poverty Relief Programme, the Department of Social Development has since 2001/2002 peaked services from 2667 to 42 263 people in HIV/AIDS projects. In building self-reliant communities and a culture of sustainable development, projects targeting women increased from 1 279 to 2 788.

Providing support to Child-headed households

Ongoing support is provided to child-headed households, orphaned children and children affected by HIV and AIDS. A countrywide process of strengthening and increasing services points of about 63 multi-purpose

centres started in 2002 is well on track. The centres promote integrated service delivery by linking poor and qualifying communities with social security and provision of food to people living with HIV and AIDS.

Say YES to Partnership

Partnership. Partnership. Partnership. Gains made by the social development sector was largely due to the continued partnership with schools, business, labour, non-governmental, faith-based, community-based organisations and civil society. As more challenges are to be overcome, these partnerships remain critical and committed signatories of the people's contract for a better South Africa and a better world.

Let us cement the gains made by our democracy and celebrate the Ten Years of Freedom by strengthening our families, respecting our elder and making another person's child our own. I call upon all South Africans to work together during the SDM and beyond to fight poverty and HIV/AIDS, ensure sustainable access to high-quality food; help create a world fit for all persons of all ages and create jobs.

Your 'YES' will provide hope to the poorest of the poor. **Let us celebrate older persons, embrace people with disabilities, and register all eligible children under 11 years for social grants**

For more information contact

Department of Social Development Call Centre:

0800 60-10-11 or visit www.socdev.gov.za

ANC YOUTH LEAGUE NATIONAL CONGRESS POLITICAL REPORT (EXCERPTS)

BY MALUSI GIGABA

The author is the past president of the ANCYL.

Continuity and change

This congress must issue a call to youth to forge a youth contract for a better life and to be frontline activists in the people's contract to eradicate poverty and create work - to FIGHT for a better life, as an integral part of the people's contract; to PRODUCE through work, skills development and self-employment and to LEARN in order to develop the knowledge and skills requisite for the building of the new society.

The congress must demonstrate this need for change, embracing new forms of organisation, ideas and programmes, whilst continuing, in the new period, to pursue the goals we set 60 years ago.

Defending the ANCYL and its relations with the ANC

The ANCYL is an organised body of opinion within the ANC and a mass political youth organ of the ANC. Its broad tasks are to:

- spread its ideas and culture among the youth in order to guarantee the ANC's future
- provide young people with an organisation of their own wherein, whilst remaining within the fold of the ANC, they would forge independent political and organisational experiences in order to be ready, when their time comes, to lead the ANC and in fact society itself
- imbue the ANC with fresh ideas, political dynamism and organisational vibrancy
- defend and advance the unity and integrity of the ANC
- bring the youth into direct contact with congress leadership and bridge the generation gap between the young and old activists of the movement
- provide a platform for debate among the youth of all the challenges and problems facing South Africa, Africa and the world

For these reasons, the ANC must give political, organisational and material support to the ANCYL and ensure that it participates in all decision-making structures as an integral part of the ANC itself.

Recently, certain tendencies opposed to the ANC, including some leadership-mongering and self-seeking opportunists, have sought to turn the ANCYL into:

- an anti-ANC instrument in the name of spurious left-wing militancy

- an instrument for the fulfilment of their personal and material greed, and
- a threat which must be suppressed, denied access to resources and marginalised from the programmes of the ANC, merely because we took principled positions to the discomfort of these opportunists

Accordingly, the ANCYL must continue to defend itself as well as the ANC and persist along the path of established culture and traditions.

The character of the ANC Youth League

The traditional base of the ANCYL is the black working class, rural poor and lower-middle strata, including a large number of the out-of-school and unemployed youth. Consequently, it is biased towards the poor and working people and recognises the leadership role of the working class in the struggle and the process of social transformation.

However, the removal of apartheid socio-economic laws has broadened its base to include professionals and aspirant young business people. This sector is increasing within the ranks of the ANCYL and is battling for role-definition.

We need to tap their intellectual capital and expertise to strengthen both the ANCYL and the role and leadership position of the African working class youth.

The Progressive Youth Alliance

Within the ANCYL there is no left-wing platform, nor is there a sub-organisation of young communists who must present themselves as a platform, a conspiratorial group or a faction. The ANCYL has an obligation to fight against and defeat factionalism and sectarianism.

