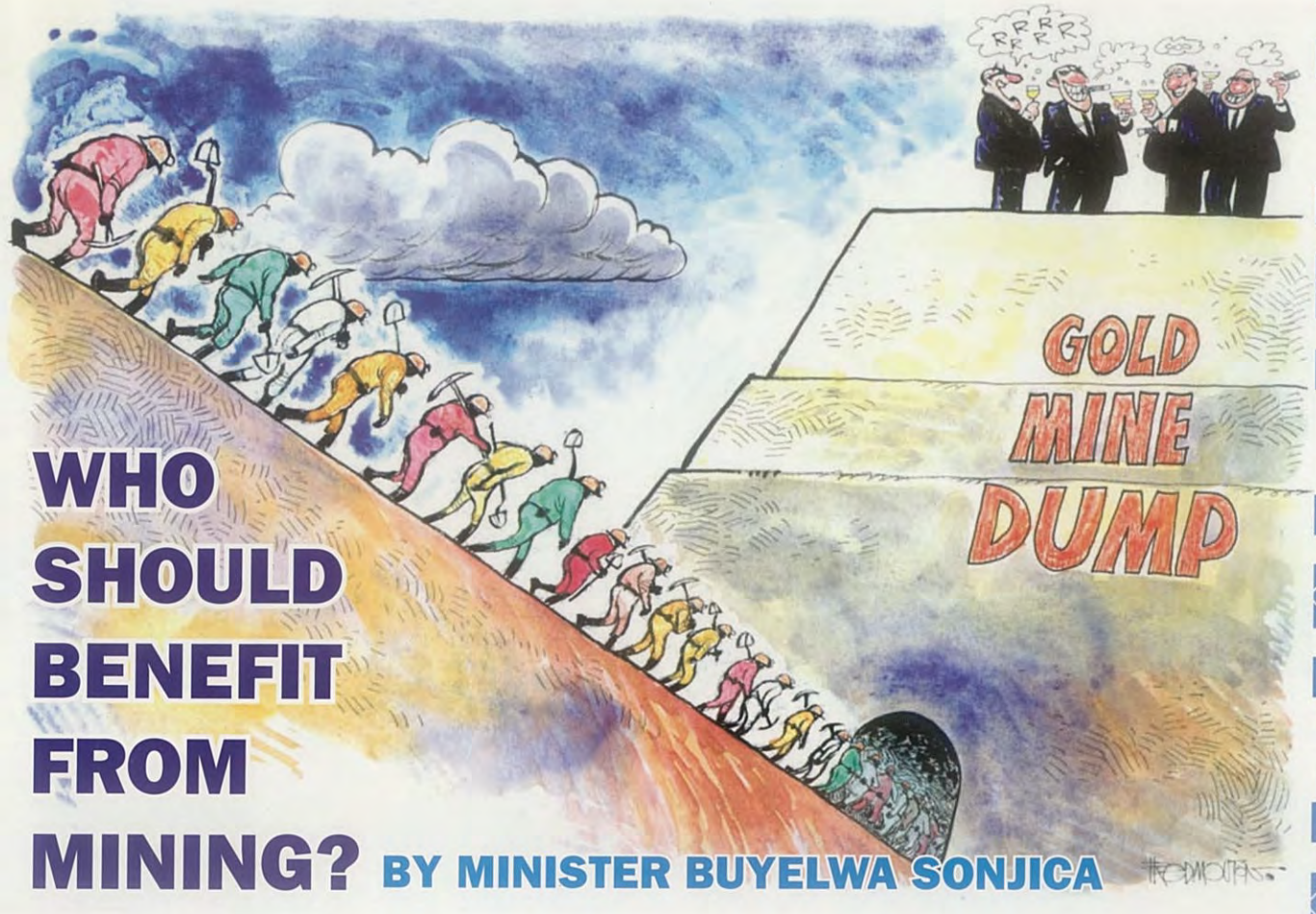
NEW AGENDA

SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY



WHO SHOULD BENEFIT FROM MINING? BY MINISTER BUYELWA SONJICA

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South Africa fully recognizes the inextricable link between South Africa's economic destiny and that of the rest of the continent. This understanding has informed our efforts to promote regional integration in Southern Africa and in our drive to support the implementation of the New Partnership for African Development (NEPAD). **the dti** has as a result adopted the Regional Infrastructure Spatial Development Initiative which focuses on the facilitation of investment-led growth on a number of development corridors, as well as the piloting of institutional models to support integrated economic development planning to unlock inherent economic potential.

the **dti**
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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THE MESSAGE FROM POLOKWANE

After ten years of remarkable political stability, our country is now experiencing considerable stress. Most of the institutions of government remain stable, but governance – in the sense of how parts of the administration function – is showing unexpected strain.

Within a short period, the deputy president of the country was removed from office and has been charged, the director-general of intelligence was dismissed, the head of the National Prosecuting Authority suspended, and, as this is being written, the commissioner of police is facing serious charges.

In the political arena, six of the top personalities in the ANC stood for election and failed. Most ministers also failed to make it onto the national executive, and a brand new national working committee (NWC) has been put in place.

There may be no connection between these events, but they are a clear signal that all is not well in some of our important institutions. This is a time for deep reflection on the performance of government and the ruling party. *New Agenda*, like all other public forums, cannot ignore these developments and must participate in these reflections.

Firstly, it is necessary to go beyond the debate about personalities, important as that may be. Secondly, it is apparent that the mass movement has made a clear swing in favour of a more people-oriented programme and style of implementation. Thirdly, the focus of government on fiscal austerity, inflation targeting and structural adjustment generally has failed to generate the economic momentum needed to overcome unprecedented levels of unemployment, poverty and inequality.

Delegates at the ANC national conference in Polokwane readily agreed that substantial advances have been made with social reforms, but these reforms have not been transformative to the degree anticipated, and have not sufficiently altered the basic conditions of existence of millions of our people.

This failure was borne out in the debate on rural development. It is now widely conceded that, while the extension of social grants has benefited rural households, government has had no defined policy on rural development for the former homelands – and this after 13 years of ANC rule! If ever there were grounds for serious complaint, it is this failure to meet the goals of the Freedom Charter. Fortunately, the economic transformation committee produced a remarkable document on rural development that provides an excellent basis for implementation.

What seems to have added fuel to the fire of resentment about government's performance is that, in every major policy speech and document, the government continues to claim a continuity of policy from the Freedom Charter to the RDP to Gear to the present budget surpluses. Yet, as the conference documents conceded, inequality has increased, violating the principle of the Freedom Charter that "The People Shall Share in the Country's Wealth".

All these concerns explain the repeated demands for a "developmental state", not merely as a policy objective, but as a reality. The mass of our people want development to be extended to them and to experience this wherever they are. The commonly used expressions "people-centred" and "people-driven", found in so many ANC declarations, have to become tangible.

The ANC January 8th statement seems to have taken this on board and calls for "a coherent strategy for a progressive developmental state".

The message from Polokwane is stark. Implementation of development policy is urgent. This is why *New Agenda* is publishing in this issue so many papers from a seminar on the developmental state held towards the end of 2007. We trust that it will help to galvanise action in this direction.

B.T.



Bringing value to partnerships

For BEE to be successful, companies must embrace the full Broad Based Black Economic Empowerment (BBBEE). Equity ownership is but one aspect. On its own it cannot transcend to broad based empowerment and would have limited impact in our society.

BBBEE facilitates and enhances the participation of black people into the mainstream of the economy.

This is the view of Kojo Mills, Acting CEO, Shanduka Group. "The key element for BBBEE to be successful is for companies to select BEE partners that can embrace the broad based empowerment philosophy and choose compatible value enhancing strategies." This is achieved by businesses that have a clear business model and understand the competitive advantage of implementing BBBEE correctly. An appropriate implementation of BBBEE will lead to long term value enhancement and sustained growth, positioning companies ahead of their competitors.

The principles of black economic empowerment are inspired by the desire to accelerate the creation of a just and equitable society with equal opportunity for all. These principles are of such paramount importance that they were legislated, but it is for society to build on that BBBEE cornerstone, so that the majority of South Africans experience meaningful changes in their lives. That is where all the other elements of the BBBEE scorecard make their contribution.

Understanding the challenge of reaching every disadvantaged South African, the BBBEE principles have included the notion of taking care of the less fortunate in our society through Corporate Social Investment initiatives by companies.

Asked what sets black empowered companies apart from their white owned counterparts, Kojo Mills replies:

"BEE companies are like "new kids on the block". They often have capital constraints where, although they conclude high value transactions, they are challenged with everyday cash flow and general access to capital. There is still resistance from commercial institutions to fully funding BEE companies. This has also created un-commercial business principles where BEE companies are locked in transactions for long periods without realising any upside."

The Shanduka Group (Pty) Ltd Reg. No. 2001/004663/07 18 Acacia Road, corner Protea and Acacia Roads, Chislehurston, Sandton.
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and adding depth to BEE.

What differentiates Shanduka from the pack?

At Shanduka there is a clear business strategy with commercial principles that guide the company. One of our key values is to enhance value for our shareholders and for the shareholders of companies that we invest in. But as part of our mission we seek to always make a difference to our business partners and are fully committed to BBBEE.

We work with our partner companies to leverage the partnership with Shanduka, especially where BEE is a competitive tool. We also work with our partner companies to drive BBBEE in their companies.

Emphasising that Shanduka has since its inception always promoted BBBEE, Kojo says "Although it is not seen as inventive today, we were one of the first BEE companies that put into practice the notion of BBBEE by including community trusts in our early transactions and by continuing to strengthen our own BBBEE image."

At Shanduka we also see it as our full responsibility to drive BBBEE with our partner companies. We do not only ask hard questions but we see it as part of our responsibility as shareholders to find appropriate solutions towards exceeding BBBEE compliance.

SHANDUKA
Group

OLIVER TAMBO REMEMBERED

BY KADER ASMAL, MP

The author is a past member of the national executive committee of the African National Congress. He made these remarks at the launch of the book *Oliver Tambo Remembered* (Lindiwe Mabuza and Z Pallo Jordan, eds. PanMacmillan SA) in Johannesburg, 27 October 2007



We are here to celebrate one of the most important lives who, together with Nelson Mandela, made it possible for "hope and history to rhyme".

This is a unique collection of responses from an extraordinary range of people recalling aspects of Oliver Reginald Tambo's life in a very personal remembrance. Who else but Oliver could evoke such fond, warm and personal responses from eighty people, from the banker Rothschild to a candid former British foreign secretary Geoffrey Howe, from the president of South Africa to ordinary South Africans, from lawyers and artists and from international activists?

On the 90th anniversary of his birth, all of us in the African National Congress should honour Oliver Tambo's memory by pledging to strive to embed these qualities into the root and branch of the movement throughout the country.

Oliver Tambo Remembered should be recommended reading for everyone throughout the length and breadth of our country. It is not only for members of the African National Congress. The book should be in every secondary school for its literary and historical insights into our freedom road. It provides a unique insight into Oliver Tambo's leadership qualities – his intellect, his modesty, his loyalty, his inspiration, his refusal to resort to populism, his willingness to respect and to listen to others, whatever their status in the movement, and, above all, an absolute determination to achieve the vision of the new South Africa as enshrined in the Freedom Charter. It was these qualities which enabled him to preserve and strengthen the unity of the ANC during the most difficult years of our history.

DIGNITY

No histrionics, no tub-thumping, but calm and reflective and always aware of the goal: freedom for our people. Reading this book, nobody can deny that one of OR's greatest qualities – and it contributed greatly to his influence – was dignity. His career invoked pride and a strong sense of belonging, a camaraderie in struggle which few other movements could match, and which we now seem to have lost.

