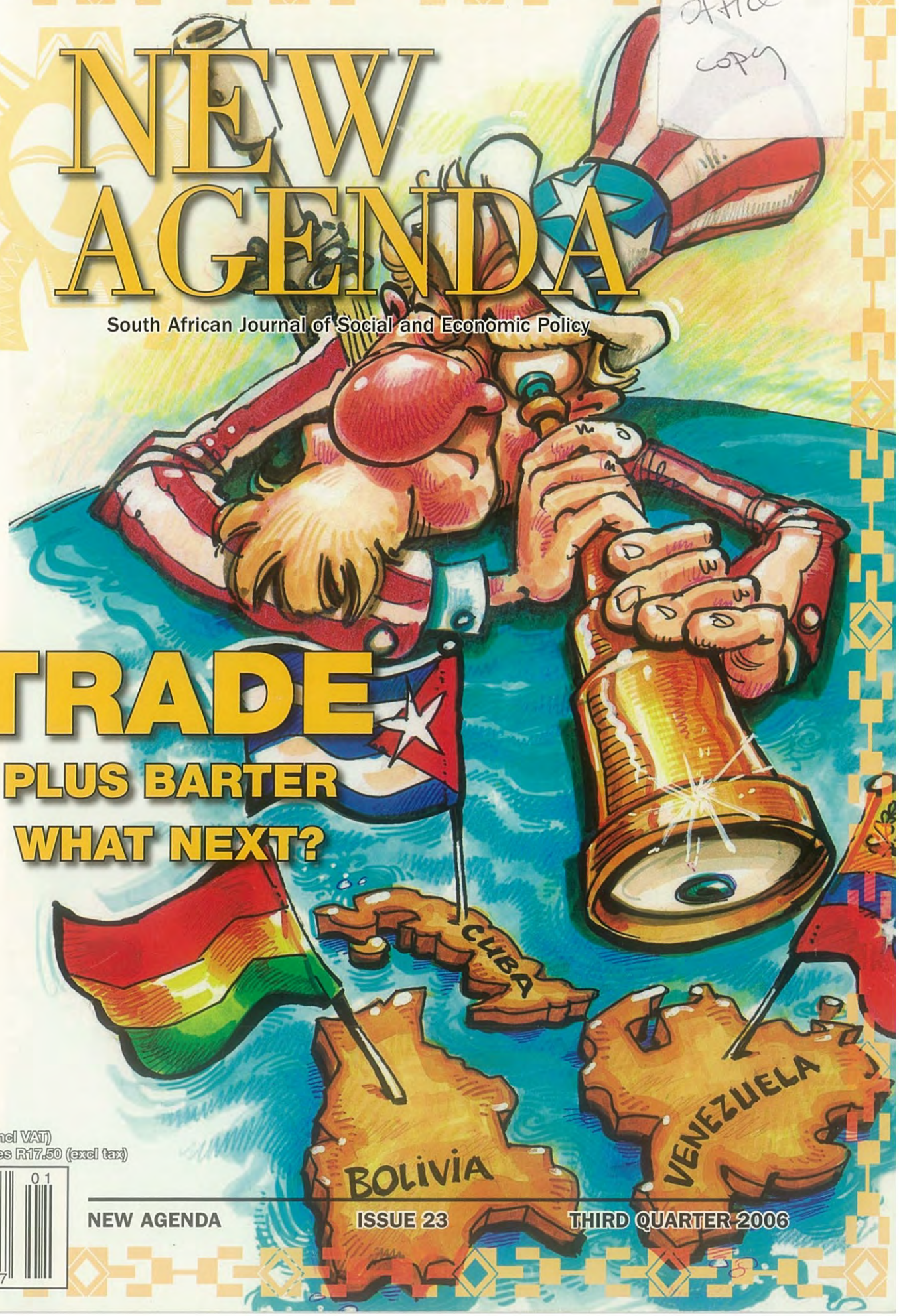
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NEW AGENDA

South African Journal of Social and Economic Policy



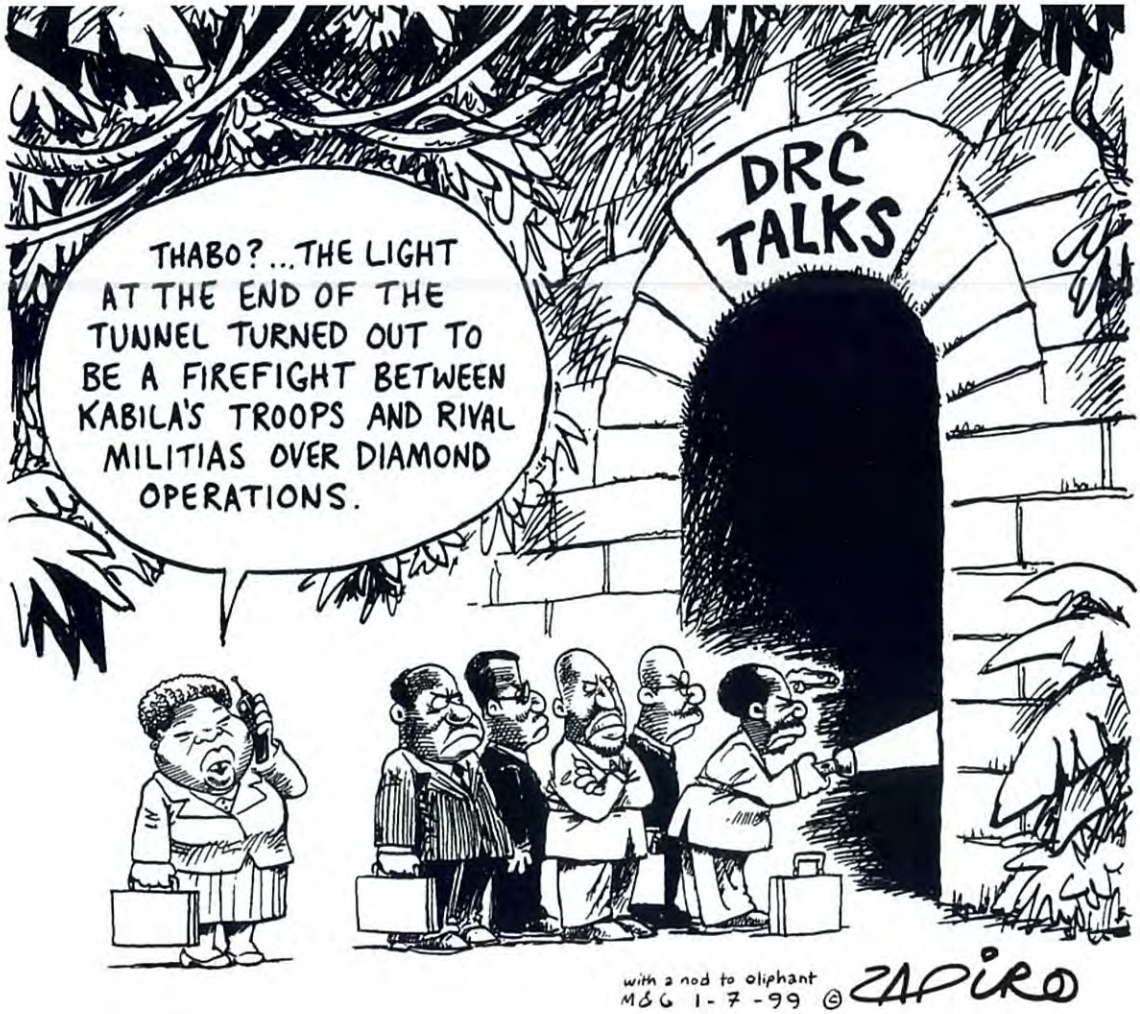
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NEW AGENDA ISSUE 23 THIRD QUARTER 2006

What is at the end of the NEPAD tunnel?
A cave of horrors, or a treasure trove?



South Africa's engagement with the issues of democracy in Africa means that the continent today is a modestly different, NEPAD-compliant place. In some places, it is light years from where it was, just a couple of years ago. Naturally, doubts persist about the character and quality of the light at the end of the tunnel. Yet, South Africa's policy innovations on the NEPAD front have been a powerful illustration of how assertive and principled policy interventions could help make a difference. P&DM invites you to become part of the policy movers and shakers of the continent. Our Masters in Public Policy is the definitive public policy qualification. Our courses in policy design, implementation and evaluation, in policy research, and in-depth studies through a policy research project will provide you with the edge in this age of public policy. P&DM offers you the opportunity to establish and entrench yourself as a policy specialist.

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Published by
Institute for African Alternatives (IFAA)
PO Box 12491
Mill Street
8010

(Supported by the Friedrich Ebert Foundation, United Nations Development Programme and Danish Embassy)

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Production by
Picasso Headline
PO Box 12500
Mill St, Gardens, Cape Town
Tel: (021) 462-1023
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Province of the
EASTERN CAPE
DEPARTMENT OF HEALTH

INVESTING IN HEALTH PROFESSIONAL TRAINING & DEVELOPMENT AS A STRATEGY TO TURN SERVICE DELIVERY AROUND IN THE EC PROVINCE

The Eastern Cape Department of Health (ECDOH) is committed to the recruitment, retention and development of health professionals as a strategy to sustain quality healthcare in the Eastern Cape Province. The Human Resources Development Chief Directorate has been mandated as part of an integrated human resources management service, to not only attract appropriately qualified potential employees to areas of service delivery with the greatest need, but also to retain good employees through a programme of compensation and personnel development.
The vision of the Human Resources Development Directorate is to empower employees and stakeholders to be committed to deliver quality and compassionate service in a professional and ethical manner. The mission is to encourage all sub-directorates and divisions to provide client-focused, accredited programmes that will develop competent, highly skilled professionals, qualified to meet the needs of all people in the Eastern Cape Province.

The strategic objectives are set out to:
Implement programmes for attraction and retention of essential human resource skills by:

- creating a pool of ECDOH personnel through bursaries, internships and learnership programmes;
- increasing the exposure of health science students to the Eastern Cape Rural Health Services; and
- actively recruiting health professionals (graduates for entry level posts, foreign qualified health professionals and expatriates and retired nurses).

Provide ongoing training and skills development for health workers, ensuring appropriate skills to impact on the health status of people in the Eastern Cape Province through:

- staff growth and learning with implementation of the workplace skills plan;
- management and leadership programmes; and
- compliance with the norms and standards of training, research and practice of the respective professional statutory councils (e.g. Health Professionals Council of South Africa, South African Nursing Council, South African Dental Association, South African Pharmacy Council, etc.)

Improve staff morale by motivating and enabling employees to achieve high performance through:

- implementing a results-driven performance management and development system;
- creating opportunities for personal growth and career development;
- providing academic and service support, especially to health professionals working in rural areas; and
- improving conditions of service for health professionals.

The ECDOH has committed R424m in 2006/2007 to various projects and programmes to achieve the above objectives. Several of these programmes are unique in Southern Africa.

STRENGTHENING THE ACADEMIC PLATFORM

On the 3-4 August, the ECDOH together with the Walter Sisulu University held an academic retreat for all medical specialists and registrars to develop and strengthen the existing training and research platform in the province.

The WSU medical school in collaboration with the University of Cape Town started training medical specialists in the province in 2001. The Health Professionals Council of SA has accredited the WSU to train 114 registrars in all clinical disciplines at the 3 academic Complexes in East London, Port Elisabeth and Mthatha. There are currently 68 registrars in various stages of specialist training at these Complexes. The unique nature of the province's rural setting provides clinical exposure and training that has attracted health professionals to the province.

The focus areas at the academic retreat included:
Identifying, creating and improving conditions of service to make registrar training conducive to successful learning
Strengthening the academic platform in terms of:
Structured learning programmes
Career path development (clinical; management and academic)
Research (systematic reviews and clinical trials)
Learning networks and the use of information and telecommunications technology to promote academic and service support
Launching the joint establishment- a partnership between the government in the EC province and the medical school to support training and research

The academic retreat also afforded the ECDOH the opportunity to acknowledge and demonstrate its appreciation for the contribution medical professionals have made and will continue to make to health service delivery and the training and research agenda.

A consultative forum was established at this provincial level to engage specialists and registrars in the ongoing design and delivery of the training platform. This is a "top down meeting bottom up" approach where practitioners on the ground together with provincial management and the leadership of WSU will continue to meet and provide direction on issues of joint concern that ultimately impact on the quality of services rendered in the province.

The ECDOH has demonstrated its commitment to turning service delivery around by investing in the training and development of its health professionals. An invitation is extended to all health professionals and other partners who want to be part of this exciting and dynamic era of regeneration and change.

For more information contact Dr Rolene Wagner, Chief Director of Human Resource Training and Development Eastern Cape Department of Health
Tel: (040) 609-3416
E-mail: rolene.wagner@impilo.ecprov.gov.za

Designed by Department of Health, Communications Directorate

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LETTERS OF SUPPORT

MINISTRY: PUBLIC SERVICE AND ADMINISTRATION, REPUBLIC OF SOUTH AFRICA

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Private Bag X9148, Cape Town, 8000. Tel: (021) 467 5120, Fax: (021) 465 5484

Dear Professor Turok

Appreciation of *New Agenda*

I would like to share with you my ongoing appreciation of the worth of your publication, *New Agenda*.

This publication has a unique place in stimulating public debate on the challenging issues that we face as we endeavour to transform our society and advance the cause of our region and continent.

The eclectic range of inputs provides a rich source of information and new ideas which challenge us to broaden our thinking and "step outside the box" in finding new and innovative ways to address the legacies of our history and the challenges that face developing societies in the global arena.

I hope that the publication will go from strength to strength and I look forward in the near future to submitting my own contribution which I hope you will consider for publication.

Kind regards

Geraldine Fraser-Moleketi, MP
Minister for the Public Service and Administration

MINISTRY: ARTS AND CULTURE, REPUBLIC OF SOUTH AFRICA

Private Bag X899, Pretoria, 0001. Tel: (012) 337 8425, Fax: (012) 324 2720
Private Bag X9011, Cape Town, 8000. Tel: (021) 465 5620, Fax: (021) 465 5624

Professor Ben Turok

A new South Africa in a new century needs a *New Agenda*. This is one of the most thought-provoking and stimulating reads of policy matters to emerge during the last decade. It has proved its value to both parliamentarians and ordinary readers with well-researched articles and opinion pieces.

Kind compliments

Z Pallo Jordan
Minister of Arts and Culture

FROM CABINET MINISTERS

MINISTRY: PUBLIC ENTERPRISES, REPUBLIC OF SOUTH AFRICA

Private Bag X15, Hatfield, 0028. Tel: (021) 342 7111, Fax: (021) 342 7226
Private Bag X9079, Cape Town, 8000. Tel: (021) 461 6376/5/7/9, Fax: (021) 465 2381

Dear Professor Turok

RE: Message for *New Agenda*

The ongoing development of theory and policy on development requires an active forum for debate and engagement. This is an intensely exciting time for South Africa and Africa. Quality analysis and debate must have a platform for presentation. It is for this reason that I would urge us all to support *New Agenda,* a journal that has shown its ability to focus on the salient issues and to reach out to a wide range of thinkers and policy-makers in Africa.

Yours sincerely

Alec Erwin, MP
Minister of Public Enterprises

MINISTRY: PROVINCIAL AND LOCAL GOVERNMENT, REPUBLIC OF SOUTH AFRICA

Private Bag X802, Pretoria, 0001. Tel: (021) 334 0705, Fax: (021) 326 4478
Corner Hamilton and Proes Street, Arcadia, Pretoria

Dear Professor Turok

New Agenda

I wish to express my appreciation for your insightful publication, *New Agenda.*

The journal is professional and objective and it is useful in the work that we do in government. It focuses on key elements of good governance and economic policy. I therefore recommend this publication to public representatives and public officials as a useful forum for an exchange of views across all sectors of our society.

Kind regards

FS Mufamadi
Minister for Provincial and Local Government

LETTERS OF SUPPORT FROM CABINET MINISTERS

MINISTRY: MINERALS AND ENERGY, REPUBLIC OF SOUTH AFRICA

Private Bag X646, Pretoria, 0001. Tel: (012) 322 8695, Fax: (012) 322 8699
Private Bag X9111, Cape Town, 8000. Tel: (021) 462 2310, Fax: (021) 461 0859

Dear Ben

Support for *New Agenda*

Thank you for sending me a copy of *New Agenda* (Quarter 3: 2005). I have found the content of the journal to be interesting and inspiring. Your interview on gender issues and your article on changes and levels of growth in the manufacturing industry made for interesting reading.

It is important that we continue to have journals of the standard of *New Agenda,* as they provide important insights and contribute to the debates on transformation and development of our country.

I look forward to the ongoing success of *New Agenda* and hope that articles on energy issues will be included in future editions.

Yours sincerely

Lindiwe Hendricks
Minister of Minerals and Energy

MINISTRY: COMMUNICATIONS, REPUBLIC OF SOUTH AFRICA

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To whom it may concern

RE: *New Agenda*

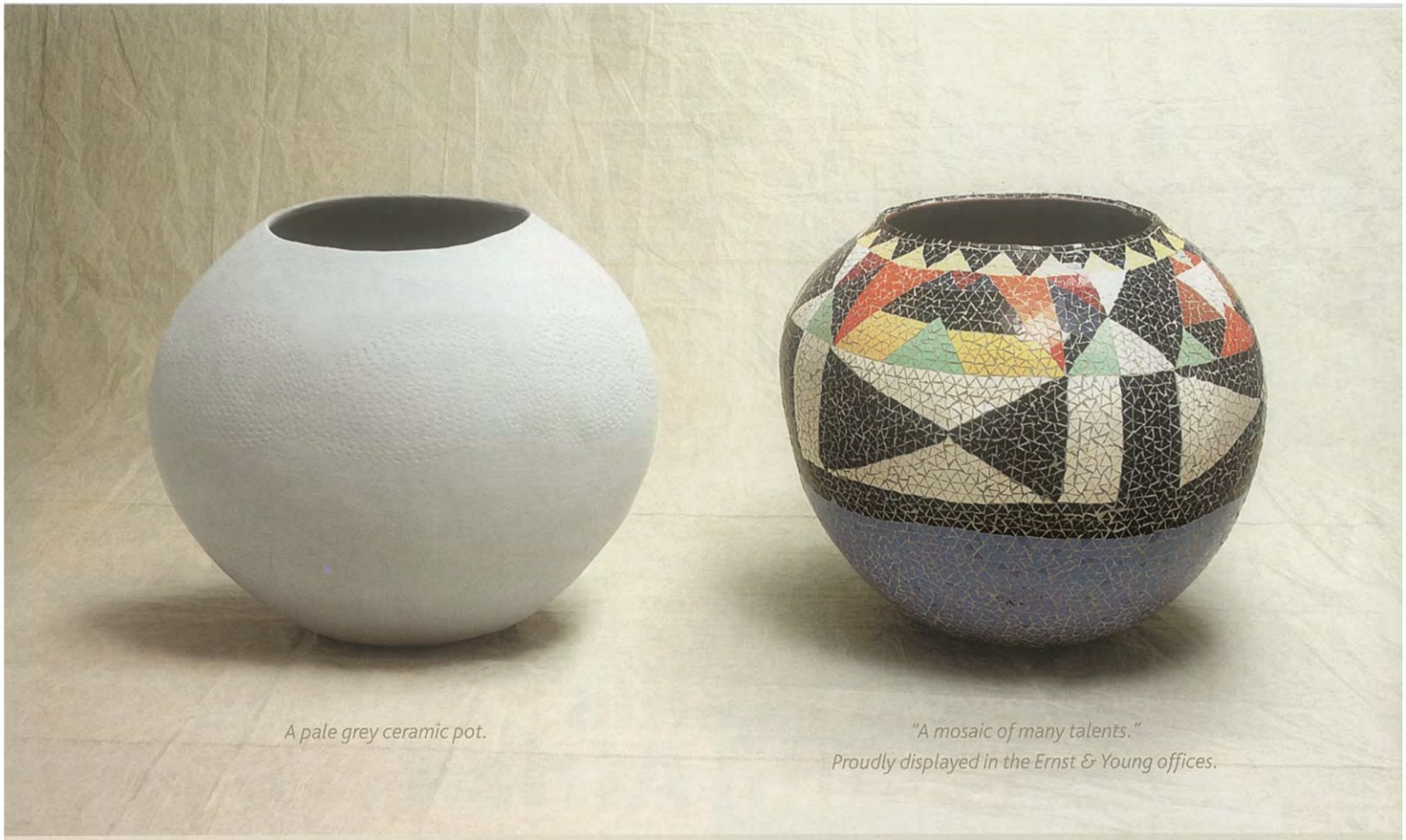
This is a letter in support of the above journal.

This country needs a serious journal that will interrogate serious policy issues. Such a journal will be especially helpful in raising controversial issues and/or positions and allowing dialogue to take place.

Such a journal can also be used by policy-makers to explain their own policies. The paucity of such publications demands more such publications, not less.

We hope that this is appreciated.

Ivy Matsepe-Casaburri
Minister of Communications



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New, modern vocational programmes have been designed by the Department of Education to replace the N1 to N6 programmes offered by Further Education and Training (FET) Colleges.

Each of the vocational subjects has a theoretical and a practical component. The programmes will run over one year for full-time students, and students who successfully complete the programmes will receive a National Certificate (Vocational). This certificate will be awarded at three levels, Levels 2, 3 and 4 on the National Qualifications Framework (NQF).

The second step in the curriculum development process was to select the vocational areas in which the programmes would be offered. Here the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) was a strong influence.

Department of Education's contribution to skills development in South Africa

These modernised programmes will be a worthwhile contribution towards alleviating the skills shortage in our country, as the N programmes were widely criticised for being out of date and of poor quality.

The first step in the curriculum revision process was to develop a qualification framework, which was benchmarked against international and local studies for guidance on the requirements of the knowledge economy. The framework provides a broad general education, with emphasis on communication, mathematics, information technology and industry-wide vocational education.

According to curriculum experts, much of the knowledge required is not firm-specific, but generic (related to mathematics, communication, writing and computing) or industry-specific. The design of the new FET vocational programmes takes this into account.

The new vocational programmes consist of seven subjects, namely Language, Mathematics or Mathematical Literacy, Life Skills with a strong IT component, and four vocational subjects.

The following priority programmes were selected:

- Electrical Infrastructure Construction
- Engineering and Related Design
- Civil Engineering and Building Construction
  - Finance, Economics and Accounting
  - Management
  - Marketing
  - Office Administration
- Information Technology and Computer Science
- Hospitality Services
- Tourism Services
- Primary Agriculture

These 11 programmes will be offered at Level 2 from 2007, at Level 3 from 2008, and at Level 4 from 2009. They will replace the N1 to N3 in a phase-in, phase-out process, as follows:

- In 2007 the N1 will be replaced by National Certificate (Vocational) Level 2.
- In 2008 the N2 will be replaced by National Certificate (Vocational) Level 3.
- In 2009 the N3 will be replaced by National Certificate (Vocational) Level 4.

education

Department:
Education
REPUBLIC OF SOUTH AFRICA

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THE BOLIVAR AGREEMENT: VENEZUELA, BOLIVIA AND CUBA

BY LANGA ZITA MP

The people's trade agreement signed between the governments of Cuba, Venezuela and Bolivia is an important milestone in the struggle for a popular response to the challenge of development and globalisation.

The agreement is a unique co-operation of states, underpinned by the principles of solidarity. It seeks to recast the notion of comparative advantage as a basis for mutual beneficial development, not as a weapon against competitors.

The agreement represents the nucleus of a trinational developmental state designed to create a people-based accumulation path. The measures include generous offers to progressive companies, strengthening the capacity of the state to address social delivery and significantly shaping the process and character of wealth creation in the respective countries. There is no move to delink from international relations; rather, the agreement offers scope for a strengthened capacity to participate in the global economy.

From its inception, the agreement seeks to put the interests of the people, not multinationals, at the heart of its work. There are important provisions on the training of doctors in Cuba and engineers in Venezuela as well as sharing of indigenous knowledge systems by the Bolivians. Reciprocity is rare in international agreements, where the interests of the powerful generally prevail. But this agreement goes even beyond reciprocity. For instance, with regard to Bolivia, whose underdevelopment is greater than that of the other two countries, Venezuela is setting aside $100 million for a productive and associative infrastructure fund as well as a donation of $30 million.

It is important to note that the agreement does not exclude participation in other multilateral institutions. As reported in *Business Day* on 6 July 2006, Venezuela has joined the Mercusor trade agreement which involves Brazil and other Latin American countries. So the agreement between Cuba, Bolivia and Venezuela should not be seen as an instrument of insulation or autarky from globalisation, but as a measure of protective participation in it. As such it may become a model for other countries' participation in the global multilateral system.

To what extent is the agreement a product of the radical politics of its leaders who are, in various ways, socialists? Is there any prospect of other leaders motivated by genuine patriotic concerns doing likewise in the interest of their people?

In any event, the agreement constitutes an important progressive chapter in the evolution of globalisation. Progressive governments the world over should study it and find ways of adapting some of the measures which are suitable for their conditions.

At the same time, there remains the imperative to strengthen a common struggle to advance a progressive agenda in other international fora, including the World Trade Organisation.



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ROY ANDERSEN
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REPUBLIC OF SOUTH AFRICA

THE BOLIVAR AGREEMENT BETWEEN BOLIVIA, VENEZUELA AND CUBA

STATEMENT BY THREE PRESIDENTS

On the occasion of the official visit to Cuba of Presidents Hugo Chávez Frías and Evo Morales Ayma on 28 and 29 April 2006, there was a broad-ranging dialogue with the President of the Council of State of the Republic of Cuba, Fidel Castro Ruz, celebrating the first anniversary of the agreements launching the implementation of the "Bolivarian Alternative for the Peoples of Our America" (ALBA), which is bolstered by the proposed "Peoples' Trade Agreements" (TCP). This dialogue included the analysis of the current international situation and, particularly, the challenges facing the peoples of Latin America and the Caribbean in the present political, economic and social circumstances marked by an increase of the popular struggles against the failed neo-liberal policy and the search for new ways and means towards development with social justice in the framework of genuine fraternal Latin American and Caribbean integration.

ALBA is the basis of the exchanges and collaboration between the Bolivarian Republic of Venezuela and the Republic of Cuba, implemented since December 2004 with excellent results for both nations.

The TCP is an initiative proposed by President Evo Morales as an instrument for co-operative and complementary exchanges between the nations to benefit their peoples, in direct contrast to the free trade agreements (FTAs), which continue to increase the power and dominance of the transnationals.

The needs of the Bolivian people's development were analysed, as were the challenges faced by the three-month-old government of President Evo Morales, who won an impressive electoral victory allowing, for the first time, indigenous peoples to participate in the government of their nation. The three leaders share the conviction that strong solidarity, mutual co-operation and aid between their peoples must prevail, free of any interest for business or market profits. In the particular case of Bolivia, they shall work on the complicated task of transforming the present reality of severe shortages of basic social services, such as education and healthcare, while making the best possible use of natural resources such as gas and oil for the development of its agricultural potential and the training of skilled human resources, so that the benefits may improve the lives of the poor, the exploited and the discriminated.

The leaders agree that only a new and genuine integration based on the principles of mutual aid, solidarity and respect for self-determination can provide a suitable response to the level of social justice, cultural diversity, equity and the right to development which all peoples deserve and claim. Such integration is conceived as a political and economic relationship that is in stark contrast with that which has been established by the Free Trade Area of the Americas (FTAA) and the free trade treaties.

For all the preceding reasons, the three leaders agreed that Bolivia, represented by her president, Evo Morales Ayma, should become part of the process of constructing and implementing the Bolivarian Alternative for the Peoples of Our America, starting with the development of the TCP among the three countries, and to reiterate the joint declaration signed by the governments of the Bolivarian Republic of Venezuela and the Republic of Cuba on 14 December 2004, in which the first guiding principles of ALBA were presented and which are presently joined by President Evo Morales Ayma and his nation.

AGREEMENT OF THE BOLIVARIAN ALTERNATIVE FOR THE PEOPLES OF OUR AMERICA

Presidents Hugo Chávez Frías, on behalf of the Bolivarian Republic of Venezuela, Evo Morales Ayma, on behalf of the Republic of Bolivia and Fidel Castro Ruz, on behalf of the Republic of Cuba, meeting in Havana on 28 and 29 April 2006, have decided to sign the present agreement for the creation of the Bolivarian Alternative for the Peoples of Our America (ALBA) and the Peoples' Trade Agreements of our three countries.

General provisions

Article 1: The governments of the Bolivarian Republic of Venezuela, the Republic of Bolivia and the Republic of Cuba have decided to take concrete steps towards implementing the process of integration, based on the principles contained in the Joint Declaration, signed on 14 December 2004, between the Bolivarian Republic of Venezuela and the

Republic of Cuba, which are hereby accepted and embraced by the Government of Bolivia.

Article 2: The countries shall elaborate a strategic plan in order to guarantee complementary products that can be mutually beneficial based on the rational exploitation of the countries' existing assets, the preservation of resources, the expansion of employment, market access and other aspects inspired in the true solidarity fostered by our peoples.

Article 3: The countries shall exchange comprehensive technology packages developed in their respective nations by the parties, in areas of common interest, which shall be provided for their use and implementation, based on the principles of mutual benefit.

Article 4: The countries shall work together, in co-ordination with other Latin American countries, to eradicate illiteracy in these nations, using efficient, tried and tested methods of mass application, which have been successfully used in the Bolivarian Republic of Venezuela.

Only a new and genuine integration based on the principles of mutual aid, solidarity and respect for self-determination can provide a suitable response to the level of social justice, cultural diversity, equity and the right to development which all peoples deserve and claim.

Article 5: The countries agree to make investments of mutual interest which could take the form of public, binational, mixed or co-operative companies, joint management projects or any other form of association that they decide to establish. Priority shall be given to the initiatives which strengthen the capacity for social inclusion, resource industrialisation and food security, in a framework of respect and preservation of the environment.

Article 6: In the case of strategic binational or trinational companies, the parties shall do everything possible, the nature and cost of the investment permitting, to ensure that the host country holds at least 51 percent of the shares.

Article 7: The countries may agree to the opening of branches of state banks of one country in the national territory of another.

Article 8: In order to facilitate the payments and charges relating to the commercial and financial transactions between the countries, Reciprocal Credit Agreements shall be arranged between the banking institutions appointed by the governments to this effect.

Article 9: The governments may use commercial compensation mechanisms of goods and services, if and when this is mutually convenient for the extension and reinforcement of the commercial exchange.

Article 10: The governments shall promote the development of joint cultural projects which take into account the particular characteristics of the different regions and the cultural identity of the peoples.

Article 11: The governments shall reinforce co-operation in the field of communications by taking any action necessary to strengthen their infrastructure capacities in respect of transmission, distribution, telecommunications, etc.; and in respect of their informative, cultural and educational contents-production capacities. In this regard, the governments shall continue to support the space devoted to integrationist communication created by Telesur, by increasing its distribution in our countries, as well as its contents production capacities.

Article 12: The governments of Venezuela and Cuba acknowledge the special needs of Bolivia as a country whose natural resources were exploited and plundered during the centuries of colonial and neo-colonial rule.

Article 13: The parties shall exchange scientific and technical know-how with the aim of aiding the economic and social development of the three countries.

Article 14: Taking into account all of the above, the Government of the Republic of Cuba, the Government of the Bolivarian Republic of Venezuela and the Government of the Republic of Bolivia have agreed upon the following actions:

Actions by Cuba

First: To create a non-profit Cuban-Bolivian entity which will provide free, high-quality ophthalmologic surgeries to all Bolivian citizens lacking the financial resources needed to cover the high cost of this service, thus preventing tens of thousands of poor Bolivians from losing their sight or suffering serious and often crippling limitations to their sight each year.

Second: Cuba shall supply the most advanced technology equipment and the ophthalmologic specialists required in the initial stage who shall, with the support of young Bolivian doctors trained in the Latin American School of Medical Sciences (ELAM), working as doctors in residence, or other doctors and residents from Bolivia or other countries, offer attentive care to the Bolivian patients.

Third: Cuba shall pay the wages of the Cuban ophthalmologic specialists working in the framework of this action programme.

Fourth: Bolivia shall provide the facilities necessary to render this service, be they buildings already used to provide healthcare or others adapted to this purpose. Cuba shall increase the number of ophthalmologic centres donated from three, the number initially offered in the Bilateral Agreement signed on 30 December last year, to six.

Fifth: The six centres shall be located in La Paz, Cochabamba, Santa Cruz, Sucre, Potosí and the town of Copacabana in the La Paz region. Together they shall have the capacity to operate on at least 100 000 people each year. This capacity may be increased should the need arise.

Sixth: Cuba hereby reaffirms its offer to provide Bolivia with 5 000 scholarships to train doctors and specialists in general integral medicine or other areas of medical science: 2 000 in the first quarter of 2006, who are now receiving basic training here in Cuba; 2 000 in the second semester of this year, and 1 000 in the first quarter of 2007. Over subsequent years, the established quota shall be replenished with new students. Included in these new scholarships are some of the 500 young Bolivians who are already studying medicine in schools of medical science all over Cuba.

Seventh: Cuba shall prolong the stay of the 600 medical specialists who travelled to Bolivia as a result of the serious natural disaster which occurred in January of this year, affecting all the regions of the country, for as long as this sister nation deems necessary. Furthermore, it will donate 20 field hospitals, equipped with surgical facilities, intensive care units, emergency services for patients suffering cardiovascular accidents, laboratories and other medical resources, to be sent to the areas hardest hit by this disaster.

Eighth: Cuba shall continue to provide Bolivia with the experience, didactic material and technical resources necessary to implement the literacy programme in four languages: Spanish, Aymara, Quechua and Guaraní, to be made available to all sectors of the population in need.

Ninth: With regards to the education sector, the exchange and collaboration plan shall be extended to offer help in the methods, programmes and techniques of the educational process of interest to the Bolivian party.

Tenth: Cuba will share its energy-saving experiences with Bolivia and shall co-operate with this country on an energy-saving programme that could yield significant convertible currency resources.

Eleventh: During the investment recovery period, any state investment, investments made by Bolivian mixed companies or even those made with Bolivian private capital in Cuba will be tax-exempt.

Twelfth: Cuba shall grant Bolivian airlines the same facilities provided to their Cuban counterparts, with regard to passenger transportation, freight to and from Cuba and the use of airport services or any other facilities, as well as the internal transportation of passengers and freight within Cuba.

Thirteenth: The exportation of goods and services from Cuba may be paid for with Bolivian products, in the national currency of Bolivia or in other currencies mutually agreed upon.

Actions by Venezuela

First: Venezuela shall encourage extensive collaboration in the energy and mining sector, including: the institutional consolidation of the Ministry of Hydrocarbon and Energy and of the Ministry of Mining and Metallurgy of Bolivia, by way of technical and legal assistance; the increase in the supply of crude oil, refined products, liquefied petroleum gas (LPG) and asphalt, envisaged in the Caracas Energy Co-operation Agreement, by the amount needed to satisfy the internal demand of Bolivia. Compensation mechanisms shall be established with Bolivian products so as to completely cancel all debts created by these services. Technical assistance for the Bolivian Fiscal Oilfields (YPFB) and Comibol shall also be established, as shall the development of projects to adapt and extend infrastructures as well as petrochemical, iron and steel and chemical and industrial projects, and any other form of co-operation agreed upon by the parties.

Second: During the investment recovery period, any state investment or investments made by Bolivian mixed companies in Venezuela shall be tax-exempt.

Third: Venezuela hereby reaffirms its offer to provide Bolivia with 5 000 scholarships in the different areas of interest for the productive and social development of the Republic of Bolivia.

Fourth: Venezuela shall create a special fund of up to $100 million for Bolivia to use to finance productive and associated infrastructure projects.

Fifth: Venezuela will donate $30 million to look after the social and productive necessities of the Bolivian people as decided by their government.

Sixth: Venezuela will donate asphalt and an asphalt mixing plant to contribute to road construction and maintenance.

Seventh: Venezuela will notably increase the imports of Bolivian products, especially those that contribute to the increase of its strategic foods reserves.

Eighth: Venezuela will provide fiscal incentives in her territory to projects of strategic interest to Bolivia.

Ninth: Venezuela will provide preferential facilities to Bolivian aircraft on Venezuelan territory within the permissible limits of her legislation.

Tenth: Venezuela will place at Bolivia's disposal the infrastructure and equipment for air and sea transportation in a preferential manner in order to support the economic and social development plans of the Republic of Bolivia.

Eleventh: Venezuela will provide facilities for Bolivian public or joint companies to establish themselves for the transformation of raw materials, down river.

Twelfth: Venezuela will collaborate with Bolivia in research projects on biodiversity.

Thirteenth: Venezuela will support Bolivia's participation in the promotion of endogenous development nuclei, using the experience of Misión Vuelvan Caras.

Fourteenth: Venezuela will develop agreements with Bolivia in the field of telecommunications, which may include the use of satellites.

Actions by Bolivia

First: Bolivia will contribute the export of her mining, agricultural, agro-industrial, livestock and industrial products as required by Cuba or Venezuela.

Second: Bolivia will contribute to the energy security of our nations with its available surplus production of hydrocarbons.

Third: Bolivia will not charge utility taxes on any state or mixed venture investments formed between Bolivia and the Venezuelan and Cuban states.

Fourth: Bolivia will contribute its expertise in the study of native peoples, both in theory and in research methodology.

Fifth: Bolivia will participate together with the governments of Venezuela and Cuba in the exchange of experiences in the study and recovery of ancestral knowledge in the field of natural medicine.

Sixth: The government of Bolivia will actively participate in the exchange of experiences in the scientific research on natural resources and genetic agricultural and livestock patterns.

Joint actions

First: The governments of the Bolivarian Republic of Venezuela and the Republic of Cuba will immediately proceed to remove tariffs and other non-tariff barriers that apply to all imports within the tariff universe of Cuba and Venezuela whenever they apply to products originating in the Republic of Bolivia.

Second: The governments of the Bolivarian Republic of Venezuela and the Republic of Cuba will guarantee the purchase of amounts of oil-based products and other agricultural and industrial products exported by Bolivia, that may not have a market as a result of the application of a free trade treaty or treaties initiated by the government of the United States or by European governments.

Third: The governments of Venezuela and Cuba offer financial, technical and human resource collaboration to Bolivia so that a genuine national Bolivian state airline may be established.

Fourth: The governments of Venezuela and Cuba offer Bolivia their collaboration in the development of sports, including facilities for the organisation and participation in sports competitions, and training centres in both nations. Cuba offers the use of her facilities and equipment for the control of anti-doping in the same conditions as are offered to Cuban athletes.

Fifth: The governments of Cuba and Venezuela, in co-ordination with Bolivia, will promote actions needed to support the just Bolivian demand for the unconditional cancellation of her foreign debt, since it constitutes a serious obstacle to Bolivia's struggle against poverty and inequality.

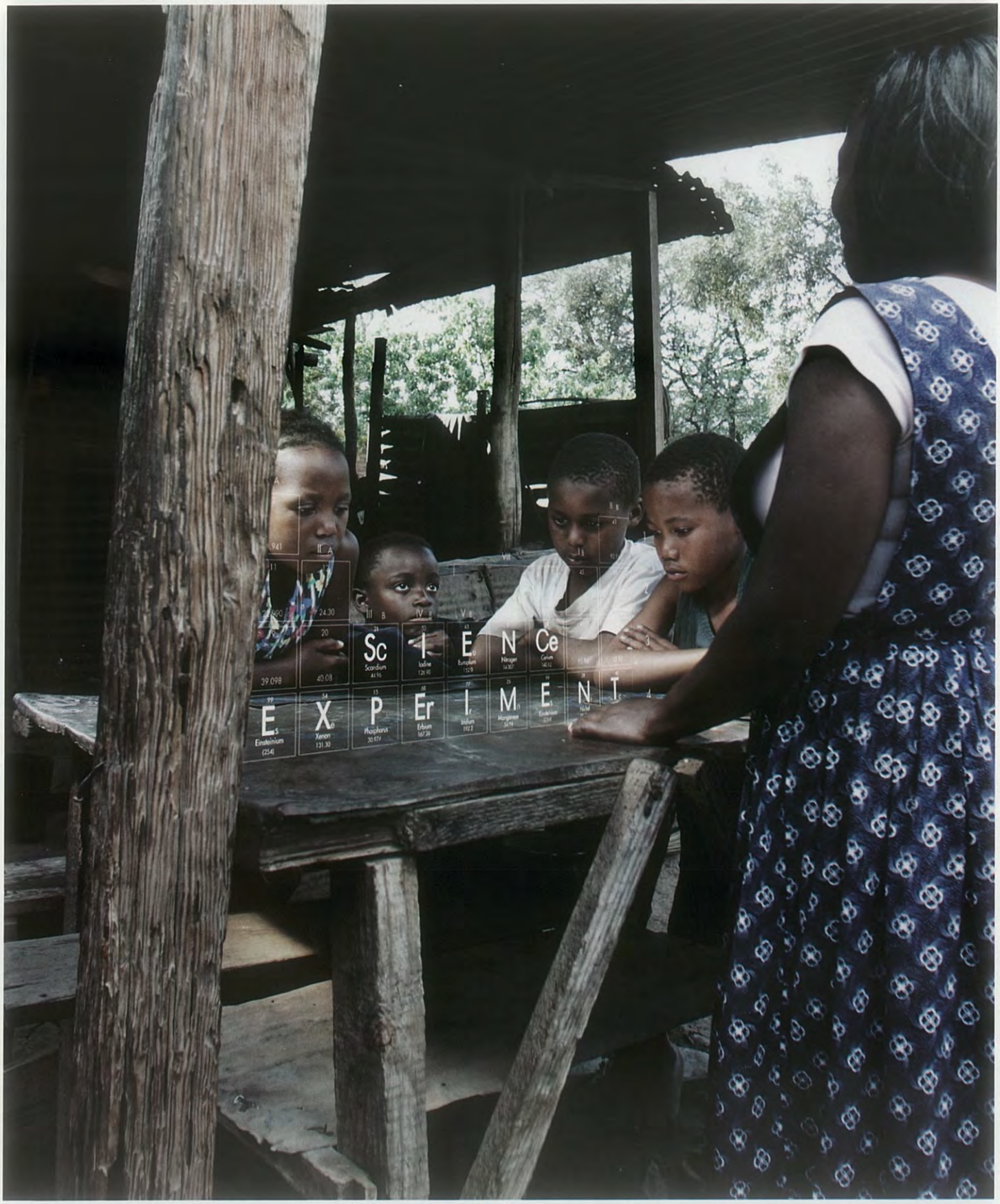
New economic and social measures may be added to this present agreement by the three signing parties.