The Progressive Youth Alliance (PYA) is a crucial organ for the pursuit of both the agenda of youth mobilisation and development. As a formation, it is an organisational expression of the participation of youth in the national struggle. Individually and collectively, these organisations that constitute the PYA recognise the leadership role of the ANC as well as the importance of the united action of the tripartite alliance.

The youth development troika

As a result of democracy, many of our cadres are either public representatives or public servants at all tiers of government. These activists are expected to champion the rights and interests of the youth where they serve and to represent loyally the agenda of the ANCYL.

The existence of the youth development troika - the National Youth Commission (NYC), the South African Youth Council (SAYC) and the Umsobomvu Youth Fund (UYF) - has concluded the process to ensure that the youth development agenda is given impetus.

These three organisations must unite and work as a single unit, pursuing an integrated youth development agenda and must therefore reinforce each other.

[We are] in a situation where many of our cadres are out of work and hence susceptible to mobilisation within the movement by leadership-mongering individuals offering them material incentives to advance their ignoble causes. Many among our cadres and activists have thus been imbuing wrongful and "uncadrely" behaviour. This has sharply thrown open the question of a strong youth cadre policy, employment programme and ideological education.

Education transformation

The progress we have made during the last decade in education has imposed on us the obligation to address certain challenges, including:

- the role the state needs to play to provide early-child education
- providing vocational education, enhancing the further education and training sector and post-matric programmes
- ensuring that the poor are not forced to pay school fees
- intensifying the training and development of teachers
- recruiting and encouraging more matric graduates to become teachers
- making history and African languages mandatory for all learners in all public schools and encouraging African children to learn in their mother tongue for the first three years of school
- intensifying civic education and promoting national symbols
- intensifying the campaign to raise the funding for the national students financial aid scheme and its effectiveness
- continuing to transform higher education institutions, ensuring that they also take responsibility for the employability of their graduates and paying urgent attention to the gross lack of visionary leadership among managers
- urgently capitalising some of the historically African higher education institutions, and
- encouraging all learners to be conscientious in raising their language and grammar proficiency

The Congress must clearly pronounce what needs to be done to promote our national culture and arts, in order to

stimulate creativity and genius among our youth.

We must continue to campaign for sports and recreational facilities in our communities. Government must enforce the transformation code in order to:

- broaden the sports codes, especially in black townships and rural areas, and expand adequately equipped sports facilities in these areas
- develop sufficient sports administrators among the youth, and
- transform sports through quotas, amongst others!

Youth development and empowerment

To develop and empower the current generations of youth is vital precisely because these were, in large measure, the last generations of youth to suffer the vicious attacks of the apartheid system on black youth and also because history had determined that this was to be the first and only generation of youth to live during the moment of transition from the apartheid era into the democratic and prosperous future.

Over the past decade, institutions for youth development have been created and policies and programmes adopted, albeit inadequate. We remain with the urgent challenge to raise the capacity of the youth to seize the opportunities of democracy through strengthening our branches in order (to) have the capacity to assist the youth with the information and instruments for economic empowerment.

During this congress, spend less time on rhetoric and pie-in-the-sky ideas and concentrate more on practical ideas and programmes that respond to the expectations of the youth. In commissions, we must focus on local actions that engage government as well as the private sector in efforts to empower the youth economically.

We must ensure that all tiers of the ANC and government share our understanding of youth development and thus provide the necessary political and material support for youth development and empowerment.

Fighting racism

What complicates our progress in this regard is the fact that the productive capital needed to eliminate poverty and create social justice and equality remains in white hands, which, however, continues generally to resist supporting the project of national reconciliation and deracialisation.

The sad reality is that the white community lacks wise and visionary leadership, the type that can help them break out of the paralysing fear and insecurity that racism imposes. Therefore, we must propose the ways and means directly to engage with and interact with them, especially the working class and the poor, relying on the lessons drawn from the door-to-door campaign.

Creating a non-sexist society

We must mobilise young women themselves to break out of the pattern of silence and powerlessness, the pattern of

resigning themselves to the social castes defined for them by the patriarchal society, to become active agents for their own empowerment, mobilisation and emancipation. They must strengthen and build young women's movements and raise their capacity to contribute to the realisation of these objectives through, among others, political activism. They must lead in raising their political consciousness and deepening their understanding, activism and experience.

Further, they must study harder and improve their knowledge and skills, indeed to enhance their capacity in tackling all these challenges and they must participate actively in the economy.