Oliver Tambo's humanity shines through the pages of *Oliver Tambo Remembered*. It documents how he refused to put self before the ANC or to allow the ANC to put its interests before those of the people of South Africa.

On the 90th anniversary of his birth, all of us in the African National Congress should honour Oliver Tambo's memory by pledging to strive to embed these qualities into the root and branch of the movement throughout the country.

It is impossible in the time available this afternoon to reflect on the entirety of the book and all the qualities which emerge from it. I shall therefore only refer to some significant features of his life.

SPIRITUALITY

One aspect that emerges from a number of the contributors is the intense spirituality that permeated his life. OR was deeply religious but his belief system did not obtrude in his personal and political relations. Like John Bunyan's pilgrim, he traversed the allegorical roads: the slough of despond, the hill of difficulty, the valley of humiliation. His passion for justice kept him going, though he never reached the "celestial city" of freedom. There must have been times of despair.

However, he lived his life by the injunctions given to Bunyan's Christian: not to surrender to the fires of evil and not be deflected from the path of righteousness. Life was not given to him merely for ease and pleasure but for the realisation of high endeavour and noble service. He sacrificed his life for our freedom.

Nobody who has written about Oliver recalls any instance when he supported the idea of a blood sacrifice for freedom,

nor did he ever romanticise violence. On the contrary, as Albie Sachs points out in his contribution, OR's response to a hostile interruption, at a public meeting in London on MK and the armed struggle, reflected his deep humanism in the mould of Albert Luthuli. Apartheid, he said, had forced us to become killers: the armed struggle was forced on us.

TRUST AND HUMILITY

Contributors have referred to OR's humility, an aspect of his personality which differed somewhat from his contemporaries or peers in Africa. He described himself for nearly a decade as the acting president of the ANC. His job was to keep the seat warm for Nelson Mandela. He relented only after he was forced to accept the title of president at the Morogoro Conference in 1969.

Many of the writers refer to one of Oliver's abiding qualities: the trust he placed in those who worked with him. This in turn evoked a deep respect, even love, for this principled leader who was able to draw on the talents and capacity of so many of the South African men and women in exile in different parts of the world. He made a deep impression on foreigners, some of whom worked underground for the ANC and thousands of whom joined the activities of the worldwide anti-apartheid movements, described by contributors (especially by Mike Terry) as a unique manifestation of solidarity with the people of South Africa.

Tambo was the planner, together with Madiba, who built the edifice of our freedom.

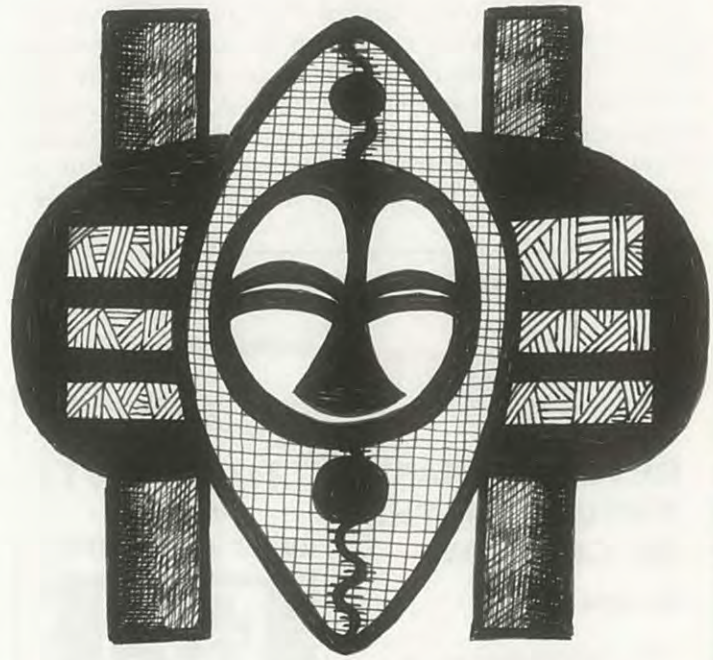
He was surrounded by talented young men and women, some of whom were tough and difficult but he never, in my experience, stifled enthusiasm. He channelled it by placing everything in its context.

We were not the only ones who revered him. He evoked admiration even from what would have appeared to be unsympathetic sources. He impressed others much more than any simple diplomat or mere politician could, not only because he believed in our policies but because of his honesty.

He was a leader before he left South Africa. But he possessed something more than the ordinary values of leadership. All of us in our contact with him recognised that OR's distinguishing quality was his accessibility, not simply in the sense that he was available to meet South Africans and others, whether he was in Accra, Lusaka, London or the United Nations in New York. It was not his style to be protected by a phalanx of private secretaries or a guard of overweight minders. If you had something to discuss with him, he was there for you. Quietly, he engaged with you, never giving you the impression that your ideas were daft or risible.

In terms of OR's legacy, any portrait of him involves regard for the political achievement of South Africa since democracy. It has been real and substantial. It has been the achievement of our politicians and the legitimation of our democratic institutions.

In the years since his death, we have adopted a constitution which is our pride and rightly so. But what has not really been clearly understood is the extent to which we owe our constitutional state to OR. It was he who set up the Constitutional Committee in 1986. It was he, as two contributors point out, who was responsible for the epochal decision that the ANC would not draft a constitution in exile, as this was the prerogative of the people of South Africa, but would draft the constitutional principles which played such an important part in the Harare Declaration, the basis of negotiations in 1990.



It was through his insight into what went wrong in many countries with their quest for a single identity after independence that we instead identified the need for a multi-cultural society, based on constitutional guarantees as part of the bill of rights. As a democrat, he supported – a major advance for a liberation movement – the separation of powers, as the usurpation of power by one sphere of government from another would be the surest road to tyranny. An independent judiciary and a free press were vital elements of a democratic order.

And so on. Tambo was the planner, together with Madiba, who built the edifice of our freedom. But both insisted that they were part of a collective.

LEADERSHIP AND VISION

At a time when the ANC is looking to the future of its leadership and that of the country, it is important to reflect on the lessons, qualities and defining moments of our past leaders to see what relevance we can draw for our present situation. At this time we must recall, as many of the contributors have pointed out, the articulate manner in which OR crafted the language of debate – the absence of fiery, irrational emotional rhetoric in his words, the characteristic deliberation and the communication of carefully constructed arguments, always aimed at building the individuals, the movement and its cause.

It often saddens me to see how far from this we have moved in our current struggle for posts, which we elevate to so-called "succession", where it sometimes seems as if individuals, the movement and its continued historic cause and calling are all fair game on the altar of personal ambition.

OR did not fear truth, did not fear being challenged or interjected and always responded in substance and not with diversionary tactics. His ethos as a leader and how he related to others are fundamental and poignant aspects of leadership we should pause to recall during the current period that begins another chapter in our history and our movement's history. The spirit of OR's humanity weaves a



golden thread, and lives in the visionary Freedom Charter and in the preamble of our constitution. It lives in every clause that makes up the skeleton of our democracy.

The epitaph to OR is perhaps best expressed in his own words, when he said that "it is our responsibility to break down barriers of division and create a country where there will be neither whites nor blacks, just South Africans, free and united in diversity".

It is this overarching vision that remains the defining challenge of our time – not only for our country, but for our world. It remains our duty to strive for and realise it. Anything that distracts us from this historic calling will diminish the ANC and tarnish the passage of its heroes in history. We must grasp the moment in these troubling times to ensure that we remain focused on the objectives of tolerance and non-racialism, the combating of poverty and the historic necessity to speak up for those George Orwell called the "great unwashed", namely the inarticulate, the alienated and the impoverished. And, of course, bearing in mind the demand of our humanity both inside and outside our borders. "Succession" is a crucial step in this historic journey and we would do well to pause at OR's life and to imbue its lessons in leadership as a guide to the future.

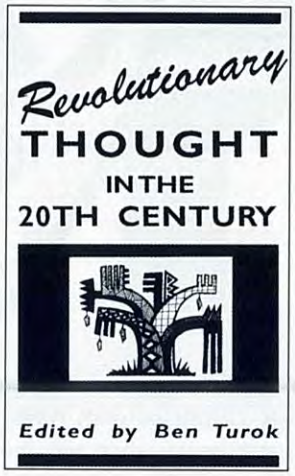
At OR's burial in 1993, Nelson Mandela drew attention in his eulogy to the unfinished business we faced to ensure justice for all. To ensure that we would not forget OR's wish, Madiba concluded: "We will not fail you'. But today, the demand on us should be: we *must* not fail you.

REPRINT

REVOLUTIONARY THOUGHT IN THE 20th CENTURY

By BEN TUROK

This collection of essays by Marx, Lenin, Mao Tse-Tung, Cabral, Che Guevara, Fanon and many others has been out of print for a long time.



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Copies are on sale at Exclusive Books, CNA, Clarkes Bookshop and others. It can also be obtained calling Aneesah Reynolds or Germaine Habiyaremye on Tel: (021) 403 2593 Fax: (021) 461 9390 or email: bturok@anc.org.za

Price: R49, 90 (incl. VAT)

BUILDING AN ECONOMY
THAT BENEFITS ALL

The provincial government's programme of promoting equal and fair access to economic opportunities is proceeding with accelerated speed. We are strengthening and speeding up our SMME development programme.

The SMME summit that was held in 2007 was able to identify gaps, stressing the importance of harmonizing our institutional arrangements as government, in order to maximize the impact of support mechanisms. We are also still in the process of conducting research on functionality of small enterprises, after which, our current SMME database will be increased. We will also support the SMME's operating in the 10 government targeted areas, as identified by the President.

We undertook to support and sustain our SMMEs by ensuring that the turn around time in payment to SMMEs for the services rendered is decreased from between four and three months to thirty (30) days. We are happy to report that in all cases where invoices are submitted on time with all required supporting documents, the thirty days target time line for payment has been achieved. We do need to decrease this current timeline and take further appropriate measures.

We have registered a total of 962 SMMEs on our database in order to expose them to investment opportunities. Out of the 962 SMME's on our database across all sectors, the province has thus far funded a total of 23 startup enterprises to the tune of R4,8 m creating 149 jobs.

In addition, through our normal day-to-day procurement processes, we have succeeded in supporting and sustaining black-owned companies in various sectors such as Construction, Tourism, Security services and general services to the value R200m, of which 22% was allocated to female-owned companies.

I want to encourage emerging and functional SMME's to continue making use of support structures such as SEDA, Ntsika, IDC , Umsobomvu and others to strengthen business development further.



CONTROL OF MINING IN SOUTH AFRICA

BY BUYELWA SONJICA

The author is the South African minister of minerals and energy

The government's efforts to transform mining in South Africa are meeting subtle resistance from the industry. There are delays in converting from old order rights to new order rights; there are unfounded allegations that the department of minerals and energy (DME) is slow in processing licenses; and unfounded assertions that investors are losing interest.

Given the importance of mining, we cannot afford any uncertainty about these matters. Mining is a significant direct and indirect contributor to the South African economy and accounts for over 30 percent of the market capitalisation of the Johannesburg Securities Exchange (JSE). Its direct and indirect contribution has ensured that the mining sector's tentacles stretch to most parts of the economy and cut across many industries.

The South African mining sector is also vital to the global economy, with the largest resources in the world of platinum-group metals (PGMs) (over 85 percent), chromium (over 70 percent), manganese (80 percent) and gold (40 percent). We also contribute significantly towards the global production of coal and iron ore, to name but a few.