Bolivia, Venezuela and Cuba will struggle for the unity and integration of the peoples of Latin America and the Caribbean.

Bolivia, Venezuela and Cuba will struggle for peace and international co-operation.

Evo Morales Ayma, President of the Republic of Bolivia
Hugo Chávez Frías, President of the Bolivarian Republic of Venezuela
Fidel Castro Ruz, President of the Council of State of the Republic of Cuba
Havana, 29 April 2006





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STOCK EXCHANGE TURBULENCE AND CORPORATE FIDDLES

BY BEN TUROK MP

The gyrations on the world's stock exchanges in May and June 2006 will be remembered for some time. The South African JSE Securities Exchange dropped 20 percent from its high at one point, and by seven percent in one day. On 8 June, it was 25 percent below 11 May levels. Internationally, the average fall was about 10 percent over the same period, while a 40 percent drop was registered in Dubai.

Most commentators tried to shrug this off as a normal feature of the market. However, John Authers, writing in the *Financial Times* of 10 June 2006, says: "Markets are often wrong, but they tend to be a good leading indicator. Judged in their entirety, the US capital markets, not just the Dow Jones Industrial Average, are signalling trouble ahead for the economy." Many investors, especially small ones, have already felt the pain. In South Africa, black economic empowerment (BEE) companies which relied on debt and share appreciation to enter the corporate world will face serious consequences, especially with a rise in interest rates, as was discussed in *New Agenda's* previous issue on BEE financial transactions.

The question addressed here is whether there is a link between corporate conduct and stock exchange turbulence. We recall the impact of the Enron and WorldCom scandals when they first broke in the United States (US). Many small investors lost the bulk of their savings and the corporate world suffered a major setback.

Analysis has yet to be done on the possible linkages between these exposures of corporate misconduct and share prices, but *New Agenda* has looked at some of the major international press coverage and found some uneasiness with corporate conduct. Concern arises not only from gross salaries and huge bonuses, but from the manipulation of equity for the benefit of the same top executives.

The set of graphs published here appeared in the *International Herald Tribune* (13 June 2006), which also noted that US stocks had, the previous Friday, "capped their worst week since April 2005."



THE WORLD'S WORST-PERFORMING MARKET

According to the *International Herald Tribune* (13 June 2006): "The Dubai Financial Market index has fallen 53 percent this year, the biggest drop among benchmarks tracked globally by Bloomberg News ... Saudi Arabia's Tadawul all share index, tracking the region's largest market, tumbled 41 percent from a record on 25 February, and is down 28 percent for the year. In Qatar, the Doha Securities Market slumped 31 percent this year ..."

Anatole Kaletsky, in the *Times* News Service (15 June 2006), writes: "Is this as bad as it gets? Share prices have been falling almost daily on every major market from Tokyo to Toronto and from Sydney to Stockholm. In emerging markets such as India, Brazil and Russia, shares have lost 20 percent to 30 percent of their value in the last month. Many of the most speculative investments – shares in Bombay and Moscow or silver and zinc futures – have fallen by up to 40 percent in the past four weeks.

"The past few years have seen the launch of literally thousands of new investment institutions and hedge funds, many of which have been built on borrowed money and have turned their managers into multimillionaires within weeks of starting to trade. Many investors will be trying to sell as soon as prices recover and this is likely to limit any rebound. This, in fact, is why the 'dead cat bounce' is so familiar in stock-market lore."

"Markets are often wrong, but they tend to be a good leading indicator. Judged in their entirety, the US capital markets ... are signalling trouble ahead for the economy."

CORPORATE VALUES

Given the degree of uncertainty on stock exchanges, there is clearly a greater need for certainty about the way large corporations conduct their business, since wrong conduct at this sensitive time could have a big influence on markets. Some analysts are therefore beginning to raise the issue of corporate culture in the age of globalisation.

The London *Financial Times* (13 June 2006) writes that: "In the latest edition of *Foreign Affairs*, Samuel Palmisano, chief executive of IBM, suggests that the emergence of the global corporation should be accompanied by the creation of clearer corporate values. In contrast to the multinational corporation, which sets up production in many different countries in order to circumvent local tariffs, the global corporation produces for a global market in an increasingly low tariff world ...

"The economics of the globalised corporation are straightforward – they produce what they produce where it is most efficient to produce it. It is also true, as Mr Palmisano argues that new communications technology has reduced barriers to entry. However, coping with the political fallout in a world where large companies have a bargaining advantage over all but the largest jurisdictions is not so easily addressed. The tension between an increasingly global economy and the resolutely local nature of politics is likely to grow more acute over time.

"Mr Palmisano's principal suggestion is to develop a global regulatory system through better co-operation between regulatory agencies (as opposed to creating a single behemoth). Companies might create globally diverse supply chains. But they are still technically domiciled in one place and beholden to one set of shareholders. It should be the task of politicians everywhere to encourage greater co-operation between jurisdictions and to improve corporate governance. But this can only be part of the answer. As the world continues to integrate, reconciling the tensions between efficient global economics and local democratic politics will test everyone's imagination."

THE DAMAGE DONE

In a paper called "Solutions to Corruption in the Auditing Profession", Amanda J Flint says: "Financial statement audits have failed to expose huge corporate scandals ... The auditing profession is faced with a huge crisis. There have been a series of enormous corporate failures, such as Enron, WorldCom, Hollinger and Nortel involving fraudulent audited financial statements. Their failures have cost thousands of people their jobs and retirement savings and have also brought shame to their accounting profession ... [T]he stock price of Nortel has fallen from $124.50 in July 2000 to $4.43 in August 2004. This has been devastating to Canadians ... All the major professional auditing firms have been involved in at least one major audit failure" (*Review of Human Factor Studies* Special Edition 11(1) 113-129 2005).

In a document produced for the South African Reserve Bank (19 February 2003), Jabu Kuzwayo, assistant general manager, Bank Supervision Department, writes: "The corporate world was rocked by the disclosure by US telecommunications giant WorldCom on Tuesday 25 June 2002, that company officials had misstated accounting figures in the amount of $3.8 billion. This figure was later revised to a staggering $7.1 billion and could now reach $9 billion ... WorldCom's stock, once valued at $64.50 per share in June 1999, closed at 15 cents a share on 30 July 2002. The damage to confidence is deep and serious."

Jim Copeland, then-chief executive officer of Deloitte & Touche, said at a meeting in Boston, US, on 18 March 2003: "Enron and other scandals destroyed Andersen, one of the icons of our profession ... Collateral damage claimed thousands of jobs, billions of dollars in retirements savings, and hundreds of billions of dollars to everyone in my profession – and indeed, the reputations of almost everyone in business have been tarnished."

Business Week (25 February 2002) states in a cover story: "Today, the investor class is angry and disillusioned because it feels betrayed ... they are questioning the very integrity of the financial system ... Americans were shocked to see how Enron's cosy ties with its own accounting firm inoculated it from scrutiny."

STOCK OPTIONS

Of even greater concern is the manipulation of stock options by chief executives to their own benefit.

According to two of the world's greatest investment experts, Warren Buffett and Charlie Munger, backdating stock options is embezzlement and where it happens it is criminal (*Business Report*, 22 June 2006).

According to the *International Herald Tribune* (13 June 2006), "Monster Worldwide, Broadcom and three other companies Monday disclosed inquiries into whether they had improperly dated stock options, bringing the number of companies involved in the investigations to more than 40.

"Companies in at least four countries have disclosed US government or internal inquiries into option grants. The investigators are looking at whether grants were illegally backdated or manipulated to coincide with low stock prices, which would have made the options more valuable to the executives who received them. Fifteen people have resigned or been fired and more than 60 lawsuits are pending at more than 20 companies ...

"In 2006, Monster used a so-called restricted-stock unit programme instead of stock options as incentives for senior management, the company said.

"Broadcom ... drew an informal investigation by the US Securities and Exchange Commission into its options, the company said. The company ... also said that shareholders sued late last month, charging improper option grants ..."

Closer to home, there are reports of creative share options at AECI.

Ingrid Salgado, writing in *Business Report* (12 June 2006) says: "AECI shareholders would never have to worry about earnings being diluted by its share options scheme as a result of a decision to buy call options to meet the undertakings of the scheme, finance director Neale Axelson said on Friday.

"The mining explosives and speciality chemicals company is believed to be the first to implement such a programme, which it believes is fully tax deductible.

"AECI bought 2.95 million call options from a local unnamed bank last year for a premium of R120 million. The call options give participants in AECI's share options scheme the right to buy AECI shares at a predetermined price up to a predetermined date that coincides with their rights outlined in the share scheme ...

"Outlining the rationale for the plan, Axelson said, 'On the one hand we were issuing new shares in terms of the share options scheme, thereby increasing the number of shares in issue and diluting future earnings. It did not make sense.'

"With AECI's share price hovering around R50, the company was paying substantially more to buy back its shares than it was receiving for the shares it issued under the share options scheme. AECI share options were issued from 1998 to 2003 at prices ranging from R4.50 to R23.50 ...

"AECI last issued share options in June 2003, which may be exercised until 2013. Since 2005, the share option scheme has been replaced by two phantom cash-settled schemes that give participants tax-deductible bonuses ..."

How does it work? "Assume AECI chief executive Schalk Engelbrecht has 10 000 share options issued in 1998 at R4.50 each. AECI, for a premium, has already purchased the equivalent call options from a local bank.

"If Engelbrecht decides to exercise his share options, he can purchase them directly from the bank and AECI does not have to issue 10 000 new shares. Engelbrecht decides for himself whether to retain or sell the shares from the bank."

CORPORATE LAW REFORM

South Africa's parliament recently passed the Corporate Laws Amendment Bill, which sets out a new regulatory framework for certain aspects of corporate conduct, in particular, for the role of the auditing profession. The Explanatory Memorandum to the Bill states: "In recent decades investors have lost significant amounts of money due to dubious accounting methods and a rank overstatement of profitability ... Many cases of auditor malpractice seem to have stemmed from auditors having too close an association with their clients ... Auditors should remain independent and not prone to 'capture' by a company." All this arises from a new awareness of the importance of promoting integrity in the world of business.

Parliament also heard a great deal of evidence about the practice of "bulking" by pension fund administrators where they failed to disclose secret profits to the funds which were not distributed to beneficiaries, mainly employee pension funds. The Financial Services Board is now taking action against these fund managers.

Many commentators on the Enron saga have been vigorous critics of the role played by the auditors.

It is now common cause that the role of auditors, internal and external, is critical to corporate good governance, as is the role of the audit committee in a company. All these measures are meant to tighten up corporate conduct in the interests of shareholders but also in the public interest. None of this is to imply that there should be such regulatory control as to stifle business. But in a globalised financial world where financial flows are fickle and volatile, and where so many small investors hope to reap some benefit from rising values, everything to do with good governance in business becomes relevant to the public good.



CHANGES IN INEQUALITY AND POVERTY

BY M LEIBBRANDT, L POSWELL, P NAIDOO, M WELCH AND I WOOLARD
The authors are with the Development Policy Research Unit (DPRU), University of Cape Town

The following article has been adapted from *Measuring Recent Changes in South African Inequality and Poverty Using 1996 and 2001 Census Data*, Working Paper 05/94

Changes in inequality and poverty are key prongs of the transformation of any economy. Two dimensions of this broad inequality and poverty picture are:

- changes in the distribution of income
- changes in access to services.

This paper looks at the changes in inequality and poverty over time, rather than deriving the best estimates of poverty and inequality in any given year. Indeed, our emphasis on obtaining comparable data for the estimates of changes over time sometimes comes at the cost of deriving the best estimates of inequality or poverty within any given year.

The graph gives an aggregate snapshot of the change in per capita incomes in South Africa between 1996 and 2001, with 2001 incomes deflated to their 1996 equivalents for comparability purposes.

This gives us a foretaste of the key results of the income analysis in this article. The 2001 plot lies above the 1996 plot at the top end of the income distribution. This suggests that the top end of the 2001 distribution contains a greater share of the population than it did in 1996. Thus, there is some evidence of improved real incomes at the top end.

However, apart from this group at the top, the 2001 distribution implies decreased real incomes for the rest of the distribution. This is particularly pronounced in the middle and lower-middle sections of the distribution, with the situation at the bottom looking largely unchanged.

In this article, we show that the net effect of all of these changes is an unambiguous increase in inequality from 1996 to 2001.

The two vertical lines drawn on the figure represent the two poverty lines that we use for all of the analysis in this article. The lower line is a $2 per day poverty line, which is widely used for international comparisons. The upper line is a R250 per person per month (in 1996 rands) poverty line, which was first suggested in the poverty-mapping work of Statistics South Africa in 2000.

The leftward shift of incomes in the middle and lower-middle areas of the 2001 distribution suggests a slight but unambiguous increase in measured poverty between 1996 and 2001. The poverty analysis presented in this paper confirms this finding.

This income-based approach presents only one of many dimensions to the measurement of well-being in South Africa. The narrowness and limitations of this approach are revealed when we show that, over the same 1996/2001 period, there have been important improvements in access to basic goods and services for many households.



CHANGING PATTERNS OF INCOME INEQUALITY

We begin our discussion of inequality at the national level. By comparing the distribution of population with the distribution of per capita income, we find clear evidence of increased inequality between 1996 and 2001. When we break this down to analyse inequality by population group, earlier findings – that inequality for Africans is greater than for coloureds, which is greater than for Indians/Asians, which is greater than for whites – were confirmed. Furthermore, inequality increased for both Africans and whites between 1996 and 2001.

These trends are unambiguous and are not dependent on the choice of a particular inequality measure. Any acceptable inequality measure will reveal the same pattern of increasing inequality over time and the same ranking of inequality by group.

The Gini coefficient, a well-known inequality measure, ranges from 0 to 1, with 0 representing no inequality and 1 being extreme inequality. Thus, the fact that our measured coefficient rises from 0.68 in 1996 to 0.73 in 2001 reflects the increase in inequality that we observed. The Gini coefficients for each population group in both 1996 and 2001 are highest for the African group and lowest for the white group, which gives further confirmation, as does the fact that the Gini coefficients rise for all groups between 1996 and 2001.

The Theil index is another well-known measure of inequality. It has the desirable property of allowing national inequality to be decomposed into a contribution due to inequality within groups and a contribution due to inequality between groups. This is a particularly interesting exercise given that we are reporting an increase in inequality within each group as well as in aggregate inequality. The strong between-group component of inequality has always been the starkest marker of apartheid-driven inequality in South Africa.

That said, our own calculations of between- and within-group shares of inequality for 1996 and 2001 show a continuation of the decline in the between-group component over this recent period. Hoogeveen and Özler (2005) make a similar decomposition using expenditure data from the 1995 and 2000 Income and Expenditure Surveys, and also find a decline in between-group inequality from 1995 to 2000. Thus, the finding of recent declines in between-group inequality seems to be sound.

THE RACIAL COMPOSITION OF INCOME DISTRIBUTION

The share of income for the African group rises strongly from a very low base relative to population over the period 1970 to 1996 (Whiteford & Van Seventer 2000), which corresponds to declining shares of income and population for the white group over the same period. However, our figures show that the share of total income for Africans did not increase any further between 1996 and 2001. Rather, the white income share increased slightly. The lack of growth in the share of income attributed to Africans is striking when taking into account the growth of the total share of the African population. The slight growth in the share of white income is accompanied by a decrease in the population share of the white group. All in all, the 1996 and 2001 results suggest a break in the trend from 1970 to 1996.

We explored this further by looking at disparity ratios between mean white per capita income and the mean per capita income of other groups from 1970 to 2001. White per capita income increased from nine times higher than African income in 1996 to 11 times higher in 2001. This is a break in the trend from 1970 to 1996, which showed the disparity decreasing over these years. The disparity between coloured and white incomes also increased between 1996 and 2001, while the disparity ratio with Indians/Asians remained constant. Thus, as with the movement of income shares by group, the movement of the disparity ratios between 1996 and 2001 contrasts with the decreasing inequality between 1970 and 1996.

The racial composition of income deciles in 1996 and in 2001 show that the percentage of Africans in the upper six deciles has increased between 1996 and 2001, with a marked increase of seven percent in the second highest decile since 1996. The share of African incomes in the lower deciles remains fairly constant over the period. Thus, this picture helps to explain some of the widening inequality within the African population between 1996 and 2001.

The shares of whites in the bottom eight deciles remain constant between 1996 and 2001, with a decrease in the shares of the upper two deciles. The shares of coloureds and Indians/Asians in all deciles remain fairly constant over the period. These group shares help to make it clear that the increase in the white share of income over the 1996-2001 period and the increase in the white/African disparity ratio were being driven by a few very high-earning whites at the top of the distribution. The general trend is still one in which there is notable upward mobility of Africans into the top sections of the income distribution. At the same time, there is no real evidence of downward mobility of whites, especially not into the lowest few deciles.

The general trend is still one in which there is notable upward mobility of Africans into the top sections of the income distribution. At the same time, there is no real evidence of downward mobility of whites, especially not into the lowest few deciles.

This section has focused on changes in inequality at the national level and by population group. The increases in inequality that we have detailed are supported by increased inequality within each province and across the rural/urban divide. However, we do not dwell on these two dimensions of changing inequality. Rather, we give the provinces and the rural/urban situation more detailed attention in the poverty analysis that follows.

CHANGING PATTERNS OF INCOME POVERTY

In this section, we focus exclusively on "money-metric" poverty – that is, we focus on the amount of money income available to households to purchase the goods and services they require. Clearly, the experience of poverty is not exclusively about an absence of income, but we would argue that income poverty is a very significant dimension of poverty.

At the national level, we graphed a series of cumulative

distribution functions (CDFs) which look at rates of income distribution in the population. The pattern tells us a lot about poverty, showing that measured poverty worsened between 1996 and 2001 at any poverty line.

The percentage of households earning at or below the $2 per day poverty line is very similar for 1996 and 2001. However, by the R250 (1996 rands) poverty line, there are more poor people in 2001 than in 1996. This evidence suggests that poverty worsened between 1996 and 2001 but that this worsening is not acute for the poorest of the poor.

Two poverty measures are used at both poverty lines. The first is the headcount ratio – that is, the number of the poor as a percentage of the total population at each poverty line. This headcount ratio increases from 1996 to 2001 for both poverty lines. The low poverty line ($2 per day/R91 per month) cuts the 1996 graph at 26 percent and cuts the 2001 graph (in 1996 real income terms) at 28 percent.

The second measure, the poverty gap ratio, records the average household's proportionate shortfall from the poverty line. For example, using R250 per person per month, the 1996 Census poverty gap ratio is 0.30. This means that the average household has an income that falls 30 percent (0.30) short of this poverty line. In other words, the average household requires an additional R75 (0.30 X R250) for each of its members in order for that household to be classified as non-poor. This gap rises to 0.32 in 2001, reflecting the increase in measured poverty.

We were also able to examine poverty rankings by population group in both 1996 and 2001, as well as how poverty changed for each group from 1996 to 2001. Looking exclusively at either the 1996 CDF plots by group or the 2001 CDF plots by group, a robust poverty ranking emerges.

At any poverty line, Africans are very much poorer than coloureds, who are very much poorer than Indians/Asians, who are poorer than whites. The gaps between these graphs show the yawning differences between the groups in terms of absolute income levels.

For example, the graphs stop at Rl 000 per capita per month. More than 90 percent, 80 percent and 60 percent of Africans, coloureds and Indians/Asians, respectively, have this real monthly income or less. The equivalent proportion of whites is just over 20 percent.

Measured poverty increased for Africans, coloureds and Indians/Asians, especially in the range between the two poverty lines. The increase in coloured poverty is especially stark. White poverty appears to be unchanged. The results showing these poverty rankings and changes over time are unambiguous and will be reflected in any acceptable poverty measure.

One of the strengths of the headcount ratio and the poverty gap ratio as measures of poverty is that they can both be used to generate poverty shares to complement the poverty rates. We have already seen that the African group has by far the highest poverty rates. When this is combined with their dominant population share, the result is the overwhelming African poverty shares shown in the table.

POVERTY SHARES BY POPULATION GROUP

	Headcount	Poverty gap ratio	Headcount	Poverty gap ratio
Poverty line	1996		2001	
- $2 per day				
African	0.95	0.96	0.95	0.95
Coloured	0.04	0.03	0.05	0.04
Indian/Asian	0.00	0.00	0.00	0.00
White	0.01	0.00	0.00	0.00
- R250 (1996)				
African	0.91	0.93	0.91	0.93
Coloured	0.07	0.06	0.08	0.06
Indian/Asian	0.01	0.00	0.01	0.01
White	0.01	0.01	0.01	0.01

Sources: Own calculations for 1996 and 2001, using Census 1996, 2001: Statistics South Africa.

One subtlety reflected here is that the African share is higher for the poverty gap ratio than for the headcount ratio. This is because the poverty gap ratio accounts for how far a person's income is below the poverty line and not merely whether or not the person is poor. The African poor are over-represented in the poorest group, and the poverty gap ratio reflects this as a higher percentage of poverty.

POVERTY BY PROVINCE

For the best-off and worst-off provinces, poverty rankings are unchanged over time. In both years, the Western Cape and Gauteng have the lowest poverty rates, while the Eastern Cape and Limpopo have the highest, regardless of where we draw the poverty line.

There is evidence of an increase in poverty in all of the provinces, including the two best-off provinces. This increase is particularly marked for real income levels between the low poverty line and the higher line and less marked for incomes below the low poverty line. The poverty rates in the Eastern Cape, Free State, Limpopo, Mpumalanga and KwaZulu-Natal are all in excess of 30 percent, even at the extremely low poverty line of $2 per day.

While it is clearly useful to know in which provinces the poverty rates are highest, it is also constructive to interrogate which provinces have the largest numbers of poor people. For example, using the lower poverty line, we find that 20 percent of the poor live in the Eastern Cape and 25 percent live in KwaZulu-Natal. Generally, the provincial poverty shares are quite stable across the two poverty lines and across time. The most notable change is the fact that the two poorest provinces appear to have given up small shares

of poverty to the two richest provinces between 1996 and 2001. Such a change in the shares would be consistent with a migration of poor South Africans from these very poor provinces to the better-off provinces.



THE RURAL-URBAN POVERTY DIVIDE

We complete our discussion of income poverty by comparing rural and urban poverty. The rural-urban divide cuts across population groups and provinces. Rural poverty rates are substantially higher than urban ones. Our figures demonstrate that poverty rates unambiguously increased in urban areas over the period, but this cannot be unequivocally concluded for rural areas.

While a much higher proportion of the rural population is poor, the proportion of the poor who are in rural areas is declining. Using the higher poverty line, 38 percent of the poor were in urban areas in 1996, whereas 43 percent of the poor were in urban areas in 2001. This is to be expected, given that a significant amount of rural to urban migration occurred over the period.

CHANGING PATTERNS OF ACCESS-POVERTY AND INEQUALITY

A comprehensive analysis of well-being stretches beyond the assessment of poverty and inequality based on income measures. Access to basic services such as clean water, electricity and sanitation also has a major impact on quality of life, leading to improvements ranging from health to productivity. In this section, we consider the types of dwelling that households occupy and their access to basic services as further indicators of poverty and inequality. The shifts in measures are explored for the inter-censal period to see where gains have been made or setbacks experienced. The analysis is done at the national, population group, provincial and rural-urban levels.

Dwelling

From Census 1996 and Census 2001 we have identified four categories of dwelling – formal, informal in backyard, informal not in backyard (such as a squatter camp) and traditional.

Formal dwellings are viewed as superior, permanent fixtures, with walls made of bricks or concrete, and tiled or corrugated iron roofs. Generally, informal dwellings have corrugated iron walls and roofs, while traditional dwellings are made of mud walls and corrugated iron and thatch roofs. In terms of structural quality and overcrowding, informal dwellings appear to be most vulnerable to shocks such as adverse weather conditions or spreading fires within densely populated locations and are more susceptible to damage than traditional dwellings.

Nationally, it is evident that in both 1996 and 2001, almost two-thirds of households occupied formal dwellings. During this period, the proportion of households living in traditional dwellings decreased from 18.3 percent in 1996 to 14.6 percent in 2001. For both 1996 and 2001, more than 90 percent of coloureds, Indians/Asians and whites lived in formal dwellings, while the proportion of Africans living in formal dwellings rose from 53 percent in 1996 to 60 percent in 2001. The increase in the proportion of Africans living in formal dwellings was offset by a decrease in the proportion of Africans living in traditional housing.

Furthermore, if we examine dwelling types on a provincial level, we see that the proportion of households occupying formal dwellings increased in almost all provinces, especially in Limpopo where it increased by 10 percent during the period.

It is important to note that Limpopo, which is classified as the poorest province in terms of income deprivation, has seen the largest increase in the proportion of households residing in formal dwellings, and the share of households residing in such dwellings in the province rivals those of the least-poor provinces (for example, Gauteng and the Western Cape). Although this performance seems quite extraordinary, given both its income poverty and rural nature, it must be noted that the majority of dwellings classified as formal in Limpopo are simple shells with brick walls and corrugated iron or zinc roofs, and which will scarcely be found with a flush or chemical toilet.

The picture for the Eastern Cape, however, is consistent with the income poverty measures for this province. It performs most poorly in terms of access to formal dwellings, with only half of households residing in such homes, and more than one in three in traditional dwellings.

For both 1996 and 2001, approximately three-quarters of urban households and more than half of rural households resided in formal dwellings. Informal settlements (squatter camps) are more prevalent in the urban areas of the Free State, North West and Mpumalanga. As would be expected, traditional dwellings are more common in rural areas, especially in KwaZulu-Natal and the Eastern Cape, where more than 50 percent and 60 percent of households, respectively, reside in traditional dwellings.

For rural areas, there has been a marked decrease in the proportion of households occupying traditional dwellings, from 43 percent to 35 percent. It is reassuring to note that this decrease was largely offset by an increase in formal dwellings as opposed to an increase in the more vulnerable informal dwellings.

Water

The inter-censal period shows an increase in the proportion of households with access to piped water, and a subsequent

reduction in the proportion of households using water from dams, rivers and springs. Nationally, more than four out of every five households have access to piped water, whether inside or outside the home.

The statistics for access to piped water are encouraging; however, there remains a significant proportion of African households who, in 2001, were still reliant on dams, rivers and springs as their main source of water for domestic use.

On a provincial level, we see that yet again the income-poor Eastern Cape lags behind the other provinces in access to piped water. Almost a third of households here – and more than half of rural households – obtain their water from dams, rivers and springs.

It is interesting to note that Limpopo fares quite well with regard to access to piped water, with approximately three-quarters of households having access, even in the rural areas.

The proportion of households in KwaZulu-Natal with access to piped water is less than in Limpopo. Although there has been an increase in the proportion of households with access during the inter-censal period, fewer than half of rural KwaZulu-Natal households obtain their water from this source. Thus, the outbreak of waterborne diseases such as cholera in these rural regions is not surprising.



Energy for lighting

Poor households often lack the means to access electricity (due to lack of either infrastructure or income), and thus find themselves using other forms of energy such as wood, paraffin and candles. Nationally, from 1996 to 2001, there has been a significant increase of more than 10 percentage points in the proportion of households with access to electricity for lighting purposes.

The success of the electrification programme had specific ramifications for the African population for whom, in 1996, only two in five households used electricity for lighting. In 2001, this number had increased substantially to every three in five households. Notwithstanding the improvements, the racial discrepancies remain clear, with almost one-third of African households reliant on candles in 2001, compared with eight percent of coloured and a negligible proportion of white and Indian/Asian households.

Stark provincial disparities in 1996 were somewhat smoothed by 2001. As in the case of formal housing and piped water, the Eastern Cape is the most deprived province, with only half of households having access to electricity for lighting. It is interesting to note that the main alternative to electricity in most provinces is candles, but that in the Eastern Cape paraffin is also a major source of energy for lighting, and is used by just under a quarter of households.

In Limpopo, even greater successes in the electrification programme have been achieved; compared with five years earlier, an additional 25 percent of households had access to electricity in 2001, with electricity largely replacing paraffin.

In 1996, less than a third of rural households had access to electricity, but in 2001, approximately half of rural households used electricity for lighting, implying improvements in the standard of living in these more deprived areas.

Energy for cooking

The sources of energy for cooking are different to those for lighting, and include electricity, gas, paraffin, wood, coal and animal dung. Furthermore, the choice between energy sources is dependent largely on the cost, availability and effectiveness of the energy and the asset available for cooking (for example, type of stove).

Even though there have been large increases in the reach of electricity, this has corresponded to only a three percentage point increase, to 50.6 percent, in the proportion of households using electricity for cooking purposes. Furthermore, we see that only two in every five African households use electricity, while more than half of all African households are reliant on either paraffin or wood for cooking. Of the indicators examined thus far, it appears that fuel used for cooking is most closely linked to income status.

The financial constraints of households in Limpopo and the Eastern Cape are apparent as they once again lag behind. In the rural areas of Limpopo, fewer than one in five households use electricity for cooking purposes, and more than two-thirds are reliant on often freely-available wood. Fewer than one in 10 rural households in the Eastern Cape use electricity for cooking.

More than half of rural households use wood for cooking purposes. However, in urban areas where wood is not readily accessible, households are mainly reliant on electricity and paraffin. As such, poor urban households are forced to use their little wealth to pay for this energy, the price of which swings greatly with changes in the oil price.

Sanitation

During the inter-censal period, there was an increase in the proportion of households with access to a flush or chemical toilet. However, in 2001 a little more than half of the households in the country had access to toilets. While the majority of coloureds, Indians/Asians and whites had access to a flush or chemical toilet, a mere 40 percent of African households had this facility in 2001. This is an improvement

since 1996, when only a third of African households had access to toilets.

In 2001, only a third of households in the Eastern Cape had access to toilets, while approximately 31 percent had no access to either a toilet, or a pit or bucket latrine. A similar pattern holds for Limpopo, where fewer than one in five households had access to a toilet, and another one in five had no type of sanitation at all.

Moreover, in 2001, less than 10 percent of households in the rural areas of the Eastern Cape and Limpopo had access to a toilet. Thus, it is evident that quality sanitation facilities are severely lacking in the income-poor provinces. In addition, rural households in the North West and Mpumalanga provinces also have relatively poor access to a toilet. Although there has been an increase in the proportion of rural households with access to a toilet, it is important to note that in both 1996 and 2001, more than a quarter of households in the rural areas of South Africa had no access to either a toilet, or a pit or bucket latrine.

Refuse removal

There has been only a slight improvement over this period, with 56 percent of households having access to refuse removal by local authorities in 2001, up from 53 percent in 1996. Once again, this indicator of living standards is closely linked to income status. For the different population groups, a similar pattern holds to that found for sanitation, with the majority of coloureds, Indians/Asians and whites having their refuse removed on a regular basis. Fewer than half of African households have this service, and a further two-fifths make use of their own refuse dumps.

On a provincial level, yet again the Eastern Cape and Limpopo perform quite poorly. In particular, only a third of households in the Eastern Cape and a discouraging 14 percent of households in Limpopo have their refuse removed on a regular basis.

In 2001, less than five percent of rural households had regular refuse removal. Three-quarters of rural households are reliant on their own refuse dump, while a further 18 percent of households have no outlets for rubbish disposal.

Income and access

In this section, we bring together the analyses of income poverty and asset/service access to create a more nuanced understanding of what it means to be the poorest members of society. We also identify those who have been most affected by changes in access to basic services.

We begin by ordering households according to household income per capita. Specifically, the first income quintile reflects the poorest 20 percent of households, the second income quintile the next poorest 20 percent and the fifth income quintile, the 20 percent highest income-per-person households in the country. We will refer to the poorest 20 percent as "the ultra-poor" and the next 20 percent as "the poor".

The prior discussion of access rates revealed that, even though income poverty seems to have increased, access to basic services has improved, suggesting increases in well-being according to these measures.

Unsurprisingly, in both 1996 and 2001, access to better quality services improves as household income rises. Indeed, the poor are most severely deprived in terms of service delivery. It is nonetheless apparent that, at the national level, improvements have been made in all indicators over the five-year period. For most indicators, the gains are less than five percentage points, or one percentage point per annum. In the cases of electricity used for lighting and telephone access in the household, however, the increases in access have been impressive and in excess of 10 percentage points.

When considering the extent of improvements in access by quintile, the evidence suggests that even though the poorest quintiles are most deprived, it is generally these households that are experiencing the greatest gains.

Improved access for the ultra-poor and the poor

The proportion of the ultra-poor living in formal dwellings increased from 49 percent to 57 percent from 1996 to 2001. Access to piped water for this group rose from 65 percent to 72 percent, and even though electricity was used for cooking by a mere 27 percent of ultra-poor households in 2001 (up from 19 percent in 1996), electricity used for lighting rose from 35 percent to 57 percent of households, a greater than 20 percentage point increase over the period.

Although sanitation improved such that access to a flush or chemical toilet increased by eight percentage points to 29 percent in 2001, this was mainly an upgrading from pit latrines to toilets. The proportion of households with no toilet, however, remained stable at a very high 22 percent.

While small gains have been made in refuse removal, only one in three of the poorest households had their refuse removed by a local authority in 2001. Finally, and most spectacularly, there is the marked increase in access to telephones over the inter-censal period. In 1996, 32 percent of ultra-poor households had no access to a telephone at all. In 2001, this number fell to 10 percent. Most of this improvement reflects the massive increase in the use of cellular telephones.

The pattern of gains is similar for the second-poorest 20 percent of households, but, generally, the size of the improvements is slightly smaller.

The poorest 40 percent of households outperform the remaining 60 percent in terms of advances in access to services on all measures except for telephones (while impressive gains have been achieved for the poor and ultra-poor, these have been even larger for the wealthier quintiles). Access-inequality is apparent but the gap is narrowing, and the gains have been greatest for the most deprived.

CONCLUSION

In this paper, we addressed changes in the well-being of South Africans between 1996 and 2001 across two dimensions – the distribution of income and access to basic goods and services, and made the following findings.

The income-based analysis details increases in inequality and poverty at the national level. It also shows a persistent but changing population-group footprint in the structure of South African inequality and poverty.

Inequality between population groups is still extremely high but continues a long-run decline in importance. The African group overwhelmingly dominates both the incidence and share of poverty. At the same time, it continues to increase its share in each of the top three income deciles.

Inequality continues to widen within each group, evidencing something of the dynamism of post-apartheid South Africa. Within the African and coloured groups, and to a lesser extent the Indian/Asian group, this widening of inequality is due to improvements at the top end of the intra-group distribution as well as increases in measured poverty at the bottom.

For white South Africans, the increase in inequality seems to be driven by increases in incomes for a few at the top which are so large that they lead to a small increase in the aggregate income share of whites and a widening of group disparity ratios. There is very little evidence of increasing white poverty.

Provincial poverty shares have remained fairly stable, with the important exceptions of an increase in the shares for the two best-off provinces (the Western Cape and Gauteng) as well as KwaZulu-Natal, and a decrease in the poverty share of the Eastern Cape. These changes in the provincial poverty shares, together with a complementary increase in the urban share of poverty, give an indication of the importance of the migration of people from the poorest, predominantly rural provinces to major metropolitan centres.

The analysis of access-poverty and inequality make it clear that inequalities in access to basic services persist in South Africa on population-group and regional levels. Whites and Indians/Asians out-perform coloureds, who, in turn, enjoy better access than Africans on nearly all measures.

The wealthier provinces of Gauteng and the Western Cape have the greatest access rates to quality services, with the income-poor Limpopo and Eastern Cape faring worst. Other provinces that perform quite poorly in terms of access to services include KwaZulu-Natal and Mpumalanga. Furthermore, we see that the urban-rural divide in terms of access to services is quite stark, with rural areas dramatically worse off than urban areas.

Given these persistent inequalities in access, it is not surprising to find that households with poorer access tend to be found in the poorest income quintiles. However, it is important to note that access to basic goods and services has improved for many households in our society, including those in the poorer quintiles. Thus, there is an optimistic lack of correspondence between the slight increase in poverty when measured in income terms and the decrease in poverty when measured in access terms.

NOTE

All figures and tables, plus additional references, can be found in the full paper, available from the DPRU or online at www.commerce.uct.ac.za/dpru/WorkingPapers/wpapers.asp

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THE SECOND ECONOMY AS EMPLOYER

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The objective of this article is to explore the labour absorption capacity of the formal or first economy and derive the magnitude of employment in the informal or second economy. This is followed by an analysis of the characteristics of businesses in the second economy, with emphasis on the welfare levels of those households dependent on this part of the economy. Prior to presenting this quantitative perspective on the role of the second economy, some conceptual issues with regard to the informal economy are presented.

DEFINING THE INFORMAL ECONOMY

This article focuses primarily on only one component of the informal economy, making it imperative to demarcate clearly the subject of investigation. It is widely acknowledged that the informal sector includes all unregistered and unrecorded

economic activities that normally escape detection in the official estimates of GDP.

The *first* or formal economy is modern, operating with advanced technology, integrated with the global economy and producing the bulk of the country's wealth (Mbeki 2003). However, it also contains an informal component. It is no secret that some businesses, mainly due to the burdens of taxation and government regulations, operate partially or wholly outside the law by underreporting or not reporting employment income and/or production.

The *second*, or marginalised, economy has become an important element in the South African government's development policies and plans to combat poverty. In contrast with the first economy, Mbeki (2003:5) states that the second economy is underdeveloped, contributes little to GDP, contains a large percentage of the population, incorporates the poorest of the rural and urban poor, is structurally disconnected from both the first and global economy, and is incapable of self-generating growth and development.

Informal businesses in the second economy often originate from the owners' lack of alternative income possibilities. The establishment of an informal business is therefore often the result of an effort to escape the plight of unemployment. Businesses may also be so small that they fall outside the income tax net, and the vast majority employ no non-household members. Infringement of regulations such as safety regulations and non-compliance with product quality prescriptions often occurs as a result of ignorance rather than deliberate avoidance.

The *third* or illegal economy embraces all forbidden activities and includes production and distribution of illegal goods (e.g. drugs), illegal services (e.g. prostitution), the production and sale of counterfeit products (e.g. false trademarks), smuggling (e.g. tobacco, weapons and so on), resale of stolen goods, bribery and money laundering.

The Organisation of Economic Co-operation and Development (OECD) also distinguishes between three unrecorded components of an economy that are similar to the above-mentioned informal components of the South African economy. However, they use different terms, namely: the underground economy (corresponding with the unrecorded part the first economy); the informal economy (corresponding with the second economy); and the illegal economy (corresponding with the third economy).

This article deals primarily with the second economy. However, any reference to the "informal economy" in this article refers to the informal part of the first economy and the entire second economy. The third economy is not addressed here.

TRENDS IN INFORMAL SECTOR EMPLOYMENT

Table 1 portrays the share of informal employment in total employment during the period 1980 to 2004. The share of informal workers in the labour market shows a continuous upward trend for the 15-year period, from 7.7 percent in 1980 to 22.0 percent in 1995. In absolute terms, the number of informal workers more than trebled from 0.6 million in 1980 to just more than 2.2 million workers in 1995. For the next nine years (1995 to 2004), the share of informal workers moved sideways at about 2.2 million, representing approximately 22 percent of all workers in South Africa.

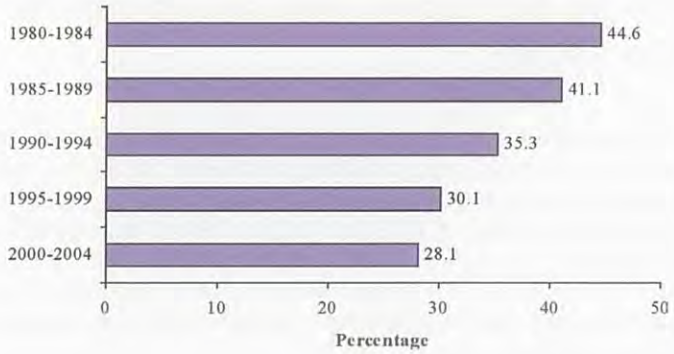
Table 1: Employment by status of workers, 1980-2004

Year	Formal employment		Informal employment		Total	
	Number	%	Number	%	Number	%
1980	7 428 695	92.3	618 257	7.7	8 046 952	100.0
1985	8 139 732	88.2	1 086 855	11.8	9 226 588	100.0
1990	8 317 091	83.6	1 635 531	16.4	9 952 622	100.0
1995	7 866 769	78.0	2 217 138	22.0	10 083 906	100.0
2004	8 234 100	79.4	2 142 050	20.6	10 376 146	100.0

Source: Van Aardt 2005 (BMR unpublished data).