Creating a better Africa

We will have to work swiftly to produce a comprehensive African youth programme, both within the African Union as well as NEPAD,

- to promote democracy and a culture of human and peoples' rights
- for comprehensive human resources development, including programmes that attack illiteracy and lack of skills among the youth
- for social development, covering such areas as sport, culture, arts, and
- for youth economic empowerment and participation

Re-affirming multilateralism on a world scale

Early this year, the International Union for Socialist Youth (IUSY) elected an African as its President. This imposed on us enormous responsibilities to place on the agenda of the progressive international youth movement the urgent aspirations of the African continent and the poor and developing countries and to campaign for the forging of this movement for the creation of a better world.

Towards this end, we must seek better ways to more closely work with the anti-globalisation movement as a possible ally. It must be seen as a global protest against the dominance of capital and the marginalisation of the popular voice; a response against the negative things that are inherent in the globalisation process; and a protest movement against global injustices.

The challenge to the broad progressive movement

Together, the tripartite alliance must fight against the tendencies that threaten the unity and cohesion, both of the alliance itself as well as the masses of the people that still yearn for fundamental change in their lives. At all times, the tripartite alliance must both respect each other's organisational independence and integrity and reinforce the agenda of the national democratic revolution led by the ANC.

Likewise, the PYA faces similar challenges to fight against opportunism, sectarianism, careerism and leadership-mongering disguised as left-wing adventurism.

Strategic tasks of the ANCYL

The broad tasks of the ANCYL are to

- continue to engage in the programme of social transformation, creating more space for the upliftment of the youth
- intensify the campaign for youth economic participation
- empower young women, fight sexism and create gender equality
- mobilise the youth for development and develop them in order to mobilise them
- mobilise the state, capital, labour and society as a whole for youth development
- build a strong ANCYL as an agent and catalyst for change, deepen its roots and re-affirm its proud traditions and culture
- unite the youth in action for peace, democracy and development in South Africa, and
- forge a broad progressive youth front for peace, democracy and development in southern Africa, Africa and the world



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CONTENTIOUS QUESTIONS ON THE "DUAL ECONOMY"

R.E. VAN DER ROSS

Dear Sir,

The article by Rob Davies, M.P., ("Some notes on the issue of dualism", *New Agenda*, Issue 14, Second Quarter 2004) once again focuses attention on the issue of "dual economies".

This is not only an old question, but one which requires keen analysis and discussion. What is more, it requires that some direction emerge, and action which will bring relief. Prof. Davies ventures some possible steps in this regard.

I am no economist, but neither are the large masses of the poor who, whilst being unaware of the science of economics, are the victims of whatever forces cause them to be poor and, unhappily, seem to offer no solution to their condition.

Let me start by making a controversial statement, for without controversy we get little, if any, debate. In all of these discussions on poverty (or almost all) the analysts start by attributing the condition of the poor to slavery and colonialism. Now in so doing, they are not without veracity. But is this the whole truth? Not even when apartheid is added, do we find the full truth of the condition of the poverty of our country, our continent and beyond. I mention this because I have the sense that by blaming slavery, colonialism and apartheid, and in feeling that we have said it all, we run the risk that we may be missing some other factors and thereby preventing ourselves from being fully effective.

Take apartheid. Ten years ago, we abolished apartheid, yet today the gap between the rich and the poor is, by all accounts, widening. To be sure, some black people are rich, even very rich. But more are poor. Very poor. I fully agree that apartheid had to go, but its removal does not seem to have made a dent in the poverty of the masses.

Take colonisation. Since the end of World War Two, colonisation has been dismantled in Africa. Yet, almost 50 years since Ghana got its liberation from being a British colony, an event followed by the decolonisation of all African states (in theory at least), Africa goes under the yoke of much poverty, and one is constrained to ask whether the economic condition of the people (not the elites but the majority) is any better than under colonialism.

Take slavery. One cannot imagine a more abject condition than slavery, economic or otherwise. But is it true (or is it not) that slaves could eat (they had to, or else they could not work for their masters), whilst today millions in Africa die of starvation? Is it not true that slaves received basic healthcare (again for the benefit of their masters), whilst today millions die of disease? Let me anticipate the response: No, I do not defend slavery; I only ask whether we are correct in attributing the disadvantages of Africa's mass to slavery.

And if we say that the poverty and other unhappy circumstances of Africa today are not attributable to apartheid, nor to colonisation, nor to slavery, what then are the causes? It would, perhaps, be argued that any one, or any combination of slavery, colonisation and apartheid, where applicable, stunted the development of the people now categorised as "developing", and had they not been subjected to slavery, colonisation or apartheid, they might or would have been more developed now. Interesting as this might be, it is palpably arguable.