There is no evidence to suggest that the change in the ownership regime has hindered mining in the country.

As custodians of such a key sector, the DME is not only a regulator and policy maker but also a department that is there to foster, facilitate and promote economic growth in our country and continent.

A CHANGE IN OWNERSHIP

The subtle resistance began with the passing of the Minerals and Petroleum Resources Development Act (MPRDA) of 2004, which introduced a change in the ownership of the minerals in South Africa, from private hands to the hands of the state. The department believes that this will ensure a more equitable benefit to South African society from its natural resources.

This has, unfortunately, been seen as interference by the state in the domain of the private sector. It has also been challenged – unsuccessfully – by certain players in the mining industry. While this significant change has rattled a few cages, it is in line with global practice in the mining



industry and was made after extensive consultation with all stakeholders. There is no evidence to suggest that the change in the ownership regime has hindered mining in the country.

The main objectives of the MPRDA are to

- ensure that the mineral wealth of South Africa benefits *all* her people
- introduce competition
- support the active and visible participation of historically-disadvantaged South Africans.

These objectives have been supplemented by laws developed to ensure that South Africa is involved in downstream activities like beneficiation. For the better part of our mining history, most of our minerals have been exported as ore or in a semi-processed state. Within the last 25 to 30 years, this has changed to some extent as we have made small advances in the processing of our minerals.

GREATER COMPETITION

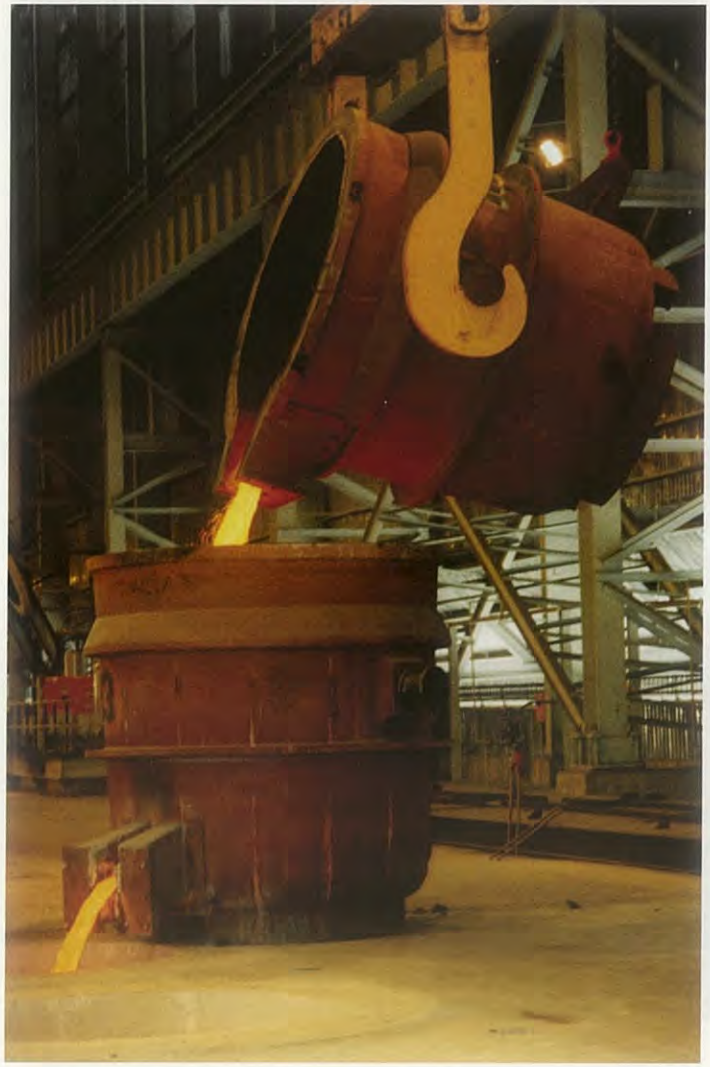
A decade ago, four conglomerates dominated the mining sector, with one South African company being the most dominant player across all the key metals. Today, since the introduction of the MPRDA, we are proud to report an increase in the number of applications, and a plethora of new

entrants into the mining sector. What is more pleasing is the profile of the new entrants, from the established producers to the junior mining companies, that are either in exploration or advancing towards production or in late exploration phases. The number of junior mining companies has grown from one in 1997 to 626 (to date).

A key strategy to introduce competition in the sector was the principle of "use it or lose it" to put pressure on absent landlords. This principle has been a great catalyst in ensuring that the ore below the ground gets extracted by the rights holders.

"Use it or lose it" has also helped to level the playing field, as there is more than one way for a new entrant to gain a foothold in the South African mining industry. The expected supply of new mineral resources is important to prevent artificial pricing driven by a perception of a supply crunch, which could have an undesired effect on local and global industries.

While the DME supports black participants in the mining industry, it also expects that they will widen the involvement of black people across the mining sector.



BLACK ECONOMIC EMPOWERMENT

For us, as a government that fought for the liberation of black people in South Africa, the active and meaningful involvement of people, especially from the black community, in this key sector is a priority. The Act has ensured that those who were previously prevented from participating in the mining sector can participate, not only as workers, but also as investors, miners, explorers, etc. The broad-based requirements of the Mining Charter cover ownership, employment equity, preferential procurement, literacy of mineworkers and other key elements to ensure that black participation in the sector is holistic.

Disappointingly, the spirit of empowerment in the sector continues to be left wanting. We are optimistic that recent transactions that have enabled black-owned companies to make a transition to operational mining will be the beginning of a new and sustainable trend. While the DME supports black participants in the mining industry, it also expects that they will widen the involvement of black people across the mining sector.

"Fronting" has been an unintended consequence of black empowerment in the sector. This practice undermines the government's efforts and also the efforts being made by black people to be operational and serious players in the mining industry. As a department, we shall continue to be vigilant that the spirit of transformation is neither undermined nor derailed by a few.

SECTOR PERFORMANCE

For the Act to effect the desired changes, the DME must continue in its role as economic facilitator to promote mining in SA. This involves interrogating how the SA mining industry is faring in comparison with other mining economies, especially in the area of investments and production.

Decline in contribution to GDP

In-house analysis shows that overall mining contribution to GDP has fallen steadily since the 80s, due both to the cyclical nature of commodities and to growth in the secondary and tertiary sectors of the economy.

Numerically, the mining sector contribution has reduced from a peak of over 20 percent to levels shy of 10 percent of GDP. The decrease in total contribution has occurred against an increase in the rand value of the mining sector. While mining production has increased during the metals boom, which started in earnest in 2003, the same can not be said for the rate of investment in the mining industry, which lags behind that of other mining countries like Canada, Brazil and Australia.

The decline in the contribution of mining to total investment from 7.9 percent in 2004 to 6.1 percent in 2006 was of grave concern to the department.

Rise in sales

Primary mineral sales of all commodities show a steady increase from 2001 to 2006 (in nominal rands). A spike in late 2002-2003 can be attributed to the collapse of the rand against major currencies. There is a noticeable dip thereafter, due to the rand regaining lost ground, which has been followed by a gentle and more sustainable increase in the sales.

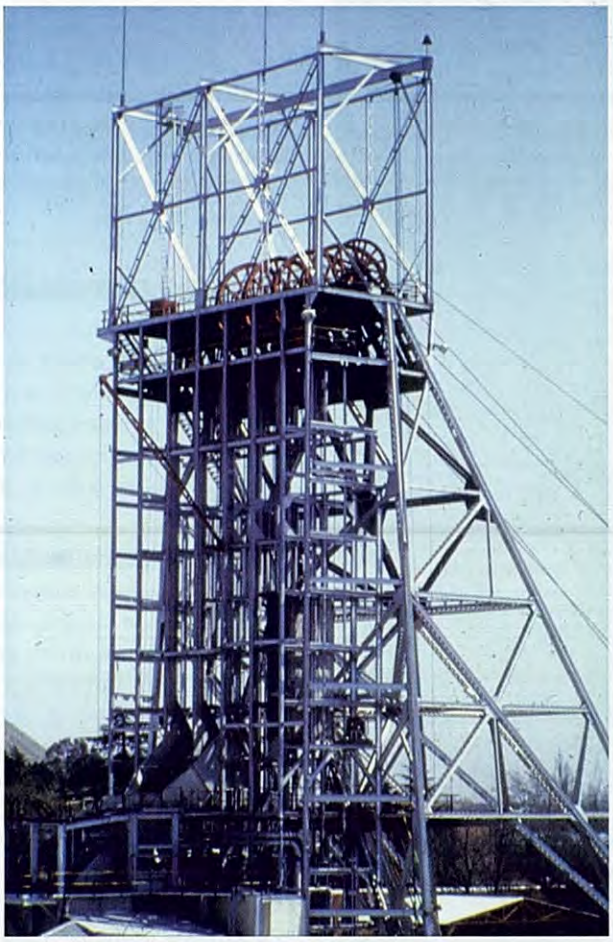
The rise in primary mineral sales can be linked to the increased appetite for commodities in India and China, and to concerns about the stability of the dollar, which suffered from capital flight after the 11 September 2001 terrorist attacks, among other factors. Interestingly, this increase in mineral sales has not been underpinned by one commodity, but is largely a function of significant production increments of other metals, including coal, precious metals (excluding gold), diamonds and iron ore.

Decline in contribution to investment

From 1997 to 2006, of the country's cumulative investment in all sectors of R1.8 trillion, R157.5 billion (8.5 percent) was from the mining sector. This equated to one rand in every eleven invested, demonstrating once again the sector's importance. The decline in the contribution of mining to total investment from 7.9 percent in 2004 to 6.1 percent in 2006 was of grave concern to the department.

However, the rate of fixed capital formation by the mining sector should also be considered. In real money terms, it has risen from an average rate of increase of 6.7 percent per annum between 1995 and 2003, to 7.7 percent p.a. in 2004, and to 9.2 percent p.a. between 2005 and 2006.

The decline in the sector's contribution to total investment should also be seen in the context of accelerated investment by other sectors, such as government and construction. Another critical factor in the drop in investment after 2002 has been the volatility of the currency, which has made planning difficult. The up tick in investment between 2005 and 2006 can be linked to lower interest rates, buoyant debt and equity markets, but also to the belief by industry players that the bull run of metals is sustainable and not a flash in the pan.



Factors affecting investment

The allegations of our critics that investors are now leaving the South African mining industry have to be taken with some reservations.

Some of the arguments are based on perceptions of improved stability in the rest of Africa, which invites increased mining investment in other countries. We are certainly very positive about such trends in the continent, but we do not believe that it is at the expense of South Africa. The interest shown by investors in the applications that we received after the MPRDA was promulgated was overwhelming – despite the allegation that disinvestment was a negative consequence of the introduction of the new mining law.

Another factor that could have had an impact on investment is the exchange rate and its effects on exports. Another is infrastructure, especially roads. In our investigation of this allegation of disinvestment after the introduction of the new mining laws, we did discover that countries like Australia have an advantage over us because of their well-developed infrastructure.

In all these factors, there is no conclusive evidence that there has been disinvestment in the mining industry. What is still in question is what led to the low performance of South African commodities during a boom in prices. The question remains to be resolved and is urgent given the importance of the sector. Henceforth, we are continuing with the investigation.

Weakening fortunes of gold

Not all metals have shown the same propensity for investment rates. There is sufficient evidence that illustrates that gold is the metal that has been showing an overall decline in investment. This can be married to the decline in the fortunes of gold.