This growing importance of the informal economy is further illustrated in Figure 1, which shows the average annual labour absorption rate of the formal economy in the same period. The labour absorption rate is defined as the percentage of the population aged 15 to 64 years who were employed in the formal economy. The labour absorption rate shows a continuous decline from an annual average of 44.6 percent during the 1980 to 1984 period to the 28.1 percent of the working-age population accommodated in the formal economy during the 2000 to 2004 period. This implies that only one in every four of the working-age population was accommodated in the formal economy during the first half of this decade, compared to almost half during the first part of the 1980s.

Figure 1: Average annual labour absorption rate of the formal economy, 1980-2005



The declining labour demand of the formal economy is not explained by factors such as capital intensification or the increasing cost of labour.

Several factors resulted in a large percentage of the South African population having to fend for itself, often in the second economy. The declining labour demand of the

formal economy is, from a macro-economic perspective, not explained by factors such as capital intensification (i.e. the employment of capital rather than labour) or the increasing cost of labour (productivity increases exceed increases in labour costs) but rather by the economic structure changing towards a knowledge economy, with a growing appetite for highly educated and skilled workers. This trend has become particularly evident since 1994. The less-skilled and less-educated economically active population is finding it increasingly difficult to be accommodated in the formal economy, compelling a large percentage of them to enter the second economy.

Given that the employment figures discussed in this section refer to the informal sector in total, two questions remain. Firstly, how many people are sourcing their income only from the second economy? And a related question is: what is the average income earned by those in the second economy? These two questions will be addressed in the rest of the article.

ESTIMATING THE SIZE OF THE SECOND ECONOMY

Due to its nature, the second economy is unrecorded and therefore its exact size is unknown. However, experience has shown that direct survey research among participants of the second economy is fairly reliable and can be used for the purpose of estimating its size. Experience has also shown that respondents are willing to participate in questionnaire completion, while the opposite has been experienced with empirical research in the first economy, where respondents are hesitant to confess fraudulent behaviour.

A total of R51.7 billion, or 6.3 percent of this total, was expended at businesses in the second economy. This compares well with the two largest chain store groups in South Africa.

By analysing various household income and expenditure surveys as well as surveys among businesses in the second economy, it was possible to measure the size of the second economy in terms of its share in household expenditure, employment, turnover and income for 2004. These calculations are briefly presented in the next sections. (See Ligthelm 2005 for the 16 surveys used in measuring the size of the second economy.)

SHARE IN HOUSEHOLD EXPENDITURE

Total household expenditure in South Africa was estimated at R822.7 billion in 2004. A total of R51.7 billion, or 6.3 percent of this total, was expended at businesses in the second economy. This compares well with the two largest chain store groups in South Africa, with turnover figures of R32 billion and R27 billion respectively, implying that expenditure in the second economy closely resembled these turnovers.

The types of goods and services mostly sourced from informal outlets are the following:

Goods/service (2nd economy)	Amount	Share in total household purchases
Food	R16 716m	32.4%
Transport	R15 874m	30.7%
Alcoholic beverages	R4 574m	8.9%
Savings and funds	R3 130m	6.1%
Personal care	R2 252m	4.4%
Cigarettes and tobacco	R2 200m	4.3%
Clothing and footwear	R1 552m	3.0%
Other	R5 365m	10.2%

The figures below show the expenditure groups with the highest percentage expenditure devoted to outlets in the second economy:

Goods/service	% of goods/services bought at 2nd economy outlets
Alcoholic beverages	26.5%
Household fuel (e.g. wood and coal)	25.7%
Reading matter	23.8%
Cigarettes and tobacco	21.0%
Transport	19.1%
Food	9.8%
Personal care	9.6%

EXPENDITURE AND NUMBER OF OUTLETS

An attempt was also made to estimate the total household expenditure by type of informal business. The following businesses in the second economy attracted the most significant amounts of household purchases in 2004:

Type of business	Total expenditure
Informal transport (e.g. taxis)	R15 874 million
Hawker/street market	R10 439 million
Spaza/tuck shop	R8 930 million
Shebeens	R4 219 million
Other outlets	R12 201 million

On an estimated average turnover of second economy businesses of just less than R70 000 in 2004 (which varied from approximately R40 000 for hawkers to just more than R100 000 for shebeens), it was estimated that there were 749 500 businesses operative in the second economy in 2004. Of these 261 000 were hawkers, 127 600 were spaza shops and 40 100 were shebeens.

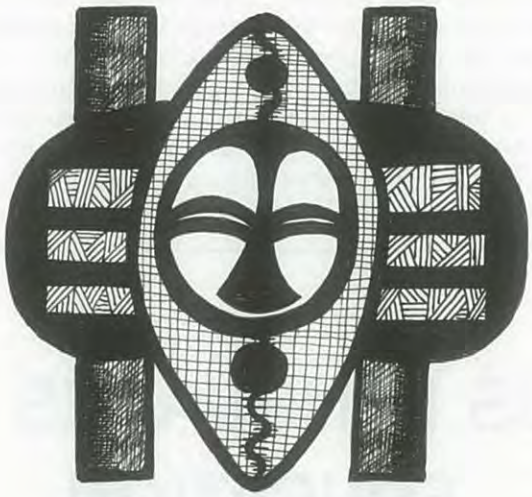
EMPLOYMENT IN THE SECOND ECONOMY

Employment by businesses in the second economy varied by type of business and ranged from an average of 1.59 at hawker outlets to 2.51 at spaza shops in 2004. The average for businesses operating in the second economy stood at

2.29 employees. This figure includes both owners and full- and part-time employees.

Total estimated employment by businesses in the second economy amounted to 1 620 900. Surveys among businesses confirmed that between 85 and 95 percent of informal business owners are involved in their businesses on a full-time basis, implying that limited income emanates from other income sources such as remuneration from formal employment. At an average household size of 4.5 it can be stated that close to five million people in South Africa sourced some or all of their income from the second economy.

As indicated in Table 1, a total of 2 142 050 people are employed in the informal economy (i.e. the informal part of the first economy and the entire second economy). Subtracting the estimated 1 620 900 workers in the second economy from the total implies that the employment of the informal part of the first economy stood at an estimated 521 150 workers in 2004.



WELFARE LEVELS IN THE SECOND ECONOMY

The average annual income per worker in the second economy was estimated at R12 580 in 2004 (Ligthelm 2005). This included full- and part-time employees as well as business owners. This amount constitutes about half the minimum living level of just more than R2 000 per month needed to sustain an average household in urban areas in South Africa in 2004 (Martins 2004), and confirms the view of Mbeki (2003) that the second economy housed a large percentage of the population and incorporated the poorest of the rural and urban communities in South Africa.

It can therefore be concluded that although just more than 1.6 million people were active (part-time and full-time) in the second economy, it does not generally solve the problem of poverty and low standards of living. Employment in the second economy at prevailing income levels may not be a solution to the poverty problem although it does contribute to some income flow to less affluent households. However, without the contribution of the second economy, poverty would have been far more severe. Van den Berg (1990), for example, has estimated that the per capita income of Africans was 50 percent higher due to their involvement in the second economy.

CONCLUSION

Instant solutions to the unemployment and poverty problems in South Africa do not exist. The search for solutions warrants a comprehensive approach. This article highlights a few avenues that need urgent attention. The South African economy shows prominent signs of transforming from a primary/secondary sector economy to a modern knowledge economy. Especially since 2000, the share of the primary sector (agriculture and mining) as well as the manufacturing sector contracted, while strong growth was experienced in the tertiary sectors, especially in financial institutions, trade, tourism, information and communication technology and business services. Labour demand in these sectors is strongly biased towards well-educated and highly skilled workers.

An in-depth analysis of unemployment data also shows an interesting relationship between skills levels and unemployment. The unemployment rate is highest among those with an education of between the levels of Grade 4 and Grade 12. The unemployment rate is somewhat lower among the lower qualified groups (none to Grade 3). The rate is lowest among the highest educational group (degree and higher). This phenomenon correlates strongly with the movement towards a knowledge economy and a strong demand for highly qualified knowledge workers.

Another particularly interesting trend in the unemployment data confirms a substantially lower unemployment rate that exists among those people with a qualification of less than Grade 4 compared to those with Grade 4 to Grade 12 qualifications. This may indicate that the level of education is not the only factor that impacts upon the ability of a person to obtain a job: the person's abilities or competencies also play a role. It therefore appears that persons with specific hands-on construction, plumbing or gardening skills could have opened up other segments of the labour market.

The above sectoral adjustment clearly elevates the education and training sectors as major role-players in preparing a skilled and educated labour force that conforms to the demands of a modern knowledge economy. This cannot be accomplished in the short term, but should be a major priority in future human resource development strategies. In response to the skills needs of the South African economy, the government launched the Joint Initiative on Priority Skills Acquisition (Jipsa) in March 2006. This initiative is a joint effort between government, business and labour aimed at addressing the shortage of appropriate skills and the mismatch between the outputs of the education and training system and the needs of the economy.

At the same time, it should be realised that the formal economy does not show the capacity to accommodate the entire labour force. A large percentage has to revert to

the second economy for a livelihood. The just more than 1.6 million workers that are currently employed in the second economy – and this level will probably remain steady for the foreseeable future – received incomes well below a minimum living level. As a result, the need for further business management training and other support measures emerges very prominently. Government institutions should consider the availability of effective business support services as an urgent imperative. Such support services should be as comprehensive as possible, including management and business skills training, financial support systems and counselling on running one's own business.

It should always be kept in mind that informal businesses in the second economy are constrained not only by financial factors but, more importantly, by non-financial factors, such as lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure (ILO 2003:3). The availability of a wide array of financial and non-financial services critical to the establishment, survival, productivity and competitiveness and growth of informal enterprises could open up opportunities for the entrepreneurial poor to increase their income.

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INDIGENOUS LANGUAGES IN HIGHER EDUCATION

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For the larger part of South Africa's first decade of democracy, indigenous South African languages have been an education buzzword. They face intense criticism for failing to lead graduates to good corporate jobs. Some academics have blamed the democratic government while others have adopted a wait-and-see strategy, believing that the competing disciplines will decline in popularity and that indigenous languages will rise again. Some university managers have made these languages a scapegoat for university cost-cutting exercises.

What has prevented universities from elevating the status of indigenous languages? Factors include South Africans' recent past as a colonised people and the impact of this on indigenous languages; the lack of experience of university leaders; and the "psychological contract" between universities and academics. Unless priority is given to the transformation and promotion of these languages, there are no prospects of achieving the goal of democracy.

What is needed to solve this problem? Although specific strategies differ according to institutional culture, I have identified four general requirements or rules to be followed by academic planners intent on elevating the status of indigenous South African languages.

REQUIREMENT 1. UNDERSTANDING THE IMPACT OF COLONIALISM ON INDIGENOUS AFRICAN LANGUAGES

The first requirement lays the foundation for the other three requirements. Before asking *how* universities should change the status of these languages, we need to examine the impact of colonialism.

South African colonies

"A colony settled its own form of government, enacted its own laws, elected its own magistrates, and made peace or

war with its neighbours as an independent state, which had no occasion to wait for the approbation or consent of the mother city" (Skinner 1999:136).

Four colonies were established in South Africa: the Cape, Natal, the Orange Free State and the Transvaal. It was a mixed type of colonisation, with three attributes:

- colonisation by settlement, which takes possession of so-called "new" countries, where it rounds up or eliminates the natives
- economic colonisation, whose object is the assimilation or association of large, native populations
- a colonisation which aims at the co-existence of a European population and a native people.

The impact of these colonies on indigenous South African languages is realised in two periods: the Union (1910-1961) and apartheid (1948-1994). The Union took the following resolution for its official languages:

Both the English and Dutch languages shall be official languages of the Union, and shall be treated on a footing of equality, and processes and enjoy equal freedom, rights and privileges; all records, journals and proceedings of the Union. Parliament shall be kept in both languages, and all bills, acts and notices of general public importance or interest issued by the Union government shall be in both languages (Heyns et al. 1998:30).

Afrikaans replaced Dutch only in 1925, and became the official language parallel with English.

Apartheid is "an Afrikaans word meaning state of being apart" (Heyns et al. 1998:177). It was "based on denial of human rights and democratic freedoms and on socio-economic exploitation" (Owusu 1975:22). Apartheid was instituted once the National Party (NP) came into power. Language was used as one of the instruments in the implementation of the apartheid policy (Cluver 1996). The apartheid government passed the African Self-Government Act in 1959 which created 10 homelands, separated from one another by language. Various African dialects were codified and elevated to standard languages as part of a more general policy of promoting ethnicity. Afrikaans and English were also official languages of the homelands.

The colonial higher education system

Higher education is "the brains business" (*The Economist* 2005:1). However, in colonial history it has been a long-term threat to indigenous languages. "One of the main tools used in oppressing minority languages and spreading one language is the education system" (Cluver 1996:21). It produced brainwashed educated Africans who were, by and large, an alienated elite that treasured the English language and culture, and looked down on African languages and culture. Afrikaans and English were the official language media but English played a dominant role in educational spheres while Afrikaans gradually became the dominant language of the government. Language and race separated universities. (See Tables 1 and 2.)

Table 1: Universities for Africans, coloureds and Indians during apartheid

University	Faculties	Population group	Language media
Durban-Westville	Arts, commerce and administration, dentistry, education, engineering, health sciences, law, science and theology	Indians	English
Fort Hare	Arts, science, education, law, theology, commerce	Africans	English
The North	Arts, science, education, law, theology, commerce	Africans	English
Zululand	Arts, science, education, law, theology, commerce	Africans	English
Medunsa	Medicine and science	Africans	English
Vista	Arts, education, economic science and business management	Africans	English
Western Cape	Arts, science, economic and management sciences, education, theology, dentistry, law, and community health services	Coloureds	Afrikaans and English

Table 2: South African white residential universities of apartheid

University	Faculties	Language media
Cape Town	Arts, commerce, engineering, fine arts and architecture, law, medicine, music, science, social science and humanities	English
Natal	Agriculture, architecture and allied disciplines, arts, commerce, education, engineering, law, medicine (for non-white students only), science, social science	English
Orange Free State	Agriculture, arts, economic and administrative sciences, education, law, medicine, science, social sciences, theology	Afrikaans
Port Elizabeth	Arts, economic sciences, education, law and science	Afrikaans and English
Potchefstroom	Arts, economic sciences, education, engineering, law, pharmacy, science, theology	Afrikaans
Pretoria	Agricultural sciences, arts, dentistry, economics and political sciences, education, engineering, law, mathematics and science, theology (two divisions), veterinary science	Afrikaans
Rand Afrikaans	Arts, economic and management sciences, education, engineering, law, science	Afrikaans
Rhodes	Arts, commerce, theology, education, law, pharmacy, science, social science	English

Table 2 continues on next page.

Stellenbosch	Agriculture, arts, commerce and administration, dentistry, education, engineering, forestry, law, military science, theology	Afrikaans
Witwatersrand	Architecture, arts, business administration, commerce, dentistry, education, engineering, law, medicine, science	English

Unisa, which has been developed into a distance learning institution, taught in both English and Afrikaans and accepted students from all population groups.

Africans were channelled into the basic degrees, and only the basic faculties (arts, science, education, law, theology and commerce) were found in African universities in the larger history of apartheid. Faculties of architecture, engineering, dentistry, health sciences and forestry were absent in African universities. However, health sciences and pharmacy were later introduced under the faculty of science in a few African universities.

Staff members in all faculties were mainly white. This was also the position in the department of African languages of some universities. Head of department and professorship positions were given to whites. According to Heyns et al. (1988:515), "The university council appointed all staff members, but the appointment of professors was subject to the Minister of Education and Training, who sees to it that preference is given to suitable qualified African academics."

African professors objected that it would lower the standard of their teaching and research if indigenous language was taught in an indigenous language rather than in English.

Admissions were open mainly in the faculties of arts and education, where indigenous languages were taught. A student studying for a degree in education was required to combine his or her courses in such a way that they fell within the range of subjects offered by the Bantu education system at schools. Anthropology, political sciences, sociology and other courses were not school subjects. The majority of Africans registering for arts and education degrees tended to major in their languages and biblical studies. African language departments gained many students. For example, the Department of African Languages at Unisa had about 38 000 registered students and 90 staff members in the early 1990s. Today the number of students has dropped by more than 90 percent.

Teaching and research programmes for African languages were not valueless to an African graduate. The universities' "teaching and research programmes are seen to be directed at vocational needs, the establishment of a just society and the creation of wealth" (Higgs and Higgs 1994: 41). In South Africa, programmes of indigenous languages were misdirected. They are still being taught and researched today by both African and white academics to satisfy the colonisers. The language medium for teaching African languages was English or Afrikaans:

- to accommodate white academics as part of teaching staff in indigenous South African languages departments
- to strengthen the status of English and Afrikaans as official languages.

These reasons still divide academics in some institutions. During the 1970s, the department of Setswana at the then University of the North was the first university department to offer Setswana in Setswana. It was followed by the departments of Xitsonga and Tshivenda. Surprisingly, the resistance to change emerged from African professors. They objected that it would lower the standard of their teaching and research if indigenous language was taught in an indigenous language rather than in English. This reveals a deep sense of inferiority controlling a colonised African professor, a sense which has not entirely disappeared even after a decade of independence.

Colonisers learning indigenous languages

Ward (1945) identifies three major reasons that forced the colonisers to learn African languages:

- the ultimate success of the worker in Africa, whether he be trader, settler, missionary, anthropologist, educator, or administrator, depends to a large extent upon his language performance
- to talk with Africans more and more freely, getting into closer contact with them, and scoring greatly by winning respect from the natives themselves, who are flattered by the white man's efforts to speak their language
- if the white man wants to say or to ask something which is worth saying or asking, he will be understood by the great majority of natives only when he speaks to them in their own language.

To speak a native language, therefore, helps one to associate oneself with the group and generates a feeling of confidence, the advantage of which cannot be overrated. Even today, these reasons dominate the South African environment. In the field, colonisers were learning pronunciation, tones, orthography, grammar and vocabulary. Ward also outlines 10 challenging factors facing them:

- there are a large number of languages and many dialects
- the peculiar nature of most of the African languages
- the difficulty of obtaining instruction of any kind in the language before proceeding to the country. Instruction in a number of languages was provided in certain centres in Europe and South Africa
- the social segregation in which Europeans and Africans live makes it difficult for the European to have continuous contact with native speakers
- the fact that a number of languages had not yet been written down
- the lack of grammar systems, dictionaries, textbooks and graded reading material in those languages which have

been recorded
- the inadequacy of some of the existing grammar systems and dictionaries, which, in the light of modern linguistic research, are out of date
- the inadequacy of teaching available in the field
- the student, no less than the native teacher, has often no clearly defined aim in his/her work, and both are satisfied with a performance of elementary character
- insufficient time given to language work.

REQUIREMENT 2. UNDERSTANDING THE POLICIES AND LEGISLATION OF THE DEMOCRATIC GOVERNMENT

Government's proper role is to act as a catalyst and challenger, to encourage – or even push – universities to move to a higher level of performance in the transformation process, even though this process may be unpleasant and difficult. It cannot create the best higher education system; only institutions can do that. Government policies that succeed are those that create an environment in which institutions can gain competitive advantage rather than those that involve government directly in the process. "It is an indirect rather than direct role" (Porter 1990:84).

The policies or legislation affecting languages and education

Below are the policies or legislation supporting efforts to elevate the status of indigenous languages in higher education:

- The Constitution states: "Everyone has a right to receive education in the official language or languages of their choice in public educational institutions where the education is reasonably practicable." (p 14)
- The Higher Education Act, 1997, the Education White Paper 3 on Higher Education (1997) and the National Plan for Higher Education form the basis of the transformation of the higher education sector.
- The National Language Policy Framework aims to encourage the learning of African languages to promote national unity and linguistic and cultural diversity.
- The Language Policy for Higher Education 2002 deals with the language of instruction, the future of South African languages as areas of academic and research, and the promotion of multilingualism in the institutional policies and research.
- Key proposals of the National Plan for Higher Education include: a shift in the balance of enrolments between the humanities, business and commerce, and science, engineering and technology from the ratio of 49:26:25 to 40:30:30 respectively; research to be funded through a separate formula based on research output, including masters and doctoral degrees and research publications; and earmarked funds allocated to build research capacity, including scholarships to promote enrolment.
- A report on the development of indigenous African languages as media of instruction in higher education compiled by the ministerial committee appointed by the Ministry of Education in September 2003. The report outlines guidelines to select the languages to be used in teaching and learning in various universities, based on regional languages (See Table 3).

Table 3: Guidelines for selecting the languages of teaching and learning in various universities

Language	Institution
IsiNdebele	Pretoria; Unisa
IsiXhosa	Cape Town; Fort Hare; Free State; Nelson Mandela Metro; Rhodes; Stellenbosch; Unisa; Western Cape
IsiZulu	Johannesburg; KwaZulu-Natal; North West; Unisa; Wits; Zululand
Sesotho sa Lebowa	Limpopo; Johannesburg; Pretoria; Unisa; Venda
Sesotho	Cape Town; Stellenbosch; Unisa; Wits
Setswana	North-West; Pretoria; Unisa
Siswati	Unisa; Zululand
Tshivenda	Limpopo; Unisa; Venda
Xitsonga	Limpopo; Unisa; Venda

Source: Dept of Education Ministerial Committee (2005).



REQUIREMENT 3. UNDERSTANDING THE CHALLENGES FACING THE HIGHER EDUCATION SECTOR

There are various challenges facing the higher education sector. *The Economist* (September 10 2005), identifies four challenges outlining this rule.

Democratisation of higher education

(or "massification", in the language of the education profession)

"In South Africa, the challenge is to redress past inequalities and to transform the higher education system to serve a new social order, to meet pressing national needs, and to respond to new realities and opportunities" (Department of Education 1997: 7).

The inequalities referred to here are those outlined in requirements 1 and 2, and they include inequalities in language use in higher education, with Afrikaans and English being the only languages of instruction in the country's higher education institutions today.

The rise of the knowledge economy

Knowledge is replacing physical resources as the main driver of economic growth. Universities are among the most important engines of the knowledge economy. The South African government aims at developing both the main

and second economy. The second economy is popular among Africans. Undermining indigenous languages will not help the universities to overcome this challenge.



Globalisation

The death of distance is transforming academia. The top universities are citizens of an international market place with one global academic currency, one global labour force and one global language, English. This is not easy for South African universities as university managers pay lip service to globalisation. For example, before the merger with Technikon South Africa, and incorporating Vudec into the merger, Unisa's corporate marketing and communication department was preaching globalisation. Today, after the merger, the new institution talks more about an African university instead of a global university as was anticipated. South Africa will not overcome this challenge unless it solves massification or democratisation of higher education.

Competition

Traditional universities are being forced to compete for students and research grants. The South African government hints at the issue of funding in the three key proposals of the National Plan for Higher Education outlined in Requirement 2 above. It is tempted to rely on research and development projects to cut costs. However, this can divert university attention and resources from proprietary research efforts and will all but eliminate the prospect of real innovation. For South African universities, this challenge results in three issues:

- paying more attention to research than teaching
- continuing to neglect core curricula in the name of academic choice
- reserving the biggest rewards for research rather than teaching.

These issues create problems for the indigenous language departments. Most academics in these departments were not exposed to research. Their job descriptions emphasised teaching and neglected research. Academics who are researchers use the good part of their research funding for personal rather than academic ends. Thus, the competition has moved from universities to the academics, and this hinders the development of indigenous languages, since low quality research is being produced only to count on individual research output.

REQUIREMENT 4. ENGAGING HUMAN RESOURCES TO TRANSFORM THE UNIVERSITY'S LEADERSHIP AND WORKFORCE

It takes leadership to create a dynamic, challenging environment. And it takes leadership to recognise the all-too-easy escape routes that appear to offer a path to transformation of universities but which are actually a short cut to failure (Porter 1990). Here are two fundamental aspects outlining this rule.

Transforming the leadership

"Leaders are born, not made" was a myth favouring whites and their stooges managing universities, faculties and departments (including African language departments) during apartheid. University leadership was characterised by bias and defensiveness. When the democratic government took over in 1994, this status was still intact. For example, Unisa staged a Conference on Language Policy on 23 February 1996 to respond to what then President Nelson Mandela referred to as the "vexing question of a language policy".

Most presenters were middle managers from the university divisions, faculties and departments. They were biased and defensive in their presentations, only emphasising cost and the promotion of English. Here are six similar conclusions from six different presenters:

- "There are definitely serious cost and staffing implications to any change in the language policy of Unisa" (Visser 1996: 87)
- "It will cost good teaching. It will cost dedication. It will cost effort. The cost in the end will be excellence in distance education" (Heese 1996:90)
- "With printing and binding you'll need other equipment and other skills, resulting in a high-cost change-over phase" (Van der Walt 1996:92)
- "The present language of instruction, viz. Afrikaans and English, rests on established scientific basis. These considerations prompt to the recommendation that, as a premise, the status quo be maintained" (Neethling 1996:64)
- "I have no hesitation in stating that English can serve the University in many unique functions. It has vast scientific, technical, commercial and legal literatures and uses" (Rabinowitz 1996:56)
- "It will not benefit Africans to coin a million terms in chemistry ..." (Msimang 1996:48).

Unisa can develop all nine indigenous official languages – isiNdebele, isiXhosa, isiZulu, Sesotho, Sesotho sa Lebowa, Setswana, Siswati, Tshivenda and Xitsonga (DoE 2005). It offers eight of the indigenous official languages as subjects. As mentioned above, at the time of these presentations the Department of African Languages at Unisa had 32 000 students. Since then, this student number has been dwindling, and it is in the region of 3 000 students.

The approach of most Africans in South African university management positions is similar to that of apartheid. They play subordinate leadership roles to colonisers. Cost-cutting became the leadership's soft target, coupled with the 4Rs – rationalisation, restructuring, redeployment and retrenchment. There is no strategy for growth, innovation and culture change.

In essence, "leaders are made, not born, and how they develop is critical for organisational change" (Robert and Rooke 2005:69). This notion is critical to the development of indigenous South African languages to the level of Afrikaans and English in the country's higher education. University human resource departments should organise leadership programmes that will help leaders to reduce cost, innovate, increase growth and change the culture of their universities through decolonisation.

Most South African university leaders belong to the opportunist, diplomat, expert and achiever and individualist type of leadership described by Robert and Rooke (2005). Opportunist logic is dominant among the middle managers, who focus on personal wins, treat subordinates either as objects or as competitors who are also out for themselves. This delays the efforts of elevating indigenous languages in higher education. The best practice is to adopt the following ideal of leadership: "Top executive(s) who displayed high levels of persistence overcame significant obstacles, attracted dedicated people, influenced groups of people toward the achievement of goals, and played key roles in guiding their institutions through crucial episodes in their history" (Collins & Porras 2000:290).

Asked why they were not doing more teaching and research, their common answer was "the job description was teaching, and now there are no students to teach".

This ideal fits best with the experience of indigenous South African languages and higher education. Our universities really need leaders who can work in teams, who can excite and inspire. It is not sufficient to simply tell people what to do: that is the old style. "We need people who can take the bigger picture, who can create networks with their colleagues, who can support the innovation and creativity of their team" (Gratton 2000:108). Leaders should become strategists who will generate organisational and personal transformations, exercise the power of mutual inquiry, vigilance and vulnerability for both the short- and long-term efforts to elevate the status of indigenous South African languages in higher education.

Transforming the workforce

If there is a problem in any university discipline, fingers are quickly pointed at the workforce. When you ask how the university management helps the workforce to solve the problem, you will discover that no one knows or cares. In this paper, the word "workforce" refers to academics. Academics are the most difficult people to change and the people most likely to be neglected by the university's human resource department in respect of their skills, abilities and expertise. Today we speak about "academic freedom", but most university managers do not consider "academic freedom" because they believe their status will be broken.

In the studies I did in October 2005 on the status of academic personnel working for African language departments in the country's public higher education institutions, 50 questionnaires were sent to eight departments, and 34 responses were received. Here is the summary of the findings:

- there is a greying workforce. All respondents are above 30 years old. The average age is between 50 and 60 years
- there has been no appointment of new staff members during the past five years. The average period of service from the respondents is between 10 and 15 years. Some respondents have been serving their departments longer than 21 years
- there is less focus on the departments' core business – teaching and research. Respondents indicated that they were engaged in consulting jobs – translation, interpreting and editing. Asked why they were not doing more teaching and research, their common answer was "the job description was teaching, and now there are no students to teach"
- student enrolments were mainly from the teaching profession, and a few respondents from one university of technology indicated that they receive students from mining engineering, and none from the other fields of study such as agricultural sciences, dentistry, economics and management sciences, engineering, law, mathematics and science, theology, forestry, veterinary science
- their curricula do not include reading, writing, listening and speaking, although they claim to receive students from the teaching profession and the current school curriculum focuses much on those four issues.

These findings show that there is a missing management link and a disappointing commitment on the part of indigenous African language academics. Asked about the management commitment in African languages departments, 79 percent of the respondents showed that there was none.

It is crucial for the universities' human resource people and leadership to address the demographic issues, to understand the macro-environment and the utilisation

of this environment, to create value for everyone involved, to redefine the service concept and to implement best practice.

Psychological contracts

The place to start is by changing the psychological contract of all academics. "Psychological contract" refers to "the psychological nature of a contract between an organisation (university) and its staff" (Pallister et al. 2002:417). The emphasis here is on developing an awareness of individual expectations, understanding when the old psychological contract is changing, and how best these changes can be supported (Gratton 2000:86).



The old psychological contract for indigenous African languages at Unisa, for example, was to compile study material, to conduct group discussions, to attend seminars, to set students' assignments and examinations, and to mark those assignments and examinations. It was a "coercive contract" (Pallister et al. 2002:417). The relationship between the university and individual academics was based on coercion. The academics did their work because they were required to do so by the university. In contrast, Murlis and Hartle (1996) identify 15 components of psychological contract: challenge, autonomy, quality of working conditions, quality of management, quality of colleagues, status, power, recognition, training and development opportunities, career opportunities, effective performance management, conferences, a balanced life, convenience of location, and honesty about needs and requirements.

Today, universities are in a dilemma. They expect academics to have acquired the above 15 components while the management is sticking in the old coercive contract. The universities' human resources departments should break the old psychological contract and create a new one characterised by the 15 components outlined above. This will be the pathway to transform the workforce with competencies and skills that will help them to change the status of indigenous African languages.

Of course, an academic planner must understand the four requirements: the impact of colonialism on indigenous African languages; the policies or legislations of the democratic government; the challenges facing the higher education sector; and the engagement needed to transform the university's leadership and workforce. Such understanding and collective efforts are required to turn around a university that has utilised English or Afrikaans as a medium of instruction since its establishment.

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Pfizer GLOBAL HEALTH FELLOWS

Pfizer lends its valuable resources to develop lasting capacity

As the world's largest pharmaceutical company, Pfizer is a giant skills bank. In addition to their core mission of discovering, developing and making medicines accessible, they realised a few years ago that there was a need to provide skills to organisations working 'on the ground' to improve health care.

Through an initiative called the Global Health Fellows (GHF) programme, Pfizer is lending its valuable resource - the technical skills and expertise of Pfizer colleagues - to countries that have been hardest hit by HIV/AIDS and other major threats to human health. Since the GHF programme was first announced in 2002, it has provided recipient communities with valuable technical knowledge and skill.

Pfizer physicians, nurses, epidemiologists, laboratory technicians, health educators and IT specialists from the United States, Europe, Latin America, Australia and Africa have been loaned to NGOs working to fight HIV/AIDS and other diseases in developing countries. Global Health Fellows are selected in part for their desire to make a difference in the world, their strengths in teaching and training, and their willingness to see their work carried on by local teams.

In South Africa, Margaret Byrne, one of Pfizer New York's finance managers in their legal division, has for the last few months transferred her financial skills to a non-governmental organisation in Cape Town called The Mothers Programmes.

Lending a helping hand

'I looked at the Global Health Fellows programme as an opportunity to give back to society,' explained Byrne about why she chose to become involved in the programme, 'and I wanted to make a difference by working to improve the lives of those who are less fortunate.'

Byrne's main objective at the Mothers Programmes was to help to improve transparency with the activities of the organisation. Since the organisation is financed through donations, funders want to know whether the funds are utilised for sustainable operations. The majority of the projects she worked on involved providing management reports for donors and presenting how investments were allocated. From an audit perspective, Byrne helped implement systems to improve clarity on spending as well as processes and controls necessary to run an organisation efficiently.

Byrne was the third Pfizer Fellow to be placed at the Mothers Programmes in Cape Town. In the time she spent at the Mothers Programmes, she witnessed a vastly increased efficiency in the organisation. An example of this was when Byrne collaborated on implementing a new payroll system. 'The old payment process used to require the time and efforts of four people over a one-week period,' she explained, 'But with the new system, we could cut the workload in half by reducing the number of people needed to complete the process to two people over a two-day period. Consequently, we could free up man hours for a more productive work schedule.'

Critical growth at Mothers Programmes

With Byrne making a positive impact on the Mothers Programmes and bringing to bear a range of skills which have been used to enhance the programmes' financial efficiency and effectiveness, good things were bound to happen, explains Clive Mawer, financial manager of the Mothers Programmes.

'Byrne used her financial skill and business acumen to clarify and refine donor reporting requirements, providing legacy structures for in depth and meticulous analysis of expenditures in support thereof.'

Her brief was to focus on improving the financial systems and controls supporting the Mothers Programmes activities, in these areas: To review and refine all internal controls supporting MP financial expenditure, as well as monitor and report on donor expenditures. Reviewing and updating of the programme's financial policies and procedures was also part of her work, as was assisting with the implementation of new accounting software.

'She was a critical lynchpin in the implementation of our new accounting software,' Mawer adds, 'especially while working with our auditors to ensure the integrity of its structure and overseeing all processing. She was also closely involved with revamping the existing payroll system which resulted in time saving efficiencies and resulting improvements in productivity.'

More than just a positive response

The demand for Pfizer Fellows around the world has increased exponentially since the inception of the programme.

Pfizer deploys up to 50 talented colleagues per year to developing countries in Asia, India, Latin America and Africa. Initially the positions posted were mainly for people with medical backgrounds like doctors, clinical scientists and nurses. However, the programme has since been expanded to include people with other skill such as technology, finance, communications, etc, in order to keep up with the additional demands from organisations.

Previous Fellows included an epidemiologist placed in Soweto, South Africa, to develop an HIV-management database tool for prevention of mother-to-child transmission; a physician to treat AIDS patients with antiretroviral therapy in Honduras; a scientist to train lab researchers in current HIV-testing protocols in Malawi; and an educator, who trained NGO staff in HIV-prevention strategies in St Petersburg, Russia.

Amongst others, there has also been a public health professional, to assess care and treatment options in India; a nurse, to improve the education of nurses through nursing lectures and clinical instruction in Kampala, Uganda; a grant writer to work with a small grassroots non-governmental organisation in acquiring American and international funding; and a programme evaluator who conducted qualitative and quantitative programme evaluations of HIV/AIDS programmes in Vietnam. Since the inception of the programme in 2003, more than 100 Pfizer colleagues have been deployed to more than 20 countries all over the world.

The GHF programme is a true model of how the private sector can go beyond traditional philanthropy programmes to make lasting contributions and develop communities at all levels.

For more information visit: http://www.pfizer.com or e-mail: Lebogang.Taunyane@pfizer.com



Are you suitably qualified for a career in the public sector?

The State of the Public Service Report for 2006, has highlighted as one of the Public Service's capacity challenges '……the need to strengthen human resource management and development to ensure that there is a skilled, professional, motivated and productive workforce that drives government programmes…' Having an appropriated skilled, professional workforce becomes increasingly important when considering government's Accelerated and Shared Growth Initiative (AsgiSA).

The Institute for **Public Finance and Auditing (IPFA)** believes that it is uniquely positioned to assist government to develop a robust delivery-oriented public sector in that its goals and objectives are aligned with developing skills in the public sector and providing a professional home for finance staff employed in the sector.

One of the biggest challenges facing the public sector is the implementation of the reforms and initiatives identified by government to improve public sector delivery and skills development. IPFA responds to the needs of both the individual as well as the government departments by providing members with the latest developments in the dynamic world of public finance, technical advice, lifelong learning and together with its commercial arm, **Public Finance iQ (PFiQ)**, education, training and consulting opportunities.

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THE PHILOSOPHY AND STRATEGIES OF NEPAD

BY PROF FIRMINO G MUCAVELE
The author is Chief Executive, NEPAD Secretariat

This is an edited version of a speech delivered to the International Conference on Women for Economic Recovery of Africa, in Cape Town, 6 May 2006

Empirical evidence shows that educating women saves lives. A study of 25 developing countries found that three years of maternal schooling reduces child mortality by 15 percent, compared to six percent with paternal schooling. Another study on income and gender parity found that the probability of a child's survival increases by 20 times when the income is controlled by the mother rather than the father. A ground-breaking study conducted in South Africa on the use of retired people's pensions revealed that when grandmothers receive pension funds they spend a significant share on the grandchildren's well-being, such as clothing, food and schooling, while that of grandfathers is spent on themselves, including consumption of cigarettes and alcohol. The New Partnership for Africa's Development (NEPAD) is addressing these issues.

NEPAD OVERVIEW

NEPAD is an integrated programme of the African Union (AU), developed by African leaders, based on partnership among African countries with the objective of promoting sustainable development in Africa. Here, sustainable development includes four dimensions, namely, human development, social development, institutional development and economic development. This is an operational definition in which we bring elements of ownership and guiding principles. Strategically, NEPAD is also a philosophical framework, under which African countries strive to create a conducive environment for peace, security and democracy.

Our effort within NEPAD is geared towards promoting good governance and the rule of law, investment in our people, and pursuing policies that accelerate economic growth and human development. In NEPAD, we are committed to promoting peace and security in Africa, to building our institutional capacity, to improving trade and to mobilising our human, material and financial resources for the development of Africa. Strategically, we see the regional economic communities (RECs) as pillars for the development of countries and building blocks for the sustainable development of Africa.

The key principles and messages of NEPAD are:

- African ownership and responsibility partnerships among African citizens, among African countries, and with the international community, for the development of Africa
- self-reliance and reduced dependency on aid through strengthening the private sector
- self-confidence in our resolve to implement NEPAD
- self-esteem in our heritage and African history
- protection and promotion of democracy and human rights
- good political, economic and corporate governance
- people-centred development
- gender equity
- accountable leadership
- action-oriented partnership

This is NEPAD's overall approach in order to create attractive conditions for increased investment in Africa. Women must advocate these principles. Although the vision and objectives are simple, because of the complex nature of the challenges, the strategies are long term and multi-dimensional.

There are three parts forming the framework of NEPAD:

- the necessary conditions, which are peace, security and good governance
- priority sectors, including agriculture and food security, trade and market access, infrastructure development,

human development including health and education, science and technology, culture, environment and tourism
- resource mobilisation.

It is clear and evident that our countries must adopt codes and standards in order to promote market efficiency, control wasteful spending, consolidate democracy and encourage private financial flows – all of which are critical aspects of the quest to reduce poverty and enhance sustainable development.

Progress has been made in moving NEPAD from a concept to policy development, and the initial implementation of NEPAD programmes is witnessed in many countries. During this period, a number of lessons have been learned regarding Africa's development challenges. Some of these lessons include the need to:
- enhance institutional capacity for effective and efficient programme conceptualisation, planning, implementation, monitoring and evaluation
- integrate NEPAD priorities, values and principles into national development plans
- reinforce partnerships, within Africa, and with Africa's development partners
- harness and generate domestic financial and human resources for development.

Progress has been made in moving NEPAD from a concept to policy development, and the initial implementation of NEPAD programmes is witnessed in many countries.

NEPAD created the African Peer Review Mechanism (APRM) which is an instrument voluntarily acceded to by member states of the African Union as an African self-monitoring mechanism. Its primary purpose is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through the sharing of experiences and reinforcement of successful and best practices, including identifying deficiencies and assessing the needs of capacity-building.

The goal of the APRM is to accelerate progress towards adoption and implementation of the priorities and programmes of NEPAD, achieving the mutually agreed objectives and compliance with best practice in respect of each of the areas of governance and development. This can only be achieved through the sustained efforts of the country itself, involving all stakeholders including parliamentarians, local government and municipalities. APRM requires that each country carefully develop a programme of action with time-bound objectives, linked to national budgets, local government or municipality budgets, to guide all stakeholders in the actions required to achieve the country's vision.

PROGRAMMES IN AGRICULTURE

There is no doubt that in the rural zones in Africa, where 70 percent of the poor live, women play a key role, particularly in the sector of agriculture. Consequently, strengthening the capacities of women in the rural world is of utmost importance. In this regard, engendering the AU/ NEPAD Comprehensive Africa Agriculture Development Programme (CAADP) constitutes an important tool to promote gender-responsive outcomes for sustainable development in rural areas, thus enhancing the capacities of women and improving their conditions of work and life. Consequently, its implementation proves crucial.