Who is to say what the condition or state of development of South Africa's indigenous people might have been if the country had not been colonised? Before, or at the time of colonisation, our black African peoples were illiterate and had not yet invented or discovered the wheel, for instance. Slaves in South Africa had been introduced mainly from the East. They made a big contribution to the Cape and South Africa. Who is to say what our stage of development would have been without slaves? Even apartheid was not without its benefits - the University of the Western Cape, for instance, was clearly intended to further apartheid, as were the other ethnic universities. Yet this aim was not achieved, indeed the opposite came about as these institutions produced graduates who played leading roles in defeating apartheid. These questions have no answers, and discussing them can only lead to guesswork.

How does the dualism come about? Dualism is discussed as an economic phenomenon. It is not only in economics at the individual level, as shown between rich and poor individuals, or at the national level, as between rich and poor countries or continents. It is shown politically, where countries, including some African countries, have dual systems of government and where one set of people seem to be running the country (parliaments, etc.) whilst another set (the small power elite) actually run the country and derive

the benefits. There is also religious dualism, in which people (the same people) may believe in some form of monotheism whilst at the same time practising animistic or polytheistic rites. But let us return to the economic category lest we become too entangled in possibilities.

Prof. Davies says:

"the South African social formation that emerged during the period of colonialism and segregation was seen as one in which a dominant capitalist mode of production (CMP), originally emerging in the mining sector, articulated with and subordinated "pre-capitalist modes of production" in the "reserve" areas. More specifically, the migrant labour system, on which accumulation (of wealth) in the CMP was based, was predicated on a pattern of articulation that placed sufficient pressure on household production in the "reserves" to oblige men to seek unskilled low paid wage labour employment."

In other words, the capitalist forms of production as in the mining of diamonds and gold needed unskilled labour, which the black people were compelled to provide in order to pay the taxes and other needs. So they left the rural areas to go to the cities under the migrant laws.

Davies does not say what the "pre-capitalist modes of production" were, but clearly they were farming, with livestock and agriculture. He bases his argument on the work in the 1970s of "Harold Wolpe and others". But I seem to detect a strong tendency to force the facts of the situation, as described above, to fit the theories, concepts and language of communism. Maybe this can be accepted, but one asks: which of the factors of slavery, colonisation and apartheid were involved in this transfer of pre-capitalist forms of production to the capitalist? Not slavery, because the African people recruited by the capitalist mine bosses were not slaves. Nor apartheid which, in its legal form, did not come until the mid-1900s. A case could be made with regard to colonialism, although it could also be claimed that the real colonialists were the Dutch, starting in the 17th century, and not the English miners, who started in the 19th century.

In explaining how dualism in the South African political economy came about, Davies states that he found Wolpe's analyses and theory of "articulation of modes of production" to be most convincing. Again, there seems nothing new in what Davies attributes to Wolpe. We are back at Karl Marx, Engels and elementary communist theory. Not that there is anything wrong with that in respect of theories of production - I mean, nothing wrong with a theorist basing his theories on the work of others. What matters, surely, is whether those theories are defensible.

But in looking for reasons as to why things came to be as they are, should we not be entitled to look at some historical processes and facts? Should we not look at the convergence (I avoid the word clash) of cultures? The Europeans (Dutch, English, Germans, French and other)

came to the Cape, settled in order to satisfy their need for provisions, were displaced by the British in time in order to protect their trade routes mainly. The British attempted to establish some form of permanency, discarded this, then repeated it when gold was discovered. The black Africans, at first not that opposed to the infiltrating Europeans, in time fell victim to their laws, and there is no question but that they suffered economic deprivation, among other things.

Time passes, and in 1994 majority rule is effected, and black Africans take over government. But note, they take over the institutions of (Western) government lock, stock and barrel. This includes parliament, a multi-party system, elections, ways of passing laws, as well as a great number of already existing laws. And they take over "democracy", and they take over capitalism! President Mbeki says that his party is the party of the Left. But what is left of the Left? When leftists are co-opted by the same mining houses and industrialists, financial and academic institutions that they inherited, albeit (maybe) with some minor changes, are they still "Left"? When former Labour Union leaders and former Robben Island political prisoners, and former MPs who were leaders of the Left are absorbed into the system, under the guise of black empowerment, and become instant million- and billionaires, are we, the people who in apartheid days were called *die agtergeblewenes* (those who were left behind), not entitled to say: "Hey, we're still being left behind!"