The decline of gold as the largest contributor to mining production has been evident for a while. Although out of kilter with global

commodity demand, this can be explained by the challenges faced by gold miners here. The fact that the average South African gold mine is 4km deep, with rising costs for lower grades, makes mining here less attractive than in "newer" gold mining destinations. It is a textbook case of an investment rand seeking higher or equally commensurate returns at a lower rate of risk.

A lack of investment in research and development and in methodology and technology is also catching up with an industry that has provided a wealth of innovative mining techniques to the world. The low rate of R&D investment in the gold sector can be easily explained by the long demand slump prior to the changes in global demand of four years ago. Gold has thus recently been replaced as the top revenue earner by the platinum-group metals – a boom that continues to be fuelled by buoyant market demand for PGMs.

Accepting that change is inevitable and committing to ensure that it occurs are not the same thing

While the DME is concerned about the adverse impact that the decline of gold is having on the mining sector, including the social impact (on employment, mining towns, etc.), we are looking at various ways that other commodities can pick up some of the slack. Both our in-house and domestic commodity forecasts do show that the metals that have benefited greatly from this commodity boom, including platinum, palladium and coal will continue to enjoy strong demand for a period to come.

Fixed capital formation

Outside of gold mining, the global demand for commodities, as well as the corresponding increase in prices, has had a positive impact on investment in the sector. Mining companies across a spectrum of commodities have publicly stated their investment plans for the immediate and medium term, which will have a positive impact on fixed capital formation in the economy. We are pleased by the potential expansion programmes that can be gleaned from statements made by junior mining companies at either the late exploration or pre-development stage. Numbers indicate that greater capital will be invested in the mining sector for a few more years.

Portfolio investment

Another continuing form of investment from the mining sector is in portfolio inflows, as reflected in the increase in trade interest in metal stocks. There is no doubt that the JSE has benefited in the past three years from the commodity boom and from the new Act. Benefits from the Act are evident in a marked increase in the listing (either primary, dual or Altx) of new mining players. The ability to attract more listings seems to be hindered by

- the perception that it is easier to raise capital from other bourses (AIM in London, ASX in Australia and the TSX/TSX-V in Canada)
- the low liquidity in the South African market, as most listings are dual and not accompanied by any capital-raising
- the perception that local investors do not have the appetite to invest in high-risk exploration mining companies.

While these seem to be the prevailing perceptions, the profile of junior mining companies might change as home-grown exploration companies evolve into majors.

The recent bullishness by companies in the mining sector, which has also underpinned the global listing craze, has made us to look at what is driving or hindering investment in the mining sector. From our assessment and engagement with industry, we listed these factors: commodity demand; long-term commodity price forecast; volatility of the currency; the MPRDA; infrastructure constraints and the shortage of resources (human, financial and equipment), as well as the high increase in costs; desire to invest in "newer" mining regions; the lack of high risk capital to fund ventures such as exploration or junior mining companies.

These are the critical issues that must be addressed to ensure that South Africa remains a premier investment destination. The government recognises that it cannot influence all these factors, especially those that are driven by the forces of the market economy.

PERFORMANCE OF THE DEPARTMENT

It is true that the introduction of the new legislation, as expected, also brought to the surface shortcomings of the DME. This was most glaring on the issue of license processing when the department received an unprecedented and almost unexpected number of new applications. While this was a positive consequence of the change in legislation, it nevertheless did highlight that we were not adequately resourced to deal with such high volumes. Of great joy to us was the department's response to the challenge by investing time, energy and effort to address and correct this critical issue.

There are some players in the industry who dispute that the DME is able to meet its application process deadlines as articulated. Our approach as a department is to engage with them constructively, in order to promote mining and investment in South Africa. We are not only looking at ways to ensure that we meet the deadlines, but also to assist applicants to make successful submissions the first time around. This is important as the full application process in South Africa involves rehabilitation and environmental vetting and compliance with managerial and mine health and safety programmes.

The department is satisfied that the MPRDA is on course to promote investment in unexploited or minimally exploited mineral deposits while maintaining and enhancing our currently high global competitiveness in mineral production and sales. With that in mind, the government has also committed itself to address infrastructure constraints and the skills shortage plaguing South Africa.

Given the benefit of experience gained since its implementation in 2004, the department has consulted with various stakeholders over proposed amendments to the MPRDA. Knowing the contribution of certain metals to overall production volumes has prompted the department to put in place other strategies that will ensure the continuation of a vibrant mining industry. It is for this reason that the department is actively advocating and promoting downstream participation (beneficiation), which will benefit from the current small scale in certain industries as well as the history and expertise of the South African mining sector.

Over and above this, beneficiation will lead to investment and the establishment of higher value services than are found currently in the export of raw or semi-processed ore. It is expected that this thrust will create new industries and skills, create jobs, develop the economies of both traditional and non-traditional mining areas and boost fiscal coffers. We believe that capitalising in beneficiation will improve on current beneficiation efforts, such as chrome alloys and alumina.

CHANGE IN CONTEXT

In the "investment in mining in South Africa" debate, it is important that we look at all issues (good and bad) in a manner that will allow us to consider investment in a holistic way, which should not be limited to the extraction of metal from the ground.

It is important to go back in history and remind ourselves that for approximately one hundred years the mining industry was a monopoly of the white minority. The indigenous black people only participated as mineworkers, exposed to extreme dangers without serious concern from their masters. They were robots or machines that had to produce commodities at the expense of their lives.

They were, and still are, the lowest paid within the workforce. The mine owners, dominated by the multinational companies, made exorbitant profits exporting raw material. The ushering in of democracy, highlighted by the adoption of the constitution, was to change the above socio-political situation in favour of all South Africans, black and white, as espoused in the Freedom Charter. Black people, and Africans in particular, were to be prioritised in the process of redressing the situation.

The MPRDA was, then, an attempt to create a legislative environment to allow free participation of the people of South Africa in the mining sector. It is the product of wide consultation and broad consensus by all stakeholders. However, accepting that change is inevitable and committing to ensure that it occurs are not the same thing. While all stakeholders contributed to the development of the MPRDA as the instrument to bring about change, the change that it is beginning to effect is not necessarily supported by all.

Consequently, we are seeing subtle resistance from some quarters. This has been characterised by raising the delays in converting from old order rights to new order rights, by utterances that the department has been slow in processing licenses and that investors are no longer interested in South Africa. All of these have no basis whatsoever. These are examples of intransigence within the industry.

I think the matter is not only about concerns over disinvestment, but is resistance to change. Proponents have their attitudes and perspectives concerning the roles of government and the market, the importance they attach to social justice and the weight they put to non-economic values.

As Joseph Stiglitz put it, they "place less importance on reducing income inequalities, are more prone to thinking that the actions governments might take to reduce that inequality are too costly and may even be counter-productive." "Free market" proponents are also more inclined to believe that markets by themselves, without government intervention, are efficient and that the best way to help the poor is simply to let the economy grow and somehow the benefits will trickle down.

On the other hand, those who worry about inequality and high levels of poverty also see the enormous costs of not dealing with the problem, including social conflict, violence and alienation. This sums up my view about the whole debate: it is nothing else but veiled resistance to change.



POWERFUL SELF-CRITICISM

BY JOEL NETSHITENZHE

The author is a member of the national executive committee of the African National Congress



This report was presented to the ANC national executive committee (NEC), 16-18 November 2007, the last meeting before the 2007 national conference. In these "notes for political overview", Netshitenzhe indicated that this was an opportunity to reflect on the role of the NEC as the party's national leadership in fulfilling the mandate of the previous conference. The aim was to identify critical issues for purposes of reflection by the NEC and to put emphasis on the role of the NEC itself. Netshitenzhe said that some of the issues raised could be uncomfortable but, as the most senior structure between conferences, the NEC could not avoid dealing with them. Although the conference is now behind us, we believe this document has considerable importance.

TRANSFORMATION OF SOCIETY

Netshitenzhe mentioned the successes of the ANC and the government over the previous five years, matters that have been dealt with in various other documents. He claimed that there was a general improvement in the conditions of life of all South Africans, including the poor.

He then outlined the challenges that still need to be addressed:

- income inequality has worsened, and the share of workers' income as a proportion of national income has declined
- problems of restructuring of the labour market (elaborated in the papers on the trade union movement and alliance pact) persist
- there remain large backlogs in service delivery
- macro-economic challenges such as high inflation and the current account deficit do raise important questions about the overall capacity of the economy to grow at higher rates without occasioning serious imbalances
- large numbers of South Africans remain mired in poverty, and it is precisely these sections of the population which are least able to take advantage of the opportunities that exist

Social cohesion also depends on how the ANC handles matters pertaining to the relationship between the state and the party

- the HIV/AIDS pandemic is still having a devastating impact on society
- the scourges of crime and corruption continue to tear at the fabric of society and undermine individual and community safety.

While much progress has been made to increase the numbers of young people acquiring skills and moving into professions previously denied the black majority, the pace is woefully slow. This applies equally to issues of ownership of wealth and distribution of income. It is in these areas that the legacy of colonialism remains gravely stubborn. The challenge of gender inequality manifests itself acutely in the socio-economic arena.

Progress has been made in the transformation of the state in terms of demographics, the doctrines that underpin its operations, its capacity to exercise leadership on socio-economic issues, and as a force of social cohesion. However, problems of crime and corruption, some weaknesses in delivery, and conflicts in both the party political arena and with or within civil society have conspired to generate conduct that can have the effect of subtracting from the state's legitimacy in the eyes of society. Stark manifestations of

this include mobilisation against particular state institutions, violence during strikes and demonstrations and vigilante activity.

Experience over the past thirteen years has brought out in bold relief the issue of relations and permutations among the three spheres of government. The policy conference resolved that the ANC needed to make an input into the government review of this matter before it is resolved by government structures. Mechanisms for this need to be expressly identified, so as to ensure united movement leadership of the process.

HEGEMONY AND SOCIAL COHESION

A critical question in this regard is the role that the ANC has played, beyond its tasks in government, to mobilise society and ensure hegemony of the ideas of change. The energy, efficiency and effectiveness of ANC election campaigns do point to our capacity in this regard. In turn, the outcome of elections in 2004 and 2006 point to improved confidence of broader society, especially the poor, in the ANC as the custodian of the nation's aspirations. Yet there has been a trend of declining participation, particularly in national and provincial elections, and weaker engagement on the part of young people: we have not fully grasped and developed appropriate responses to this issue.

Except during elections, the ANC's engagement with the mass terrain is woeful. This relates to such issues as workers' rights, consumer issues, hurdles faced by SMMEs, anti-crime and anti-corruption campaigns and so on.

Through its branches across the length and breadth of the country, the ANC does interact with all the real and potential motive forces of the national democratic revolution (NDR). However, we have not developed the necessary organisational mechanisms to ensure that such interaction consistently finds expression through civil society formations: trade unions, single-issue campaigns, business groups, and religious, community, student, women's and other organisations.

The production relations of the system in which we operate encourage atomisation of individuals and households and the undermining of social cohesion. If the ANC has to continue acting as the glue that holds South Africa together, it needs to raise its visibility and improve its self-assertion to encourage the rise of a new value system based on the morality of caring and social solidarity.

The capacity that the movement currently has for political education, ideological discourse and narrow communication tasks is way below what the task of transformation requires. If this is not corrected, the NDR will certainly gradually lose its fulcrum and frame of reference, ideas inimical to fundamental change will become dominant, and the ANC itself will be transformed by the very system it seeks to change.