Improvement in agricultural performance is a prerequisite for economic development in Africa. The induced dynamics would constitute a significant source of economic growth. The responsibility for improved productivity in agriculture rests with the local government, municipalities, business organisations, research and technology development.

Intensive agriculture, which relies on the significant inflow of private investment faces climatic uncertainty as a key constraint and risk factor. Consequently, governments must support the provision of irrigation equipment and develop arable lands. The improvement of rural infrastructure, such as roads, railways and electrification, is also essential.

The World Bank/GEF [the United Nations Development Programme's Global Environment Facility] has recently agreed to allocate US$120 million for investment in sustainable land management over the next four years to African countries. The TerrAfrica Initiative will include, in the first phase, Burkina Faso, Chad, Ghana, Namibia and Uganda.

The African Development Bank (AfDB) is supporting the $33.5 million pan-African New Rice for Africa Initiative (Nerica) to promote production in seven west African countries. In collaboration with the Global Alliance for Improved Nutrition (Gain), national food fortification programmes are currently being supported in eight countries. In addition, Uganda and Malawi are in their final project-preparation stages to access the Gain grant this year. Commonly consumed staples and condiments are fortified with essential vitamins and minerals to improve nutrition security. A comprehensive African strategy to eliminate vitamin and mineral deficiencies is under preparation. Home Grown School Feeding Programmes continue to take off in several countries.

PRIORITIES FOR INFRASTRUCTURE

Under NEPAD, infrastructure priorities include transport, energy, water and information and communications technology (ICT). While at the national level the role of infrastructure is well recognised, at the local government or municipal level there is a lack of capacity for infrastructure planning and project financing. Therefore, parliamentarians

and the local authority must be involved in the mobilisation of resources and advocacy for infrastructure development.

The national infrastructure programme must be a result of local government involvement. At the regional level, NEPAD's primary role is to promote, facilitate and monitor the development of regional infrastructure activities. A secondary role for NEPAD is to help to put in place the structures, institutional capacity and financing that will be necessary to meet Africa's Millennium Development Goals and to promote the harmonisation of policies and regulations, even though these activities will, in fact, be undertaken at the national level.

African countries continue to struggle to mobilise sufficient resources for the development of infrastructure, through domestic resource mobilisation, capital flows and trade flows. African countries are reforming their macro-economic policies to enhance growth, improve human development outcomes, and thereby reduce poverty.

Africa's scope for domestic mobilisation of resources is limited by poor growth. Even so, African countries need to take steps to enhance domestically raised revenue, mobilise savings within their borders, harness African capital held outside of the continent and harness intra-African capital flows. This priority is central to the notion of African ownership, which compels African governments to look inward first.

The NEPAD approach to each of these priorities includes:

- effective mobilisation and management of public resources including tax reform; improved fiscal prudence and discipline; improved public debt management; anti-corruption initiatives and civil service, and public administration reform
- higher savings rates are only likely to occur with higher income levels. However, there is a range of measures that African governments might take to ensure that higher savings rates do materialise. Such measures include sustained campaigns to inculcate the savings culture; modernisation of savings institutions; pension scheme reform; regulatory and legislative reform; and financial market development
- conditions of peace, security, and sound political and economic governance, as well as the development of effective financial markets and the creation of attractive economic opportunities, form the basis of any approach to attract capital back to Africa
- in the case of intra-African capital flows, improved cross-regional infrastructure connectivity (physical, electronic and financial) as well as harmonisation of regulatory policy frameworks are essential to increase intra-Africa investment and trade flows
- in the short to medium term, however, many of the poorest countries will not be able to mobilise sufficient resources within their borders, or within the greater region, and will need to rely on capital flows from outside Africa to obtain sufficient resources to meet the infrastructure financial needs. These capital flows may be official development assistance and debt relief, or private.

ICTs driven by the convergence of computers, telecommunications and traditional media are crucial for the knowledge-based economy of the future. Rapid advances in technology and the diminishing cost of acquiring the new ICT tools have opened new windows of opportunity for African countries to accelerate their economic growth and development.

Human development has been one of the most serious casualties of poverty, social exclusion and marginalisation of Africa. The health problems facing Africa are rooted in the lack of human development. African people continue to suffer from a huge burden of preventable and treatable diseases, which not only causes volumes of unnecessary death and suffering, but also stifles economic development and damages the continent's social fabric. These include HIV/AIDS, tuberculosis, malaria and various other communicable diseases.

Improved cross-regional infrastructure connectivity as well as harmonisation of regulatory policy frameworks are essential to increase intra-Africa investment and trade flows.

Securing the health system is critical to combating major diseases in Africa. Disease prevention and health promotion measures, such as immunisation and contraception also benefit from effective health systems. Central to any effective system is a sufficient number of capable and committed health workers, particularly in more remote and unstable areas.

The private sector plays an important role in the development of Africa. Several NEPAD Business Groups have been formed in a number of countries including South Africa, Mozambique, Ghana, Senegal, Nigeria and Kenya. The African Business Roundtable launched a continent-wide NEPAD Business Group.

WORKING PARTNERSHIPS

In the spirit of partnership and co-operation, the 6th Africa Partnership Forum (APF), composed of the heads of state and government personal representatives of the NEPAD steering committee, representatives of the G8 and the Organisation of Economic Co-operation and Development (OECD) countries, executive secretaries of the RECs and development and financial partners of NEPAD is being held this week in Maputo, Mozambique. The objective of the forum is to evaluate the implementation of agreed programmes, to monitor the progress achieved so far and to discuss the action plans in agriculture, infrastructure and health.

To tackle the food insecurity, hunger and famine in Africa there is a need to raise agricultural yields by improving farmers' use of fertilisers and other modern technologies.

Agricultural research combined with technological development constitutes a strategic plan to support appropriate use of fertilisers. NEPAD has organised a fertiliser summit to take place in Abuja, Nigeria, 9 to 13 June 2006. The NEPAD Secretariat is collaborating with the International Fertiliser Development Centre (IFDC) to prepare the Africa Fertiliser Summit.

In the spirit and principles of NEPAD, the Africa Fertiliser Summit is an action-oriented initiative to make fertiliser available and economically accessible to farmers, and it is an African-led initiative.

The ultimate goal of the summit is to trigger the uniquely African green revolution called for by UN Secretary-General Kofi Annan. This goal is based on the reality that Africa is facing a fertiliser crisis. African soils are rapidly losing nutrients resulting in degradation of the environment and low agricultural productivity. Consequently, hunger, famine and poverty are becoming far worse.

Finally, let me congratulate you for organising this international conference dedicated to women and their participation in the economic recovery of Africa. In your deliberations, let me urge you not to forget the specific situation of women in countries emerging from conflicts. We should give special attention to these countries.

NEPAD: DEVELOPMENT INITIATIVE OR DELUSION?

BY MOHAMMED I JAHED

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The New Partnership for Africa's Development (NEPAD), the accepted socio-economic programme of the African Union (AU), has been challenged as an appropriate framework for addressing the continent's development issues. This debate is steeped in ideological perspectives. Supporters regard the NEPAD framework as containing the essential elements for addressing the African development malaise: a common vision for the continent, an overarching policy framework, and most importantly, the political backing of African leaders and the support of African institutions (United Nations Report, 2005).

NEPAD's critics see it as part of a neo-liberal programme that has failed the continent and will continue to do so (Okuku 2005, Adesina 2004, Nyar 2002). They emphasise that NEPAD is associated with the "Washington Consensus" – neo-liberalism, open economies, the abolition of quotas and tariffs, devaluation of currencies and non-discrimination between domestic and foreign direct investment. On the other side, supporters highlight NEPAD's focus on both economic growth and equity, the importance of political will and leadership, and strengthening international relations. Reflected in these positions are the ideological perspectives that form the basis of the battle around NEPAD as a framework for African development.

The purpose of this article is to argue that NEPAD is contributing to African development theory and policy development, that these cannot be shaped by the dogmatic use of ideological frameworks alone, and that appropriate contributions from competing frameworks must be perceived. Africa, specifically, has been caught in vicious battles of ideological paradigms, rather than breaking out of paradigms and considering appropriate options and actions – even those framed by competing ideologies and thought processes. As the Cornell-based economist Ravi Kanbur

(2005) argues, development work is no longer the preserve of different ideologies, whether statist or market-oriented, but can take up appropriate contributions wherever they are found.

NEPAD has reinvigorated African development, both in terms of intellectual debate as well as in commitment at the political and technical levels where collective African actions and policies have been established. NEPAD has brought to the fore the importance of African political leadership and will, the importance of engaging all stakeholders in the development process and, therefore, African ownership. The introduction of the African Peer Review Mechanism (APRM) and the progress achieved in NEPAD implementation highlight the achievement in rethinking development policy.

Debate around NEPAD has brought the continent's socio-economic malaise to the fore and is forcing, at minimum, the need to develop some consensus on the direction of development, unconstrained by ideology and paradigms. The best solutions must be found in direct response to specific continental, regional and country circumstances and conditions. In this regard, state, market and civil society must take responsibility for addressing the developmental challenges.

DEVELOPMENT THINKING IN EVOLUTION

The NEPAD process should be considered critically in terms of both its relative contribution to development of the continent and the evolution of development thinking. The influence of ideology and experience in this evolution cannot be dismissed. As Kanbur notes, policy is a slave to shifting ideologies, changing as beliefs change. In less extreme terms: we all approach policy issues with preconceptions and frameworks. As a result, economic and social policies are designed within the context of specific policy frameworks and development discourse.

The development path is characterised by movements in economic approaches, underpinned by policy discourse, academic theories and political ideologies. Shivji (2005) summarises the path of development discourse in Africa over the last four decades as a shift "from development to poverty reduction". Both Kanbur and Shivji argue that we have seen the pendulum swing between state and market approaches. Clearly, these swings have been accompanied by their respective social and economic policies and strategies. The ideological battles have continued unabated. The development debate on the African continent has mourned the rise of neo-liberalism and globalisation and the renewed ideological initiative of Western imperialism.

Given the continuous swings between market-orientation and statism, could we forecast that such swings will continue? Kanbur argues that they will not. Instead, development thinking and policy will be influenced and shaped by the experiences of the past decades. "This dialectic between ideas and experience, between frameworks and outcomes, is central to the way development policy has evolved and continues to evolve" (Kanbur 2005: 11). The experiences of countries have been the bases for the changes in development policy. Country experiences and conditions matter. For example, the same degree of trade liberalisation in different countries can have very different impacts on exports depending on quality of infrastructure, or the same rate of economic growth can translate into very different rates of poverty reduction.

Development thinking and policy development could shift from the domination of ideological differences to a scenario where creative combinations, influenced by experience and country specifics, are possible.

The interaction and relationship between ideas and experience could encourage a broader debate than the normal "state versus market" one, taking cognisance of specific economic, social and political characteristics and espousing appropriate combinations of development theories.

Civil society and its contributions should be a critical addition to development thinking and action. Kanbur argues that development should be understood as the interaction between state, market and civil society. The engagement of civil society introduces alternative frameworks that highlight a holistic vision of human-centred and people-driven development for the future of the continent.

Development thinking and policy development could shift from the domination of ideological differences to a scenario where creative combinations, influenced by experience and country specifics, are possible. Attention could be given to interactions between state, market and civil society, with the role of institutions being critical. However, the old-style battles will continue as long as development thinking is trapped in dogmatic ideological debate. This is clearly seen in the debate on NEPAD and its development ideals.

CRITIQUE OF NEPAD

As my purpose is to indicate that NEPAD is making a contribution to development thinking and policy discourse, it is necessary to consider the critique of NEPAD, both positive and negative, and the nature of the debate and the policy and strategy considerations that emerge. The critique is marked by the ideological debates, but the most critical contribution is that policy development and discourse, specifically as it relates to the development challenges of the African continent, has been brought to centre-stage.

The focus of this paper is limited to the economic issues of the NEPAD programme. Obviously, the NEPAD initiative, launched in 2001, is still in the early stages of a long-term process, and a more intensive evaluation is required. As

the socio-economic transformation agenda of the African continent, the NEPAD framework has invigorated extensive debate. It has provided the opportunity to focus on African development dialogue, both internationally and on the African continent. It has further demonstrated that the establishment of a common African vision for sustainable development is necessary and that NEPAD provides the platform for the common vision and for policy debate.

NEPAD is couched in terms of a "pledge" by African leaders, based on a common vision and conviction, to eradicate poverty and embark on a new growth path of sustainable growth and development. NEPAD is not the first common vision for socio-economic transformation by African leaders. However, the chances of a successful implementation of NEPAD are considered good, due to the comprehensive analysis and diagnosis of the continent's economic, social and political reality, and the overarching policy framework for addressing the challenges at national, regional and continental levels (UN Report 2005). In addition, compared with earlier initiatives, NEPAD has greater support from African institutions. Political backing and support is indicated by the increasing number of democratically-elected leaders in the NEPAD political leadership – more so than when, for example, the Lagos Plan of Action was adopted a quarter century ago. For the UN Advisory Panel, NEPAD is attractive because of the common vision of the African leadership to tackle development challenges and its attempt to establish a new, sustainable growth and development path.

NEPAD AS NEO-LIBERAL

The critics, mainly African intellectuals, claim that NEPAD is driven by a neo-liberal (neo-classical) economic framework and that it further entrenches the structural adjustment policies (Okuku 2005) of the World Bank. It is argued that NEPAD's socio-economic framework caters for foreign interests and the interests of capitalist classes and that resources for development are thus misdirected to private interests. Further, NEPAD accepts the neo-liberal principles of free trade and a limited role of the state in the domestic economy.

Adesina (2004) argues that the neo-liberal discourse, with its focus on the market and on individualistic self-interest, has misread the African development crisis. As the African crisis is multi-dimensional, this neo-liberal framework cannot provide a proper diagnosis and treatment. International control over African economies is reflected in continued donor dependency, declining terms of trade and budget deficits. As a result, African economies are forced into policy choices that make them vulnerable to global instability.

The cornerstone of this critique is the contention that there is a contradiction between neo-liberal macro-economic objectives and poverty reduction objectives (Adesina 2004:15). Privatisation, a key instrument in the neo-liberal framework, is not in the interests of the poor and is used to promote corporate interests. Instead, it is argued, the state must remain central in development and the global arena. Clearly, the critique emphasises that NEPAD programmes and initiatives are mismatched with the development challenges of the continent. NEPAD has not been able to develop an appropriate strategy because it is based on an incorrect ideological framework.

NEPAD AS FUNDAMENTALLY FLAWED

Another critique highlights NEPAD as alien to the African public and not supported by civil society. The NEPAD process is based primarily on reliance on outside help and that the promises by the developed world have not materialised. NEPAD has sold out Africa to the International Monetary Fund (IMF), World Bank and World Trade Organisation, and the leadership of NEPAD is fundamentally pro-Western. In addition, NEPAD has been co-authored by pro-structural adjustment fundis. As NEPAD does not tackle these structural adjustment supporters, it fits into the neo-liberal framework (Bond 2001:3). To make matters worse, "NEPAD, pronounced 'kneepad', signifies the cushion African leaders will need as they stoop and grovel for more handouts" (ibid.).

This critique is a direct response to NEPAD's emphasis on building international partnerships, while questioning African ownership of the programme. Nepad's focus on governance indicates the prognosis that the African state is at the core of the crisis and is constraining the private sector and suppressing competition and hence the market mechanism. NEPAD's socio-economic framework is further regarded as being based on a flawed diagnosis as it calls for a "market economy" and is silent on the role of the state in African development and economic transformation (Okuku 2005:24).

It is also claimed that the NEPAD notion of partnership is flawed, as Africa's engagement with its partners is meaningless and discredited. NEPAD should instead question the power relations between Africa and the developed world. Okuku also contends that the neo-liberal framework visible in NEPAD ignores historical lessons.

The critics argue that the transformation agenda of NEPAD is inappropriate as a result of "blurred vision" and "fixing its sights on increased global integration and rapid private sector growth as the answer to overcoming poverty, and by its failure to engage with Africa's people to transform the continent" (South African Council of Churches 2002). Further, its emphasis on corruption and governance as the root cause misdirects attention away from the real causes of the African crisis, namely, "the workings of the international economy and capitalism. As a result, NEPAD calls for more of the ravages of the free market, along with a plea for more aid and equitable trade relations" (Povey 2002).

Both critics and proponents, however, agree that NEPAD has placed Africa at the top of the global agenda and has generated debate on the appropriate model to transform the African continent for sustainable and equitable development and growth. While there appears to be consensus that the NEPAD socio-economic programme has brought the African development agenda to the fore, the programme focus has seen mixed reactions.

Critics claim that the programme is not aligned to the causes of the development crisis. The NEPAD strategy to tackle underdevelopment through market-oriented economies, greater integration of African economies into the world market, the development of an African entrepreneurial class, the building of a strong and competitive economy and the dependency on aid is inappropriate. Hence, the developmental model informing NEPAD is rejected, as well as the motivation underlying the NEPAD priorities. In addition, a major shortcoming is that NEPAD does not address the adverse effects of globalisation (Nyar 2002).

NEPAD'S SUPPORTERS

Reactions in support of NEPAD, on the other hand, support the socio-economic strategy: "NEPAD may not find favour with all the ideological stalwarts, but it is certainly not a document or process run by international development agencies or other forms of political influence originating in Europe or North America" (Fakir 2005). The 2005 World Bank African Region Report points out that sub-Saharan Africa's slow and inequitable growth has been the cause of the African development crisis. The low growth is the result of low investment levels, limited physical capital accumulation and slow productivity growth. Further, the report finds that growth will depend on better national development policies, well-developed domestic market institutions, greater trade and investment flows (domestic as well as foreign) and international support on debt. The World Bank objectives are to support the attainment of the seven percent per annum growth target set out in NEPAD. The World Bank strategy will include reducing income-poverty by focusing on growth-oriented interventions in private and financial sector development, export competitiveness, infrastructure development and regional integration. The political will and the African political leadership's adoption of NEPAD, and their commitment to improved economic and political governance, provide the basis for the World Bank support.

The 2005 UN Report regards NEPAD as an indication of a consensus with respect to addressing Africa's development crisis. It calls for support of the three major drivers of change: the state, the private sector and civil society. Improving the investment climate for foreign investment is seen as essential to complement domestic private sector growth. The UN Report further supports the NEPAD priority areas of economic diversification and structural change through strategies which enhance trade, exports, investments, regional integration and integration into the global economy. Support for NEPAD is thus support for the socio-economic strategy and programmes adopted and the political will and leadership driving the programme.

Coetzee et al. (2004) bring sharp focus to the debate by noting that economic growth alone will not solve the development constraints of developing countries. They argue for development thinking that emphasises human development, sustainable livelihoods at the local level, survival strategies for the poor, development of capacities and capabilities, addressing unequal development (at international and national levels) and sustained pro-poor growth strategies. The approaches are broad, rich and varied, and the insights and understanding gleaned are crucial in shaping development thinking. This critique brings together the gist of the development thinking and policy approaches of the varying and competing ideologies. These provide the basis for an "eclectic approach" that draws on all these theories, and it appears that the eclectic approach dominates development thinking, intentionally or unintentionally. NEPAD has come to the fore as providing the basis for discussion and, importantly, as providing the "straw-man" for the African development debate and policy and strategy process.

NEPAD'S CONTRIBUTION TO POLICY DEVELOPMENT

What contribution has NEPAD made thus far to development thinking and policy, particularly in finding common solutions and establishing processes which allow for consensus in policy development and positions? This analysis will also indicate how the dialectic between ideas and experience has influenced NEPAD's programme and policy development.

The key themes are economic development, market access and industrialisation, capital flows, the private sector and debt. The 2005 report of the Commission for Africa notes that trade, debt and aid has been the basis for the "contradictory dynamics" in the relationship between Africa and the industrialised world. African trade has been disadvantaged through subsidies in industrialised countries that further decrease world prices, resulting in African economies being unable to compete with the industrialised countries' products. As a result, Africa's share of world trade has fallen from six percent in 1980 to approximately two percent in 2002. Other barriers to trade further constrain African trade, including taxes on goods, tariffs and non-tariff barriers.

The issue of debt has resulted in resentment over debt repayments where debt relief support is seen as a condition for influencing policy. In addition, the fact that Africa spends more on debt service than on basic social service has further increased Africa's resentment. With respect to aid, where Africa has either squandered or wasted aid or has not had the capacity to effectively utilise it, there has clearly been a lot of scepticism created in the international community. However, there is also a call for international donors to address the way aid is delivered and the necessity for mutual accountability in the aid relationship.

ECONOMIC GROWTH

Sub-Saharan Africa continues to present the world with its most formidable development challenge. During the last two decades, the number of poor people in Africa has doubled from 150 million to 300 million, more than 40 percent of the region's population. While it may be difficult at this early stage to quantitatively determine the direct impact of the NEPAD process on economic development in the continent, there are indications that the process is bearing fruit.

The increased GDP on the African continent was led by a strengthening of economic fundamentals, rising commodity prices, expansionary effects of global recovery, and the

restoration of peace in most parts of the continent. After steep declines between the mid-1970s and the late 1980s, growth has increased in a significant number of countries. Since the mid-1990s, 16 countries have had annual GDP growth in excess of 4.5 percent. The Goldman Sachs Report (2005) indicates that sub-Saharan Africa has the potential to achieve annual GDP growth rates of five percent and will be able to increase its contribution to world GDP from 1.2 percent to two percent if the growth rates are achieved. The report also projects growth in investment rates and technical progress or total factor productivity.

The positive scenario for the continent is based on the NEPAD vision, which encourages growth-conducive policies and the objectives of eradicating poverty, embarking on a path of sustainable growth and development and focusing on achieving the Millennium Development Goals (MDGs). While improved macro-economic indicators are not directly correlated with the NEPAD process, most analyses (Goldman Sachs 2005, World Bank 2004, UN 2005) ascribe part of the improvements to the political will, policies and strategies espoused by NEPAD. The NEPAD strategy further takes cognisance that, while economic growth is important, it does not necessarily result in poverty reduction. The experience of Africa indicates that, while economic growth is important, the focus on the poor and vulnerable should be maintained. The emphasis by NEPAD on both economic efficiency and equity is regarded as a key element of the development policy.

MARKET ACCESS

A key element of NEPAD's socio-economic framework is that it brings issues of trade, industrialisation, the private sector, foreign direct investment, monetary policy, overseas development assistance, debt relief, economic policies and other national programmes together in a single development agenda and paradigm (Fakir 2005).

With respect to market access, NEPAD has continued to engage strategically by identifying key trade policy constraints for African countries and by providing technical support. To this effect, NEPAD convened a market access workshop in 2002 to discuss, among other things, the outcomes of the Cancun ministerial conference, with a view to clarifying the outcomes and the impact on African countries. The concentration on productivity gains, market liberalisation and increased competition has resulted in a need to move towards fully-fledged industrial solutions, with a special focus on the 2004 Africa Productive Capacity Initiative (APCI). Africa can enjoy sustained growth of incomes, employment and exports, provided that its enterprises can raise productivity to competitive levels.

The APCI emphasises that raising productivity to competitive levels requires improving industrial capabilities through both "hardware" and "software" strategies. "Hardware" strategies regard infrastructure, financial and technological, as a determinant for competitiveness and increasing levels of foreign direct investment. "Software" strategies emphasise capacity-building and skills development and, simultaneously, emphasise increasing production and economic diversification and improving the competitiveness of the African private sector. The APCI was adopted as the NEPAD component on sustainable industrial development at the July 2004 African Union (AU) Summit, supported by the UN Industrial Development Organisation (Unido), the Conference of African Ministers of Industry (Cami), regional economic communities (RECs) and African governments. Based on a bottom-up approach at the sub-regional levels, the APCI is expected to enhance inter-firm and inter-regional co-operation based on the value chain concept, to promote African comparative advantages, strengths and competencies in global and local production networks.

The issues of intra-African trade and the diversification of economies have also received attention from African trade ministers. Consensus has been reached to address the constraints posed by trade distorting barriers, as well as by non-tariff barriers. The importance of trade-related capacity building has further been taken up and supported by regional activities in trade facilitation. Harmonisation of industrial policies, infrastructure, energy supply, information and communications technology, a conducive regulatory and business environment, up-grading of skills and absorption capacity are critical considerations.

PRIVATE SECTOR

Of significance has been the mobilisation of the African private sector. The NEPAD strategy focused on the galvanisation of the private sector as a key driver in the African development process. In response to NEPAD, the private sector has started to organise itself through the establishment of NEPAD Business Groups in South Africa, Nigeria, Kenya, Lesotho and Egypt. The process has seen the engagement of African business in the NEPAD process and African business leaders have come to the fore in driving the reinvigoration of business on the continent. Small, medium and micro enterprises (SMMEs) particularly are key stakeholders and the NEPAD SMME strategy is in the process of being conceptualised. Small and medium business encouragement has been a critical element of the NEPAD strategy of mobilising the African domestic private sector and investment.

With respect to the sectoral initiatives, the preparation of common positions is taking centre stage. This process aims to involve all stakeholders and the success of having achieved common positions on debt is a case in point. The conference of African ministers of finance in May 2003 highlighted that, in many African countries, domestic debt burden is causing constraints in terms of fiscal sustainability, high interest rates and crowding-out of private sector investment. The ministers critically noted that the World Bank and IMF need to accept that, after 20 years of structural adjustment policies, the continent is still worse off. The result has been the failure to address poverty, promote development and generate economic growth.

AID AND DEBT RELIEF

The capital flows initiative has seen common positions

adopted on the "debt issue", where Africa has taken the position of 100 percent debt cancellation. With respect to official development assistance reforms, the continent has agreed on the concept of mutual accountability and effective and efficient direction of aid. The continent is emphasising a review process reporting on the commitments made. The Declaration on Aid Effectiveness is an important contribution to addressing the challenges of scaling up aid to Africa.

The AU technical process has resulted in a consensus that debt relief should be supported by increased market access to developed economies that would assist in the resource mobilisation and revenue increase of countries to support poverty reduction programmes and achievement of MDGs. The NEPAD programme for the African debt crisis has further been taken up by the AU's call for outright debt cancellation. The AU notes that approximately 48 African countries spend approximately US$13.5 billion every year repaying their debt to foreign creditors and these payments divert resources away from the provision of basics services and undermine African efforts toward sustainable development. Given this major constraint, the AU/ NEPAD has deemed it necessary for Africa to adopt a common position on Africa's external indebtedness and the actions required by Africa and the international community. The aim of adopting the common position was to allow Africa to have the necessary bargaining power in international negotiations as a continent and not individual countries.

The relative successes in achieving common positions on key economic considerations provide an indication of evolving development thinking and policy development. On the economic front, there is the realisation that economic growth is not a sufficient condition for development. Rather, emphasis should be placed on both economic efficiency and equity objectives. Pro-poor policies and strategies are encouraged, together with the focus on an overarching vision for the continent driven by political will and leadership.

Debate and critique are necessary and enrich development thinking and policy dialogue. However, a common vision and development trajectory for the continent is unlikely to be found if dogmatic ideologies and frameworks prevail.

The African socio-economic experience, especially the fact that the continent is the only one to have increased in poverty, indicates that no ideology or conceptual framework holds a monopoly on the truth. It is critical that economic policy and strategy be guided by experience and seek the most appropriate contributions and solutions to the African development crisis.

The common positions on trade, debt and aid demonstrated that these can be found, even given varying theoretical and ideological frameworks. In the process of their formulation, consideration was given to the most appropriate development policies and strategies for Africa. In the focus on trade policy constraints, agreement was reached on the best possible options for the continent. There was also consensus on the key concept of mutual accountability: development policies and strategies introduced should be owned by all stakeholders, with all stakeholders held accountable for the successes or failures of development outcomes.

NEPAD'S PROGRESS AND CHALLENGES

The contribution of NEPAD to development thinking and policy development is visible in the success it has achieved with respect to the socio-economic initiatives discussed in this article. The critique of NEPAD elsewhere, however, indicates that ideological frameworks remain the bases for accepting or rejecting the initiative's capability to address Africa's development challenges. However, it is clear that NEPAD has provided a basis for the reinvigoration of development thinking and development policy on the continent. The fact that a conduit has been provided for African political, technical, private sector, civil society and international institutions to engage in discourse and policy development is, in itself, a critical milestone.

NEPAD follows previous key African development initiatives, such as the Lagos Plan of Action (1980), the African Alternative Framework to Structural Adjustment for Socio-Economic Transformation (1989) and the African Charter for Popular Participation in Development (1990). NEPAD, as the socio-economic programme of the AU, continues to build on these initiatives. The key consideration is whether the NEPAD initiative will address the African development challenges and if not, whether there are alternative initiatives to consider. The challenges facing NEPAD are not only huge but complex. They require that economic growth is addressed simultaneously with obtaining consensus on the development path, ensuring political will and building African institutions. A "home-grown" African response, which allows the continent to drive its own development agenda, is still seen as the major challenge and has been reflected in the critique of the NEPAD programme.

The progress that has been achieved is overshadowed by the challenges that face Africa. However, the importance of maintaining focus on an appropriate development path should be central. Progress is further overshadowed by ideological debates. The need to establish a broad consensus in the African development community is evident in the debate and dialogue that we are witnessing. Debate and critique are necessary and enrich development thinking and policy dialogue. However, a common vision and development trajectory for the continent is unlikely to be found if dogmatic ideologies and frameworks prevail.

The development challenges of the African continent will not be solved by the most recent ideological initiative to have found favour. Rather, relevant contributions by competing ideologies and frameworks should be taken into consideration. Development thinking and policy should take cognisance of ideas and specific experiences and build on

these. Acknowledging different countries' experiences and their specific development challenges further allows for country-specific agendas and policy space, without compromising a holistic development approach for the continent.

The relative successes described in this article bear testimony to the commitment to create an African development initiative that moves beyond ideological tensions. As noted above, there is agreement on the issues of trade, aid and debt. On these issues, Africans at all levels of state, the private sector and civil society, have been mobilised by the AU to establish common positions to address these challenges. These common positions and the related development strategies have been reached by development actors steeped in the competing ideologies and frameworks. The key themes where progress has been made, namely, economic development, market access and industrialisation, capital flows, the private sector and debt are good examples of how ideas and experiences were influential in arriving at common positions.

DEVELOPMENTS IN DEVELOPMENT

The implications for addressing the development challenges of the continent are critical. The importance of consensus with regard to development policies and strategies should be given priority. The African continent requires development policies and strategies that draw on experience and best practice. Development policies and strategies would then necessarily also draw from varying ideologies and frameworks. A key ingredient, when attempting to draw on varying ideologies and frameworks to find consensus, is that it forces the various development stakeholders to engage and to arrive at solutions.

As the examples of success have indicated, obtaining consensus is possible specifically where there is unity about the common cause, namely, the development of the continent. It would be naïve to believe that ideological differences will be eliminated or that these frameworks will not influence development policy and strategy. However, it is clear that Africa faces massive development challenges and that past approaches based on dogmatic ideology have not been very useful. Development thinking and policy must be influenced and shaped by experience, espousing appropriate combinations of competing ideologies and theories, and taking cognisance of the specific economic, social and political characteristics.

The new development perspectives emerging in the debates of African intellectuals are moving forward in important ways. Firstly, African scholars are agreed that there is a clear need to go beyond "stabilisation" fundamentals to "development" fundamentals. While stabilisation policies and measures may be necessary, they are not sufficient. They have to be conceived within the larger context of building a self-sustaining economy rather than as short-term shock therapies.

Secondly, approaches and concerns of political economy on state and society have to be brought back into the discourse on development. Also evident is the importance of seeking solutions that emerge from varying frameworks and being willing to find relative consensus among competing frameworks.

One of the foremost development thinkers on the African continent, Professor Adebayo Adedeji, was quoted as labelling NEPAD a "feudo-imperial partnership", where the objective of NEPAD is "for the African canoe to be firmly tied to the North's neo-liberal ship on the waters of globalisation" (Nyong'o et al. 2002:36). Professor Adedeji presently serves as a member of the APRM Panel of Eminent Persons, guiding and directing the country peer review processes. This is clear indication that intellectual thought need not be constrained by ideological frameworks.

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THE RELEVANCE OF LIBERATION IDEOLOGY FOR NEPAD

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This is an edited version of an article that first appeared in the *Codesria Bulletin*, nos 3 and 4, 2005

SHOULD YE STILL BE SEEKING THE POLITICAL KINGDOM?

Both Nkrumah and Marx insisted that political independence was necessary for colonial societies to enjoy the benefits of modernisation. Almost 50 years after the Sudan became independent, and when the most widespread assessment of African independence is that the political kingdom has not delivered on its promises, we have to ask whether it is prudent to continue separating the economic from the political kingdom.

There is no doubt that inherently racist colonial rule cannot reform itself, that nothing would have changed if the colonial subjects had not revolted. In this sense, Marx and Nkrumah were obviously correct in defining a political proviso for economic modernisation in the colonies. My suggestion is that what was true for development at the national level applies equally at the global level.

After 50 years of African independence (if we exclude Ethiopia and Liberia), the political and economic well-being of the continent's people is undoubtedly in bad shape. The Afro-pessimists who tend to focus only on the history of the presidents have continued to paint a gloomy picture of the "hopeless continent". They have predictably come to the conclusion that Africa was not ready for independence and that, even today, it cannot achieve anything independent of foreign donors and foreign investors. There are many in Africa who have also come to the same conclusion.

But even the presidents have had their moments of effective national development planning. Indeed, even the soldiers have not merely left a legacy of endless genocidal wars, states of emergency and looting of national treasuries. They have also built schools and hospitals and backed the liberation of Southern Africa. Therefore, in order to counter the argument that we have all failed to function independently, it is important for us to know under what situations political independence has been for the benefit of the majority of the African people.

Post-development and post-colonialism may turn out to be the neo-colonialism that Nkrumah warned of, if we all revert back to a colonial situation where the fate of the continent lies in the hands of foreign speculators, missionaries, charities and security companies. It can be argued that there is no reason why foreign investors and donors should not be allowed to play the role of saviour, given that our presidents have failed to do the job, and given that globalisation has in any case nullified national borders, economies and identities. But that is only partially true. Globalisation does not mean an end to local politics, nation-building or anti-imperialist struggles in Africa, but new tactics are clearly required.

The main aims and objectives of NEPAD are at the same time the source of both the hopes and fears of the African people as far as development in a global economy is concerned.

WHAT HAPPENED TO THE POLITICAL KINGDOM?

Throughout the 1960s, African countries gained their independence from European colonial powers. This political episode allowed Africans to have a say in the politics and economic life of their countries. However:

- the colonial-era markets and political communities were greatly weakened by the petty nationalisms of the presidents and their xenophobic nationalisations which,

as Frantz Fanon noted, were quickly copied by the street vendors and cobblers, contrary to the Pan-Africanist agenda
- new international relations were established across the continent and, although links to former colonial powers remained crucial, the United States, Union of Soviet Socialist Republics and China provided alternative partnerships
- the 1960s Development Decade implemented many of the key demands that nationalist governments had listed in their election manifestos in terms of industrial modernisation, but this did not result in the anticipated way out of peasant farming and into proletarian modernity.

The Development Decade was for many African countries marked by a brief period of economic growth, urbanisation, rising wages and falling rural incomes, and unprecedented wealth for the political elites, much of which they wasted on unproductive consumption. Altogether the achievements of the political kingdom – civil liberties, universal franchise, basic human rights and affirmative action – can be characterised as the democratisation of the colonial economy. Limited as it was to levelling the playing field between local and foreign capital, enabling local workers to bargain for a better return on their labour power and even for a redefinition of their place in the global market, this process did not last beyond the first decade.

The political kingdom not only failed to create conditions in which all else could be added unto us, it has actually nullified itself. Essentially, the preoccupation of African leaders is no longer national liberation. Consequently, the class alliances constructed in the 1950s and 1960s have crumbled, and undemocratic political rituals that take up what could otherwise have been development resources are the norm. Since 1989, we can even add a further danger, that being a comprador in ideas and economic policy has become respectable.

Is this faith in open markets justified? The recent G8 conference, where the African demand for "trade not aid" was vigorously countered with a determined fight on the part of the G8 to use the aid carrot to do business with Africa, suggests that the political question of independence is still of paramount importance. Unless that issue is resolved, partnership with Europe will continue to be like the partnership of rider and horse.

CAN NEPAD DELIVER?

Whether we like it or not, the New Economic Partnership for Africa's Development (NEPAD) is the only accepted policy framework around which AU member states are obliged to plan their national, regional and Pan-African development agenda. There is enough liberation ideology in the NEPAD agenda to make the re-establishment of class alliances (national and Pan-African partnerships similar to the anti-colonial liberation movement) possible. But, in economic development more than in political liberation struggles, the dominant role of foreign capital and the attractions of the comprador option for the African elites means that there is no guarantee of any national agenda. This is one battle that the working class may have to wage without the leadership (or even support!) of the elites. So what can NEPAD deliver for the African masses?

The main aims and objectives of NEPAD are at the same time the source of both the hopes and fears of the African people as far as development in a global economy is concerned.
- Like the 1960s Development Decade, the current Millennium Development Goals (MDGs) around which NEPAD is built have the support of the United Nations and enjoy international legitimacy, but they also might end up being imposed from outside.
- By accepting the ideology of trade liberalisation, NEPAD has called the global system's bluff and made it possible to criticise the economic policies of the European Union and US on the basis of their own neo-liberal value systems. But, devoid of Cold War ideological conflict, NEPAD might deprive the African countries of any leverage, leaving them completely at the mercy of Word Trade Organisation negotiations and the goodwill of European or American leaders.
- NEPAD seeks to reverse the demonisation of the (African) state that has made non-governmental organisations, transnational charities and global faith-based associations (the wrongly labelled "civil society") the preferred channels of development aid since the 1990s. But since the state has still not been adequately democratised there is bound to be a rogue state whose refusal to toe the line can be used to hold back all the others.

African rulers can make their partnership with the foreign companies and exclude the rest of society from the agreement, or they can be more national than comprador and continue to struggle for greater access to the global market. It is possible that a comprador option might be more effective than a nationalist one in attracting foreign investment and achieving sustainable economic growth, but the main political challenge is for the urban and rural workers to stake their claims and ensure that they do not continue to be the sacrificial lambs of the debt-servicing state.

The political kingdom is thus not separate from the economic and it is only by making economic demands political – defining water, work, shelter, food and security as human rights – that trade unions, peasant associations and informal sector entrepreneurs can wage a legitimate struggle for the implementation of the UN's MDGs. In the global era, it is probably not profitable to persist in defining development in terms of national liberation. It is necessary for us to think of development in terms of universal human rights, and of supra-national institutions as the guarantor of these rights and not just the post-colonial state as we have hitherto tended to argue.



THE PROGRESSIVE MOVEMENT IN AFRICA

BY PROFESSOR ABDOULAYE BATHILY MP
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This is an edited version of a speech presented to the Progressive Governance Summit, held in Hammanskraal, South Africa, 10 to 12 February 2006. The summit was attended by South African President Thabo Mbeki, British Prime Minister Tony Blair, New Zealand Prime Minister Helen Clark, Swedish Prime Minister Goran Persson, Ethiopian Prime Minister Meles Zenawi, Brazilian President Luiz Inacio Lula da Silva, Pascal Lamy (WTO) and Peter Mandelson (EU)

In the following remarks, I would like to give an overview of the development of the African progressive movement from its inception to the present, and draw some perspectives as to the way forward for our continent. In this regard, I will consider three main periods:

- from the origins to the triumph of the independence movement of the 1960s
- the post-colonial decades to the formation of the African Union and the launching of the New Partnership for Africa's Development (NEPAD) in 2002
- the new dynamics at work and challenges for the progressive movement in Africa.

FROM THE ORIGINS TO INDEPENDENCE

Prior to the European assault on Africa, our continent witnessed a series of important economic, social, political and cultural transformations which were undoubtedly signs of ongoing progress. The work of historians such as Cheikh Anta Diop, Théophile Obenga, Walter Rodney and other social scientists of later generations has given ample evidence about the role of the progressive values of the African traditional culture in changing the pre-colonial social formations of our continent.

I will not go into these considerations here. The progressive movement stems from a vast reaction against the European invasion and colonisation. In other words, the modern progressive movement represents a set of values aimed at the liberation of the African peoples and the regaining of their identities in an ever-globalising world.

PAN-AFRICANISM

Among such progressive forms of organisation, Pan-Africanism stands out as the most prominent. The concept of Pan-Africanism can be understood at two levels, as Imanuel Geiss has defined it:

- an intellectual and political movement among Africans and Afro-Americans who regard or have regarded Africans and people of African descent as homogeneous. This outlook leads to a feeling of racial solidarity and a new self-awareness
- a set of ideas which have stressed or sought the cultural unity and political independence of Africa, including the desire to modernise Africa on the basis of equal rights. "The redemption of Africa" and "Africa for the Africans" were the mottos of Pan-Africanism.

Pan-Africanism developed as a political and ideological movement as early as the 18th century among the Afro-American intelligentsia and the emerging African elites around the colonial strongholds of the west coast of Africa and the Cape Colony in South Africa.

The first Pan-African congress was held in London in July 1900 following the initiative of Henry Sylvester Williams, a barrister from Trinidad and counsellor to what is now Ghana.