To some extent it may be conceded that Marxist theory and the "articulation of modes of production" of Wolpe and Davies could provide a theoretical framework for the historical changes in South African economics and politics. But then, if Davies is proposing this framework as one for the continuing development of the country (and it is not certain that he is), we should evaluate it. How, in the light of this theory, does Davies explain the rapid rise of the black managerial class? More importantly, how does he predict that this will go? How long will the impoverished black masses (or omit the word black if you insist on being non-racist) be satisfied or prepared to sing Halleluja! when they see that another black brother has made yet another killing on the stock exchange? In the light of what is happening, are we still to believe that we are being led to the classless society?

No. Economic and political dualisms are realities. In the past, before 1994, economic dualism (the rich and the poor) ran concurrently with political dualism (the politically empowered and the politically disempowered). We were led to believe that political empowerment would lead to economic empowerment. Is this happening? As I write, newspaper headlines tell of 15 000 people in Cape Town being homeless due to floods. Many of these people were brought to the Cape so that they could vote a new government into power. That was more than 10 years ago. Today their shacks are knee-deep in water. But they do have the consolation that some of their brothers have struck it rich.

HOME COMFORTS

Marius Fransman has a lot on his plate, such as streamlining the bureaucracy in his Department of Local Government and Housing, but he is determined to fulfil his office's mission of successfully delivering houses to the Western Cape's underprivileged. He spoke to SIVUYILE MANGXAMBA.



Marius Fransman is set to embark on a big shake-up of the civil service in his department as part of a strategy to ensure effective delivery in the Western Cape. Only a few months in office, Fransman, the provincial minister for local government and housing, has seen that the bureaucracy needs to be changed.

'I am looking for a new person, a new culture within the bureaucracy,' says Fransman, who sees his ministry as having a historic role in reducing poverty for thousands of people in the Western Cape. With his call for a 'new man' within the service, he is not looking at replacing the administrators with new cadres, but rather wants the incumbents to embrace change.

He is aware about the task ahead of him in introducing a new culture of service delivery. Says Fransman: 'There are too many officials who are not doing their work – we need a change of mindset. They must become agents of change.'

He understands the importance of the bureaucracy to his delivery plan, but is still determined to ensure there is a new ethos in the department. And he is prepared to use the stick to rid the department of its culture of 'just pushing the pen'.

'If things are not working, I have to push them and adopt a no-nonsense approach,' he says.

Fransman understands that within the bureaucracy there are

workers who are not motivated, but he is determined to foster a common vision. 'That will lead to improved knowledge within the bureaucracy and improved action,' he says.

Fransman is also determined to deliver more houses to those who do not have them. In fact, he does not want to just give houses – but homes. The Western Cape has a housing backlog of 320 000 units, and with 48 000 people entering the province each year, the housing backlog is climbing. He is also aware that houses need to be delivered through local government, and his ministry is well placed to deliver on these promises. 'We have declared war on informal settlements, which should see more homes being built,' he says.

Two thousand houses, in various areas across the province, including Lwandle, Saldanha and Oudtshoorn, have already been built in the past months. 'With this massive backlog in housing development, the ministry is also looking at the quality of houses,' he says.

Having been in office since April this year, Fransman has since identified the problems that have plagued his department – and he is determined to ensure such problems do not occur again.

'We have always had a problem of under-spending – now we need to create systems where we can monitor our implementation plans.'



The minister is also prepared to adopt an inclusive approach within his department so that other role players can come into play. 'There is a bigger issue within the department; the department must reposition itself and start to interact with the private developers and housing finance institutions.'

Their involvement would help solve the province's housing problems and, says Fransman, 'there is a special place for private developers of low-cost housing in our plans'.

The housing development has a special place in the minister's heart, especially given his background of having lived in the Western Cape's rural parts for a few years.

Formerly a teacher in Vredendal, Fransman developed a liking for the area's downtrodden such as fishermen or farmworkers. 'There is nothing wrong with staying in a farm or village. What we need to do is to make life easy for them. We need to provide proper sanitation, water, and electricity. We also need to create projects that can sustain them.'

As a teacher in the early 1990s, Fransman says it was then that he saw racism in its most dehumanising form. 'There was racism and poverty – the most real form of poverty I've ever seen.'

Prior to 1985, Fransman gravitated to politics in a form he describes as 'a natural progression'. Born in Blackheath, Fransman says his political consciousness grew out of the social and political order of the time.

'In Blackheath there was an informal settlement close to where I lived with my family. I started asking myself why some people lived in poverty while others were rich. This kind of questioning led to a political question, and we realised the only way to change it was if apartheid was eradicated as a political system.'