The ANC's pre-eminent role in uniting South African society means that we must be, in theory and in practice, the repository of principles of non-racialism and unity across language, ethnic, age, gender and other differences. How have we, as a leadership, managed issues of race at national level, and in provinces such as the Western Cape where they find acute expression? How have we managed issues of ethnicity, especially in relation to leadership contestation?

The ANC is the leader of the core of organised forces meant to drive transformation, represented by the tripartite alliance of the ANC, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). The ANC in particular, and the alliance in general, is meant to be the societal fountain from which issue the ideas, the strategies, the programmes, the conduct and the demeanour that should inform the project of fundamental change. A review of the alliance summits held since 2002 does show that there is broad agreement on the character of the NDR. The outcome of the 2007 ANC NEC *lekgotla* and the recent national policy conference seemed to point in the same direction.

However, cracks have already started to appear at the level of strategic conceptualisation, with analyses and public statements that suggest different expectations of the NDR, conflicting readings of the balance of forces and divergent interpretations of the role of a progressive trade union movement and of a communist party in the midst of the NDR.

Especially in public discourse, the tone as well as the content of pronouncements made by leaders and gatherings of COSATU and the SACP suggests that the alliance is a house divided. This has been worsened by approaches to the question of leadership in the ANC. The profound lesson that has emerged from this, for all components of the tripartite alliance is that divisive issues within any of our organisations, and divisive conduct on the part of senior leaders of the allies, are bound to rend apart not one, but each of the partners. In turn, such conduct will divide the motive forces and society at large.

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Similarly, public pronouncements by, and the conduct of, the ANC Youth League do create the impression of a serious disjuncture within the ANC itself. This relates to matters of leadership contestation, in which, besides the tone of discourse, statements and conduct that purport to be in support of particular candidates have evolved into attacks against other leaders

of the movement. This is linked to rabid campaigns against specific state organs, which have the effect of weakening the legitimacy of the emergent democratic state. Social cohesion also depends on how the ANC handles matters pertaining to the relationship between the state and the party, especially where the interests of an individual or a group within the ANC seem to come into conflict with imperatives of governance. In instances where members, or even leaders, of the movement come into conflict with the law, how do we ensure that presumption of innocence and solidarity do not cross the line to undermine the integrity of the very state led by the movement?

The last critical matter on social cohesion relates to our experiences of the manifestation of counter-revolution. In the recent period, we had been drifting towards the conclusion that there were no serious organised counter-revolutions in our society, save for weak extremist groupings such as the *Boeremag*. Yet in the past eighteen months or so, things have happened which demonstrate the existence of organised groupings that seek to initiate, foment, encourage and aggravate difficulties that the movement faces. Who are these forces and are we, both as the ANC and the government, geared to deal with the danger they present?

STRATEGIC ORGANISATIONAL ISSUES

Most of the strategic organisational issues are entertained in the secretary-general's *Organisational Review* document, and the processes to develop resolutions or amend the ANC's constitution are unfolding as envisaged. Among the positive developments that we can be proud of as this NEC is the growth in membership, the impact of the *imvuselelo* campaign over the past two years, the performance of the ANC in the 2004 and 2006 elections, house-to-house work during election campaigns, and improvement in gender representation.

The NEC needs to ask whether there are outstanding strategic policy issues pertaining to the organisation, on which we need to develop approaches that will help guide Conference. A few such issues come to mind.

First, having assessed such matters as the load of work, as well as gender, racial, class and other considerations, the NEC may wish to develop a collective view on the expansion of this body and the specific number we may consider appropriate – and to ask whether similar considerations should be applied to provincial, regional and branch structures.

Second, given that the national conference resolves the leadership question only for the ANC as an organisation, it will be critical that there is clarity about how and when the issue of the leading candidate in the 2009 national elections will be selected. By mid-2008, we will be starting with elements of the election campaign including research, and it will therefore be necessary that a special national list conference (or process) is conducted during the first half of 2008.

Quite clearly, this NEC has failed to resolve the divisive issues that have plagued the movement in the past two and a half years.

Third, the current period of contestation for leadership positions, particularly the presidency, has resulted in a situation in which movement precepts are observed in the breach. This matter can be delegated to the incoming NEC and the next national general council (NGC) to resolve.

In addition, the NEC needs to reflect on two issues that may or may not require resolution at the national conference – issues which have profound implications for the future of the movement. Some of these may have been canvassed in the *Organisational Review*, but we do not have sufficient certainty as a leadership about how these will be resolved:

- party political funding. Current formulations refer to a regulatory architecture to enhance accountability and transparency on private funding, increase public funding and improve mechanisms of self-financing – the question is whether this is adequate
- floor-crossing. The matter was not resolved at the national policy conference and the NEC may want to give leadership – for instance, identify a "middle option" that would increase the threshold to accommodate major shifts in the political environment, remove the window period and allow the retention of seats only for proportional (and not constituency) representatives.

One of the weaknesses in the past five years has been how we have managed the issue of the prerogative of the government "chief executives" in instances where differences arise. Beyond mouthing the slogan of appreciating the principle of prerogative, and beside the issues of cadre deployment dealt with in the *Organisational Review*, the specific question which arises is: what conventions should we develop to ensure that differences or career incidents within governmental executives do not reduce the movement to a circus?

If individuals in executive structures across all the spheres differ with the "chief executive" should they resort to the courts or even dare him/her to initiate action?

Should we allow prerogative to play out while leaving space for policy and even personality contestation to take place behind closed doors within the party?

If an individual experiences real and serious personal difficulties which embarrass the movement, should he/she wait for the "chief executive" to act or help the movement salvage its reputation?

COMPOSITION AND MANAGEMENT OF NEC

This NEC reflects the confidence that was accorded individuals and the collective at large by the membership through the 2002 National Conference. In turn, the NEC elected a national working committee (NWC) to carry out mandates defined in the constitution. As our contribution to the work of the incoming NEC, we need to reflect on whether there was serious strategic reflection on what kind of NWC we needed in terms of location in various centres of power, racial composition, extent of individual "busy-ness", and so on.

The assumption may be broadly correct that election to the NEC means that, individually and collectively, NEC members appreciate the strategic posture and programmes of the movement, the role they are meant to play, and how they are meant to conduct themselves. But this NEC may wish to propose to the incoming one that there should be a programme of induction to translate assumption into certainty.

The issue of deployment of NEC members has been more or less sufficiently canvassed in the *Organisational Review*. On the one hand is the responsibility explicitly to state for the knowledge of the membership that deployment into governmental executives takes place after consultation with officials. On the other is the question of sector (as distinct from geographic) deployment, which is critical for the ANC to strengthen its leadership of the motive forces.

Within the NEC itself, can we confidently state that we have seriously applied ourselves to all the critical issues facing the movement, that we have been frank and open, and that we have not in discussion tended to occupy trenches rather than weighing issues dispassionately to reach conclusions that are in the movement's interest? Further, have we avoided "avoidance", in the sense of parcelling out difficult issues to the NWC and officials to attend to?

How about arrangements for NEC meetings? Is it possible to ensure that technical arrangements and the management of the meetings are done in such a way that the NEC is able to have a conversation rather than a sequence of speeches with little clarity at the end about areas of divergence and agreement?

DISTURBING POLITICAL DYNAMICS

There is certainly a serious incongruity in the current political dynamics that requires the attention of the NEC. To illustrate the seriousness of this matter, let us briefly paint a picture of the manifestation of some of these problems. The aim is not to apportion blame to any individuals or groups, and the picture itself may be too colourful – this is aimed at teasing out the issues that the NEC needs to address.

So here goes:

- as we all know, in the current nomination processes for the leadership, two lists have emerged, punted quite openly by organised groupings within the movement. Except for one individual (in different positions), the names for the officials are completely different
- although we have not received formal reports or complaints, some members have alleged that in many branches there has not been any serious political discussion, as provided for in the guidelines, before issues of nominations are discussed – such is the trench warfare afoot that comrades view this as "a waste of time"
- there have been references to the possibility of money, some intimidation and promises of government positions being thrown into the electoral pot – besides physical clashes that have been reported in a handful of branches/regions
- the incident in the Capricorn region of Limpopo province has been interpreted variously as a reflection of the depth of desperation or an ordinary and coincidental criminal act. This in itself shows the fissures within the movement.

We need again to emphasise that this may be a bit of an exaggeration. We also need firmly to assert that, even if some of these things may have happened, they are undercurrents to a process whose technical integrity cannot be faulted. So we are not here raising issues about the legitimacy of the process as a reflection of members' will; it is more about the politics that should underpin ANC engagements of this kind.

In the recent period, the public campaign to condemn some leaders within the movement and glorify others has intensified. It is quite possible that either of the groups involved in this can ratchet up examples to prove their point. That is not the central issue. The question is whether this at all reflects the kind of ANC we know and should have!

For the ANC to retain its organisational integrity, it will need to either institute disciplinary action or adapt these precepts to current reality, with clear guidelines on how leadership campaigns are conducted.

Now, all this is happening under the watch of this NEC – the highest decision-making body between conferences. What this means is that, quite clearly, this NEC has failed to resolve the divisive issues that have plagued the movement in the past two and a half years.

This in part relates to matters that have steadily gained prominence in the ANC since 1994: deployment and redeployment of ANC cadres and leaders in and out of government, and the issue of ANC cadres and leaders who come into conflict with the law, attached to which are

allegations of conspiracies that, although rejected by the NEC as a collective, continue to find currency in movement discourse and in court evidence.

In part, particularly within the alliance, this may reflect the divergences that are solidifying around the understanding of the NDR, readings of the balance of forces and so on. But such is the depth of the difficulties that the leadership of both COSATU and the SACP have – explicitly or in a thinly veiled manner – waded into the ANC's leadership debate.

In all this, one thing is certain: forces of counter-revolution both within and outside the country have isolated these issues to exploit them to maximum effect in weakening the ANC and the tripartite alliance. They have embedded themselves into the terrain and use "stratcom"-type tactics to achieve their aims.

NEC LEADERSHIP

It is not as if the NEC has not discussed these issues. We have on various occasions done so, and emerged with collective views that we reckoned had united the leadership and would in turn help unite the membership. This includes the effort of the president and deputy president to dispel "myths" around any divisions between them on issues of policy and at a personal level. But it would be to bury our heads in the sand not to acknowledge that the Mbeki/Zuma template has become part of the frame of reference beyond the media: indeed, it is there within our branches and even among senior collectives.

Among the questions that arise are:

- has the NEC continually, comprehensively, dispassionately and honestly exercised its mind on these issues and corrected behaviour deviant of its collective standpoint as it occurred?
- were we unable to stem this tide because NEC members were themselves part of its propagation?
- were our systems of communicating collective decisions effective enough to prevent ANC branches and ordinary members being infected by this divisive bug?

Again, it may well be that, if we were to pursue detailed responses to these questions, either side in the divide would have reams of proof that the other was to blame. Some may ask whether the ANC is divided into two factions, or whether there are these two groupings plus an ANC that stands apart; or even whether one of these "two factions" is in fact the *real* ANC trying to pursue the movement's strategy, policies, programmes and culture. Whatever the case may be, this is happening on the watch of this NEC. Should we just throw up our hands in despair? Of course, the unavoidable reality is that the issue itself will arise during conference deliberations: how does the NEC provide collective leadership?

What conventions should we develop to ensure that differences or career incidents within governmental executives do not reduce the movement to a circus?

Related to this is whether the NEC should consider giving leadership in the electoral process itself. Of course, electoral purists – and not necessarily revolutionaries – would squeal at such a proposal. But we all know that the provincial leadership will definitely interact after the provincial general councils (PGCs) to assess whether there can be some accommodation at least at NEC level.