From 1900 to the 1950s, the Pan-African movement spearheaded the causes of the African peoples against slavery, racial discrimination, colonial conquest and domination. The writings and actions of the leaders of this early phase of the African progressive movement continue to inspire our present struggles. This is the case for WEB du Bois, Marcus Garvey, Edward W Blyden, PK Seme, Georges Padmore and Kwame Nkrumah.

ANTI-COLONIAL COALITIONS

The large coalitions that led the struggles for national emancipation and independence against imperialist domination and exploitation provide the second historical source of the African progressive movement. These national coalitions were broad alliances between political parties of the left, labour movements, youth, women, peasants and other mass organisations inspired by the progressive values of national liberation, democracy and qualitative transformation of social relations.

In the 1950s, the Pan-African movement and the anti-colonial struggles merged into one and the same historical tide that then British Prime Minister Harold Macmillan called "the winds of change" blowing over this continent of Africa.

Throughout, the African progressive forces have not operated in isolation. As early as the beginnings of Pan-Africanism, they have benefited from the support of advanced elements of Western societies such as abolitionists, anti-racist philosophers and religious leaders. The labour movement and, in particular, the Socialist International, the world communist movement and human rights militants have, in various forms and dimensions, shown support and solidarity to African liberation struggles against colonialism and apartheid.

On the other hand, the African progressive movement has further promoted its cause by developing links with progressive movements in Asia and Latin America. The 1955 Bandung conference, in which African progressive leaders such as Gamal Abdel Nasser, Kwame Nkrumah, Modibo Keita and Ahmed Sékou Touré played a decisive role with their Asian counterparts, accelerated the decolonisation of Africa.

Thus, through Pan-Africanism and the various anti-colonial struggles, the African progressive movement achieved its main objective: to reverse the course of history thus far marked by the initiative of the colonial powers. In the words of Nkrumah, "the political kingdom was sought and won".

By the mid-1960s, most countries had achieved national sovereignty, apart from the Portuguese colonies and the racist strongholds. The dream of the Pan-African leaders seemed to be realised through the launching of the Organisation of African Unity in May 1963 and, subsequently, its Co-ordinating Committee for the Liberation of Africa.

THE PROGRESSIVE MOVEMENT IN THE POST-COLONIAL ERA

During the period following independence in Africa, the progressive movement went into rapid transformation – unfortunately, not for the best in many ways.

Undoubtedly, in some countries where progressive parties led the independence movement, attempts were made to translate the vision of national economic and cultural empowerment into government programmes and actions. However, such experiences were short-lived for several reasons. Some such regimes collapsed under the pressure of internal contradictions and the effects of the Cold War. Most of them were replaced by military dictatorships. Others survived only at the cost of abandoning the progressive values that they had advocated in the previous period.

In most countries, the broad anti-colonial coalition broke up, giving way to dictatorships, personality cults and the rise of state nationalism at the expense of Pan-Africanism. The common vision among party members for national liberation, unity and economic advancement was replaced by tribalism, ethnic solidarity and other sectarian affiliations. Most positive gains of the anti-colonial struggles were lost during the 1970s to the 1980s.

At national and regional levels, African progressive movements underwent an era of fragmentation and disastrous ideological divisions, which weakened them individually and collectively. Those tendencies affected even the mass movements. Under the circumstances, the ideals of unity and solidarity were upheld and promoted only by the liberation movements in the Portuguese colonies and the countries under racist rule.

While these changes were affecting the African body politic, the economic base was also undergoing crisis. In most cases, progressive movements which seized state power did not come up with innovative economic policies. The continuation of colonial modes of production in the new international context worsened the living conditions of the people at large. It looked as if the African progressive movement was better equipped to win political and military battles against colonial regimes than to invent an alternative economic and social framework for the new sovereign state.

The imposition of structural adjustment programmes by the Bretton Woods institutions, from the mid-1980s onwards, led to the further destruction of the African social fabric, as shown by conditions of increasing poverty, the collapse of states, social and political conflicts leading to civil wars and so on.

One major consequence has been the dramatic setback for progressive forces, at both the ideological and organisational levels. Resistance to this has been led in most countries by small underground groups and rising civil society organisations.

AFRICAN PROGRESSIVE MOVEMENT, AFRICAN RENAISSANCE

The combination of these protest movements with the changing world scene, notably the demise of the Cold War, has given new opportunities to the African progressive movement since the 1990s.

The democratisation process has given legal life to new political parties of the left in many countries. The collapse of apartheid has qualitatively changed the political atmosphere in South Africa, in Southern Africa and beyond. In other sub-regions, new national coalitions with progressive agendas were able to replace decade-long dictatorships and de facto one-party systems. Some such left political parties, from the classic left and the liberation movements, joined the Socialist International. Many others remain outside that umbrella organisation.

The general mood among African progressives tends to seek a new initiative aimed to bring the various organisations together at a continental level and on a regular basis to

exchange their views on the present state and the future of Africa. There is no doubt today that there is a need to rebuild the African progressive movement, to chart out a common vision and a coherent approach, and to address the challenges facing our continent at national, sub-regional, regional and international levels.

It is necessary to link up with the progressive movement in other parts of the world, with the objective of reconstructing a more human world. However, it seems to me that the African progressive movement can be a meaningful partner on the international scene only if we first come together and put our own house in order.

We must challenge the conventional wisdom that worships markets and tends to oppose individuals and communities, individuals and states, freedom and security.

THREE CHALLENGES

Three other major challenges can be identified.

One is the need to articulate new development paradigms that could provide alternatives to the neo-liberal dominant ideology. Some conceptual and theoretical frameworks have been proposed during the last 15 years, including the "human development" and "human security" concepts, which bring to the fore the need for people-centred approaches to change. However, further elaboration is needed, as well as the tools, methods and processes to put them into practice.

Another important challenge is to revisit the notions of "democracy" and "citizenship" in a globalising world. These are quite loaded, as we all know, and, to a large extent, they have grown up and matured in a European landscape. While some of the values embedded in these notions can be held as universal, the one-size-fits-all approach is not appropriate. Indeed, it has presented severe limitations and has even been counter-productive when seen as an imposition of so-called "Western values" on societies whose historical trajectories have been quite different. How to acknowledge and value the diversity of historical experiences? How to democratise the democratisation processes which are underway? These are certainly critical issues.

A third challenge that progressives must tackle is the need to build strong developmental states. Let's face it – it will not be possible to solve the problem of global poverty solely through reliance on the market. And we must challenge the conventional wisdom that worships markets and tends to oppose individuals and communities, individuals and states, freedom and security. That brings me back to the first challenge I identified: the need to develop alternative paradigms.

It seems to me that the renaissance advocated by President Mbeki will help us rise to the above-mentioned challenges. But it also seems to me that the vision for the African Renaissance will stand a greater chance of becoming reality if it is owned, not only by a few governments, but by progressive political parties and mass movements at national and continental levels.

Last, but not least, at a time when the different regions of the world are strengthening their capacity by forming economic and geopolitical blocs to compete successfully, the African progressive movement is faced with a similar challenge. The need to rebuild societies, communities and nations, to eradicate poverty by, among other things, empowering the poor and underprivileged, requires urgent action on our part. By building unity and solidarity among the African progressive organisations, we shall contribute to the redemption of Africa.

IMPERATIVES OF TRANSITION IN NIGERIA

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First presented at the Ralph J Bunche International Affairs Centre, Howard University, 16 March 2006

There have always been attempts, both in recent times and in our not so recent past, to make a distinction between those who stand at the barricades seeking change in their quest for a better society and those who wield power in politics in defence of the state. Indeed, theories have been propounded about state-society relations deepening the difference between civil society and political society.

Activists are often seen as occupying the moral high ground, irrepressible in their campaign for what they believe in, often living in utopia in the quest of the unattainable, and generally cantankerous and obstinate in the pursuit of their beliefs. Politicians, however, are seen to be janus-faced – on the one hand, charismatic, visionary, fascinating and sophisticated; and on the other, repulsive, cynical, calculating and opportunistic.

My own interest is not to indulge in any deep philosophical or political arguments about these distinctions but to simply explore, based on my limited experience, the possibilities of harmony in this pseudo-dichotomy, and to explain that this pattern of categorising people is at best a luxury and at worst irrelevant in our setting.

ACTIVISM AND POLITICS: A PSEUDO-DIVISION

I am going to suggest that this pseudo-divide of activism and politics has impeded our abilities to connect with each other and work together towards a more positive future. I am convinced that structuring actors on the basis of either/or and us/them, with one or the other being valued more, leads to domination. We need to try as much as possible to avoid such separation and fragmentation, and work towards community and cohesion.

Consequently, I intend to argue that politics, properly conducted, is a form of social activism and another stage in the struggle to restore the dignity of humankind and in the quest to make a fundamental difference. Between activism and politics, one should see an integrated continuum rather than discretely compartmentalised oppositional phenomena.

Activists have always occupied that realm between the household and the state populated by voluntary groups and associations and sharing common interests. While largely autonomous from the state, they often promote core values that are consistent with what the state ought to stand for: participatory involvement, transparency, accountability, openness, ownership, legitimacy, equality of opportunities and respect for fundamental human rights.

Activists and politicians are often asked the same question: "Why, with all the callings in this world that could perhaps earn one considerable social, financial and personal security, would anyone want to go into something like activism or politics, particularly in a setting as dangerous as Nigeria, unless one has a death wish?"

When we the people withdraw our trust in leaders or discountenance politicians, we make our democratic institutions less effective and risk making ourselves ungovernable.

The unvarnished truth is that many activists and, I believe, even politicians love life too much to want to celebrate death. Many activists who make a transition into partisan politics have probably done so for the same reasons that they embraced activism. It was not aimless boldness that drew many into activism. It was often a desire to live their lives in freedom, peace and in a democracy that transformed ordinary folks into bold activists against all forms of oppression and in the service of their communities.

TO MAKE A GOOD SOCIETY

This is why, perhaps, the issue should not be one of transition from activism to politics, but rather the extent to which we are able to achieve citizen participation in our democracy. Our discussion should really focus more on the making of leaders and citizens in a good society, because without direct citizen participation the legitimacy of our political institutions will continue to decline.

It is for this reason that I strongly believe that political leaders – be they politicians or activists – should worry: because their ability to lead effectively is being seriously undermined by the desertion of average citizens from the public space and is deepening the crisis of legitimacy in our state. Yet, this lack of legitimacy cuts both ways. When we the people withdraw our trust in leaders or discountenance politicians, we make our democratic institutions less effective and risk making ourselves ungovernable.

While politics may have lost its edge globally – suffering a decline, apathy or disinterest – it is also true to say that activism is on the rise in the form of single-issue pressure groups which have continued to thrive around the world, whether in the form of campaigns like "Make Poverty History" or the promotion of an international rights regime in the form of an International Criminal Court or a fair trade regime.

Yet even these popular campaigns still suffer from certain limitations in a world that is essentially statist and in which citizens' rights are better protected locally, even if we subscribe to universal ideals. In our case, it is the belief that another Nigeria is possible, one that embraces democracy, fairness, equity and justice and the possibility to say what we like, write what we think, participate in the political process without fear of intimidation, and make our votes count so that our views will matter. These are the beliefs that have continued to propel the activists that I know in the struggle for a better society.

NIGERIA AFTER DICTATORSHIP

But let me back up a little and locate this discourse within the context of our recent history in Nigeria, as it concerns the relationship between activism and politics in Nigeria.

Many will recall that with the sudden demise of the dictator, General Sani Abacha, in June 1998, things had begun to look up for the country. We saw the end of military dictatorship in sight. Those of us who were involved in the campaign to restore the mandate of Chief MKO Abiola, the winner of the annulled election of 1993, had expected that it was only a matter of time before Abiola was installed as president and for him to convene a sovereign national conference.

Our focus at the time was not elections, but the institutionalisation of a fundamental restructuring of the Nigerian state. The strategy in the democracy movement was to put pressure on the new military leadership to release Abiola and install him as president. The new military leader, General Abdul Salam Abubakar, was seen as a commonsense choice amid a largely obdurate military clique determined to maintain the status quo.

Clearly under pressure both locally and on the international scene, he made every effort to win the confidence of the civil society movement by releasing jailed leaders and requesting exiles to return home. And then, all of a sudden, Chief Abiola died and this threw us into a deeper quandary in the democracy movement and the country tilted on a precipice.

To arrest the religious and ethnic polarisation that had surfaced, General Abubakar went for elections, even at a time when many felt the national question had gone beyond simply organising elections and putting people in authority. Yet, because the military was so despised, this decision, coupled with the sudden death of the most legitimate spearhead of our struggle, increased the popular urge for "anything but the military", a mood which we shared but which equally caught us unawares in the democracy movement.

TO BOYCOTT OR NOT

In the ensuing confusion, the central question for us in the democracy movement was the following: should the democracy community and the human rights movement participate in or boycott the transition programme announced by General Abubakar?

After extensive deliberations, we agreed that the new dispensation required new strategies, which should reflect a balance between principle and pragmatism. Some expressed strong views that the democracy movement's capacity to influence change would be severely limited if it decided to boycott the transition programme. Equally, others felt that getting involved in the military-directed transition would amount to a betrayal of the last bastion of the people's defence against oppression – especially as the professional politicians were eager to return to "business as usual" with the military, without addressing the root cause of the governance crisis in the first place.

In the end, there was no consensus on the way the pro-democracy movement should proceed and we only agreed that individuals could participate while letting political groups stay out of the fray.

My own sentiment was with the latter group since I believed that the path, players, processes and patterns of the transition adopted by General Abubakar could only result in neo-militarism rather than a civilian, democratic dispensation. At the time, many of us were fond of saying that the path we were treading was one of transition without transformation.

We often argued that it was wrong to suggest that any opening after Nigeria's prolonged authoritarian rule was inherently irreversible and would lead to the deepening of democracy without interrogating the nature of the opening itself. We felt at the time that we needed to think more carefully about the implications of what we considered to be a stage-managed democratic transition, especially in a setting where the ethos, language and character of public discourse remained completely militarised.

Looking back, the civil society leadership may have been correct to be cautious about embracing the military transition of 1999, but I now believe we were tactically wrong for completely eschewing participation in politics.

The fact that the military had not responded to a full-scale defeat by the democracy movement could hardly be discounted in understanding the nature of post-military governance. The eventual dominance of the party hierarchy by retired military generals and civilians closely connected to them certainly set the tone for party formation and also resulted in authoritarian presidential governance. Essentially, the nature of that transition ensured a mere reconfiguration of the political space, rather than a transformation of politics.

DEMOCRACY WITHOUT DEMOCRATS

Given this context, the eventual election of an ex-military general with significant support from the military constituency was seen by many of us in civil society as an extension of continued military rule. The fact that most of the governors elected (save in the South West) were all what we referred to derisorily at the time as "Abacha politicians" was further confirmation to some of us that we had no business being involved.

Yet, even with all of this, we could have started the process of organising along political lines, rather than agonising about the dominance of these elements. After all, we were the ones who had risked our lives to fight for the restoration of democracy in Nigeria – only to vacate the space when power was literally lying on the streets. Indeed, as Nigeria's Nobel Laureate Wole Soyinka recently noted,

"[O]ne ceaseless complaint against the democratic movement is that its protagonists carried out this struggle at immense personal sacrifices of varying dimensions, only to hand over future responsibilities to proven reprobates and opportunists ... whatever self-retiring principles may have governed the impulses of a number of us in that struggle ... we have indeed left the field to brigands, parasites and unworthy custodians of power and authority, including even collaborators, that is, those who have not only made such struggles necessary in the first place, but contributed to our personal woes, and even stained their hands with the blood of our fallen comrades" (2005: viii).

So, we ended up having a democracy without democrats and the result is clear before our very eyes. In spite of the current government's best effort, the crisis of governance remains deep-seated. Yet, for many of our citizens, democracy was supposed to bring the end of military dictatorship in form and content. They hoped that it would bring greater involvement of ordinary people in politics, whether in state institutions or in civil society. They hoped for real and immediate dividends in employment, clean water, better shelter, accessible healthcare, improved education, reliable and consistent power supply, rehabilitated roads and food on the table.

Real leadership ought to involve motivating people to solve problems within their own communities, rather than reinforcing the overlordship of the state over its citizens, and to build and strengthen political institutions that can mediate between individual and group interests.

Beyond electoral democracy, though, it was also obvious that the nation-state had become a source of unending conflict itself. Many Nigerians of unquestionable nationalist credentials had begun to question the very viability of Nigeria, especially if left in the hands of a centralised state. Constitutional reform was therefore seen as a major pivot for creating and sustaining the democratic institutions that could address deepening conflict in Nigeria. To our people, the rising disquiet in the Niger Delta and other parts of Nigeria, for example, may not be a sign of a failing democracy but a sign of a maturing democracy that is conflictual and contradictory – and which should find its own level through mediation, deliberation and negotiations.

APPROPRIATE LEADERSHIP

Although the challenge of reforming the state is fundamentally structural, the issue of leadership – particularly how we conceptualise leadership – is central to it. For too long, our political culture has perpetuated the myth that strong leaders can bring about change single-handedly, rather than converting the formal authority derived from their electoral mandate into a process of democratic renewal.

In my view, real leadership ought to involve motivating people to solve problems within their own communities, rather than reinforcing the overlordship of the state over its citizens, and to build and strengthen political institutions that can mediate between individual and group interests. The authoritarian residue of politics over the last seven years has achieved the purpose of turning many away from politics, even if they are still active in their neighbourhood associations and their community projects. The main challenge of political leadership therefore is to reconnect democratic choices with people's day-to-day experience and to extend democratic principles to everyday situations in citizens' communities and constituencies.

Understandably, if you make political discourse more negative, as some do, you deliberately turn ordinary people off politics: more people grow cynical and stop paying attention to politics. This experience is not unique to us in Nigeria. In fact, it is the crisis that democracy is experiencing all over the world, with low turnout at the polls and scant regard for political leaders. Yet, if we as citizens choose not to play a part in the process of activism in our communities and our state, we will get the politicians we deserve and allow the hijack of the political realm by special interests and ethnic jingoists only keen for the promotion of their narrow agendas.

BRIDGING THE GAP

To avoid this problem, many of us in Nigerian civil society sought the middle way after the election of the new government in Nigeria in 1999, even as we were lukewarm about the dawn of electoral democracy in the country. We put the skills that were abundant in civil society to the service of the new government as a way of helping to bridge the gap between civil society and an elected government.

At our own level, in my institution, the Centre for Democracy and Development, we became associated with government at several policy and practical levels: assisting with the shaping and running of the Human Rights Violations Investigations Commission (the Oputa Commission); promoting an agenda for constitutional reform; helping with the reform of the security sector and democratic control of the defence and security establishments; building civil society capacity and pursuing issues of transparency and accountability.

Our point was always that democracy is not an abstract concept. It must be relevant to people's lives. If democracy is not capable of curbing corruption, guaranteeing transparency and improving people's well-being and quality of life, it is at best an empty concept, at worst a sham. Poverty and despair, oppression and humiliation, economic and social insecurities are breeding grounds – even if not the only reasons – for violence and conflict and, as much as Nigerians want democracy, they also want to see concrete evidence of democracy making a difference in their lives.

My experience of working with government over the past seven years as an outsider looking in is captured by the African adage that it's not possible to shave someone's head in his absence. The wheel of government bureaucracy turns very slowly, and frustratingly so if the central actors are not alive to issues of transformation.

No matter how good the policies formulated by outsiders are, implementation is key to transformation. It is for this reason that those who want to re-draw the map of

Nigeria's future must return to more solid ground rather than tie themselves to the apron strings of power-holders that neither have a track record nor demonstrate a vision that is better than what we can offer our people. This solid ground must be within a larger movement, though, one that accommodates the place of political institutions and not simply the celebration of astute individuals as the ultimate panacea to our crisis of governance.

The most practical way to link individual choice to collective responsibility is to participate in the institutions that influence our lives. We must ensure that formal and informal institutions are democratised and given more responsibilities for exercising state power. To do it well, we have to see Nigeria as a permanent enterprise that has to be fought over and restructured in order to provide cover for all Nigerians.

AN ECOLOGY OF DEMOCRACY

This is why I see the debate about whether activists should become politicians as superfluous. Important as they are, the institutions of direct state power and electoralism are just the tip of the iceberg in the democratisation complex. Indeed, genuine democracy ought to rest on a much richer ecology of associational and organisational life and should be nourished and reproduced through everyday struggles of the citizens. But when we broadly define this everyday struggle as simply the handiwork of "civil society", we strip it bare of its spontaneity and deeper meaning, and romanticise civil society as the rationally ordered, codified and all-knowing alternative to government, and overplay our abilities as activists to counter the inherent inequities of class and markets.

It is the audacity of hope and the determination of optimism that led us to resist the military oppression in our land because of our belief that another Nigeria was possible.

Even worse, we are presented, or we present ourselves, as antidotes to globalisation, which is why causes like "Make Poverty History" have been hugely successful in form but exaggerated in their expectations. The reason for this crisis of exaggerated expectation that activists suffer from is not hard to find. The truth is that, as long as we live in the post-Westphalian world of sovereign states, we exaggerate the ability of civil society to stand up to the power of the nation-state or the mega-corporations on its own steam.

DON'T AGONISE, ORGANISE

This is why I am not sure that the current deficit our democracy is experiencing can be solved with posing activism as a counterpunch to politics. For autonomous institutions to play a different role in mediating citizens' democratic choices, their organic development must be combined, in a more nuanced manner and a more systematic way, with the use of public and state power. The choice is therefore simple: one can continue to snipe on the fringe and complain that government is not listening to the yearning of the people. Alternatively, one can stop agonising about missed policy opportunities and organise in a manner that places citizens as drivers of change in our quest to restore communitarian values and a future of hope and possibilities for our people.

I know the world sees us – Africans – as incurable optimists and hope-mongers. The *New York Times* (5 March 2006), attempting to unravel the roots of the consistent optimism of the average African, asked for my thoughts and I argued that, while it may be difficult to find a verifiable basis for our collective and individual optimism amid unremitting misery, hope is God's last bastion for the African, the evidence of the unseen future of a life more abundant, since, for many, things can hardly get worse than they are.

Yet, this is not bleary-eyed optimism. It is not the optimism that believes that the crisis of governance in our land will go away. It is not the hope that we will all be winners of million dollar lottery tickets today.

I am talking about the hope of our founding fathers in the struggle for independence and freedom and their unshakable belief in our inalienable right to rule ourselves. It is the hope of the freedom fighters resisting apartheid and racial discrimination in southern Africa; the audacity of hope and the determination of optimism that led us to resist the military oppression in our land because of our belief that another Nigeria was possible – one that would be accountable to its citizens, legitimate in their eyes, transparent and respected around the world; the hope that allows us to hold our heads high, proud of our accomplishments and contributions to humankind – the hope that help is on the way.

I believe we can revive the state in a qualitative manner and make democracy more meaningful to our people, provide jobs for the jobless, improve healthcare, modernise agriculture and reclaim our young people from a future of violence, decadence and despair, by linking activism to politics and not drawing artificial divisions. It seems to me a self-evident truth that where there is no civil society engaged actively in social activism and the promotion of core values in society there can be no political society, and so the state runs the risk of decay and illegitimacy. Renewing our democracy through the strengthening of institutions and public participation increases our collective capacity to tackle the major problems facing our society – with a corresponding achievement of individual contentment even as we pursue the common good. This is where we ought to be headed and I am convinced we will get there in our lifetime.

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TOYOTA SOUTH AFRICA

A 'TRUE TO SOCIETY' CORPORATE



TOYOTA

THE FOCUS OF THE TOYOTA SA'S SOCIAL INVESTMENT PROGRAMME IS BOTH INTERNAL AND EXTERNAL WITH EXTERNAL BENEFICIARIES BEING COMPETENT AND DESERVING CBOS, NGOS, SCHOOLS, INDIVIDUALS OR GROUPS MAINLY LOCATED IN GEOGRAPHIC AREAS WHERE HIGH CONCENTRATIONS OF TOYOTA EMPLOYEES LIVE. TOYOTA SA IS COMMITTED TO DEVELOPING SOCIAL DEVELOPMENT PROGRAMMES TO UPLIFT AND EMPOWER LOCAL COMMUNITIES IN ITS AREAS OF INFLUENCE. THE PILLARS OF THE TOYOTA WAY ARE MOST EVIDENT IN THE ADOPTION AND APPLICATION OF THIS PHILOSOPHY TO COMMUNITY DEVELOPMENT INITIATIVES THAT TOYOTA SOUTH AFRICA SUPPORTS. THE FOUNDER OF THE TOYOTA MANUFACTURING CORPORATION (MR SAKICHI TOYODA) AND THAT OF TOYOTA SOUTH AFRICA (DR ALBERT WESSELS) HAD VERY STRONG VIEWS THAT PROVIDED A COMPASS FOR COMMUNITY DEVELOPMENT INITIATIVES.

TOYOTA SA'S SOCIAL DEVELOPMENT STRATEGY AIMS TO ADD VALUE TO SURROUNDING COMMUNITIES, THROUGH FOCUSED AND SUSTAINED INTERVENTIONS. CSI PROGRAMMES PRIMARILY FOCUS ON:

- EDUCATION;
- SKILLS DEVELOPMENT AND LEARNERSHIPS FOR THE UNEMPLOYED, PARTICULARLY THE YOUTH AND WOMEN;
- SMME DEVELOPMENT AND JOB CREATION;
- ENVIRONMENTAL MANAGEMENT PROGRAMMES;
- HEALTH AND WELFARE; AND
- DONATIONS TO THE POOR & INDIGENT.

Toyota SA's commitment into local social development is depicted through the development and implementation of the True-to-Society Philosophy. This philosophy is entrenched in Toyota's global objectives and into its two main pillars - kaizen (continuous improvement) and respect for people. The respect for people philosophy dictates not only the manner and means of respecting cultures and customs, but it also provides signposts for Toyota SA's contribution in socio-economic development through corporate endeavours in the communities in which Toyota operates.

To achieve its economic goals and objectives without sacrificing its social development initiatives, Toyota developed policies that help the company in mapping out and driving these initiatives. The Toyota South Africa Social Investment Policy of 2005 defines procedures and systems for the Corporate Social Investment Programmes within Toyota South Africa. The policy ensures that efforts and expenditure are effectively and proactively coordinated and managed to the best advantage for the company, beneficiary communities and the greater community in which Toyota SA operates.

It is through Toyota's proactive community engagement, relations and partnerships that local communities have a better understanding of the focus of the CSI programme and that the company better understands the role of CSI in communities. This understanding has translated into numerous community driven initiatives whereby community-based organisations, governmental and non-governmental organisations are critical cogs in the wheels of community interaction, project conceptualisation and implementation.

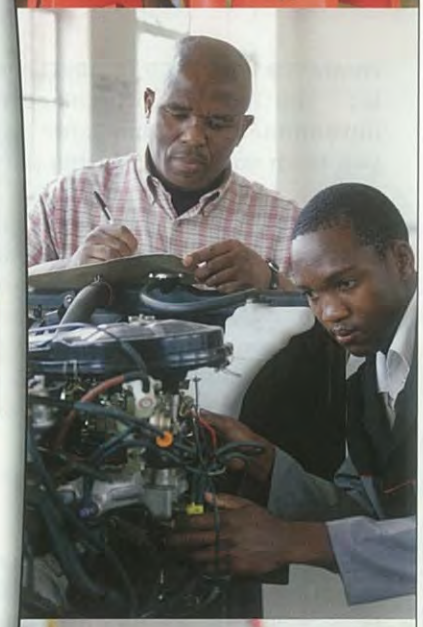
Using local socio-economic policies as a guide, Toyota SA's social investment programme places high priority on supporting a number of sustainable and innovative projects identified by local communities. As a result, particular emphasis has been placed on youth and women, with a view to empowering them to be independent, self-reliant, and ultimately to be contributors to the wellbeing of society through focused drives to boost skills development within the country.

TOYOTA'S OWN NEED FOR A SKILLED WORKFORCE PRESENTS A PERFECT FIT WITH THE NEED FOR SKILLS DEVELOPMENT IN THE LOCAL COMMUNITIES, AND THE COMPANY HAS THEREFORE CHOSEN EDUCATION AND SKILLS DEVELOPMENT AS KEY CORPORATE SOCIAL INVESTMENT FOCUS AREAS. TOYOTA SA IS ALSO COMMITTED TO OTHER EXTERNAL SKILLS DEVELOPMENT INTERVENTIONS. THESE PROGRAMMES INCLUDES AMONGST OTHERS:

- HIGH SCHOOL ASSISTANCE FOR EMPLOYEES CHILDREN
- ENGINEERING GRADUATE TRAINEE PROGRAMME
- IN-SERVICE TRAINEE PROGRAMME
- TECHNICIAN/MECHANICAL/MECHATRONICS LEARNERSHIPS
- APPRENTICESHIP TRAINING
- TOYOTA TEACH PRIMARY SCHOOLS PROJECT
- TOYOTA TECHNICAL EDUCATION PROGRAMME
- TERTIARY BURSARIES INCLUDING EMPLOYEE'S CHILDREN
- TERTIARY INSTITUTION SCHOLARSHIPS/DONATIONS
- SUBSTANTIAL HEALTH AND HIV/AIDS INTERVENTIONS FOR EMPLOYEES AND THE COMMUNITY







However, Toyota SA's Corporate Responsibility Strategy and Policy does not only address social development issues, but also includes a number of core elements that affectively and effectively describe responsible corporate behaviour and good sustainability practice in a holistic and integrated manner. These elements include issues such as corporate governance and control, Toyota's leadership and management philosophy, human resources practices, EAP initiatives, employee relations, safety, health and environmental management practices, preferential procurement, SMME development, employment equity, acceptable work habits, employment practices, supply chain compliance and marketplace impact.





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TOYOTA

THE REVIVAL OF DEVELOPMENT ECONOMICS

An interview with Jomo Kwame Sundaram (Jomo KS), Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs, United Nations; Chair of the International Development Economics Associates (IDEAs); former professor of economics at the University of Malaya

Ben Turok spoke to Jomo KS at a meeting in Brazil in October 2005

WHATEVER HAPPENED TO DEVELOPMENT ECONOMICS?

BT: You have been involved in advocacy work around development economics for quite a long time. Why have you been so busy with this particular activity?

JOMO: In September 2001, a few days before the 9/11 incident, we convened a meeting in Cape Town to discuss the state of development economics. This was a meeting organised by the United Nations Research Institute of Social Development, and we came away from that with a mandate to set up a network called IDEAs (International Development Economics Associates), of which I became the founder chair. IDEAs has a secretariat, a very modest one, based in New Delhi, closely associated with the Jawaharlal Nehru University there.

BT: But why advocacy? It seems to me that this is not simply a professional association and an academy of economics. It has a mandate to propagate development economics.

JOMO: We in the developing countries have felt very strongly that development economics has been greatly undermined with the developments over the last quarter-century or so: the rise of what might be termed conservative, laissez-faire or neo-liberal economics, particularly in the anglophone world with Thatcher and Reagan coming to power.

There were corresponding developments in major international economic institutions. For instance, this was reflected in the relative decline of the influence of the UN. In the very interesting book called *Ahead of the Curve*, one sees how the UN was leading the field of development economics in the 1950s, the 1960s and, to some extent, even in the 1970s. But this gave way with the discrediting of Keynesian economics and the attack on development economics – for instance, during the mid-1980s at the World Bank. There was a significant purge of the heritage of people like MacNamara and Hollis Chenery who had been very influential during the 1970s. With the relative decline of the UN in the world of development economics, it was largely the World Bank that set the agenda.

Also, with the relative decline of Europe and the United Kingdom, particularly in terms of development economics, and the lack of funding for some important institutions such as the Institute of Development Studies in Sussex, we find that it increasingly became the United States, and academic institutions associated with the US, which were defining what was "legitimate" economic thinking. And so development economics basically came under a number of attacks and eventually it faded in significance, especially in the US – but, as a consequence of influence by the US, in much of the rest of the world.

So we find that in Africa and other parts of the developing world, we tend to be relatively passive recipients of trends which are determined in the US. Development economics in the US was increasingly displaced by "open macro-economics" and "international economics", and it was these two sub-disciplines of mainstream economics which became extremely influential. The main intellectual consequence of this was to displace "development" – growth and structural transformation – as the outcome of economic policies and processes, and instead have this priority of what is deemed to be macro-economic stability, on the one hand, and on the other hand, bastions of macro-economic equilibrium.

BT: Can we come back to that? Most people talk about the debate between development economics and conservative economics as a sort of natural trend. You are suggesting that it goes beyond that: these are not ladies' hats that change in fashion, that actually there is a much more serious foundation to the differences. Is this why you felt it was necessary to start a new organisation to defend the school of thought?

JOMO: We felt it necessary not only to defend a school of tradition, so to speak, but to elaborate it and to further develop it, because undoubtedly the world has changed in the last 25 years, and we are confronted with a whole new range of circumstances.

For instance, I think it would be fair to say that the influence of finance capital, of financial interest, was not as dominant,

say, in the so-called post-World War golden age, through the 1950s and the 1960s. Today, one is not clear whether it is industrial capital or finance capital which is dominant, and many people would insist that the rise of finance, the influence of finance, is partly responsible for these changed circumstances.

Also, the ideological attacks on Keynesian economics and development economics and the corresponding rise of what might be termed neo-liberal economics has had extremely important political consequences, not just consequences in terms of economic policy or economic thinking.

BT: So, this work is actually very controversial, because you seem to be pointing to a political foundation.

JOMO: Extremely. It is fundamentally political and one cannot understand its rise and influence devoid of the political context, not only the political context of the 1980s, associated with the rise of a new liberal right – different from, say, the right of the 1950s of Macmillan, Erhardt and somebody like Dwight Eisenhower who condemned the military industrial complex. We have a very, very different right which emerged during the 1980s and this had significant consequences for economic thinking, economic ideology and especially, for our part of the world, for development economics.

BT: You are saying, basically, that what appears to be an academic discipline, namely economics and certain branches of it, has been very heavily influenced by political forces?

JOMO: Profoundly, and one should also emphasise its important implications in terms of what it has done for the world. The rise of this kind of neo-liberal thinking, for example, has resulted in the perpetuation of policies which have been responsible for three decades of African underdevelopment, for arguably a couple of "lost decades", as the Latin Americans would call it. It has only been in parts of Asia that there have been periods of relatively sustained growth, precisely in those economies with what might be termed heterodox policies – policies which are pragmatic and which sought to address domestic bottlenecks or constraints rather than policies which were driven by ideologies or passions of the day.

BT: But development economics has survived as a trend of thought. Who has sustained it, as a discipline or as a body of thought? For example, we are told, in Latin America they still teach political economy, they teach development economics. Is this where the discipline of development economics has been maintained or sustained?

JOMO: What is called "political economy" is something which I am afraid you might not recognise. The political economy which is taught today is essentially the politics of economic policy-making – not the kind of political economy you have in mind, or even the political economy which relatively middle-of-the-road economists, like Walter Heller in the US, would be thinking about during the 1960s.

BT: Can you unpack this "politics of economic policy-making"? How does it feel? What are the direct parameters? Because Adam Smith called himself a political economist, and Marx certainly.

JOMO: You will find that, in the American Economics Association until very recently, there was almost no discussion of political economy in the last three decades or so. Before that, yes, but not in the last three decades, but it has come back recently.

You will find that in most North American universities, political economy is not part of the economics department. It is in the political science department, and there the focus has been on so-called interest groups, particularly those interest groups which are seen to be compromising an ideal market situation. Let me give you an example. In Latin America, there has been much attention given to trying to understand the coalition of interests which has been in favour of import-substituting industrialisation and, alternatively, the coalition of interests which would be in favour of much more laissez-faire type economic policies. This has been the focus of what is called the study of political economy of Latin America – and, for that matter, other parts of the world as well.

BT: So this has no bearing on development economics?

JOMO: It has some important bearing on development economics, but it is a far cry from what was referred to as political economy in the 19th century in the anglophone tradition, or even the political economy which emerged in the 1960s and 1970s in connection with the discussion of development economics.

BT: Who has sustained this development economics trend in economic thought? Where has it been sustained as a discipline, as a body of thought?

JOMO: The main strength has been in a few parts of the world, usually the larger countries of the South, of the developing world, where there has been a certain degree of local development of development economics that has not been easily eliminated by the new trends. In places like India, this has continued to be important.

In Brazil there are still a significant number of people associated with what might be termed development economics, and in scattered places with less influence in other parts of the world. Another country where there is a significant concentration of development economics with the heterodox bent would be Turkey. But in much of the rest of the world, I am afraid we have to admit that this has been rather weak. So one of our priorities in IDEAs was to try to promote and revive a development economics tradition, appreciating the past as very important, but also beginning to address new challenges which were less significant in earlier periods.

AMERICAN EDUCATION

BT: You were saying that universities throughout the world seem to have succumbed to various political pressures which favoured neo-classical economics. Is that the case?

JOMO: One should avoid making generalisations which are too sweeping, but in Latin America, for various rather obvious reasons, much postgraduate education has been undertaken in North America, so there has been a whole generation of economists – for instance, it is well known that it was the so-called Chicago Boys who were extremely important in formulating economic policy during the extended Pinochet regime there. Likewise, one finds that people of a similar intellectual and ideological bent have been important in many other parts of Latin America, particularly in undertaking the reforms. But their influence, one must add, comes primarily from the influence of, and their positions in, the Bretton Woods institutions, because it is precisely following the debt crisis of the early 1980s that it was possible for such economists to have the extraordinary power and influence they had to impose policies, ostensibly to achieve macro-economic stabilisation, ostensibly to bring about the structural adjustment reforms, which were deemed by them to be necessary to achieve growth and so on, and it was through this kind of influence that it became possible.

There has been an imbibing of North American economic thinking, particularly the emphases on open economy and macro-economics and international economics, which has been most influential as a surrogate for development economics.

We also find that it is precisely in North American institutions that much of the postgraduate training in economics takes place. In the British, European and Japanese traditions, for instance, there is relatively little emphasis on postgraduate teaching of economics, and it is mainly in the US that you have fairly elaborate hoops to jump through – two years usually of classroom work followed by comprehensive examinations which make sure that you have learned the appropriate catechism etc., which then qualifies you to become an economist, and then the training to write three papers of the same mould to demonstrate your knowledge of the dogma.

Now, in Africa it has been quite different. Almost all postgraduate education of African economists has been funded from abroad and much of this funding – even when the donors have been from Europe – has been to send people to the US for graduate education, again for the reasons I mentioned and partly also because of the question of language. One can see the same thing in Asia, particularly the poorer countries.

So one finds, as a consequence of all this, that there has been an imbibing of North American economic thinking, particularly the emphases on open economy and macro-economics and international economics, which have been most influential as a surrogate for development economics as it had developed during the 1950s, 1960s and, arguably, into the 1970s.

BT: So you are saying that the US system of higher education in economics is like an expanding circle, a stone thrown into a pond where the waves go outwards across the world, advocating a particular trend in economic thinking, which has actually flowed right over the rest of the world and had a powerful impact. You wouldn't call it a conspiracy, but it is a consequence of the high-powered programme of studies in the US.

JOMO: Yes, and not only at the higher levels. One finds this increasingly reflected at the most basic levels. If you think about where the early textbooks were written, if you think about the access to textbooks – the relatively cheaper Indian editions, for instance – it is precisely the American textbook publishing companies which have been able to produce the kinds of textbooks which are the textbooks and reference books for much of economics education worldwide. I grew up in a former British colony, for instance, and my main textbook was Paul Samuelson.

And one can think of contemporary equivalents of that in people like Greg Mankiw, who is now the chairperson of the council of economic advisors for President Bush. You find that the influence of the high priests of neo-liberal economics is extremely wide. The most important person in the world today, certainly as far as economic thinking is concerned, is generally considered to be Alan Greenspan. He's certainly far more influential than somebody like President Bush, at least in this particular terrain.

BT: So, is this an example of US hegemony in the field of culture and ideology?

JOMO: Yes, what Joseph Nye would deem to be "benign soft power".

A PROBLEM OF MATHEMATISATION

BT: (Laughs.) That is rather a good phrase. You know the allegation is made that South African universities – at postgraduate level, but perhaps also undergrad – have become departments of statistics and econometrics, rather than departments of economics. Certainly in my experience, postgraduate work in South African universities does contain a very strong quantitative element. Would you say that that is part of this trend you are talking about?

JOMO: No, I would not be worried if the emphasis has been towards a greater familiarity and command of statistical

techniques to analyse data. I think that is not the problem. I think the problem is in the misuse and weak understanding – which is often the case – of what, for instance, cross-country regressions show.

BT: Could you explain what that means?

JOMO: Well, it is a little difficult. For instance, when you are comparing countries at a particular moment in time, or at two particular moments in time, you do not capture very much about the dynamics of what is going on in those countries. When you compare the same country over an extended period of time, one might get a better sense of what has been happening, at least in terms of the epiphenomena.

BT: So, you are looking at long-term trends?

JOMO: Yes. This I think is extremely important, because ultimately the utility of development policy analysis is being able to identify the main bottlenecks or constraints or whatever, in order to overcome them, in order to pursue policies which would realise the intended common good.

BT: But before we go there – I want to stick for a moment with the South African emphasis on statistics and econometrics – you say that as a technique, this is a valuable element of teaching. But does it not displace a deeper understanding of economics, for instance, economic history and, indeed, development economics? Isn't this what is happening?