Fransman joined the ANC in 1990 and after finishing his

studies at the University of the Western Cape, he taught in Vredendal where he was also an ANC organiser. 'We were dealing with people who saw the ANC as a monster. They were surprised to see that teachers, who were held in high esteem, could be members of this organisation.'

After endearing himself to the rural folk by convincing them that the ANC was not so bad after all, his political career took off and he was elected first deputy mayor, and then mayor, of Vredendal.

Fransman says if rural development is not addressed, the migration of thousands from the Eastern Cape, Northern Cape, or the rural parts of the Western Cape into the metropolitan centre will continue unabated.

In terms of social integration and delivery, Fransman rates the Western Cape far behind other provinces as this is the first time the ANC is in full control of the province.

While Fransman is not a stranger to holding a public office – he was the Minister of Social Welfare in the province's last coalition government – he is determined to make this portfolio work.

'The local government is the nucleus of change, but there is incapacity in most municipalities. We need to change this,' he says.

He also feels farmworkers should have a bigger say in the activities of municipalities in their area, and his ministry wants to introduce the ward system to ensure proper representation. Land tenure issues and restitution will play an important role in his term of office, he says.

But though he has several tasks and demands, Fransman's main goal is still to deliver houses as that is what he was placed in office to do.

OBITUARY: RAY ALEXANDER

BY BEN AND MARY TUROK

The passing of Ray Alexander marks the end of an era in South Africa. Ray was one of the many refugees from fascism in Europe who came to South Africa. As a lively youngster she was drawn into the anti-fascist movement in Latvia which was one of the first affected countries in Europe, and she had barely stepped off the boat in Cape Town before she began to organise workers here. With little English and no Afrikaans or Xhosa this was no mean feat for a very young woman. She quickly mastered English although she never lost her strong East European accent. This and the many other hurdles she confronted never daunted her. She remained a dedicated trade unionist throughout her life.

Ray is a symbol of a particular kind and hopefully will remain so for all time. Firstly, there was her remarkable commitment. She was a person whose origins were different in so many respects from those she chose to identify with, and yet she threw all her energy into serving their cause. In doing so she braved arrest; she slept in the open veld; she was barred from hotels and other facilities; she walked long distances as she could not drive and had no car; she organised Afrikaans and Xhosa-speaking workers though she never learned these languages. In short, she underwent enormous hardships without weakening in her determination to organise the unorganised. Although she organised men and women, in an industry where casual work by women was predominant, she will be particularly remembered for her contribution to the upliftment of women workers in the rural areas of the Western Cape. Her role in the formation of the Federation of South African Women and her active participation in its campaigns were part of this contribution.

Secondly, Ray will also remain a symbol for her loyalty to the liberation movement as a whole. Although primarily focused on trade unions, she was an active member of the Communist Party and the ANC. She never drew a line between her loyalty to either and was indeed involved in all three spheres, although to different degrees, depending on the particular needs and her own situation. She was on call night and day. When banned, she disguised herself so she could continue her work. When faced with arrest, she went underground. When forced into exile, she set up communication networks from abroad or from Zambia, where she spent many years of exile with her lifetime partner, Jack Simons. At a time when some wish to differentiate too sharply between the roles of these organisations, Ray should be remembered as one who did not draw a line between them or favour one above the other. Her duty was to the unions, but she did not separate this from her duty to the ANC and the Communist Party, seeing them as an

integral force in the struggle for freedom and democracy in South Africa.

Thirdly, Ray was a symbol of non-racialism in practice. Here was a woman of white origin, who was defined as part of the ruling sector, but who stubbornly rejected that role, and instead spent her whole life deeply immersed in black liberation. In the new South Africa where racial mingling is becoming commonplace, it is difficult to conceive of the daunting challenge facing a white woman merging herself in the daily struggle for existence of black people. She was of course an outcast of white society. That was easy to bear since there was so much that was repulsive to a person sensitive to the suffering of others. But it was not always easy to penetrate the ranks of the black oppressed, or to win their confidence. Yet she succeeded in a most remarkable way. Even today, as non-racialism becomes more accepted as a national ethos and practice, we must acknowledge that overcoming the racial divide remains a major issue. The section of white South Africa who pressed tirelessly along this path in order to identify with the liberation movement is symbolised by the life of Ray Alexander.

We trust that the memory of this huge symbol of the liberation struggle will be immortalised in an appropriate manner.





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