Should this be encouraged: is it the right thing to do? On the surface, the answer appears simple and straightforward: we all need to pursue unity. But should this be at all costs? In the dynamics that have emerged, isn't there "more right" and "more wrong"? Though there may be no absolutes, there are fundamental mistakes that have been made and these need to be punished by the membership at Conference. In other words, things should be left to Conference to resolve – without collective NEC guidance – through discussion and through elections.

NATIONAL CONFERENCE AND BEYOND

However we decide to resolve the detailed matters of divisions and electoral processes, we cannot shirk our responsibility to ensure that the ANC emerges from Conference strengthened and geared to take the NDR to a higher level.

Besides matters of detailed policy, is there an inspirational and substantive theme that we want to emerge from Conference, to carry us through the election campaign, the 2010 FIFA World Cup and towards the centenary of the movement?

Further, how does the ANC emerge from Conference with a strategic posture and programme that will address the weaknesses in strategic areas identified in this document?

Having gone through the complex and debilitating experience of the past two-and-half years, are there lessons that we would want to impart to Conference and the incoming NEC regarding management of the kind of challenges we have faced, so that divisions are not perpetuated?



IS THE DEVELOPMENTAL STATE REALLY CONTROVERSIAL?

SEMINAR REPORT

BY BEN TUROK

The author is a member of the South African parliament and editor of *New Agenda*

With the developmental state concept now holding centre stage, Minister of Provincial and Local Government Sydney Mufamadi asked New Agenda *to convene a high-level seminar to discuss what we mean by the term and to try to come to a consensus that might inform further debate. The seminar was very successful and generated excellent papers, some of which appear in this issue and the previous one. The full set will be published in a volume shortly, with the assistance of the Friedrich Ebert Stiftung.*

In the absence of a comprehensive development strategy, South Africa could not presently be characterised as a developmental state, but it has taken several significant steps in this direction.

EXECUTIVE SUMMARY

In order to open up a broader discussion on the developmental state, senior policy specialists from the cabinet, presidency, state departments, parliament, parastatals, labour, and academia were invited to a closed, informal meeting. The participants were asked to submit papers for later publication in *New Agenda*. In the event, an extremely interesting discussion took place, with a broad consensus emerging on many issues.

The purpose of the seminar was to consider the extent to which South Africa could currently be considered to be a developmental state, what the main challenges in the present system are and how these might be addressed.

The seminar considered papers on the role of the state and the formal sector of the economy, including the shortcomings of the public service, the necessity for planning and co-ordination within government and the lack of a comprehensive portrait of state-owned enterprises including development finance institutions.

Debating the role of the state in socio-economic development, the seminar highlighted the importance of provincial and local government and the need for appropriate capacity for planning and implementation. Rural development remains a major hurdle for the creation of a developmental state: rural people have no "voice", and a vision for rural areas is sorely needed. The discontinuity between first and second economy, which has its origins in the apartheid era, needs to be bridged and government programmes to address this need to be fast-tracked. The seminar concluded that, in the absence of a comprehensive development strategy, South Africa could not presently be characterised as a developmental state, but it has taken several significant steps in this direction.

THE ROLE OF THE STATE AND THE FORMAL SECTOR

The public service

The opening session of the seminar focused on the public service. Serious reservations were expressed about the capability of the present public service to manage a developmental state. While substantial upgrading of skills is essential, also essential is the integration and co-ordination of functions, and overcoming the institutional turf battles and self-serving attitudes of public servants. It was also argued by some that the key to advance lay in a re-conceptualisation of the role of the state and the transformation of the bureaucracy on a new basis.

While many paid lip service to the *Batho Pele* ("people first") initiative, implementation is often weak. Motivation is lacking at lower levels of the public service, where working conditions are poor. A major investment is needed in public infrastructure to improve the work environment of public servants. Better career development and human resource management is needed.

A proposal is coming from many quarters for the creation of a single public service embracing all spheres of government. This would have an appropriate and rationalised mix of centralisation and decentralisation, and "one-stop shops" where appropriate. It would assist in creating a national spatial development framework, unify the integrated development programmes (IDPs), and go some way to creating a developmental state. However, not all participants agreed with this proposal.

One participant argued that, in many African countries, the public service had done more damage than politicians. The developmental state is not simply a matter of a good public service. Indeed, if you create a strong single service, it may become too strong to modify its role. Civil society participation is equally important in development, through individuals and groups. Such participation should not be oppositionist, but actually promote development through partnerships, with mutual accountability between the state and the people. Planning should start at the local level.

There was agreement that a strong and coherent public service was needed and that we still have a long way to go in that regard. It was pointed out that joint planning across departments is not happening because there is no provision for this in legislation. There is also hazy understanding of the provision on values and principles in chapter ten of the national constitution.

The trend of appointing senior officials for three-year contracts is unsatisfactory. Present performance contracts lead to individualism, with personnel looking to earn bonuses rather than perform public duties. Because of the predominance of consultants, there is a "hollowing out" of the state. This also leads to corruption. Overall, there is a lack of coherence.

Many public servants are fearful of the Public Finance Management Act and slide into inactivity or inefficiency. The condition of the public service was summed up in the phrase: "The public service does not deliver but procures services."

Planning

There was agreement that planning is essential at the centre of government, particularly as there is a major problem with co-ordination across departments and between spheres of government. Questions were raised about the role of the treasury in relation to planning as it can have a negative effect. Does the treasury have too much power over departments?

A South African developmental state must be a strong state, able to intervene effectively. But it must also be democratic, and in this respect it would differ from the authoritarian East Asian tigers. Our external environment is also different from that which enabled the East Asian states to advance so successfully. It is more fluid and contested. Also theirs was marked by a strict control of labour, which is not the case in South Africa. It was suggested that the state has to build co-operation with labour and capital and overcome the elements of distrust between them.

The problem is that we are working with the distortions we inherited and trying to do some redistribution largely within that paradigm. While the economy has been managed reasonably well, it has not been transformed. In part, this is because we have emphasised efficiency over equity and because there are large problems at institutional level that have to be overcome.

While the economy has been managed reasonably well, it has not been transformed.

There is a large and powerful bourgeoisie and a strong working class and the state has to mediate between the two. There is also a powerful impetus to *"embourgoisement"* (increasing affluence) on the one hand and disempowerment on the other.

All sectors of government and society should move together in a common programme. This requires coherence, planning and cohesion. It also requires that monetary and fiscal policy move together, not in opposite directions, as is presently the case in some respects.

The apartheid state was developmental with respect to poor Afrikaners. It ensured that prices for basic needs such as electricity were kept low; training was provided in skills programmes; the growth of co-operatives in agriculture was facilitated by subsidising fertilisers, etc. Yet, paradoxically, our government seems not to have the same concern to keep the price of basic needs low.

There is no available document that provides a comprehensive portrait of the SOE sector: the role of these institutions, their total assets, or their overall contribution to the economy.

State-owned enterprises

The role of the state-owned enterprises (SOEs) came under close scrutiny. The SOEs should be seen as providers of public goods, and should not stand alone, but be integrated with other departments and agencies. A framework for development planning is needed.

Participants stated that there is no available document that provides a comprehensive portrait of the SOE sector: the role of these institutions, their total assets, or their overall contribution to the economy, including downstream and upstream value addition. Instead of focusing on development broadly, these enterprises are driven to enhance dividends and profits. For real development to happen, the SOEs have to work in co-ordination with government departments and with development finance agencies like the Industrial Development Corporation (IDC).

SOEs can legitimately use protectionist measures as an economic tool. For example, low electricity prices are important to stimulate economic growth. Since Eskom controls electricity prices, supply could be used as leverage to pressure Mittal Steel to keep prices at proper levels for our industries.

SOEs benchmark executive pay against the private sector and profit is the main driver. Such considerations, not development, condition the behaviour of managers. Short-term incentives for managers in Transnet mean that maintenance expenditures are neglected. Where do we find a comprehensive picture of SOE development programmes and projects?

Government policy was previously directed towards the privatisation of SOEs, especially South African Airways, Airports Company South Africa (ACSA), Telkom, Eskom and others. But the hostile reaction from labour stalled this process. Now there is a much greater recognition of the positive developmental potential of the SOEs, especially with physical infrastructure. Again, there is no comprehensive document guiding this process.

There are also many conflicts of interest between SOEs and aspirant black businesses using the cloak of black economic empowerment (BEE), such as the Elephant Consortium. There is corruption, greed and opportunism, with even ministers having business interests. Perhaps the ANC is deploying the wrong people to manage the SOEs.

We need to walk on two legs: one, export oriented manufactured and beneficiated goods; the other, consumer goods for the domestic market.

The SOEs need to follow a clear economic model that brings in the private sector and gives it direction, as was the case in East Asia.

Throughout the public sector, skills are being lost, knowledge creation is inadequate, and there are many new managers and functions, and so, there is a crisis of performance. We should introduce substantial mentorship schemes with older public servants acting in this capacity.

Development finance institutions and development funding

Agencies like the IDC were set up by the apartheid state and some were very effective, but our government is not using them adequately. They have to interpret what is expected of them without the necessary mandate. They exist in a vacuum, respond opportunistically and pursue their own goals. Their interventions are cost-based, taking great care to protect their capital base and make a profit.

They should rather intervene where there are market and institutional failures. For example, some of our basic industries that are essential for development and industrialisation have collapsed, such as the foundry and tool-making industries. We have even sold off major inputs such as iron ore, indicating a lack of long-term industrial vision.

A new push for development must identify those measures which will impact strongly on poverty, unemployment and inequality – the most urgent challenges facing the government. The new industrial policy framework has the potential to make a difference. It must face the fact that we are a country rich in natural resources that, due to the boom in commodities pricing, contribute substantially to our export revenues (some 60 percent). Because this is not in state hands, these revenues are spent on imports, leading to a trade deficit. This is irresponsible. Other resource-rich countries have set up special funds to direct these revenues into developmental activities or to balance the current account. Furthermore, we should take advantage of the commodity price boom to remove our trade deficit. But this too is spent on imports. There has also been little increase in investment in non-resource based activity.

Hence the growth path is fragile, driven by consumption and services. But both industry and services are required. Services bring employment – for professionals like accountants and lawyers, but also jobs for security guards and office staff. There are also useful transfers through outsourcing, but these are not long-term secure jobs as has been seen in countries like India.

Industrial policy framework

Unfortunately, trade liberalisation has been the strongest element of industrial policy in the past. The new industrial policy framework seems to move in the opposite direction, with some elements of protection that should assist with improving our trade balance.

Yet there is still no consensus on the importance of infant industries.

There is a general acceptance that we are trapped in a system of capital-intensive industrialisation that undermines interventions in micro-enterprises, co-operatives and the like. There is a new emphasis on moving to a high-tech export-driven knowledge economy. But this cannot be the main focus of economic strategy. It will not lower unemployment, nor will it grow capabilities in the manufacturing sector to produce the goods needed in the domestic market. We cannot continue importing the bulk of consumer household goods required. We need to walk on two legs: one, export-oriented manufactured and beneficiated goods; the other, consumer goods for the domestic market.

THE STATE AND SOCIO-ECONOMIC DEVELOPMENT

Provincial and local government

A developmental state in South Africa should give considerable attention to provincial and local government, and to rural development. Presently the provinces do not have the necessary competencies to guide development, such as capacity for planning and information. Nor do they have the resources to create the necessary agencies. There is also a deficiency in collaboration between the different spheres of government. The public service is compartmentalised – there

is no "joined up government" which could lead to common outcomes.