JOMO: I cannot comment on what is happening in South Africa, but the emphasis on statistical analysis is, in my view, not especially a problem.

What tends to be more of a problem is the preoccupation with mathematics rather than statistics, and the mathematisation of a lot of economic relations. Now, even at this level, at a certain level of abstraction, one can well legitimise it. A whole range of people across the ideological spectrum can use mathematics to abstract and identify simple relations.

Theory is an important part of the training of most economists.

What often becomes problematic is the non-recognition of the implications of doing so. When you engage in abstraction – because that is what is often required in mathematical analysis – the process of abstraction often means that you are making certain assumptions about human behaviour. You are also making certain choices in terms of what you want to look at and what you don't want to leave out of that analysis. And it is precisely at that level that it becomes extremely important to ensure that those choices, those assumptions, are sensible ones.

BT: Sensible, you mean, by reflecting a social reality?

JOMO: Yes, or what is important for a particular kind of analysis which you are trying to do. Now, very often the training is such that you are encouraged to replicate techniques which already exist, rather than understand the basis of those techniques and question whether those techniques are appropriate. Then it becomes a problem, but I would suggest that the problem is not so much in quantitative analysis, but in the underlying theory which is often the problem.

BT: The allegation is that there is no underlying theory – or at least, it is not set out; that students are taught mathematics, logistics, econometrics, and the underlying assumptions are not unpacked.

JOMO: Well, I can't really speak for South Africa, but I think theory is an important part of the training of most economists and I cannot imagine a situation where it has been completely abandoned.

BT: Well, let's take a case of dependency theory. You and I and others, we think that the dependency tradition is a very important one. I am quite sure that Andre Gunder Frank is not taught in South African universities, in economics departments, and I am pretty sure that our students have never heard the word "dependency".

JOMO: (Laughs.) Well, I suspect they've probably heard the world "dependency", but they use it in a completely different sense, to talk about the number of people who are not working, who depend on a number of people who are.

I do think that development economics has developed a great deal since Gunder Frank, and I think there has been a very legitimate debate around dependency theory, and I don't think we should be particularly worried that dependency theory is not the central part of economic analysis. What I think is more problematic is the relatively benign view about a whole number of economic relations which dominates much economic analysis today, and a lack of a healthy scepticism about economic relations generally.

What you find is that economic analysis is valued on the elegance of the ability to replicate a type of analysis which would have come out of the so-called authoritative sectors. So if you can do that in Cape Town, or you can do that in Bombay, you would be patted on the back and given an award by the appropriate authorities.

BT: And you would be admitted to a PhD programme at Oxford?

JOMO: Well, probably not at Oxford ... (laughs).

THE FUNDAMENTALS

BT: Can you say what the essence of development economics is?

JOMO: I think the main contrast of development economics is with the mainstream orthodoxy that has been primarily

concerned with equilibrium. Development economics, as the name implies, is more concerned with process, is more concerned with change than with equilibrium. So this, at the core, is the fundamental difference.

Development economics, as the name implies, is more concerned with process, is more concerned with change than with equilibrium.

BT: Are you talking about what are commonly referred to as the fundamentals, namely, the equilibrium of the financial structure? Is that what you mean by equilibrium?

JOMO: It depends, of course, on the context, but in developing countries, one of the main concerns of policy-makers, especially over the last 25 years or so, has been to fight inflation. This, of course, also reflects the rise of the interests of finance, and financial interests for rather obvious reasons are generally very, very averse to inflation.

BT: Primarily because they lose: if you invest somewhere and the currency is subject to inflation, then you suffer a loss on your finance.

JOMO: Correct. So, some inflation may well be unavoidable if one wants to emphasise growth and the generation of employment. As a consequence of the question of equilibrium, there is a very strong preoccupation with price stability.

BT: That prices should not change over time?

JOMO: Should change minimally over time.

BT: They should not be affected by inflation.

JOMO: The main concern with stability is usually with fighting inflation. There are other subsidiary concerns, but that is the main concern.

BT: What are the other concerns around equilibrium?

JOMO: You would be surprised that one of the two other main concerns, which dominate much of policy, is the balance of payments equilibrium – the relationship between your exports and imports, the flow of capital in relation to that and so on – and, of course, one would think that the biggest culprit in the world today is the US, but nobody is telling the US that it is misbehaving or behaving inappropriately in this regard.

BT: They are in huge disequilibrium on their external account.

JOMO: Yes, and with the rest of the world basically financing the US to continue to carry on like this and it is the East Asians particularly. The second concern has been with fiscal balances ...

BT: This is expenditure and income; balancing them on the budget.

JOMO: Yes, government revenue and spending. The main concern has been to eliminate so-called fiscal deficits, which basically eliminates the main instrument of Keynesian-type policies that might have been deployed for developmental areas, or as counter-cyclical measures in dealing with recessionary downturns.

BT: We were talking about the principal components of an equilibrium policy. In South Africa, we often say "the fundamentals are sound". What are these fundamentals?

JOMO: These fundamentals depend on whom you are talking to (laughs). What macro-economists consider to be fundamental would include these criteria, as well as a number of other criteria. But this would often differ from what, say, people in finance consider to be fundamental, and what people in finance consider to be fundamental would often include much more subjective elements, questions of confidence and so on and so forth.

BT: I would suggest that when the South African government says that the fundamentals are sound, we certainly are talking in the first place about inflation. We are talking about the external balances. We are talking about the savings rate. We are talking about the budget deficit: if it is below three percent then you can say your fundamentals are sound. What else? Money supply?

JOMO: Well, money supply is deemed by many people to be very important for the whole question of inflation.

BT: Because if the Reserve Bank prints money, then it puts money into the economy, artificially perhaps, and this leads to inflationary tendencies.

JOMO: Yes, if you happen to be South Africa. It can be very different if you happen to be another country.

WHAT IS DEVELOPMENT ECONOMICS?

BT: Now, let's rather focus on development economics, because, you were saying, there are differences between the two. If you were teaching development economics, and you stood up in front of a class to give the basic principles of development economics, what would you say?

JOMO: Let me take a step back and suggest to you that we use the word "development economics" in two senses. One is the sense of offering a different perspective on important issues in the contemporary context. But there is a larger sense in which we would distinguish between development economics as an approach to addressing the economy rather than a discipline. For instance, I have

recently edited a volume which argues that we have a development economics discourse which is possibly about six centuries old.

BT: As an approach?

JOMO: Yes, as an approach to considering what is important in transforming an economy. It might be a city-state, it might be a country, a region and so on.

BT: But if you are standing in front of a class as a professor, and the students say to you, "We don't understand, can you please tell us what the fundamental principles of development economics are," you would say, first, it is a different approach. What else?

JOMO: One would recognise that economic relations and processes are basically changing; they are not static. One would be interested in how they could be further changed to enhance particular social ends, and what we would see as desirable social ends.

For example, it might be seen that growth must be desirable. One might also see employment-creation as desirable, because after all you can have jobless growth these days. One might see employment-creation particularly for the unskilled as desirable. Or one might want to reward people who are skilled, so one might see employment-creation especially for the skilled as particularly desirable.

BT: So, these are socio-economic elements of development economics?

JOMO: These are decisions which need to be made in making policy choices.

BT: So, development economics would say: as a government, we want to focus on those elements as the major focus of our economic policy. Is that how you would put it?

JOMO: It is not as if there is a completely arbitrary list of elements which you can choose from. There are certain elements which are considered to be fundamental in any particular economy, which would be the primary focus of analysis – basically the resources which are available, and these resources may be publicly provided or privately provided.

BT: Talking about material and human resources, both.

JOMO: Yes, and perhaps even socio-cultural resources.

BT: So, if you were drawing up a syllabus for a junior member of staff, and said, "I want you to go and teach development economics and I want you to cover the following ground," what would you say to that teacher?

JOMO: I would identify first what the purpose of that course would be. If it would be a course for members of parliament to try to understand what we can do to influence, for example, growth or employment-creation, I would devise the syllabus accordingly. I don't think one can talk about this in the abstract.

The relationship of the realm of the economic to the social and the political would be, of course, extremely important.

Of course, if one is teaching the basics, then one would try to be fairly comprehensive, and in many ways the scope, the coverage, may not be so fundamentally different from the standard economics curriculum. The question is the approach. The approach would be very, very different, and the consequence of having a different kind of approach would be, of course, significant. I would see that as being more important. At least with the heterodox type of development economics which we are involved in promoting, the relationship of the realm of the economic to the social and the political would be, of course, extremely important.

BT: You heard this morning a professor talking about "mathematical economics" and how contemptuous he was of it. Do you agree with him?

JOMO: Well, I must admit a possible prejudice. Before I studied economics, I was basically an engineering type of nerd, and so I don't particularly find mathematics of itself to be as problematic as some people. I think mathematics is a form of abstraction, which has often been deployed to intimidate, and often to obscure relations. But mathematics can also be a useful tool, and the developments in mathematics and the applications of mathematics in economics since I was a student have been quite varied and interesting. Some of them are more interesting than others, some of them more useful than others.

But what, unfortunately – and I think perhaps this is what you were alluding to earlier – what has become extremely problematic is that its process of abstraction is often derived from a certain experience of developed economies, and it also reflects a certain ideology, a certain prejudice if you will, and as a consequence of that, when mechanically applied to other parts of the world, it has this double effect as well – in converse – and this I think is the real problem.

I don't think the problem is that there is the mathematisation per se, but rather the non-appreciation or lack of appreciation of what the mathematics are supposed to be all about.

BT: So, what you are saying is: decision-making in economics in an advanced country like the US has to be intrinsically different to the policies which drive decision-making in a developing country.

JOMO: Yes, and this is why development economics emerged during the late 1950s and in particularly in the 1960s in the first place. It was recognised that growth economics

– the economics of growth which had been developed to deal with, and to try to understand, what was behind growth – was considered to be inappropriate for understanding what was going on in developing countries because of the special circumstances and the structural differences which were deemed to characterise the developing economies.

So, it was precisely for this reason that you began to have a distinctive field, a distinct branch of economics, which is called development economics. But this, as I suggested earlier, was reversed during the 1980s. There were some parallels between the emergence of development economics and the influence of Keynesian economics in the post-war period. To some extent, their downfall in the 1980s was also linked, although I would argue that development economics did not quite face the kinds of problems which Keynesian economics seemed to face in the 1970s when you had this unpredicted phenomenon of stagnation or lack of economic growth with inflation, where the Keynesian analysis had been simplified into this formula of a choice between inflation and growth.

FEAR OF DEVELOPMENT ECONOMICS

BT: Now some people seem to think that development economics is a threat. And, clearly, in the work of your institution, of IDEAs, there does seem to be a sort of "at bay" feeling, or at least that you have to overcome strong prejudice and even fear. Who sees it as a threat?

JOMO: Development economics, as suggested, was largely discredited in North America from the 1980s, and in many places in North America particularly, it has not recovered. In developing countries, development economics has continued and survived, but it has been overtaken by a revival of a new development orthodoxy in the north – again associated with the World Bank, with a changed World Bank, if you will. If the downfall of development economics was associated with the World Bank in the mid-1980s, when certain people were influential in the research department – as suggested by the history of the bank written by Kapur and others – one also finds that from the mid-1990s there has been a revival of development economics, with an exploration of new types of issues.

BT: But who sees it as a threat? Who is afraid of the kind of development economics that you advocate, or that IDEAs advocates?

JOMO: Development economics which IDEAs advocates is seen as a threat mainly politically.

BT: You mean by governments?

JOMO: By governments who see this development economics as providing the intellectual foundations for policies to which they are averse. So, if you look at the debates which were on in international institutions, which deal with the economic matters, often you have a north/south confrontation.

BT: But you say governments are afraid of development economics and this spills over into the universities?

JOMO: I would say that some northern governments are afraid of the heterodox development economics which IDEAs is involved in advocating.

BT: What about southern governments? What if IDEAs was successful and maybe a huge grant came from some institution for the propagation of development economics in all Third World universities? Are there governments in the Third World who would be very careful about that? Do you think the universities would be unhappy?

JOMO: Let's not forget that we are not the only players. In fact, we are a very minor player in the world of development economics. There has been a revival of development economics since the mid-1990s. There is, of course, that branch which calls itself "development economics" but really is advocating essentially what might be called a neo-liberal development economics.

BT: So, they have co-opted your name in fact?

JOMO: Well, they realised that nobody was listening, to open macro-economics and so on, so they basically, rather than just spending too much time rubbishing development economics, they might as well ...

BT: They gave their economics the same name?

JOMO: Yes. So, there is that group. Then there is another group which has actually begun to explore new issues, and often they mean very well. There are people who look at kilometrics, economic history with numbers, people who look at geography etc.

BT: But they would not see the kind of current economics you espouse as a threat?

JOMO: They are now the western gurus of development economics.

BT: But not the same development economics that you espouse.

JOMO: No, not the same.

BT: Here is what I am asking: assume that your kind of development economics is funded heavily by somebody, and your kind of development economics became dominant throughout the universities of the south. Who would find that threatening?

JOMO: I think quite a number of people making policy would very often find it threatening.

BT: In governments and in research institutions, and even in the universities?

JOMO: Probably. You know, we all say that it was Maggie Thatcher who said, "There is no alternative," but unfortunately it was not Thatcher alone who said that. Today we are hearing that from presidents, prime ministers and finance ministers in the developing world who basically say there is no alternative to neo-liberal policy.

Today we are hearing that from presidents, prime ministers and finance ministers in the developing world who basically say there is no alternative to neo-liberal policy.

BT: What I am saying is: if IDEAs is successful and, for example, postgraduate students throughout the Third World said, "We don't want to be taught neo-classical economics; we want to be taught your kind of development economics," some people would say, "Wait a minute, this is rather controversial, and contentious." Would you agree?

JOMO: Yes, I would agree that it is controversial and contentious. Just as to what is orthodoxy is controversial and contentious.

IDEAS ON ADVOCACY

BT: Finally, how does this advocacy by IDEAs work? I know it is a small institution, but you have some rather significant representatives, from Brazil and so on. Are these people engaged in advocating a new school of economics? It is basically a school, isn't it?

JOMO: Well, we would like to see ourselves as inclusive, in the sense that we are not going to be nit-picking in terms of checking whether you subscribe to all ten of the commandments, or anything like that. We are broadly inclusive. There are people, for example, who would consider themselves to be Keynesians, people who consider themselves to be Ricardians, people who might consider themselves to be unhappy neo-classical economists, and so on. We would want to bring all these people into the tent. We would want to talk to them, to engage them and to debate with them.

"Bringing them into the tent" only means that we are all probably rather disaffected by the orthodoxy and we want to work on the alternatives. So, Joseph Stiglitz would consider himself a neo-classical economist, and I would very much like to engage him.

BT: He would say he is a development economist. Would he not?

JOMO: He might consider himself a development economist as well, but insofar as this is a dirty word, not many North Americans would consider themselves to be development economists (laughter).

For more information, briefings and articles, visit the IDEAs website: www.networkideas.org

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THE ECONOMIC AND SOCIAL EFFECTS OF FINANCIAL LIBERALISATION

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The first part of this paper was published in *New Agenda, South African Journal of Social and Economic Policy*, issue 21

PART TWO: THE NEGATIVE EFFECTS OF FINANCIAL LIBERALISATION

There are some significant negative economic and social effects of financial liberalisation which are often so large that they significantly outweigh any benefits in terms of access to more capital inflows. These relate both to financial markets and to the real economy. Essentially, financial liberalisation creates exposure to the following kinds of risk: a propensity to financial crises, both external and internal; a deflationary impact on real economic activity and reduced access to funds for small-scale producers, both urban and rural. This in turn has major social effects in terms of loss of employment and more volatile material conditions for most citizens.

Financial fragility and the propensity to crisis

It is now widely accepted that financial liberalisation has resulted in an increase in financial fragility in developing countries, making them prone to periodic financial and currency crises. These relate both to internal banking and related crises, and currency crises stemming from more open capital accounts. The origin of several crises can be traced to the shift to a more liberal and open financial regime, since this unleashes a dynamic that pushes the financial system towards a poorly regulated, oligopolistic structure, with a corresponding increase in fragility. Greater freedom to invest, including in sensitive sectors such as real estate and stock markets, ability to increase exposure to particular sectors and individual clients and increased regulatory forbearance all lead to increased instances of financial failure. In addition, the emergence of universal banks or financial supermarkets increases both the degree of entanglement of different agents within the financial system and the domino effects of individual financial failures.

Financial markets, left to themselves, are known to be prone to failure because of the public goods characteristics of information which agents must acquire and process. They are characterised by insufficient monitoring by market participants. Individual shareholders tend to refrain from investing money and time in acquiring information about management, hoping that others will do so instead and knowing that all shareholders, including themselves, benefit from the information garnered. As a result, there may be inadequate monitoring leading to risky decisions and malpractice. Financial firms wanting to reduce or avoid monitoring costs may just follow other, possibly larger, financial firms in making their investments, leading to what has been observed as the "herd instinct" characteristic of financial players. This not merely limits access to finance for some agents, but could lead to over-lending to some entities, the failure of which could have systemic effects. The prevalence of informational externalities can create other problems. Malpractice in a particular bank leading to failure may trigger fears among depositors in other banks, resulting in a run on deposits there.

Disruptions may also occur because expected private returns differ from social returns in many activities. This could result in a situation where the market undertakes unnecessary risks in search of high returns. Typical examples are lending for investments in stocks or real estate. Loans to these sectors can be at extremely high interest rates because the returns in these sectors are extremely volatile and can touch extremely high levels. Since banks accept real estate or securities as collateral, borrowing to finance speculative investments in stock or real estate can spiral. This type of activity thrives because of the belief that losses, if any, can be transferred to the lender through default, and lenders are confident of government support in case of a crisis. This could feed a speculative spiral that can in time lead to a collapse of the bubble and bank failures.

Meanwhile, all too often the expected micro-economic efficiency gains are not realised. Even in the United States (US), bond markets play a limited role and equity markets virtually no role at all in financing corporate investment in these countries. The stock market is primarily a site to exchange risks rather than raise capital for investment. In developing countries, too, the new issues market is small or non-existent except in periods of a speculative boom, and bank lending post-liberalisation favours risky high-return investment rather than investment in the commodity-producing sectors like manufacturing and agriculture. The effects on those sectors of liberalisation are indirect, as they are realised through the demand-generating effects of housing and personal finance booms, which in many circumstances also tend to increase the fragility of the system.

Indeed, all the evidence on capital inflows and subsequent crises suggests that once an emerging market is "chosen" by financial markets as an attractive destination, processes are set in motion which are eventually likely to culminate in crisis.

Another result of financial liberalisation in imperfect markets is the strengthening of oligopolistic power through the association of financial intermediaries and non-financial corporations. Financial intermediaries that are a part of these conglomerates allocate credit in favour of companies belonging to the group; this is by no means a more efficient means of allocation than could have occurred under directed-credit policies of the government.

Moreover, while financial liberalisation does encourage new kinds of financial savings, total domestic savings typically do not increase in many cases, and expansion of available financial savings is often the result of an inflow of foreign capital. With deposits and loans of less than six months' duration dominating, liberalisation does not necessarily result in intermediation of financial assets with long-term maturities either. And despite short booms in stock markets, there tends to be relatively little mobilisation of new capital or capital for new ventures. In fact, small investors tend to withdraw from markets because of allegations of manipulation and fraud, and erstwhile areas of long-term investments supported by state intervention tend to disappear. Not surprisingly, investment performance does not usually reflect signs of improved volume or more efficient allocation. Indeed, all the evidence on capital inflows and subsequent crises suggests that once an emerging market is "chosen" by financial markets as an attractive destination, processes are set in motion which are eventually likely to culminate in crisis. This works through the effects of a surge of capital inflows on exchange rates (unless the capital does not add to an increase in domestic investment but simply ends up adding to reserves).

An appreciating real exchange rate encourages investment in non-tradable sectors, the most obvious being real estate, and in domestic asset markets generally. At the same time, the upward movement of the currency discourages investment in tradables and therefore contributes to a process of relative decline in real economic sectors, and even deindustrialisation in developing countries. Given the differential in interest rates between domestic and international markets and the lack of any prudence on the part of international lenders and investors, local agents borrow heavily abroad to directly or indirectly invest in the property and stock markets.

Boom-bust volatility

Thus, it was no accident that all of the emerging market economies experiencing substantial financial capital inflows also experienced property and real estate booms, as well as stock market booms, around the same time, even while the real economy may have been stagnating or even declining. These booms, in turn, generated the incomes to keep domestic demand and growth in certain sectors growing at relatively high rates. This soon resulted in signs of macro-economic imbalance, not in the form of rising government fiscal deficits, but as a current-account deficit reflecting the consequences of debt-financed private profligacy.

However, once there is growing exposure in the form of a substantial presence of internationally mobile finance capital, any factor that spells an economic setback, however small or transient, can trigger an outflow of capital as well. And the current-account deficits that are necessarily associated with capital-account surpluses (unless there is large reserve accumulation) eventually create a pattern whereby the trend becomes perceived as an unsustainable one, in which any factor, even the most minor or apparently irrelevant one, can trigger a crisis of sudden outflows.

One very common conclusion that has been constantly repeated since the start of the Asian crisis in mid-1997 is the importance of "sound" macro-economic policies once financial flows have been liberalised. It has been suggested that many emerging markets have faced problems because they allowed their current-account deficits to become too large, reflecting too great an excess of private domestic investment over private savings. This belated realisation is a change from the earlier obsession with government fiscal deficits as the only macro-economic imbalance worth caring about, but it still misses the basic point.

This point is that, with completely unbridled capital flows, it is no longer possible for a country to control the amount of capital inflow or outflow, and both movements can create consequences which are undesirable. If, for example, a country is suddenly chosen as a preferred site for foreign portfolio investment, it can lead to huge inflows which in turn cause the currency to appreciate, thus encouraging investment in non-tradables rather than tradables, and altering domestic relative prices and, therefore, incentives. Simultaneously, unless the inflows of capital are simply (and wastefully) stored up in the form of accumulated foreign-exchange reserves, they must necessarily be associated with current-account deficits.

Large current deficits are therefore necessary by-products of the surge in capital inflow, and that is the basic macro-economic problem. This means that any country which does not exercise some sort of control or moderation over private capital inflows can be subject to very similar pressures. These then create the conditions for their own eventual reversal, when the current-account deficits are suddenly perceived to be too large or unsustainable. In other words, what all this means is that, once there are completely free capital flows and completely open access to external borrowing by private domestic agents, there can be no "prudent" macro-economic policy; the overall domestic balances or imbalances will change according to the behaviour of capital flows, which will themselves respond to the economic dynamics that they have set into motion.

This points to the futility of believing that capital-account convertibility accompanied by domestic prudential regulation will ensure against such boom-bust volatility in capital markets. With completely unbridled capital flows, it is no longer possible for a country to control the amount of capital inflow or outflow, and both movements can create consequences that are undesirable. Financial liberalisation and the behaviour of fluid finance have therefore created a new problem which is analogous to the old "Dutch disease", with capital inflows causing an appreciation of the real exchange rate that causes changes in the real economy and therefore generates a process that is inherently unsustainable over time.

Deflation and developmental effects

The most forceful critique of financial liberalisation relates not only to the enhanced possibility of crises, but to the argument that it has a clear bias towards deflationary macro-economic policies and forces the state to adopt a deflationary stance to appease financial interests (Patnaik, 2003). To begin with, the need to attract internationally mobile capital means that there are limits to the possibilities of enhancing taxation, especially on capital. Typically, prior or simultaneous trade liberalisation has already reduced the indirect tax revenues of states undertaking financial liberalisation, and so tax-GDP ratios often deteriorate in the wake of such liberalisation. This then imposes limits on government spending, since finance capital is generally opposed to large fiscal deficits. This not only affects the possibilities for countercyclical macro-economic stances of the state but also reduces the developmental or growth-oriented activities of the government.

Financial interests are against deficit-financed spending by the state for a number of reasons. To start with, deficit financing is seen to increase the liquidity overhang in the system, and is therefore viewed as being potentially inflationary. Inflation is anathema to finance since it erodes the real value of financial assets. Second, since government spending is "autonomous" in character, the use of debt to finance such autonomous spending is seen as introducing

into financial markets an arbitrary player not driven by the profit motive, whose activities can render interest rate differentials that determine financial profits more unpredictable. If deficit spending leads to a substantial build-up of the state's debt and interest burden, it is possible that the government may intervene in financial markets to lower interest rates with implications for financial returns. Financial interests wanting to guard against that possibility tend to oppose deficit spending. Finally, since financial interests privilege the role of markets, the presence of the state as regulator and the interventionist activity of the state can be seen as de-legitimising the role of finance, which is another reason why financial markets tend to prefer the reduction and control of government deficits.

It is increasingly recognised that liberalisation can dismantle the very financial structures that are crucial for economic growth.

These tendencies affect real investment in two ways. First, if speculative bubbles lead to financial crises, they squeeze liquidity and increase costs for current transactions and result in distress sales of assets and deflation that adversely impact on employment and living standards. Second, inasmuch as the maximum returns to productive investment in agriculture and manufacturing are limited, there is a limit to what borrowers would be willing to pay to finance such investment. Thus, despite the fact that social returns to agricultural and manufacturing investment are higher than those for stocks and real estate, and despite the contribution that such investment can make to growth and poverty alleviation, credit at the required rate may not be available.

This is why it is increasingly recognised that liberalisation can dismantle the very financial structures that are crucial for economic growth. While the relationship between financial structure, financial growth and overall economic development is complex, the basic issue of financing for development is really a question of mobilising or creating real resources. In the old development literature, finance in the sense of money or financial assets came into play only when looking at the ability of the state to tax away a part of the surplus to finance its development expenditures, and at the obstacles to deficit-financed spending, given the possible inflationary consequences if real constraints to growth were not overcome. By and large, the financial sector was seen as adjusting to the requirements of the real sector.

In the brave new world, however, when the financial sector is increasingly left unregulated or covered by a minimum of regulation, market signals determine the allocation of investible resources and therefore the demand for and the allocation of savings intermediated by financial enterprises. This can result in the problems conventionally associated with a situation where private rather than overall social returns determine the allocation of savings and investment. It aggravates the inherent tendency in markets to direct credit to non-priority and import-intensive but more profitable sectors, to concentrate investible funds in the hands of a few large players and to direct savings to already well-developed centres of economic activity.

The socially desirable role of financial intermediation therefore becomes muted. This certainly affects employment-intensive sectors such as agriculture and small-scale enterprises, where the transaction costs of lending tend to be high, the risks many and collateral not easy to ensure. The agrarian crisis in most parts of the developing world is at least partly, and often substantially, related to the decline in the access of peasant farmers to institutional finance, which is the direct result of financial liberalisation. Measures which have reduced directed credit towards farmers and small producers have contributed to rising costs, greater difficulty of accessing necessary working capital for cultivation and other activities, and have reduced the economic viability of cultivation, thereby adding directly to rural distress. In India, for example, there is strong evidence that the deep crisis of the cultivating community, which has been associated with a proliferation of farmers' suicides and other evidence of distress such as mass migrations and even hunger deaths in different parts of rural India, has been related to the decline of institutional credit. This has forced farmers to turn to private moneylenders and involved them once more in interlinked transactions to their substantial detriment.

Jeopardising growth and diversification

It also has a negative impact on any medium-term strategy for ensuring growth in particular sectors through directed credit, which had been the basis for the industrialisation process through much of the 20th century. In the past, in a large number of developing countries, the financial structure had been developed keeping in mind its developmental instrumentality. Financial structures were therefore created to deal with the difficulties associated with late industrial entry: capital requirements for entry in most areas were high, because technology for factory production had evolved in a capital-intensive direction from its primitive industrial revolution level; competition from established producers meant that firms had to concentrate on production for a protected domestic market or be supported with finance to survive long periods of low-capacity utilisation during which they could find themselves a foothold in world markets.

Not surprisingly, therefore, most late industrialising countries created strongly regulated and even predominantly state-controlled financial markets aimed at mobilising savings and using the intermediary function to influence the size and structure of investment. This they did through directed credit policies and differential interest rates, and the provision of investment support to the nascent industrial class in the form of equity, credit and low interest rates.

By dismantling these structures, financial liberalisation destroys an important instrument that historically evolved in late industrialisers to deal with the difficulties of ensuring

growth through the diversification of production structures that international inequality generates. This implies that financial liberalisation is likely to have depressing effects on growth through means other than just the deflationary bias it introduces into countries opting for such liberalisation.

In India, for example, there is strong evidence that the deep crisis of the cultivating community, which has been associated with a proliferation of farmers' suicides and other evidence of distress such as mass migrations and even hunger deaths in different parts of rural India, has been related to the decline of institutional credit.

This is all the more significant because the process of financial liberalisation across the globe has not generated greater net flows of capital into the developing world, as was expected by its proponents. Rather, for the past several years, the net outflows have been in the reverse direction. Even the emerging markets, which have been substantial recipients of capital inflows, have not experienced increases in aggregate investment rates as a consequence, but have built up their external reserves. This is only partly because of precautionary measures to guard against possible financial crises; it also indicates a macro-economic situation of ex ante excess of savings over investment resulting from a deflationary macro-economic stance. For example, East and South Asia together received US$186 billion of capital inflows in 2003, but added to their foreign-exchange reserves to the tune of US$ 245 billion in the same year!

The curious workings of international financial markets have contributed to international concentration, whereby developing countries (particularly those in Asia) hold their reserves in US Treasury bills and other safe securities, and thus contribute to the fact that the US economy currently absorbs more than two-thirds of the world's savings. At the same time, developing countries are losing in financial terms because of the costs of holding these reserves since, typically, the reserves are invested in very low-yielding "safe" assets while capital inflows include debt-creating flows at much higher rates of interest. This inverse and undesirable form of financial intermediation is, in fact, a direct result of the financial liberalisation measures that have simultaneously created deflationary impulses and increased financial fragility across the developing world.

Alternative strategies for developing country financial systems

It is evident from this discussion that complete financial liberalisation, in the sense of implementing all of the various internal and external measures described here, is neither necessary nor desirable. In fact, such extreme measures have not been implemented by the more successful developing country industrialisers. The examples of those countries that have successfully industrialised, from the 19th century onwards and continuing to date, is instructive, because there are two features which are common to all of them: some degree (usually substantial) of directed credit; and some controls on cross-border capital flows.

The role played by directed credit in countries like Japan and South Korea is well known, but it was in fact also a crucial element of the industrialisation strategy in 19th-century Germany and in the early 20th-century US, among others.[1] Control over the allocation of bank credit continues to be one of the most significant ways in which the Chinese government is able to control both the level and distribution of economic activity in the ongoing phase of rapid economic growth.

Similarly, capital controls of various sorts have been very important in allowing the economic space required for industrialising countries to influence domestic investment and reduce unintended volatility in markets. It is true that trade controls and the encouragement of a degree of import substitution has also been very necessary for late industrialisers, and that too is something which is much more possible and likely when the capital account is also controlled.

The typical response to this among policy-makers is that all this may be historically true, but the world has changed and such strategies are no longer possible because the forces of globalisation and the new international regimes have dramatically restricted the scope for autonomous national policies. The most common argument today is that developing countries simply have no choice but to follow the path of greater external economic integration and financial liberalisation.

However, this is not really true, as is evident even from the actual practices being followed in different parts of the developing world, which do not get adequate publicity. In particular, with respect to the capital account of the balance of payments, there is a wide range of possibilities and methods of regulation or direction of capital flows. There is already a large set of controls which has been used quite recently (and continues to be used in some countries) which provides good examples.[2] Capital controls of varying sorts have been used to effect in recent times by countries ranging from Chile and Colombia to Taiwan Province of China and Singapore.

Foreign capital regulation

There are the more obvious direct controls which regulate the actual volume of inflow or outflow in quantitative terms. These can relate to Foreign Direct Investment (FDI) and to external borrowing by residents as well as to portfolio capital flows. In addition, these can be directed within the economy towards particular sectors or recipients through positive or negative lists. But there are also more indirect or market-based methods which have been increasingly used to regulate capital movements. Several countries have

specified a minimum residence requirement (of one to three years) on portfolio capital inflows and also on FDI. Chile and Colombia had provided for a non-interest bearing reserve requirement (of between 33 percent to as much as 48 percent of the total inflow) to be held for one year with the central bank to ensure that the inflows were not of a speculative nature.

For portfolio capital, other specific measures are possible. In some countries, foreigners are prevented from purchasing domestic debt instruments and corporate equity. The extent of foreign portfolio investment penetration in the domestic stock market can be regulated, with a limit on the proportion of stocks held by such foreign investors. Exit levies can be imposed that are inversely proportional to the length of the stay, meaning that capital which leaves the country sooner is subject to a higher tax. In any case, differential rates of taxation provide an important means of regulating capital flows and can be flexibly adjusted to suit different conditions and changing circumstances.

In the case of external commercial borrowing, some countries have imposed a tax on foreign loans. Others have provided fiscal incentives for domestic borrowing and investment. Domestic banking regulations can also play an important role in ensuring that private external debt does not reach undesirable proportions and in directing resources towards particular sectors.

The international financial press tends to portray such controls as rigid and as acting as disincentives to investment. But the reality is very different; experience shows that these controls can be, and have been, used flexibly and altered in response to changing circumstances. Furthermore, they have typically not acted as a disincentive to continued capital inflows of the desired variety. Instead, they have ensured that such inflows actually contribute to increasing investment in socially effective ways. It is worth noting that China, which still retains the largest number and most comprehensive of controls over all forms of capital flow among all countries, has also been the largest recipient of capital inflows in the developing world.

Some capital control measures may be required not only to prevent crises and excessive changes in the exchange rate, which render the economy externally uncompetitive, but also to enable the continuation of domestic financial policies that promote sustainable industrialisation. It should now be obvious that some role for directed credit is essential not only to ensure a sustained industrialisation strategy but also in order to ensure that the goals of employment generation and social equity are met.

Domestic controls

Similarly, controls over domestic financial activity and the regulatory role of the central bank need to be emphasised in order to prevent domestic financial crises and excessive cyclical volatility. Prudential controls of the kind promoted by the Bank for International Settlements are not the obvious solution, since they tend to be pro-cyclical in their effects, are too greatly determined by the context and requirements of developed countries and are insufficiently flexible for developing countries (Griffith-Jones and Ocampo, 2004).

So, there is a strong case for developing countries to ensure that their own financial systems are adequately regulated with respect to their specific requirements, which may vary substantially, depending upon the size and nature of their economies, the extent of external integration, the relative importance of the banking system vis-à-vis the capital market and so on. All this means that blindly following the Anglo-Saxon model of financial systems is neither necessary nor desirable. Indeed, the more successful developing country industrialisers have been those who have adopted much more unique and controlled financial regimes.

One pervasive myth that deserves to be shattered is that greater international trade exposure and trade dependence necessarily require greater financial integration and both internal and external financial liberalisation. In fact, the most successful trading economies of the recent past have been those which have relatively more controlled financial systems. China is, of course, the best example, where a major export boom and rapid trade dependence have been associated with a financial system which allows the government not only to systematically channel credit in desired areas, but also to use this as a major macro-economic instrument for demand management and smoothing business cycles. The rapid expansion of Chinese enterprise does not appear to have been inhibited by such controlled credit, even in the period when mainland Chinese entrepreneurs could not directly access bank credit; neither has the growing integration of China with the world economy been hampered by the absence of any capital market worth the name. In fact, future economic historians may even find that such controlled credit was an important factor behind the rapid export-led industrialisation drive.

All this means that blindly following the Anglo-Saxon model of financial systems is neither necessary nor desirable. Indeed, the more successful developing country industrialisers have been those who have adopted much more unique and controlled financial regimes.

Finally, it is worth considering the argument that more controlled financial systems encourage opacity, corruption and "crony capitalism", all of which are not only wasteful of resources but can lay the grounds for subsequent crises. This is the view of those who have, for example, blamed the East Asian financial crises of the late 1990s on such financial control-based "crony capitalism". It is, of course, no one's case that corruption is either desirable or even acceptable; however, it should nevertheless be noted that high levels of "corruption" and "crony capitalism" have had little effect on

reducing the level of per capita income or retarding the rate of economic growth, as the experience of countries as far afield as Japan and the US makes amply clear.

Further, the real solution for such problems is to encourage greater openness about the direction of finance and to increase public accountability of such financial transactions, rather than leave socially important decisions of resource allocation to the workings of private financial markets that are neither accountable nor transparent and that, in any case, are prone to various types of market failure. While corruption is an ever-present danger, it is so under all financial systems, including the most deregulated and market-determined ones. Financial liberalisation in the name of reducing corruption therefore does not reduce the possibility or likelihood of corruption, while it exposes the economy to a myriad risks and reduces the capacity of the state to promote autonomous and sustainable development.

Clearly, therefore, if the development project is to continue at all in large parts of the world where it remains essentially partial and incomplete, some government control over the financial sector remains essential. This, in turn, means that strategies that are only concerned with the "sequencing" of liberalisation measures are asking the wrong question. The real question should be: which financial controls should be maintained, restored or introduced in order to ensure a viable, stable and socially desired pattern of development?

NOTES

1 Summary accounts of these experiences are provided in Reinert (ed) (2004) and Chang (2002)

2 Epstein, Grabel and Jomo (2004) outline various strategies already used by different developing countries

WOMEN, WORK AND POVERTY

BY MARTHA CHEN, JOANN VANEK, FRANCIE LUND AND JAMES HEINTZ
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This is an excerpt from the United Nations Development Fund for Women's (Unifem) *Progress of the World's Women 2005*. The full report and references are available online: www.unifem.org

The year 2005 marks the fifth anniversary of the UN Millennium Declaration, adopted in 2000 and the tenth anniversary of the Beijing Platform for Action in 1995. In the decade since Beijing, the number of people living on less than $1 a day has fallen; the gender gap in primary and (to a lesser extent) secondary education has been reduced; and women enjoy greater participation in elected assemblies and state institutions. In addition, women are a growing presence in the labour market – the global indicator used to approximate women's economic status.

However, the decline in overall poverty masks significant differences not only between but also within regions. Asia experienced the greatest decline in extreme poverty, followed by Latin America, but sub-Saharan Africa experienced an increase. Even where the numbers of extremely poor people have declined, notably China and India, poverty persists in different areas and social groups, reflected in rising inequalities.

For women, progress, while steady, has been painfully slow. Despite increased parity in primary education, disparities are still wide in secondary and tertiary education – both increasingly key to new employment opportunities. And while women's share of seats in parliament has inched up in all regions, women still hold only 16 percent of parliamentary seats worldwide. Finally, although women have entered the paid labour force in great numbers, the result in terms of economic security is not clear. According to the United Nations' Millennium Development Goals Report 2005: "Women's access to paid employment is lower than men's in most of the developing world ... Women are less likely than men to hold paid and regular jobs and more often work in the informal economy, which provides little financial security."

Today's global world is one of widening income inequality and, for many, increasing economic insecurity. Informal employment, far from disappearing, is persistent and widespread. In many places, economic growth has depended on capital-intensive production in a few sectors rather than on increasing employment opportunities, pushing more and more people into the informal economy. In others,

many of the jobs generated by economic growth are not covered by legal or social protection, as labour markets are de-regulated, labour standards are relaxed and employers cut costs. As a result, a growing share of the workforce in both developed and developing countries is not covered by employment-based social and legal protection.

Moreover, in the process of economic growth and trade liberalisation, some informal workers get left behind altogether. This includes wage-workers who lose their jobs when companies mechanise, retrench or shift locations. It also includes the smallest-scale producers and traders who have little if any access to government subsidies, tax rebates or promotional measures to help them compete in export markets or against imported goods. These "losers" in the global economy have to find ways to survive in the local economy, many resorting to such occupations as waste picking or low-end street trading.

Progress of the World's Women 2005 makes the case that strengthening women's economic security is critical to efforts to reduce poverty and promote gender equality, and that decent work is basic to economic security. It provides data to show that:

- the proportion of women workers engaged in informal employment is generally greater than the proportion of men workers
- women are concentrated in the more precarious types of informal employment
- and the average earnings from these types of informal employment are too low, in the absence of other sources of income, to raise households out of poverty.

The report concludes that, unless efforts are made to create decent work for the global informal workforce, the world will not be able to eliminate poverty or achieve gender equality.

STATISTICAL FINDINGS

Statistics from a variety of developing countries show that, despite differences in size, geographic location and income level, fully 50 to 80 percent of non-agricultural employment is informal. Between 60 and 70 percent of informal workers in developing countries are self-employed, including employers, own-account workers and unpaid contributing family workers in family enterprises. The remaining 30 to 40 percent are informal wage workers, including the employees of informal enterprises, casual day labourers, domestic workers and industrial outworkers.

In terms of earnings, average earnings are higher in formal employment than in informal employment and in non-agriculture than in agriculture activities. Average earnings also vary across segments of the informal labour force. Informal wage employment is generally superior to informal self-employment. However, a hierarchy exists: informal employers have the highest average earnings followed by their employees, then own-account workers, and then casual wage workers and domestic workers. Related statistical analyses have found that industrial outworkers have the lowest average earnings of all.

The risk of poverty is lower in formal employment relative to informal employment and in non-agricultural employment relative to agricultural employment. The risk of poverty also varies across segments of the informal labour force. Generally, informal wage workers – with the exception of domestic workers, casual wage workers, and industrial outworkers – have a lower poverty risk than own-account workers.