Some of the problem lies with managers who wish to make their MECs look good, rather than contribute to a common goal. Senior managers are often appointed through patronage, not merit, with local personnel getting priority. Since they lack the necessary professional and technical capabilities, they rely heavily on consultants, which, in turn, leads to many failures. These capabilities should be developed internally. In general, skills are hard to attract to under-developed provinces and even harder to keep.

Iimbizo that encourage community participation are sometimes initiated from outside. This tends to raise undue expectations, leading to despondency.

Rural development

Rural development remains a major hurdle in the path to the creation of a developmental state. Land use and capital-intensive agricultural practices are both becoming more intensive. There is a consolidation of ownership, with only eight agri-businesses. BEE is being introduced only at the top. This is partly because the key framework document of 2002 missed the opportunity to make the necessary changes. Hence, the growth path remains the same, with some de-racialisation. The dismantling of the marketing boards has led to regulation by the private sector with vertical integration. Government regulation should be re-introduced and the state must be willing to coerce the private sector where necessary.

A vision for the rural areas, including the former homelands, is sorely needed. We need strategies for livelihood creation in different sectors, including mixed farming. There must be a de-concentration of land use, and more labour intensity. Land reform is inadequate. A land tax could be important. Presently, extension services are poor, and marketing is a problem. We need a report on the rural areas similar to the 1960 Tomlinson Commission.

Clearly, market forces will not redress the decline of the former homelands, yet they could be developed. There are no longer strong oxen to pull ploughs, no tractors, and little irrigation. Land is not fenced to protect it from intruders. There are many sheep and cattle, but their quality is too poor for marketing. Yet with improvement they could supply wool and meat. What is lacking above all is good advice on crops and fertilisers.

We need to specify the division of labour between the state and the private sector. Analysis of the prospects of light industry in rural areas is needed. Self-help schemes are also vital: for instance, people building their own houses and extension services, repairing roads, etc. All this should be located within a national spatial development plan.

Of great importance is the lack of "voice" by the rural people.

The second economy

The seminar gave considerable attention to the concept of

WEALTH DOESN'T TRICKLE DOWN:

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the second economy. While there is still some definitional debate, all agreed that we know what the problem under discussion is, namely, the disconnection between the two spheres of the economy, which is structural. The rich and the poor reflect this divide.

The origins of this dualism lie in the apartheid era. In the urban areas, blacks were not allowed to set up businesses, but they found ways of self-help such as stokvels, burial societies, various credit institutions and co-operation in work. But in recent years employment creation has stalled, education is in retreat, and inequalities are growing; hence the Human Development Index score is going backwards.

There is not enough regulation of the private sector to ensure adequate benefits for the disadvantaged. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) must be fast-tracked; the government must take SMME support more seriously (including paying on time); we need a national health insurance scheme involving public and private funds; and a more concentrated HIV/AIDS effort.

A policy shift is also required in both urban and rural townships to turn even small property into commercial assets that can be used as collateral. It is unacceptable that poor people's property remains outside the legal and commercial framework.

While the state has made a good start with the expanded public works programme (EPWP), the achievements are limited. The training is brief, the work programmes short, and it seems that many return to poverty on completion. Since the programme is based on labour intensive work, more research is required, particularly as there is some resistance to labour intensity in South Africa. While not a simple solution to joblessness, the EPWP could be used to create public facilities, such as parks.

TOWARDS A GRAND AGREEMENT

The wide-ranging debate touched many important areas and produced a consensus of what needs to be done to move decisively to a developmental state that serves the people. However, the seminar found little evidence of a comprehensive development strategy directing the state and all its institutions.

Imbizo that encourage community participation are sometimes initiated from outside. This tends to raise undue expectations, leading to despondency.

What is crucial is a change of mindset in our policymakers, the bureaucracy, business and labour, and a "grand agreement" to pursue a common agenda.



While we have managed what we inherited reasonably well, our society needs a transformation approach rather than a *laissez-faire* one.

Fragmentation, vertical organisational "silos", and self-serving institutions should not be tolerated. Central planning and co-ordination is essential to bring all sectors into a common process. There has to "joined-up government" which also integrates the private sector in a joint effort at actual delivery.

Focus on the first economy alone will not address the massive unemployment, poverty and inequality that persist. Only a developmental state can address these problems directly. Neither trickle-down nor ladders-up will emancipate the bulk of our people economically.

The emphasis on building physical infrastructure is a major advance. But infrastructure is not neutral: it serves some interests more than others. We have to ensure that the needs of ordinary people are taken into account early on.

In the end, all policy must be designed to put people at the centre of the total national effort. This will not happen by decree from above. All organs of state must be obliged to create the institutional mechanisms that will enable public participation to be real and effective, thus giving the people the voice they deserve.

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Growing tax compliance in South Africa over the past 13 years has seen steady growth in revenue income which has created the unprecedented fiscal space for government to accelerate and expand its development plans while simultaneously cutting taxes and reducing debt. It is this fiscal space which led the African Peer Review country report (5 September 2007) to note that South Africa holds autonomy over the orientation and design of its national development programme as a direct result of fiscal strength. Maintaining and expanding the domestic resource base that affords such self reliance is an ongoing task for the South African Revenue Service (SARS).

Transforming the tax behaviour of large sections of the population from one of pre-democracy avoidance and evasion to the current levels of compliance is a significant achievement for South Africa. Public education promoting the societal benefits combined with more efficient service and an enhanced ability of SARS to detect and deter non-compliant behaviour is part of the story. State credibility, improvements in the quality of life, management of the public purse also continue to influence compliance.

But as acceptance has grown among the vast majority of South Africans that fulfilling one's tax obligations is not simply a case of meeting a legal requirement: also (especially in a developmental state) a moral imperative to contribute to the improvement of the quality of life of all our fellow citizens, so pockets of self interest have emerged to pose a risk to revenue generation.

Guided by the outmoded notion of optimal profit at all cost, sections of the private sector continue to aggressively seek ways to minimize tax payments. Using the letter rather than spirit of the law and the narrow interpretation of the accountancy principle of "tax as a cost" to justify their actions, well-resourced enterprises and their tax advisors espouse the view that tax and morality have nothing in common.

South Africa is not alone in grappling to find a healthy and sustainable balance between corporate shareholder responsibility and corporate social responsibility. Nor is SARS alone in advocating a moral element of tax in addition to the more traditional legal classification of this subject.

Increasingly internationally – and indeed in South Africa – companies and revenue authorities are sharing a view that corporate tax planning cannot and should not occur in isolation from an organisation's broader social commitment policies and agenda.

In what may come as a surprise to those who view this as a threat, this notion of a broader responsibility does not have its roots only in countries with large developmental needs or social agendas. It is being advanced in firmly capitalist first world economies like the United States, the United Kingdom and Australia. And it is being endorsed and advocated by major global corporations whose primary responsibility remains ensuring long-term shareholder value.

A report in 2006 by a leading fund and investment management company, Henderson Global Investors, on the tax practices and policies of a number of FTSE 100 companies has revealed a fresh approach to tax planning by many of these industry leaders. While accepting that tax is a cost to business and that paying tax unnecessarily may breach a company's legal duty to its shareholders, many large companies are increasingly accepting that there is value to be gained in meeting and making a fair tax contribution.

The Henderson survey found that even where companies had not fully acknowledged the social value of tax contributions, there remained compelling business reasons to align the company's tax planning policies with its corporate responsibility policies:

- The value derived from positive working relationships with tax authorities: This does not mean simply conceding to any challenge by tax officials and paying more than is necessary. Rather, the report found, it is a matter of conducting relationships that will inevitably involve some disagreement in a professional manner without dissimulation. One head of tax argues in the report that maintaining confrontational relationships with tax authorities required a large tax department with high costs while transparent relationships were less costly.

- The value derived from reputation: The benefit to a company's reputation – both among the public and among its own shareholders – from investing in social upliftment programmes is widely known and followed. Increasingly, companies are viewing paying their fair share of tax in a similar light.

"Where these sources of value might be prejudiced by 'aggressive' tax planning, the prudent business course might be to forego the tax opportunity," the Henderson Global Investors report concludes after its research revealed that some of the world's leading companies are adopting a "spirit and letter of the law" approach to tax planning.

Neither is this view the sole preserve of corporate governance authorities and activists. Tax advisory services and accounting experts are also urging their clients to view their tax planning and policy as part of the company's overall risk spectrum. Writing in the International Tax Review in July 2006, Urs Landolf – the leader of PricewaterhouseCooper's Tax and Legal Practice in Europe – argues that the tax planning activities of a company belong in the boardroom rather than only the finance, accounting or tax divisions.

"Such tax management, embedded in the corporate governance framework of a company, enables tax planning and tax compliance geared to sustainability and credibility. In this way tax costs become proactively managed costs, both in respect of their amount and also in respect of the company's reputation in the eyes of the fiscal authorities and the interested public," Landolf writes.
His own research shows that companies who seek to minimise taxation without due regard for sustainability and social considerations, are facing growing criticism from the public, shareholders, tax authorities and governments. "Thus tax avoidance is increasingly regarded as immoral," Landolf writes – including in the United States.

Increasingly, the boards of large companies in Europe, Asia, the United States and elsewhere are moving away from the short-sightedness of assuming that paying the least amount of tax is the only responsible way to meet their obligations to shareholders.

This is being replaced by a business-driven decision to manage tax as commitment as well as a cost.
Some companies in South Africa have already made this transition. Some are well on the way to this realisation. Others though, unfortunately still cling to the mistaken belief that they serve only the narrowest of constituencies and that the unavoidable limitations of legislation provide loopholes which they would be amiss not to ferret out and exploit for selfish gain until amendments are introduced and the cycle repeats itself over and over again.

Richard Murphy, an accountant of the Tax Justice Network, also argued recently in Britain's The Guardian newspaper that tax was not a cost to company: "It is a distribution out of profit. That puts tax in the same category as a dividend – it is a return to the stakeholders of an enterprise. This reflects the fact that companies do not make profit merely by using investors' capital, They also use the societies in which they operate, whether that is the physical infrastructure provided by the state, the people the state has educated or the legal infrastructure that allows companies to protect their property rights". Quite simply, he argues, tax is the return on the investment by society from which companies and individuals benefit.

In a UK report by SustainAbility on Responsible business and tax, writers Seb Beloe and Geoff Lye argue, that in line with other progressive efforts to demonstrate economic accountability such as the Fair Trade and Fair Price initiatives, Fair Taxation should also be embraced. The concept of corporate economic responsibility is still very new. While corporates have become adept at leading some social investment activities, the desire to explore more ethical business functioning within an acceptance of wider social and economic impact, is still fairly revolutionary.

The challenge is to link compliance with a tax morality based on the values of transparency, shared vision, fairness, and a common humanity.

This is a task the SARS will continue to pursue in partnership with stakeholders.