Gender inequality in employment has multiple dimensions. First, women are concentrated in more precarious forms of employment in which earnings are low. In developed countries, women comprise the majority of part-time and temporary workers.

In developing countries, except in those with large low-wage export sectors, women typically account for a relatively small share of informal wage employment. However, informal employment generally represents a larger source of employment for women than formal employment and a greater share of women's employment than men's employment. In developing countries, over 60 percent of women workers are in informal employment outside of agriculture – far more if agriculture is included. The exception is North Africa, where 43 percent of women workers, and a slightly higher percentage of men workers, are informally employed.

Within the informal economy, women are concentrated in work associated with low and unstable earnings and with high risks of poverty. Outside of agriculture, women are more likely than men to be own-account workers, domestic workers, unpaid contributing workers in family enterprises and industrial outworkers. A significant proportion of women working in agriculture are also unpaid contributing workers on the family farm.

Second, within employment categories, women's hourly and monthly earnings are generally lower than men's. A gender gap in earnings exists across almost all employment categories – including informal wage employment and self-employment. A few exceptions exist among public sector employees in certain countries, such as El Salvador, and in cases like Egypt, where most of women's employment involves unpaid work on family enterprises and the few women who do participate in paid employment tend to be highly educated. In these exceptional cases, women's average hourly earnings can be higher than men's.

Third, in the countries for which data are available, women work fewer hours on average in paid work than do men. In part, this is due to women's long hours in unpaid household labour. Responsibilities for unpaid household work also reinforce labour force segmentation – women can be restricted to own-account or home-based employment, even if they have to work longer hours and earn less than they would in other types of employment.

Finally, despite the low earnings and precarious nature of much of women's paid work, in both developed and

developing countries, women's labour force participation can help keep a family out of poverty, provided there are additional sources of family income.

RESEARCH FINDINGS

The links between work and poverty reflect not only how much women and men earn but how they earn it and for how long. Each place of work is associated with specific costs, risks and benefits, depending variously on security of site tenure, costs of securing it, access to needed infrastructure, such as light, water, toilets, storage, garbage removal, etc.; access to customers and suppliers; ability of informal workers to organise; and the different risks and hazards associated with the site.

Several broad categories of informal workers can be distinguished according to their employment relations: employers, their employees, own-account workers who do not hire others, unpaid contributing family workers, casual wage workers and industrial outworkers. Industrial outworkers, the vast majority of whom are women, lack firm contracts, have the lowest average earnings and often are not paid for months on end. The small amount and insecurity of their income is exacerbated by the fact that they have to pay for non-wage costs of production, such as workplace, equipment and utilities.

The modern industrial system has not expanded as fully in developing countries as it once did in developed countries. In many developing countries, industrial production takes place in micro and small units, in family businesses or in single-person units, while traditional personalised systems of production and exchange still obtain in agricultural and artisan production. But in today's globalising economy, both traditional and semi-industrial relations of production and exchange are being inserted into or displaced by the global system of production.

Authority and power tend to get concentrated in the top links of value chains or diffused across firms in complex networks, making it difficult for micro-entrepreneurs to gain access, compete and bargain and for wage workers to bargain for fair wages and working conditions. Highly competitive conditions among small-scale suppliers and the significant market power of transnational corporations mean that the lion's share of the value produced across these value chains is captured by the most powerful players.

For the rest – those who can't compete – some may become suppliers in these chains or networks, others struggle as subcontractors while still others are forced to hire out their labour to subcontractors. In today's global economy, it is hard to imagine a greater physical and psychological distance, or a greater imbalance – in terms of power, profit and lifestyle – than that between the woman who stitches garments or soccer bails from her home in Pakistan for a brand-name retailer in Europe or North America and the chief executive officer (CEO) of that brand-name corporation.

The consequences of working informally go far beyond the income dimensions of poverty to include lack of human rights and social inclusion. Compared to those who work in the formal economy, those who work in the informal economy are likely:

- to have less access to basic infrastructure and social services
- to face greater exposure to common contingencies (e.g., illness, property loss, disability and death)
- to have less access to the means to address these contingencies (e.g., health, property, disability or life insurance); to have, as a result, lower levels of health, education and longevity
- to have less access to financial, physical and other productive assets; to have fewer rights and benefits of employment; to have less secure property rights over land, housing or other productive assets; and to face greater exclusion from state, market and political institutions that determine the "rules of the game" in these various spheres.

Together these costs take an enormous toll on the financial, physical and psychological well-being of many informal workers and their families.

NEW ANALYTICAL TOOLS AND PROMISING EXAMPLES

The Unifem report offers several new conceptual and methodological frameworks that provide fresh insights into the links among informal employment, poverty and gender inequality and serve as a basis for future research. These include:

- an analysis of the linkages between the gender division of labour, women's unpaid work and informal paid work along different dimensions
- a framework based on the proposed new employment indicators for Millennium Development Goal 3, analysing differences by sex in types of employment and earnings
- a statistical method for assessing the "poverty risk" of different employment statuses by sex, linking national labour force and household income data to show the links between gender, employment and poverty risk
- an expanded definition and a multi-segmented model of labour markets that takes into account labour market structures in developing countries and changing employment relations in developed countries
- a typology of the costs – both direct and indirect – of informal employment that can be used to carry out a full accounting of the social and distributional outcomes of different types of informal work
- a causal model of the informal economy, which posits that some people operate informally by choice, others do so out of necessity, and still others do so because of tradition (e.g., hereditary occupations)
- a new policy analysis tool, modelled on gender budget analysis, called informal economy budget analysis.

To ensure that appropriate policies, institutions and services are put in place, the informal workforce needs to be visible to policy makers and government planners. To date, relatively few countries have comprehensive statistical data on the informal economy, and the collection of such

data needs to be given greater priority. More countries need to collect statistics on informal employment in their labour force surveys, and countries that already do this need to improve the quality of statistics they collect. Moreover, data that is collected needs to be analysed to bring out the linkages between informal employment, poverty and gender equality, as was done for the first time for seven countries in this report.

There are many promising examples of what can and should be done to help the working poor, especially women, minimise the costs and maximise the benefits of their work. This report features a selection of these. They come from all regions and are initiated by governments as well as civil society and the private sector, women's organisations as well as labour organisations, and demonstrate the power of working in partnership.

FUTURE DIRECTIONS

The overarching future policy goal is to stop the ongoing generation of informal, insecure and badly paid employment alongside the constriction of formal employment opportunities. This requires expanding formal employment opportunities, formalising informal enterprises and jobs, and increasing the returns to their labour of those who work in the informal economy. For labour and women's rights advocates it means demanding a favourable policy environment and specific interventions in order to increase economic opportunities, social protection, and representative voice for the working poor, especially women, in the informal economy.

Economic policies that discount the real-life structure and behaviour of labour markets cannot be assumed to be neutral towards labour. Similarly, economic policies that ignore the fact that most unpaid care work is done by women cannot be assumed to be neutral towards women's labour in particular.

A FAVOURABLE POLICY ENVIRONMENT

Both poverty reduction and gender equality require an economic policy environment that supports, rather than ignores, the working poor. Most (if not all) economic and social policies – both macro and micro – affect the lives and work of the working poor in various direct ways:

- as workers
- as consumers
- as users of infrastructure, finance and property, including urban space and natural resources
- as potential recipients of tax-funded services or transfers.

Economic policies that discount the real-life structure and behaviour of labour markets cannot be assumed to be neutral towards labour. Similarly, economic policies that ignore the fact that most unpaid care work is done by women cannot be assumed to be neutral towards women's labour in particular. Economic planners must take into account the size, composition and contribution of both the formal and informal labour forces in different countries and recognise that policies have differential impacts on formal and informal enterprises and workers, and on women and men within these categories. To assess how economic policies affect the working poor, it is important to analyse how class, gender and other biases intersect in labour markets. More specifically, it is important to identify inherent biases in favour of capital (over labour), formal enterprises (over informal enterprises), formal labour (over informal labour) and men (over women) within each of these categories.

A new tool, informal economy budget analysis, modelled on gender-responsive budget analysis, is designed to assess whether and how the allocation of resources by government at different levels (local, provincial/state and national/federal) and across different ministries or departments (trade, labour, housing, health) serves to (a) lower or raise the costs of those working informally, and (b) provide or deny access to benefits that could help them grow their enterprises and otherwise take steps along the path to steady and secure incomes. Used in conjunction with gender-responsive budget analysis, informal economy budget analysis can also shed light on the intersection of gender and other sources of disadvantage (by class, ethnicity or geography) in the realm of work.

TARGETED INTERVENTIONS

In addition to a favourable policy environment, targeted interventions are required to address the costs of working informally. These should aim:

- to increase the assets, access and competitiveness of the working poor, both self-employed and wage-employed, in the informal economy

For the working poor to be able to take advantage of the opportunities offered by a more favourable policy environment, they need greater market access as well as the relevant resources and skills with which to better compete in markets. Over the past three decades, there has been a proliferation of projects designed to provide micro-finance and/or business development services to micro-enterprises. While the vast majority of the clients of micro-finance are working poor women, business development services are not typically targeted at the smallest enterprises, particularly those run by women. Future micro-finance and business development services need to target working poor women more explicitly, and with context-specific and user-friendly services.

- to improve the terms of trade for the working poor, especially women, in the informal economy

To compete effectively in the markets, in addition to

having the requisite resources and skills, the working poor need to be able to negotiate favourable terms of trade. This involves changing government policies, government-set prices or institutional arrangements as well as the balance of power within markets or value chains. This requires that the working poor, especially women, have bargaining power and are able to participate in the negotiations that determine the terms of trade in the sectors within which they work. Often what is effective in this regard is joint action by organisations of the working poor and like-minded allies who can leverage access to government policy makers and to rule-setting institutions.

- to secure appropriate legal frameworks for the working poor, both self-employed and wage employed, in the informal economy

Workers in the informal economy, especially the poor, need legal recognition as workers and the legal entitlements that come with that recognition, including the right to work (e.g., to vend in public spaces), rights at work and rights to property. Strategies to secure the rights of women informal wage-workers include international labour standards and conventions; national labour legislation; corporate codes of conduct; and collective bargaining agreements and grievance mechanisms.

- to address risk and uncertainty faced by poor workers, especially women, in informal employment

All workers and informal workers in particular, need protection against the risks and uncertainties associated with their work, as well as the common contingencies of illness, property loss, maternity and child care, disability and death. Providing needed protection requires a variety of interventions, including different safety nets (relief payments, cash transfers, public works); insurance coverage of various kinds (health, property, disability, life); and pensions or long-term savings schemes. Governments, the private sector, trade unions, non-governmental organisations and other membership-based organisations can all play active roles in providing social protection to informal workers.

SUPPORT FOR ORGANISING BY WOMEN INFORMAL WORKERS

To hold other players accountable to these strategic priorities, the working poor need to be able to organise and have representative voice in policy-making processes and institutions. Informal workers, especially women, cannot count on other actors to represent their interests in policy-making or programme planning processes, including national Millennium Development Goals (MDGs) reports and the Poverty Reduction Strategy Papers (PRSPs).

Securing this seat at the decision-making table requires supporting and strengthening organisations of informal workers, with a special focus on women's organisations and women's leadership. These organisations also require creative linkages with, and on-going support from, women's organisations and other social justice organisations, including trade unions; governments; and UN partners, such as Unifem, UNDP and the ILO.

While most of these priorities have been on the international development agenda for some time, this report highlights two strategic concerns that do not get sufficient attention.

First, poverty and inequality cannot be reduced by expecting economic policies to generate employment and social policies to compensate those for whom there are no jobs, or only bad jobs. Economic growth often fails to generate sufficient employment or employment that pays enough to live free of poverty, while compensation through social policies is typically inadequate or neglected altogether.

What is called for here is an approach that focuses on the needs and constraints of the working poor, especially women, as workers, not only as citizens, as members of a vulnerable group or as members of poor households.

Second, poverty reduction requires a major reorientation in economic priorities to focus on employment, not just growth and inflation. To be effective, strategies to reduce poverty and promote equality should be employment-oriented and worker-centred.

In recent years, many observers have called for people-centred or gender-responsive approaches to poverty reduction. What is called for here is an approach that focuses on the needs and constraints of the working poor, especially women, as workers, not only as citizens, as members of a vulnerable group or as members of poor households. A worker focus will provide coherence and relevance to poverty reduction strategies because most poor people work, because earnings represent the main source of income in poor households, and because working conditions affect all dimensions of poverty (i.e., income, human development, human rights and social inclusion).

THE WAY FORWARD

Combating poverty and achieving gender equality require a major reorientation of economic and development planning. Governments and their international development partners need to recognise that that there are no short-cuts in this effort: economic growth, even if supplemented by social policies, too often fails to stimulate the kind of secure, protected employment needed to enable the working poor to earn an income sufficient to pull themselves out of poverty. Women's entry into the paid labour force on the terms and under the conditions identified in this report has not resulted in the economic security needed to improve gender equality.

The creation of new and better employment opportunities – especially for the working poor – must be an urgent priority for all economic policies. The experience of the last two

decades, especially in developing countries, has shown that policies targeted narrowly towards containing inflation and ensuring price stability, such as those frequently promoted by the IMF and the World Bank, often create an economic environment that is hostile to an expansion of more and better employment opportunities. Successful efforts to combat poverty require a radical change in the economic policies promoted by these institutions and adopted by many governments.

In the short term, however, there are things that can be done short of the complete overhaul of development thinking and planning called for. What is needed is a critical mass of institutions and individuals at all levels to work together on a set of core priorities, which include the following.

Core Priority No. 1 – To promote decent employment for both women and men as a key pathway to reducing poverty and gender inequality. A concerted effort is needed to ensure that decent employment opportunities are viewed as a target rather than an outcome of economic policies, including national MDG strategies and Poverty Reduction Strategies.

Core Priority No. 2 – To increase the visibility of informal women workers in national labour force statistics and in national gender and poverty assessments, using the employment by type and earnings indicators recommended for Millennium Development Goal 3.

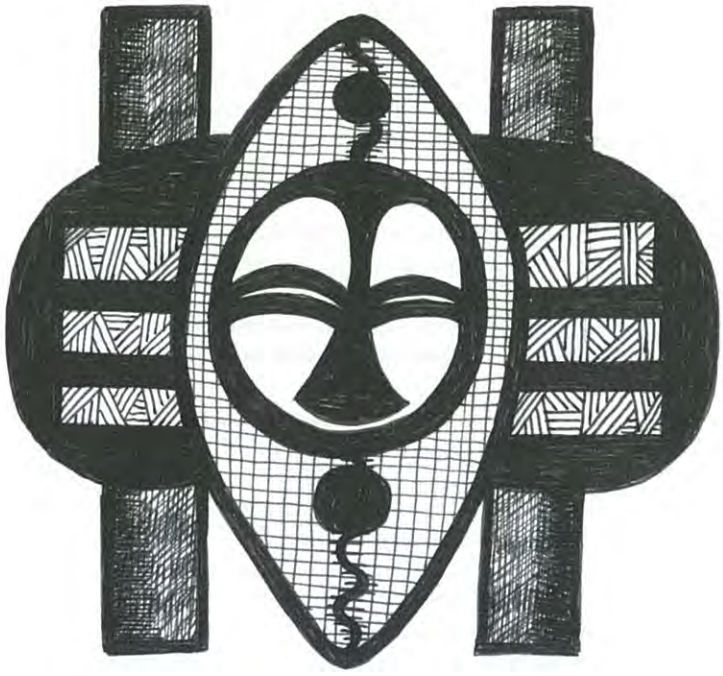
Core Priority No. 3 – To promote a more favourable policy environment for the working poor, especially women, in the informal economy through improved analysis, broad awareness building and participatory policy dialogues.

Core Priority No. 4 – To support and strengthen organisations representing women informal workers and help them gain effective voice in relevant policy-making processes and institutions.

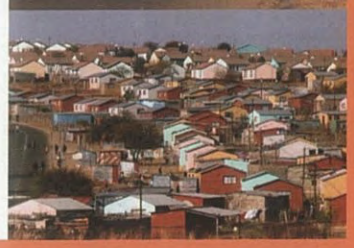
This report shows that workers in the informal economy, especially women, have lower average earnings and a higher poverty risk than workers in the formal economy. The meagre benefits and high costs of informal employment mean that most informal workers are not able to work their way out of poverty. In the short term, they are often forced to "over-work" to cover these costs and still somehow make ends meet. In the long term, the cumulative toll of being over-worked, under-compensated and under-protected on informal workers, their families, and their societies undermines human capital and depletes physical capital.

In conclusion, the working poor in the informal economy are relegated to low paid, insecure forms of employment that make it impossible to earn sufficient income to move out of poverty. So long as the majority of women workers are informally employed, gender equality will also remain an elusive goal. Progress on both of these goals therefore demands that all those committed to achieving the MDGs, including the UN system, governments and the international trade and finance institutions, make decent employment a priority – and that corporations be made more socially responsible.

Informal workers, both women and men, organised in unions, cooperatives or grassroots organisations, are ready to partner with them in this vital endeavour.









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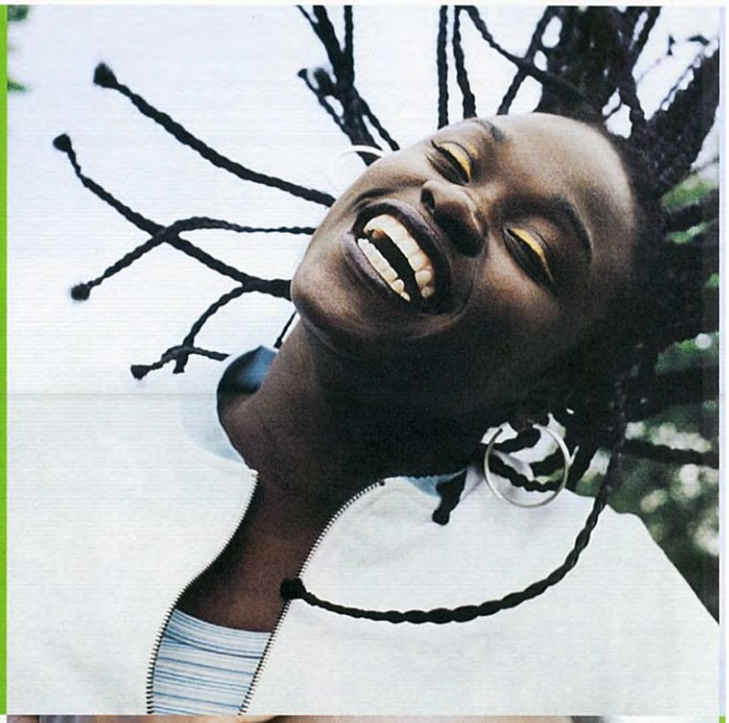
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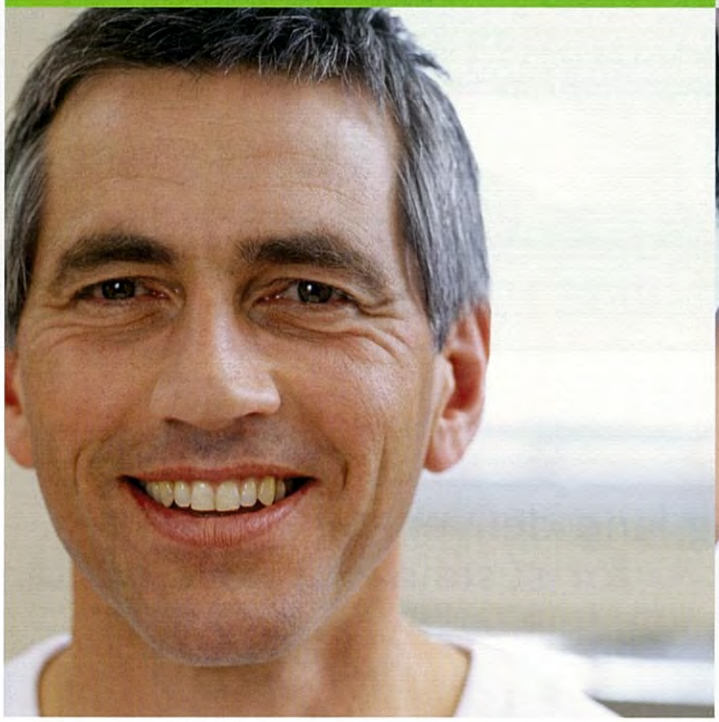
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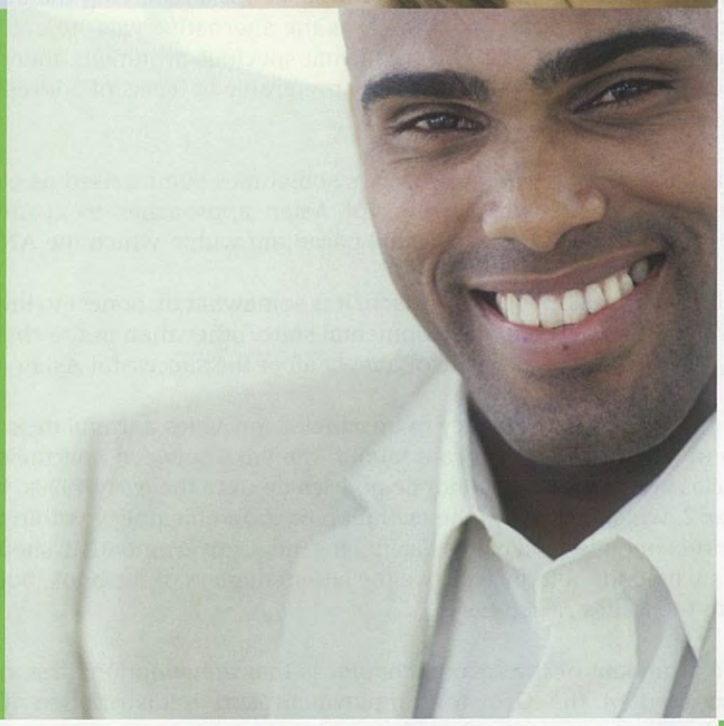
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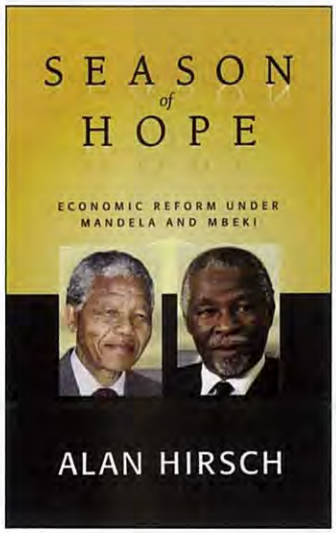


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SEASON OF HOPE: ECONOMIC REFORM UNDER MANDELA AND MBEKI

ALAN HIRSCH

University of KwaZulu-Natal Press: Durban and IDRC: Ottawa, 2005. 292 pp
REVIEWED BY PUNDY PILLAY (SENIOR ECONOMIST, RTI INTERNATIONAL)

Season of Hope will be welcomed particularly in the established private business sector and in government as it provides a comprehensive account and passionate defence of the post-1994 government's macro-economic and broader economic policies. This apparent strength of the book reflects also its most serious limitation, namely the lack of a more critical and balanced analysis. This is probably to be expected, given that the author is a senior civil servant. Nevertheless, *Season of Hope* should provide compelling, if at times frustrating, reading for readers at all points of the political spectrum if only because it fills a void in the absence of similar comprehensive analyses.

The book comprises seven chapters sandwiched between an introduction ("A better life for all") and a conclusion, somewhat ambitiously titled "Asking new questions", as it is debatable whether it actually does. The introduction sets out the socio-economic challenges facing the new government and describes how the government attempted to address these challenges. Hirsch states clearly the government's commitment to a "progressive" social policy and a "responsible" macroeconomic policy. This section sets the scene for a recurring theme in the book, namely that "there was no alternative" to the responsible macroeconomic policy as the alternative was "to entrust international institutions or international banks with the country's future". This is a somewhat specious argument: there were indeed several alternatives that, as analysis a decade later suggests, may well have been preferable in terms of addressing growth and the distributional outcomes for the majority of the population.

Hirsch says that the "ANC's approach is sometimes summarised as elements of northern European approaches to social development combined with elements of Asian approaches to economic growth, within conservative macroeconomic parameters. This remains the intellectual paradigm within which the ANC operates".

In this all-things-to-all-people approach, it is somewhat dishonest to imply that "elements of the Asian approach" have been adopted. Where is the strong developmental state, other than in the rhetoric, and, indeed, the pro-active industrial strategy that was a dominant characteristic of almost all of the successful Asian economies of the late 20th century?

Chapter 1, "The economic legacy of apartheid", provides a useful description of historical events and polices, in particular, the effects of pass laws and migrant labour, the links between apartheid and capitalism, the impact of education and other social policies and apartheid economic policies up until the early 1990s. It provides interesting background information both for Chapter 2, which describes the evolution of economic policy within the ANC, and for an understanding of the enormity of the socio-economic challenges facing the new government. It should make especially useful reading for mainstream economists who undoubtedly will love the latter chapters of the book, but who frequently prefer to adopt a mode of "selective amnesia" to the issues raised here.

The basic argument of the second chapter is that the adoption, first, of the Reconstruction and Development Programme (RDP), and then of the Growth, Employment and Redistribution (GEAR) policy, represented a logical sequence of policy-making in response to changing national and international conditions, rather than a sudden shift from socialism to free-market capitalism. This chapter provides detailed descriptions of the various policy processes, events and documents relating to economics. However, the author's explanation of why we got to GEAR is less than convincing – certainly to this reviewer.

Chapters 3-7 present the analysis of economic policy under Mandela and Mbeki and form the core of the book. Chapter 3, curiously if not ironically titled "Getting into GEAR", provides an uninhibited, intense and uncritical description of the introduction and implementation of GEAR. In essence, a young, untried government, overwhelmed by the challenges of policy-making, had no alternative but to listen to the ("reasonable") voice of local and international capital which obviously punted a conservative economic policy with all of its "trickle-down" implications.

There are at least two discernible flaws in the arguments made here. The first concerns the unwillingness of the new government to become a prisoner of the multilateral agencies (IMF and World Bank), leading it to refuse all loans. However, there is substantial evidence – certainly from the Asian experience, starting from Indian independence in 1947 – that it is

indeed possible for new governments to engage with the World Bank and the IMF without sacrificing their autonomy. It is difficult to reconcile this alleged inexperience of the new government with the previous chapter's description of the ANC's talent for policy-making and analysis.

A second and common justification for GEAR, expounded in detail here, is the issue of the growing budget deficit and government debt. This argument clearly shows a lack of understanding of the power of economic growth and its ability to ensure that countries are able to wipe off debt in a relatively short time. The case of Malaysia, which followed expansionary economic policies from a similar position, illustrates. A related irony here is that the World Bank (cited by Hirsch), with its emphasis on infrastructure development, actually proposed polices that were well to the left of the new government.

The failure of GEAR to reach its growth targets is blamed largely on the tight fiscal monetary policies of the Reserve Bank (although the wisdom of creating an independent central bank is not objectively evaluated).

Chapter 4 provides a comprehensive account of SA's trade reform programme and the debate on industrial policy. The value of this chapter is in the enormous amount of detail provided. Its great deficiency is the almost total lack of criticism of the author's former department, Trade and Industry, and its appalling list of failures under Minister Alec Erwin, not least of them the inability to develop a coherent industrial policy including an effective small business development strategy as an integral component. He dwells on the range of institutions created by the dti but says little about the efficacy of these institutions. The IDC is criticised in some detail but little is said of its lead ministry.

Two other interesting issues are evaluated here. The first concerns the Spatial Development Initiatives (SDIs), where the information is provided but the analysis is superficial. The second concerns the science councils and their role in supporting industrial innovation. The author raises important issues relating to the role of these councils but the analysis is stuck in the persisting apartheid model rather than raising the question of whether we need these institutions at all and whether the funds could not be more effectively utilised by our universities. In the concluding section of this chapter, the author makes the following amazing statement: "Since 1994 critics of the government, especially on the left, have complained that the government has no industrial policy". It is not only "critics on the left" who have complained; there simply has been no coherent strategy to speak of.

The chapter on the labour market (Chapter 5) examines the extent of the unemployment problem, the causes of unemployment (including the "inflexible labour market"), and the impact of trade liberalisation on unemployment. Much of this section is largely descriptive with little in-depth analysis, although there is an interesting examination of options for reducing unemployment, such as a "real social contract", the potential of the Extended Public Works Programme (EPWP) and infrastructure programmes.

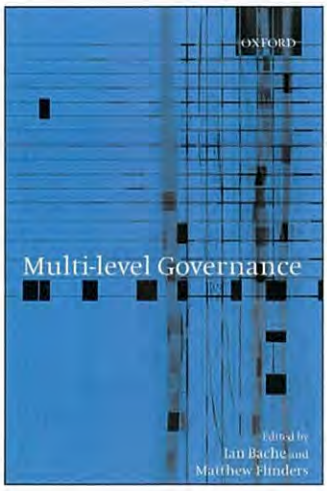
This chapter provides examples of some annoying aspects of the writing style. For instance, there is constant equation of the "left" with COSATU. Implicit in this view is that there is no one on the left outside of COSATU (or COSATU = the lunatic left). Second, there are various indications of the author's frame of reference: mainstream economists are constantly referred to as "respectable" (in whose eyes, one may well ask?); and the statement that the "opening of parliament speech is the equivalent of an American president's state of the union address, or the Queen's speech to the British parliament" gives a clear indication of the intended audience for this book. Also in this chapter, COSATU's Zwelinzima Vavi is described as a "tall, well-built man, with a forthright demeanour". It's not clear how these characteristics relate to either Mr Vavi's or COSATU's views on skills, unemployment and the labour market.

The penultimate chapter looks at black economic empowerment and small and medium business development. In keeping with the trend in the other chapters, the value here is in the description, for instance, in the cataloguing of the process and extent of BEE. The analysis is bland and narrow, and confined largely to the growth and demise of NAIL. Critical questions, such as the empowerment of the few and collusion with white capital, are given no more than a cursory examination. At one point, the author states that "in some African countries... market capitalism [is] unable to redress the economic inequities of colonialism. State capitalism benefited only the bureaucratic elite and their associates." Many are asking whether this not true of South Africa as well – Hirsch cleverly skirts these issues.

Chapter 7 analyses the "two economies" question and the quest for higher growth levels and provides a succinct summary of the government's achievements and the challenges faced. Economic growth is rightly identified as a major challenge and a number of important growth-inducing factors are identified, in particular the respective roles of investment and human capital. There is a generally positive message about the prospects for growth here, although there is implicitly less optimism about the "challenges of rolling back poverty, inequality and unemployment".

In sum, Season of Hope should be read by all who want to be better informed about the new government's choices with respect to economic policy and the consequences of those choices. This book is noteworthy for its attention to detail. There is no doubt that Hirsch writes with passion and the knowledge that stems from decades of experience in academia, ANC

policy-making forums and government. The main criticism is that the book suffers from a singular lack of desire to engage in more critical and constructive debate about the outcomes of economic policy over the past 12 years. Such debate is vital to ensure that economic policy over the next decade is indeed able to address the challenges of both growth and equitable development. This book will please many in business and government; others will be disappointed that it tells only part of the story and provides few pointers to why and how the future will be different.



MULTI-LEVEL GOVERNANCE

IAN BACHE AND MATTHEW FLINDERS

Oxford University Press: Oxford, 2005. 237 pp
REVIEWED BY MILLS SOKO (GRADUATE SCHOOL OF BUSINESS, UCT)

The notion of multi-level governance has gained currency in domestic and international politics in recent years. In this engaging volume, edited by Ian Bache and Matthew Flinders, prominent scholars from diverse disciplines examine the concept of multi-level governance by critically assessing its definitions and applications, as well as its potentialities and limitations.

The book embraces the perspective that "a more coherent view of knowledge demands greater collaboration and understanding across academic approaches than presently exists". As such, its central thesis is that developing new analytical frameworks that go beyond traditional disciplinary boundaries is crucial to understanding the changing nature of governance.

The collection consists of 12 chapters within three main parts. The first part explores divergent theoretical conceptions of multi-level governance. Part two applies the multi-governance concept within territorially defined sub-disciplines of politics. The final part analyses the relevance of multi-level governance for understanding policy-making, using as case studies the British environmental policy, the European Union (EU) regional policy, and contemporary global economic policy formulation.

The introductory chapter sketches an outline of the evolution of the study of multi-level governance. This is followed by a delineation of the book's principal themes. How should multi-level governance be defined? How is multi-level governance utilised by scholars working in different academic fields? How do structures and processes of multi-level governance differ across policy sectors and how can these differences be explained? Does multi-level governance connote hierarchy? What implications does multi-level governance have for the power, position and role of the nation state? What are the implications of multi-level governance for democratic accountability? What are the limitations of the multi-level governance model?

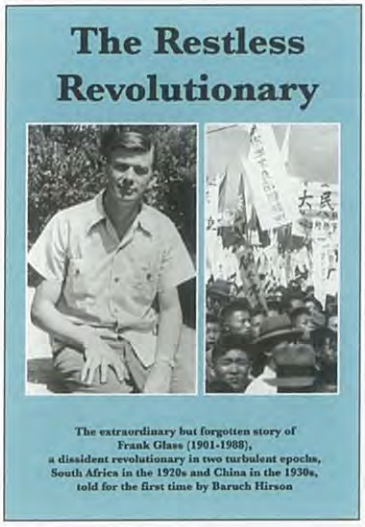
The various chapters underline the contestability of the multi-level governance notion. In the book, the concept "is used in different ways and for different purposes". It is important, therefore, to differentiate between multi-level governance as an analytical concept and multi-level governance as a normative concept. Even so, there are some conceptual issues on which the perspectives of the various contributors converge. They agree that multi-level governance has transformed the structure and capacity of national governments. The vertical and horizontal diffusion of government authority has reconfigured the nature and character of the state in terms of its role, power and functions.

Although national states have retained control over some national policy functions, the imperatives of globalisation and regionalisation have rendered its task of exercising exclusive national control over certain policy instruments (for example, monetary policy) extremely difficult, if not impossible. Consequently, certain policy functions that were previously considered to be the preserve of national governments have become the focus of transnational bargaining: they are now being developed and carried out jointly with other international, regional and domestic actors. This is clearly the case with the EU, whose decision-making processes inspired scholarly interest in the notion of multi-level governance.

Does this, then, spell the retreat or decline of the national state? A common contention advanced throughout the chapters in this book is that the surrender by national governments of control over some of their traditional policy functions does not imply that the state is no longer a central actor within the evolving structures of multi-level governance. Nor does it mean that it has become irrelevant in the era of globalisation, as "hyper-globalists" are prone to suggest. The authors concur that decision-making at sub-national, national, regional and global levels has been typified by growing participation of non-state actors. These include business associations and non-governmental organisations, such as policy think tanks, research organisations and environmental lobby groups. Some of these non-state actors have links to state agencies, while others operate independently of the state.

They also agree that multi-level governance has profound implications for democratic accountability. Has problem-solving

capacity taken precedence over democratic input and accountability? How can democratic notions, such as accountability and participation, be reconciled with managerial concerns, such as efficiency and control? These are the key questions that the authors attempt to grapple with, albeit inconclusively. They propose that the next phase of research should investigate the implications of multi-level governance for democracy and explore accountability frameworks that "adopt a positive-sum gain in relation to the accountability versus efficiency debate". This book constitutes a significant and valuable contribution to the literature and debate on governance. Apart from being well-written and meticulously researched, the chapters brim with original analytical insights. Above all, the editors must be congratulated for succeeding to weave divergent chapters and themes into a focused and coherent whole. If there is any criticism that can be made against this book, it is that the governance discourse deployed in it is excessively Eurocentric. It would have been useful, for example, to include a chapter on the challenges of multi-level governance in developing countries, and how these differ from those of developed nations. But this oversight is outweighed by the inherent merits of the book. This volume should become compulsory reading for scholars, students, politicians, diplomats, bureaucrats, representatives of civil society groups, and everybody concerned with the current state and future of global governance.



BARUCH HIRSON:
POLITICAL PRISONER, HISTORIAN, ICONOCLAST

The Delegate for Africa: Life and Times of David Ivon Jones, 1883-1924
Baruch Hirson and Gwyn A Williams
Core Publications: London, 1995. 272 pp

The Restless Revolutionary: Frank Glass 1901-1988
Baruch Hirson
Porcupine Press: London, 2004. 260 pp

A History of the Left in South Africa: Writings of Baruch Hirson
Baruch Hirson (Yael Hirson, ed)
IB Tauris: London and New York, 2005. 256 pp

REVIEWED BY BEN TUROK

There can be no better way to get to know a person than spending several months locked up all day in a South African prison cell. Time passes slowly, one can debate endlessly and observe each other's reactions to extreme stresses. Baruch was unfortunate enough to be facing nine years; I was seeing through the last of three. I was in reasonable physical shape; he was a sick man taking 11 pills daily. It was very hard on him, but he saw it through, ending up in London where he was able to spend many fruitful years, receiving a doctorate from the University of London, lecturing in Peace Studies at Bradford University and producing several very unusual books.

Many years before that, Baruch was a member of the Congress of Democrats in Johannesburg, which was a member of the ANC-led Congress Alliance, and the African Resistance Movement, a rival to Umkhonto we Sizwe, established by a group of white liberals, which conducted several effective sabotage attacks and ultimately landed Baruch in jail.

Baruch was a lecturer in physics at the University of the Witwatersrand, but much of his energy went into political activism, where he managed to combine a deep sympathy with Trotskyism with pragmatism. Widely read, Baruch could be fascinating, irritating in his stubborn defence of some obscure idea and immensely warm in his personal relationships. In London, where he spent his exile years with Yael and his three children, he gave all his energy to researching the South African communist movement and the lives of the SA Jewish community.

Shula Marks neatly captured Baruch's obsessions: "From the first, however, he had a burning desire to explore the history of the left in South Africa, perhaps to find out 'where it had gone wrong'." She also records that even on his sick bed he had a "continuing quest for knowledge".

It is in this spirit that we must read the story of David Jones, who was born in Wales, but whose steady involvement in South African left politics Hirson documented in minute but engrossing detail. Jones became an official of the Communist International and, some say, the most distinguished of the early members of the Communist Party of SA.

Frank Glass was a founding member of the Communist Party in 1921 and an organiser of the party until he resigned in 1925 to join, in 1930, the International Left Opposition. He became a Trotskyist and migrated to China where he led a

controversial existence as a participant in left political struggles there.

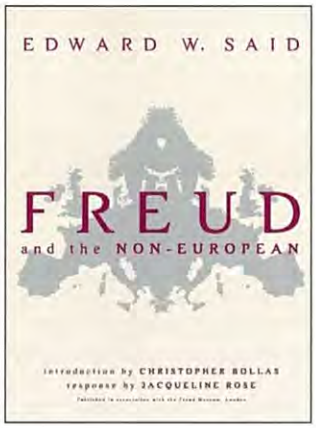
Hirson explores these ideological battles through the life of Glass. True to his internationalist outlook, Glass moved to the US in 1937 where he worked with the Socialist Workers Party and visited Trotsky in Mexico, before later returning to China. In great detail, Baruch records the immense controversies of the day from a Trotskyist perspective, but these cannot be dealt with here.

Finally, there is *A History of the Left in South Africa*, which covers the origins of the syndicalists in 1907, the Industrial and Commercial Workers' Union (ICU), the 1922 general strike, the emergence of the Communist Party and the early Trotskyist groups.

To my knowledge, no other author has attempted such a broad canvas, or even to record the activities of these organisations, apart from the CP and ICU. Baruch's approach was to give an overview of the left, not in broad strokes, but through as much detail as he could gather, partly to counter the general run of books on South Africa which concentrate on the ANC, the trade unions and the CP.

In doing so, he presents a magnificent panorama of politics in all its contradictions, factions and conflicts. He is also concerned with capturing the huge ideological differences that imbued these movements and groups, and the costs they brought to the common objective. This is the reality of politics that is often supplanted by the portrayal of individual heroes, and preoccupations with personality.

Hirson's work is undoubtedly a mine of information and analysis which will still be the basis for a great deal of further work.



FREUD AND THE NON-EUROPEAN

EDWARD W SAID

Verso: London, 2003. 96 pp
REVIEWED BY SUREN PILLAY (POLITICAL STUDIES, UWC)

REPRESSED FILIATIONS: EDWARD SAID AND THE NON-JEWISH JEW

According to Miriam Said, widow of the late Palestinian intellectual, Edward Said, his last scholarly preoccupation was with "late style". It was the theme that he had been working on at the time of his death in September 2003, along with another book on humanism and democratic criticism. "Late style" implied, for Said, amongst other things, a certain abandonment of constraint, a desire to unsettle at precisely the autumnal moment in our life when we might be expected to consolidate or go gently into that proverbial good night.

Freud's *Moses and Monotheism* was for Said an example of "late style". In the texture of his own fragile life, Said's reflections on Freud can be read as part of his own oeuvre of late style. This book, *Freud and the Non-European*, was to be presented as the Freud Memorial Lecture in Vienna in 2001 – until the Columbia University professor was impolitely un-invited by the organisers, citing "political concerns relating to the Middle East". It was subsequently presented a year later at the Freud Museum in London, and is published here along with the introductory note by Christopher Bollas, and the insightful response of literary theorist Jacqueline Rose, who acted as discussant on that occasion.

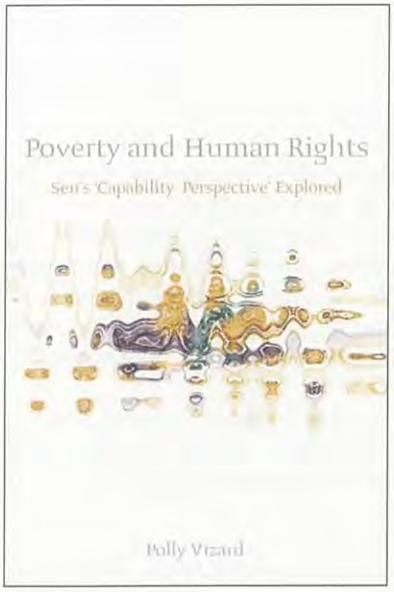
Unlike some other literary and philosophical theorists that come to mind, Said leaves us less with a system of thought to sign up to, and more with an ethic of reading. For Said, the practice of reading should be "contrapuntal". A concept derived from musical notation, a contrapuntal note links other notes. He was always more interested in showing the connections between things that might appear discreet, whether ideas or peoples, than in enabling separations. To this end, he comments in this book on his displeasure with those who take his criticism of colonial assumptions, or orientalist fantasy, as a cue to ditch an entire body of work or an author altogether. To criticise Eurocentrism was not about replacing it with another form of centrism, like Afrocentrism, for example. To criticise was to unearth the erased influences, the hidden traces and affiliations, implying that we do not shape ourselves from the inside, but are shaped by multiple others. We are therefore obligated from birth to others. This is how a contrapuntal reading enables Said to make a humanist argument for political life.

Extending this to the main subject of this book, Said is interested in Freud's conflicted relationship to his religious and secular identity, as exemplified in the book *Moses and Monotheism*, where Freud navigates this dilemma by seeking that

which is repressed in the identity of being Jewish. The repression he excavates is a foundational one: being Jewish owes its origin to a stranger, an "outside insider": Moses. In a meticulous reading, Said presents the unsettling desire of Freud to trouble the confidence of those who see their identity as self-fashioned, and who wish to celebrate separation as a necessity for becoming.

More particularly, it is Zionism's monopolistic claim on being Jewish that is at stake: "Quite differently from the spirit of Freud's deliberately provocative reminder that Judaism's founder was a non-Jew, and that Judaism begins in the realm of the Egyptian, non-Jewish monotheism, Israeli legislation countervenes, represses and even cancels Freud's carefully maintained opening out of Jewish identity towards its non-Jewish background. The complex layers of past, so to speak, have been cancelled out by official Israel." Official Israeli history seeks to tell its story from the inside, and represses that which unbolts it, that which carries the obligation to acknowledge a debt to the Other.

Freud's excavation of the repressed, in Said's contrapuntal reading of *Moses and Monotheism*, bears the political purchase of indicating different ways of being Jewish: one closed, intolerant, nationalist and consequently imperilled; the other cosmopolitan, open and at ease with those around. Unfortunately for us all, the bulldozers of the former continue the repression, symbolically and materially. For Said, it is the latter – which he finds in his reading of Freud – that represents the hope of a democratic humanist Israeli future with the Palestinians.



POVERTY AND HUMAN RIGHTS: SEN'S 'CAPABILITY PERSPECTIVE' EXPLORED

POLLY VIZARD

Oxford University Press: Oxford and New York, 2006. 275 pp
REVIEWED BY PETER T JACOBS (ECONOMICS, UWC)

Polly Vizard argues here that freedom from poverty is a human rights concern. She constructs an interdisciplinary conceptual framework that draws on, and deepens, the pioneering work of Amartya Sen, the Nobel prize-winning economist.

Governments and other agencies have integrated the UN's Millennium Development Goals in national strategies to halve poverty by 2015. But while these actors may accept, explicitly or implicitly, that poverty is multidimensional, there is a strong inclination to limit definitions of deprivation to material and monetary indicators. How then can perceptions of "freedom from poverty" be broadened and what are the possible methodological and policy implications of this kind of rethinking?

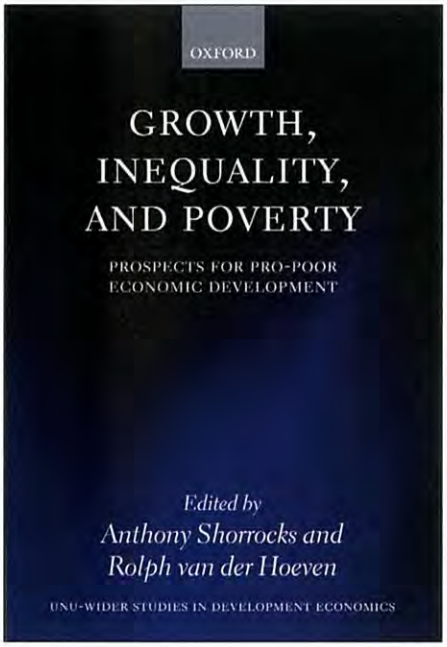
Sen's idea, well known to development theorists, is that socio-economic development occurs when there is a substantial expansion of the "entitlements and capabilities" of poor people, where "capability" refers to "the opportunity to achieve valuable combinations of human functions". What is new in this book, at least at the level of theory, is that it seamlessly integrates this notion of "capabilities" in economics with ethical and legal frameworks. Whilst broadening our understanding of the causes of "capability deprivation" (or poverty), it also makes a case for assigning legal obligations to states for "capability expansion" (development).

Standard welfare and development economics analyses poverty in terms of individual well-being, that is, of rational agents maximising utility, usually measured in monetary units – thus, the conventional poverty-line. Standard neo-classical models further assume that competitive markets work efficiently and fairly to ensure mobility out of poverty. However, this model has been criticised for being simplistic and unrealistic: "markets clear but not everyone gets an adequate food entitlement". To underscore the limits and failure of markets, Vizard cites numerous examples, including cases of famine in the face of available food stocks.

Combining "institutional" and "normative libertarian" traditions of human rights within a "Kantian ethical system", Sen argues in favour of "universal human rights". Human rights, in terms of the "capability perspective", must be analysed as a complex typology of negative (avoid deprivation) and positive (protect and aid the deprived) obligations. Therefore, "a standard of living adequate for survival and development... is a basic human right that governments and other actors have an individual and collective obligation to defend and support". When states fail to expand the entitlement and capabilities of their poor citizens, they are effectively violating the human rights of the poor. An example of collective obligations in this context is international aid.

Opponents of this argument, libertarian theorists such as Hayek and Nozick, counter that, in market-based societies, every "agent pursues self-interested goals" and cannot be held responsible for unintended social outcomes. On these grounds, Hayek opposes the Universal Declaration of Human Rights. Furthermore, in Rawlsian principles of justice and fairness in basic economic rights, there is no scope for universal principles of human rights.

Vizard's use of the "capability approach" to analyse various cases, including UN documents on social and economic rights, the employment-guarantee programme in Rajasthan (India) and the Bill of Rights of post-apartheid South Africa, offers fascinating evidence. The 1996 South African Constitution, for instance, places an obligation on its state to "respect, protect and fulfil" the human rights of the poor, such as housing provision and supplying antiretroviral drugs to those who are HIV-positive. However, according to several landmark judgements, "the state is not obliged to go beyond available resources..." in fulfilling its obligations toward the poor. This raises fundamental questions on the meaning of *resource constraints* in legal terms, as well as how the operation of markets can make these constraints more binding.



GROWTH, INEQUALITY AND POVERTY

ANTHONY SHORROCKS AND ROLPH VAN DER HOEVEN (EDS)

Oxford University Press: Oxford, 2005. 300 pp
REVIEWED BY BEN TUROK

If you are brave enough to invite people with widely different views to explore a broad topic, you are bound to have great difficulty in summarising their positions. When the theme is as global as the one reviewed here, it is next to impossible. All one can do is say, "there were some who argued thus and others who had a contrary view", and leave it to the reader to sort out. This book, the outcome of a conference in Helsinki in 2001 attended by 150 persons from around the globe, deals with some of the most important ideas in contemporary social science, but it is not an easy read.

The authors state that the relationship between growth, inequality and poverty lies at the heart of development economics. That is, in itself, a significant statement since development economics is only now recovering from a long lay-off when it was almost wholly displaced by neo-classical economics.

They find that inequality and poverty rose in the 1980s and 1990s in many countries, including some OECD countries, thus rekindling old controversies about the relation between growth and redistribution.

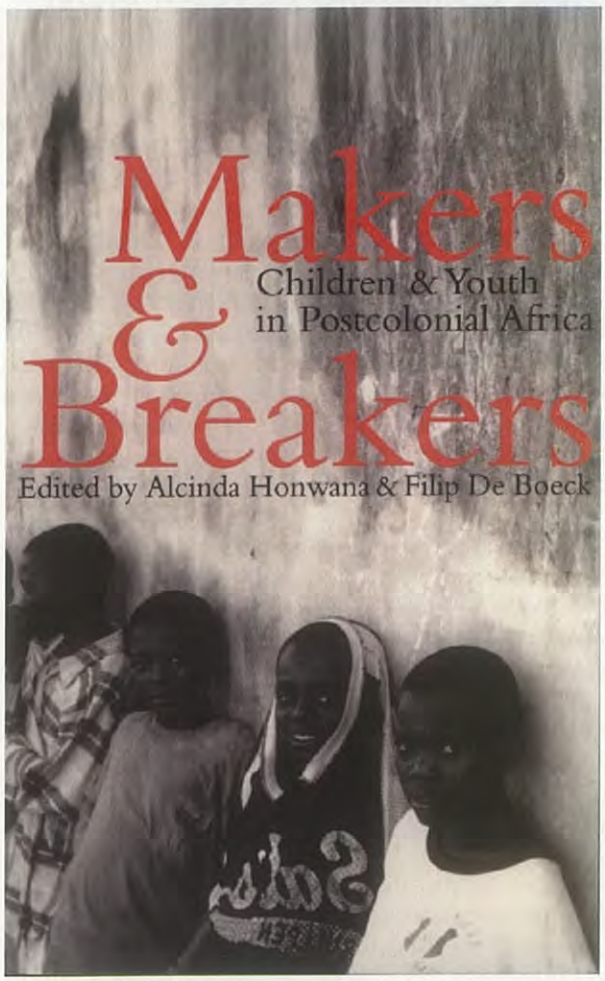
"The 1990s saw a number of challenges to both the neo-liberal analysis and the earlier view of a trade-off between growth and equity. An expanding volume of empirical evidence showed no consistent relationship between growth, inequality, and poverty across countries and over time... [I]n many developing countries in Africa, in transitional economies, and in Latin America, stabilisation and adjustment policies had an adverse impact on poverty and inequality, or, at best, did little to improve the conditions of the poor."

All this is of great interest in South Africa where the growth/development debate is far from resolved.

The authors argue, after a huge analysis, that "countries that have been successful in terms of economic growth are also very likely to have been successful in reducing poverty." Fair enough, but there is a rider: "How strong a poverty-reducing effect growth has depends on what happens to income-distribution – there is no constant relationship between growth and changes in inequality." So: there are no guarantees. Would that our South African media editors who plead for more and more growth could understand that the reduction of poverty and inequality is a function of social policy and not merely growth. The authors are somewhat reticent on the matter but their final sentence reads, "It is, therefore, largely in the social and political arenas that poverty reduction results will be determined." Let me be more crude than that. Reduction in poverty and inequality is a function of political power and process, and there is no automatic relation whatsoever. Growth provides the means; policy provides the impetus.

The authors also introduce the notion of "shared growth" (of current usage in SA). Based on Asian successes, it suggests that people need to see the benefits of growth in order to participate actively. Fair enough.

There is much here to interest the reader, such as a discourse on economic dualism and a suggestion that poverty reduction in India was more dependent on agricultural growth than manufacturing growth. All this has important inferences for South Africa. But will our policy-makers read such a book? It requires a willingness to open the mind from orthodoxy – which is not to say that these authors are anything but orthodox.



MAKERS & BREAKERS: CHILDREN & YOUTH IN POSTCOLONIAL AFRICA

ALCINDA HONWANA AND FILIP DE BOECK (EDS)

James Currey: Oxford 2005. 244 pp
REVIEWED BY YAZINI FUNEKA APRIL (AFRICA INSTITUTE OF SOUTH AFRICA)

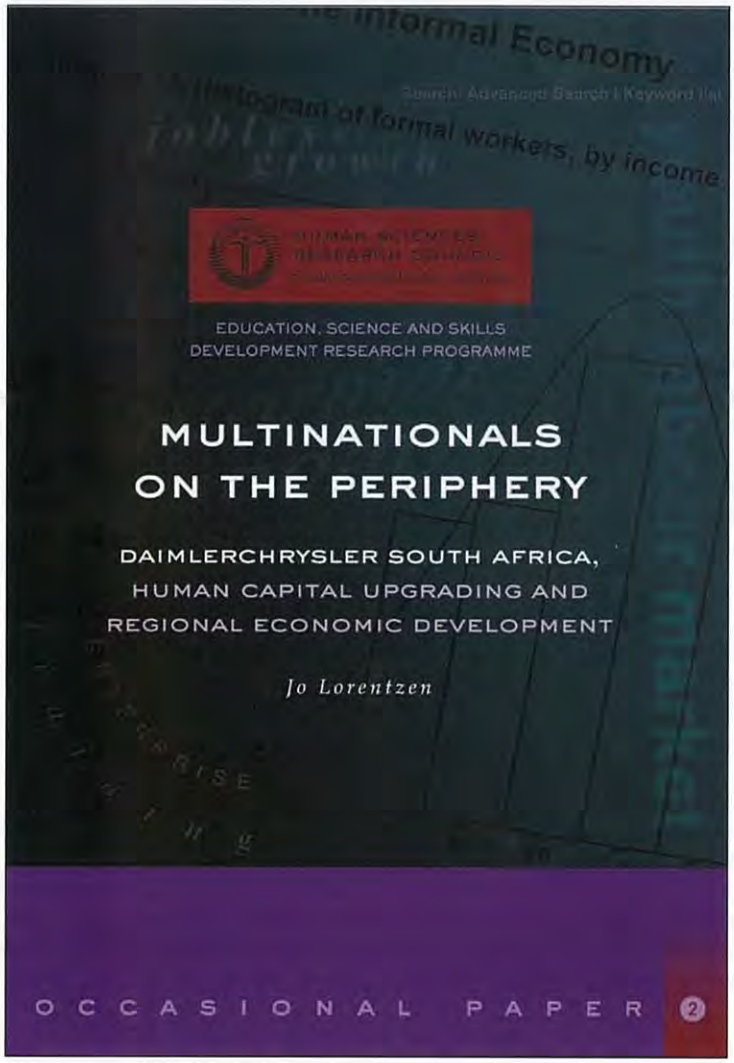
Challenges are perpetual amongst African youth, who are confronted daily with the harsh realities of globalisation and social problems of their national and local communities. African youth continue to be the victims of societal ills as they are usually the main targets of drug, physical and mental abuse, warfare, sexual exploitation, enforced labour, etc. In this sobering book, the authors provide a detailed analysis of how African children are manipulated and relegated to the margins of the public domain. The studies presented in this timely publication touch on crucial areas concerning the youth and their mechanisms for coping with their continued marginalisation. The book's strong point is its theoretical application of concepts of agency and pain, as this sheds light on how youth and women have adapted to traumatic conditions such as rape, conflict and unemployment.

The perspectives provided are relevant tools that can be utilised to understand how youth in general, and not just in Africa, are coping with marginalisation. Globally, youth confront pain through social interaction and via identifying themselves through certain cultures, norms or practices. The publication argues, in essence, that cultural contexts shape the experience and expression of pain.

This edited volume consists of ten chapters which assess diverse levels of pain that the youth frequently encounter or with which they regularly identify, providing a better understanding of how the youth handle pain through tactical action and unity. This methodology is refreshing as it goes beyond the rhetoric of naming the challenges – it also provides a new twist on how the youth tackle their predicaments. Moreover, the model of tactical agency requires the reader to reconsider the concept of guilt or innocence when dealing with children who have been coerced into committing acts of violence. As a case in point, the use of rape as a weapon of war is a discussion topic that has been analysed by countless scholars. However, this book presents a new approach to the rape survival debate by demonstrating how women can become victims and perpetrators of war simultaneously.

The chapters portray how children who have helped shape their societies, through involuntary or coerced contributions, are usually broken and destroyed in the process. Positive contributions, such as dance performances, are typically undermined by society, regardless of their impact. Negative acts, such as witchcraft and acts of violence, in which children are forced to engage, also result in their being undermined and alienated by society. This book maintains that tradition and culture are tools that are constantly used by society to marginalise the youth.

By and large, this is a publication with a difference. By revealing a number of significant constraints implemented by the elite power structure, it provides the reader with food for thought and a deeper understanding of the complexities that power structures create to exclude young people from the benefits of mainstream economic participation, political acknowledgement and the opportunity to be free from unnecessary and unjust pain. This volume appeals not only to researchers in the field, but to civil society organisations, think tanks, government departments, universities and various other stakeholders.



MULTINATIONALS ON THE PERIPHERY: DAIMLERCHRYSLER SOUTH AFRICA, HUMAN CAPITAL UPGRADING AND REGIONAL ECONOMIC DEVELOPMENT

JO LORENTZEN

HSRC Press: Pretoria, 2006. 30 pp
REVIEWED BY MILLS SOKO (GRADUATE SCHOOL OF BUSINESS, UCT)

Using the DaimlerChrysler (DC) plant in East London as a case study, this research paper investigated the relationship between human capital in host economies and global capital flows. To this end, three sets of relationships were examined: the role of provincial human resources in DC's decision to transform its East London plant into an export platform; the impact of DC's investment on local human resources; and the link between the investment and regional economic development.

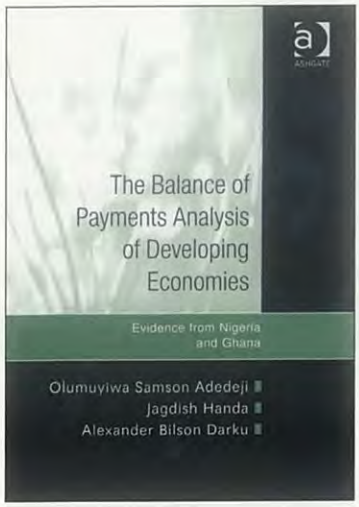
Three central findings emanated from the analysis. Firstly, the research found that DC's decision to invest in South Africa was not determined by the availability of skills and competencies locally: given the dire human resources situation in the Eastern Cape, it is highly inconceivable that the province would have been automatically selected as a car assembler for the export market. On the contrary, the move to position the East London plant as an export platform was influenced by already existing investment in the factory.

Secondly, the integration of the plant into global supply chains – undergirded by improved education and training – has had beneficial effects on the local supply of and demand for skills, with significant consequences for the regional economy. And the positive impact of globalisation on local human resources has extended beyond the automotive sector. This has been evident in the growing number of subsidiaries of multinational corporations (MNCs) in the surrounding areas of the region, whose presence is tied to that of DC and who have also been continually upgrading the skills training of their personnel.

Thirdly, the investigation concluded that, while DC's presence had contributed to the industrial development of the Eastern Cape, this progress could be undermined by a failure on the part of provincial planners to elaborate a long-term, sustainable development plan for the region. Policy makers seem to have staked the future of the regional economy on one foreign investor. This is unwise, given that the long-range future of the automotive industry in South Africa is unclear. As the author warns: "What may endanger the future of the regional economy is not so much local capabilities per se, but a failure to co-ordinate the setting of priorities, identification of linkages, and selection of public interventions within a larger vision for local development in the face of global challenge."

Critics tend to focus on the negative aspects of MNC operations in the developing world. This thoroughly researched and cogently written case study shows unequivocally that MNCs can also contribute positively towards economic advancement by way of capital investment, skills development, technology transfer and job creation. It also demonstrates that, in addition to direct effects, investment can have spill-over effects onto other firms and sectors in the economy of the host nation.

The publication of this research paper is timely as it deals with themes that resonate with the current economic debate in South Africa, notably foreign investment, global supply chains, skills development,and regional economic growth. The analysis raises pertinent issues that policy makers, the private sector and other societal stakeholders concerned about economic development cannot ignore.



THE BALANCE OF PAYMENTS ANALYSIS OF DEVELOPING ECONOMIES: EVIDENCE FROM NIGERIA AND GHANA

OLUMUYIWA S ADEDEJI, JAGDISH HANDA AND ALEXANDER B DARKU

Ashgate: Aldershot, UK, 2005. 163 pp
REVIEWED BY MILLS SOKO (GRADUATE SCHOOL OF BUSINESS, UCT)

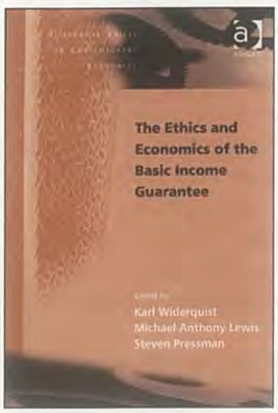
In this wide-ranging book, the authors sketch a theoretical and econometric analysis of the current account of the balance of payments of Nigeria and Ghana during the period 1960-1997. It is also, according to the authors, the first study of its kind in sub-Saharan Africa, which makes its insights relevant not only to other African countries, but also to developing countries in general.

Specifically, they investigate the appropriateness of applying the present value model of the current account (PVMCA), "an intertemporal approach that treats the current account of the balance of payments as a buffer for smoothing consumption in the face of shocks affecting output, investment and government expenditures". The two countries were selected for the study as they were the biggest English-speaking economies in west Africa, and also because they were at a similar stage of development and shared several economic attributes, particularly persistent current account deficits and excessive external debt.

Flowing from their empirical findings for both countries, the authors conclude that the intertemporal approach was a correct model to examine the current account. From the examination of sustainability, they found that current account deficits associated with exchange rate appreciation and fiscal deficits appeared to be unsustainable. Furthermore, current account deficits that were associated with low growth, high export concentration in a particular commodity, escalating external debt and high debt servicing, insufficient foreign exchange reserves as well as political instability, could easily trigger an external crisis. Based on these conclusions, the authors recommend that countries should have a floating exchange rate, low fiscal deficits or a balanced budget. Moreover, they urge countries to promote high saving rates, pursue high growth rates, diversify their export base, and implement efficient debt management strategies.

Undoubtedly, the main strengths of the book are its trenchant analysis and technical rigour. But it is not without limitations. The chapters are disjointed, making it difficult sometimes to negotiate its contents. Also, although the book is about Nigeria and Ghana, virtually two-thirds of its contents are taken up, surprisingly, by a discussion of the former. Furthermore, the book is decidedly economistic and the reader can be forgiven for surmising that domestic politics had nothing to do with the deterioration of the Nigerian and Ghanaian economies during the period under scrutiny. There is also no critical reflection on the roles that international financial institutions such as the International Monetary Fund (IMF) and the World Bank have played in the past – mainly through their structural adjustment policies – in exacerbating economic crises in these countries. (Could this be due to the fact that one of the authors is an employee of the IMF?)

Even so, the book is an informative and valuable contribution to studies on the Nigerian and Ghanaian economies. It will be useful to academics, economic practitioners, policy makers, international civil servants and students who have an interest in the economies of Nigeria and Ghana.



THE ETHICS AND ECONOMICS OF THE BASIC INCOME GUARANTEE

KARL WIDERQUIST, MICHAEL ANTHONY LEWIS AND STEVEN PRESSMAN (EDS)

Ashgate: Hampshire, UK, 2005. 334 pp
REVIEWED BY MARGARET LEGUM (SA NEW ECONOMICS)

South Africa's Basic Income Grant (BIG) Coalition having lost its way in the past 18 months – and other social grants having been considerably increased – the government has ignored the

lobby for a basic income grant. That lobby is lively all over the world.

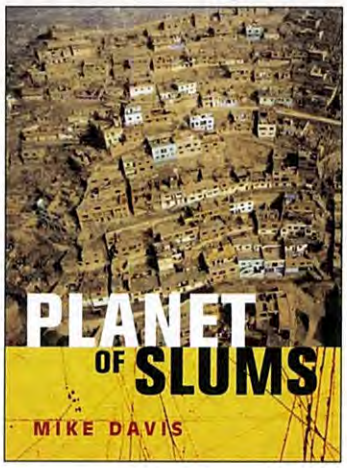
This book, part of a series presenting "Alternative Voices in Contemporary Economics," and the outcome of the first American conference of its BIG network, gives a global and historical overview of the BIG idea and its variants as a means of dealing with poverty, inequality and lack of demand by poor people. Its adherents range from right-wing economists like Milton Friedman to free market European welfarists to American progressives like JK Galbraith, as well as social movements in Brazil and elsewhere. Therefore, their arguments encompass a range of reasoning.

Mainstream and right-wing economists favour a BIG as a means of distributing buying power when they recognise that the unfettered free market cannot produce enough paid work to create enough demand. The chapter on South Africa expresses this view very effectively, blaming poverty first on apartheid's race-based rigidities, and then on COSATU's refusal to allow the assumed panacea for job-creation: more "flexibility" in the labour market.

More left-wing political economists see a BIG as having a number of purposes. The editors in their introduction pronounce the basic philosophic principle thus: "The lowest income that anyone receives does not have to be zero." It being intolerable that some people should be without income, this should be remedied in the most obvious way possible – by giving it to them. But how?

The chapters on Europe, Canada and Brazil give fascinating accounts of the various ideas governments have proposed to have a BIG impact. They range from negative income tax, to the UK's Family Tax Credit, which, like the US's Earned Income Tax Credit, seeks to make up for the fact that "flexible" labour practices result in the payment of starvation wages that create, rather than alleviate, poverty.

Most thought-provoking is the story of the Alaska Permanent Fund. From the time oil began to flow, 50 percent of its royalties went into that fund, and its dividends have since been divided equally between all its citizens. They all "get something for nothing" – the kind of "handouts" that opponents suggest create laziness by undermining the will to work. It had no such effect in Alaska – just as it does not when rich people get dividends from their investments. The effect on inequalities of wealth was spectacular. Perhaps we should see the mineral wealth of South Africa in the same light, and distribute it in the same way.



PLANET OF SLUMS

MIKE DAVIS

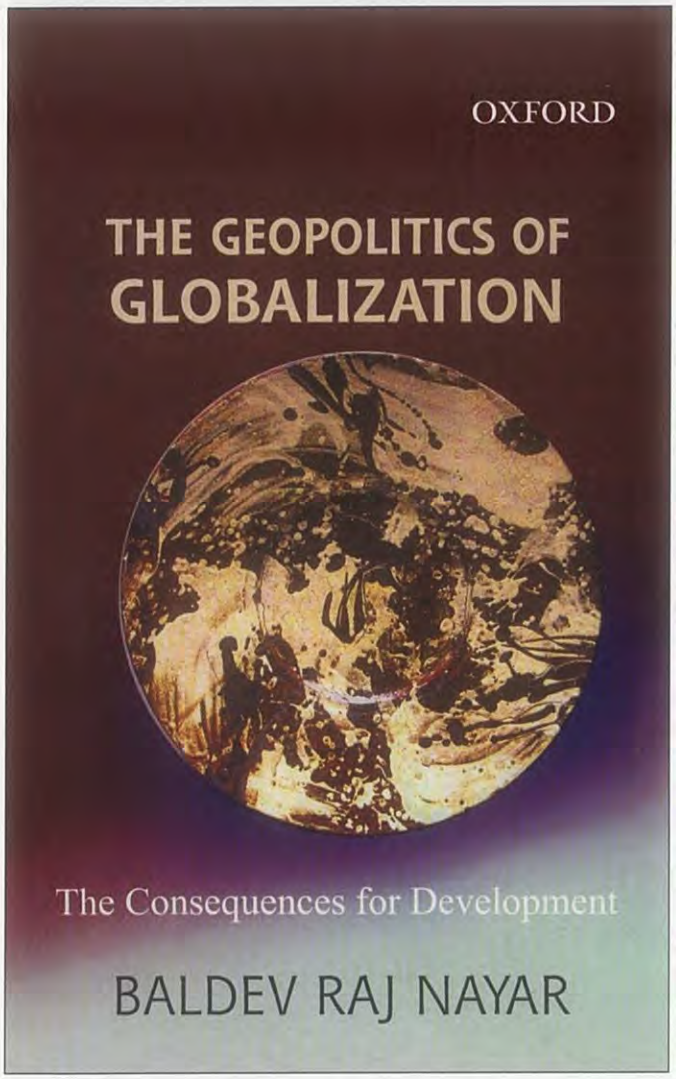
Verso: London, 2006. 228 pp
REVIEWED BY PETER T JACOBS (ECONOMICS, UWC)

In this riveting narrative, Mike Davis lays bare the material and social decay engulfing Third World cities. With the aid of an abundance of facts and figures – a lot of them churned out by hardcore neo-liberal researchers – Davis debunks the myths surrounding the 21st-century urban landscape. Under neo-liberalism, Third World urbanisation is neither a "mirror image of earlier urbanisation" nor is its expanding informal economy the "beehive of proto-capitalists" as Hernando de Soto and other neo-classical populists assert. Moreover, enabling the urban poor through a myriad of self-help projects has failed to roll back the spread of urban slums.

Davis cuts through superficial descriptions of Third World urbanisation to show up a mosaic of sordidness. Urban slums now dwarf the enclaves of glitter and "beauty", secured behind electrified fencing, where the political elite and *nouveau riche* enjoy life. Inside slums, slumlords – often politicians and the upper middle-class – control access to resources (space, shanties, sanitation, water, etc.) and informal micro-enterprises. Competition over resources and overcrowding intensify the ecological, health and other risks that characterise the slums. Furthermore, a permanent reserve army of labour exists that both formal and informal sectors exploit, especially through enslaving women and children.

This vast reproduction of poverty in Third World cities stems from the convergence of several forces. Root causes of urban poverty include urban residential segregation fostered under colonialism, civil wars and counterinsurgencies, implosion of agrarian systems, exclusion of the poor from urban planning, and commodification of land and housing. In addition, the widespread embrace of neo-liberal orthodoxy, as evidenced in governments working at the behest of markets rather than their poor citizens, has meant a retreat of the "interventionist state across the Third World" (62).

The urban population in developing countries is projected to double to over 4 billion people by 2030 or 2040, with 2 billion "warehoused" in slums. This, Davis points out, will deepen the crisis of slum-dweller families and become fertile soil for child soldiers. Read in conjunction with Andy Merrifield's *Dialectical Urbanism* (Monthly Review Press, 2002), which examines urban slums in rich countries, it is clear that humanity now inhabits a planet of slums. "Who, exactly," Davis asks, "is the enemy that future robo-soldiers, trained in the slums of Detroit and LA, will stalk in the labyrinth of Third World cities?" (204) This gives new meaning to the Pentagon's anti-terrorism doctrine. *Planet of Slums* sharply indicts neo-liberalism for the wasteland in Third World cities but offers no alternatives. One contribution to plug this gap is a small booklet, edited by Iain Bruce, entitled *The Porto Alegre Alternative* (Pluto Press, 2004).



THE GEOPOLITICS OF GLOBALIZATION: THE CONSEQUENCES FOR DEVELOPMENT

BALDEV RAJ NAYAR

Oxford University Press: Oxford, 2005. 313 pp
REVIEWED BY BEN TUROK

This book uses an ambitious global canvas to analyse the effects of globalisation on developing countries and their different responses. It emphasises the nature of geopolitics in the contemporary global system and, in particular, the role of the United States.

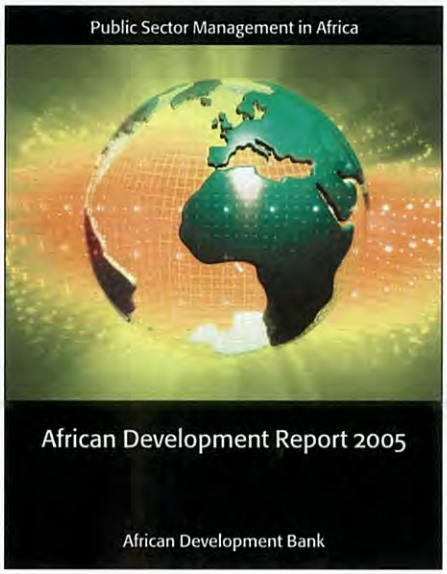
Starting with the economic aspects of globalisation, Nayar argues that international economic integration today is deeper than ever before, as is evidenced by the rise of manufactures in trade, by the transnationalisation of the production process and tighter financial integration worldwide. Developing countries are unable to insulate themselves from the global economy and must make the best of their situation. Globalisation is led by the triad of the US, Europe and Japan, which exercise power. Thus, global economics is structured by geopolitics.

However, by harnessing their own development to globalisation, the newly industrialising economies (NIEs) of Asia have been able to benefit from globalisation, showing that openness or integration is beneficial. Nayar argues that those countries influenced by dependency theory or by export pessimists paid a high price in forgoing economic growth by opting for inward-oriented strategies. On the contrary, globalisation adds to the capabilities of developing countries. By compromising on autonomy, a state may actually increase its capabilities and thus, paradoxically, its autonomy.

In order to combat the influence of the Soviet Union, the US provided economic opportunities to several Asian countries. Pakistan in particular has benefited a great deal from financial and military packages, cancellation of debt and through trade preferences.

Nayar claims controversially that a degree of authoritarianism seems necessary for development since democratic regimes have difficulty imposing sacrifices on the population for resource mobilisation.

Having argued the case for globalisation, Nayar concedes that, after the Second World War, the US, as the hegemonic power, purposively shaped the post-war world economy in order to serve its own interests and those of its allies. "As a result, the benefits of globalisation have largely flowed to the developed countries in the triad," who employed a variety of mechanisms to shape globalisation in the service of their interests and to pass on the costs of adjustment to the less-developed countries. And so, he concludes, globalisation has been designed principally for the developed countries, not for the world as a whole. Perhaps Nayar is sitting on the fence on this issue, but he has produced a thoroughly researched book with a wealth of data that will be useful for the researcher.



AFRICAN DEVELOPMENT REPORT 2005: PUBLIC SECTOR MANAGEMENT IN AFRICA

AFRICAN DEVELOPMENT BANK

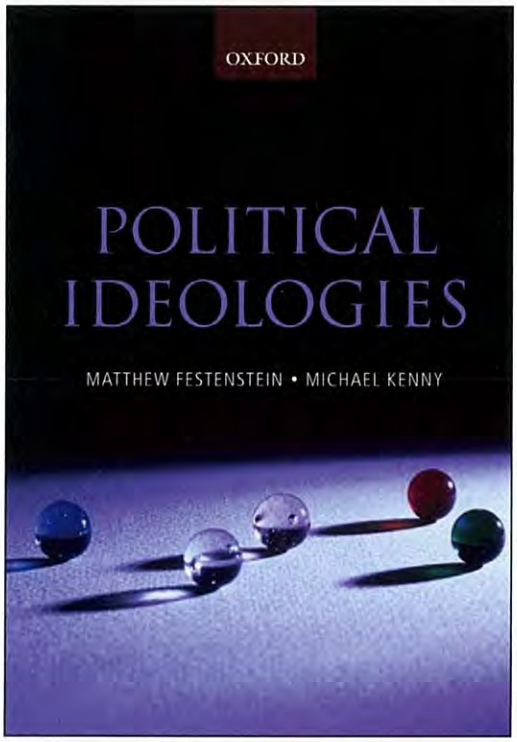
Oxford University Press: Oxford, 2005. 290 pp
REVIEWED BY BEN TUROK

This comprehensive study of the problems of public sector management offers a broad analysis of Africa in the world economy, dealing with the major aspects of Africa's performance and the problems Africa faces in the context of globalisation. There are also regional economic profiles that are extremely valuable, given the emphasis on regional integration in NEPAD.

The main section of the report deals with public sector management encompassing theory, policy and practice, reviewing public sector reforms over the decades and questions of public accountability and the reforms which are now proposed.

Of particular interest is the section dealing with the role of the African Development Bank (ADB), which has been seriously understated in many of the studies on Africa. Indeed, the bank itself has been far too silent on its role in the political economy of Africa. Of course, it is understood that the ADB is associated with the World Bank and therefore the policy prescriptions of the ADB need to be looked at with a somewhat critical eye. Nevertheless, it is obviously the most important funder and policy agency on the continent, insofar as the provision of finance is concerned. The main concessional operations of the bank are financed from its ordinary capital resources. But the bank has a soft window as well. This is associated with the African Development Fund and the Nigeria Trust Fund, which provide concessional finance to those low income countries that are not able to sustain loans on market terms. By the end of 2004, the African Development Bank group cumulatively approved 2 898 loans and grants for commitments of close to US$50 billion. The commitments were made to 52 regional member countries and institutions to support development projects and programmes in agriculture, transport, public utilities, industry, education and health sectors. About 60 percent of total bank group commitment was financed on non-concessional terms while the balance benefited from concessional financing.

The informed reader will find this report extremely valuable. It is fairly technical in nature but, nevertheless, it is essential that analysts dealing with African problems keep this book handy as a source of information.



POLITICAL IDEOLOGIES: A READER AND GUIDE

MATTHEW FESTENSTEIN AND MICHAEL KENNY (EDS)

Oxford University Press: Oxford, 2005. 572 pp
REVIEWED BY BEN TUROK

This is a unique book, without precedent. It deals unashamedly with ideology without attempting to disguise it as a book of philosophy or political economy. It will surely be used by every student of political science and deserves to be used by every participant in politics as well.

It treats a wide range of ideologies, which need to be listed to be appreciated, including liberalism, conservatism, socialism, nationalism, feminism, ecologism, anarchism, fascism and other new forms.

Each ideology is placed in historical context, with the role of each major thinker set out in systematic fashion. There are ample quotes from the masters so that the reader can "taste" the nature of the contribution and its significance.

The introduction also refers to seminal works on the "end of ideology", for example, and justifies the present work fully on the grounds that "behind the

divisions in everyday usage lies a sense that modern politics is the politics of an 'age of ideologies'."

The book ascribes the importance of ideology to the work of Marx and Engels. They believed that it was wrong to argue that the realm of consciousness can be studied independently of social relations. Ideas, for them, are the offshoots of underlying economic relations and material conditions are the foundations for ideology.

With this book, the student of politics will be able to compare and contrast Marx's views with those of the liberal philosophers and others, while also being up to date with the sections on ecologism and the rest.



HUMAN DEVELOPMENT REPORT 2005 – INTERNATIONAL COOPERATION AT A CROSSROADS: AID, TRADE AND SECURITY IN AN UNEQUAL WORLD

UNDP/Oxford University Press: Oxford, 2005. 388 pp
(Available online at hdr.undp.org)
REVIEWED BY BEN TUROK

The United Nations Development Programme (UNDP) has once again produced a massive report on international co-operation and it deals primarily with "aid, trade and security in an unequal world". The volume is comprehensive, dealing with the state of human development, the question of inequality, problems of aid and unlocking trade internationally and also conflict across all regions. The report contains excellent analyses about the whole development debate and will be a wonderful resource for researchers, policy makers and the general public. A third of the report consists of tables in the usual format – a source of information which can probably only be obtained through the UN system. The UNDP needs to be congratulated for once again producing this massive report which ought to remain on the desks of all policy makers involved in discussions about world trade and globalisation.



FIFTY KEY THINKERS ON DEVELOPMENT

DAVID SIMON (ED)

Routledge: New York and London, 2006. 320 pp
REVIEWED BY BEN TUROK

Part of Routledge's *Key Guides* series, this unusual book is a good reference for people working in development economics and development policy and is a useful reminder of the role of the outstanding names in the history of development in the Third World. There are fair and balanced essays on each of the personalities involved, including Fernando Cardoso, Adebayo Adedeji, Samir Amin, Walter Rodney, Raúl Prebisch, Hans Singer and Joseph Stiglitz, among many others. There are even portraits of Mao Tse-Tung and Karl Marx. It is also very useful for students of development economics to be reminded of the intellectual contribution of these giants in the tradition.

RECOMMENDED JOURNALS

THE FOLLOWING JOURNALS ARE ONES WHICH WE AT *NEW AGENDA* HAVE FOUND TO BE CONSISTENTLY USEFUL AND INSIGHTFUL:

AFRICA INSIGHT, Africa Institute of South Africa
CGIAR NEWS, Consultative Group on International Agricultural Research (CGIAR)
ESR REVIEW (ECONOMIC AND SOCIAL RIGHTS IN SOUTH AFRICA), Community Law Centre, University of the Western Cape
FINANCE AND DEVELOPMENT, International Monetary Fund
FINDINGS, World Bank

FINDINGS: AFRICA REGION, World Bank
GLOBAL INSIGHT: A FOCUS ON CURRENT ISSUES, Institute for Global Dialogue
IK NOTES, World Bank
IMF SURVEY, International Monetary Fund
INTERNATIONAL POLITICS AND SOCIETY, Friedrich Ebert Stiftung
RE BETLA TSELA, CIRU
SAIIA REPORTS, South African Institute of International Affairs
SOUTH LETTER, South Centre
THIRD WORLD ECONOMICS: TRENDS AND ANALYSIS, Third World Network
THIRD WORLD NETWORK: FEATURES, Third World Network
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