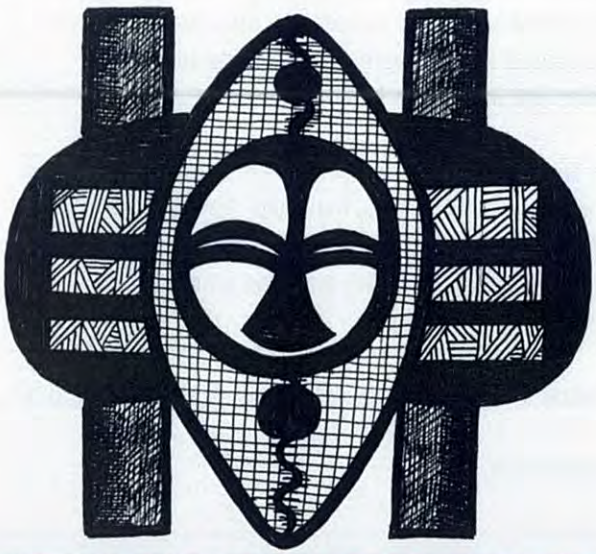
PUBLIC SERVICE CAPACITY AND ORGANISATION IN THE SOUTH AFRICAN DEVELOPMENTAL STATE

BY RICHARD M LEVIN

The author is director-general of the department of public service and administration (DPSA). This paper was prepared for the Developmental State Seminar, 19 October 2007

The apartheid state was constituted by a condensation of class forces characterised by the promotion and defence of a system of white minority domination, enrichment and super-exploitation of the black majority. The struggle for liberation sought to construct a non-racial democracy through the total liberation of blacks in general and Africans in particular. The 1994 "miracle" was a turning point in the history of South Africa, signalling the beginning of a popular democratic project, which also brought with it an opportunity for the state to use its administrative apparatuses to transform the lives of the poor and economically marginalised.

This paper considers the nature and character of the developmental state, reflects on the capacity and organisation of the South African state towards the end of the third term of democratic government, including mechanisms for improving government co-ordination and planning, and draws some conclusions from the South African experience. The focus of the paper is the public service, although local government is also addressed in the discussion on the macro-organisation of the state, and it draws on the government's current Programme of Action (POA) and Governance and Administration (G&A) cluster agenda and initiatives.



NATURE OF A DEVELOPMENTAL STATE

In a developmental state, the government leads a strong, concerted drive for economic growth, ensuring the mobilisation of national resources towards development goals. Although a developmental state prioritises and promotes development, it is a "conjunctural" configuration whose route and approaches are contingent on national history and the choices made by citizens and leaders. Many countries are examples of the developmental state, including Germany under the Marshall Plan, post-colonial Uganda, and the "Asian tigers" (South Korea, Singapore, Taiwan and Hong Kong). Those with a longer view of history include 16th century Netherlands and England, and Germany between the 1848 revolution and the First World War.

The developmental state project in South Africa is based on the recognition that the inequalities in our society will not be addressed through the operation of the market.

Fritz and Rocha Menocal (2007: 533), drawing on Johnson, Deyo and Evans, consider the developmental state to exist "when the state possesses the vision, leadership and capacity to bring about a positive transformation of society within a condensed period of time". Developmental states are often characterised by visionary leadership, nationalism, patriotism, a strong meritocratic career bureaucracy, a dominant political class, close ties between government and business, protectionism, paternalism and a massive investment in social infrastructure. Successful developmental states have placed great emphasis on the capacity of the state and the creation of social capital.

It may be argued that the globalising world has changed so much that the social, economic and political conditions for the creation of a developmental state no longer exist, but Mkandawire (1998) refutes this:

"Lessons from other parts of the world clearly suggest

that appropriate institutional structures did not always exist, but that they could be socially engineered. The aprioristic dismissal of possibilities of developmental states can only be attributed to prejudice or 'mood'. The experience elsewhere is that *developmental states are social constructs consciously brought about by states and societies*. As difficult as the political and economic task of establishing such states may be, it is within the reach of many countries struggling against the ravages of poverty and underdevelopment." (own emphasis)

A recent study suggested that 44 percent of terminations from the public service were for financial reasons.

A body of opinion suggests that the developmental state is not only possible; it is indispensable to developing countries. Adrian Leftwich has argued that "it seems unlikely that it is possible in the modern world for any society to make a speedy and successful transition from poverty without a state that in some respects corresponds to this model of a developmental state." (Leftwich, 2000: 169) This view is supported by Bagchi (2000: 436): "I conclude by observing that if today's underdeveloped countries are to provide decent standards of living to their citizens, construction of viable developmental states, consciously integrated with other similarly placed developmental states, will have to remain high on their agenda."

Omano Edigheji notes that the democratic developmental state embodies the principles (and practices) of electoral democracy and ensures citizen participation "in the development and governance processes". It "can also foster economic growth and development", has clearly defined "socio-economic objectives that require state intervention" (including poverty reduction and eradication, social justice, reduction in income and asset gaps between rich and poor), and places a premium on "its institutional and organisational... structures that enable it to promote and achieve better economic performance." (Edigheji, 2005: 6-7)

The developmental state is conjunctural: it is not an ideal or typical construct that exists in the same form in different places in different time periods. It is historically contingent. A key feature of developmental states is that their accumulation and legitimation functions are jointly executed to simultaneously stimulate sustainable growth and reduce market-generated inequalities. The developmental state is distinguished by its social objectives as well as the institutional arrangements that facilitate state intervention to utilise the country's resources for social and infrastructural growth and development.

SOUTH AFRICA'S DEVELOPMENTAL COMMITMENTS

Speaking of the Millennium Development Goals (MDGs), which were agreed at the turn of the century by 190 countries, former UN Secretary-General Kofi Annan said:

"We will have time to reach the [goals] – worldwide and in most, or even all, individual countries – but *only if we break with business as usual*. We cannot win overnight. Success will require sustained action across the entire decade between now and the deadline. It takes time to train the teachers, nurses and engineers; to grow small and large businesses able to create the jobs and income needed. So we must start now." (Annan, 2005) (own emphasis)

In South Africa, the developmental state is characterised by its democratic content and the role of the state in socio-economic transformation. It prioritises both social and economic development and draws on participatory and integrated planning processes to undertake pro-poor, redistributive and proactive interventions. The emerging South African developmental state is non-racial, people-centred and participatory. The Accelerated and Shared Growth Initiative of South Africa (ASGISA) and related initiatives have placed the South African government on a "business unusual" footing for the last 18 months of the third term of democratic governance.

Government programmes that require co-ordinated integrated action are often hampered by "silo" structures and mentality, insufficient funding, or a lack of high-level backing.

The Constitution of South Africa (Act 108 of 1996) provides the framework for intergovernmental relations and prescribes basic values and principles for the public administration, explicitly requiring it to be developmental and participatory:

1. A high standard of professional ethics must be promoted and maintained.
2. Efficient, economic and effective use of resources must be promoted.
3. Public administration must be development-oriented.
4. Services must be provided impartially, fairly, equitably and without bias.
5. People's needs must be responded to, and the public must be encouraged to participate in policy-making.
6. Public administration must be accountable.
7. Transparency must be fostered by providing the public with timely, accessible and accurate information.
8. Good human-resource management and career-development practices, to maximise human potential, must be cultivated.
9. Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation. (Section 195(1))

In addition, citizens' rights, including socio-economic rights, are enshrined in the Constitution, and the state must take "reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights". (Section 27(2)) The Constitutional Court has interpreted these provisions in a manner that has pressured the government to improve the performance of the public service.

"It is wrong that government should oblige the people to come to the government even in circumstances in which the people do not know what services the government offers and have no means to pay for the transport to reach government offices."
– *Thabo Mbeki*

The 1998 ANC discussion document, "The State, Property Relations and Social Transformation", characterises the South African developmental state:

> "Development is about improving quality of life; it is about equity and justice. As the RDP document asserts, development entails a growing economy in which redistribution is a critical element... It includes the preservation and development of human resources in the form of skills-training, job-creation and the provision of education, health services, infrastructure, an adequate social security system, and so on. It is also about democracy and popular participation. A developmental state should be founded on the principles of democracy, justice and an abiding culture of human rights – conditions which afford people not only the right to benefit from the activities of the state, but also to take active part in improving their lives."

The developmental state project in South Africa is based on the recognition that the inequalities in our society will not be addressed through the operation of the market. Inequality in South Africa has manifested itself in the appearance of a dual economy. Colonialism and apartheid gave rise to a "peculiar form of capitalism, [which] turned the African majority into a landless, propertyless, disenfranchised, unskilled labouring class". This state of affairs has been exacerbated by the fact that, since the 1980s, the economy has needed fewer and fewer unskilled workers; thus "this reservoir of cheap labour now overflows with the unemployed, the indigent, the old and the very young". (Mbeki, 2003)

In addition, South Africa has committed itself to achieve the MDGs. The goals to be reached by 2015 include halving extreme poverty, providing universal primary education, promoting gender equality, reducing child mortality, improving maternal health, halting the spread of HIV and AIDS, malaria and other diseases, ensuring environmental sustainability, and developing a global partnership for development.

In line with the MDGs, various macro-service targets have also been set. President Mbeki gave an undertaking in 2006 that the bucket system of sanitation would be eradicated in formally established areas by the end of 2007. In addition, 2.07 million households must be provided with potable water by December 2008. A total of 3.7 million households need to be provided with sanitation by 2010. A total of 3.4 million households need to be electrified by 2012. A total of 2.3 million households need to be provided with adequate shelter by 2014.

ASGISA is based on government and independent research that indicates the growth rate needed to achieve our social objectives is around 5 percent between 2004 and 2014. A two-phase target has been set. During the first phase, 2005-09, an annual growth rate that averages 4.5 percent of gross domestic product (GDP) or higher is required, while in the second phase, 2010-14, will seek an average growth rate of at least 6 percent. The government's social objectives also require environmental improvement and more labour-absorbing economic activities.

More broadly, there is a need to ensure that economic growth is shared in such a way that poverty is radically reduced and social inequality overcome. ASGISA is a set of decisive interventions that includes infrastructure investment, sector strategies, education and skills development, eliminating the second economy, strengthening macro-economic policies and governance and institutional interventions. Its success depends on the ability of the different institutions of the state at different levels of the system to integrate their activities towards a common strategic goal.



STATE CAPACITY AND ITS ASSESSMENT

In a developmental state, state intervention is instrumental to overcome market failures or imperfections and thus it needs to have the bureaucratic capacity to intervene strategically, especially on behalf of vulnerable individuals and groups.

"State capacity" is widely seen as a defining element of the developmental state, but the phrase is used liberally and often misunderstood. It encompasses a number of areas, including financial, technological, intergovernmental policies and systems, and human resources. In order for the state to stimulate economic growth, it requires the financial resources to implement its developmental programmes, the technological infrastructure to make efficient use of its resources, policy frameworks to inform its activities, as well as competent people to drive the processes. Each one of these elements is fundamental to the evolution of a nation and none of them should be ignored.

Public servants must possess the appropriate skills to carry out the responsibility of realising development, and must be adequately motivated to do so tirelessly, while embracing an overriding culture of human rights and democratic principles.

As public policy and governance become more complex and contested, public servants are increasingly confronted with a range of demands. They are therefore a pivotal success factor. They must possess the appropriate skills to carry out the responsibility of realising development, and must be adequately motivated to do so tirelessly, while embracing an overriding culture of human rights and democratic principles. The government must also create a working environment that makes the best use of available human resources.

Since 1994, various studies assessed the capacity and organisation of the state. The 1997 Provincial Review Report raised serious concerns about the provincial administrations, particularly those that had inherited service delivery backlogs from the Bantustan system. Most provinces were also struggling to comply with the human resource and financial regulatory frameworks.

The Presidential Review Commission (PRC) report of 1998 concludes that "the system of governance in the new Republic of South Africa is, in a number of crucial respects, not working well at this stage of the transition process". Specifically, the report identified a "vacuum" at the centre of government, weak intergovernmental relations, and the need to strengthen the management cadre and monitoring and evaluation, among other areas. The report made detailed recommendations on governance structures and systems, human resource management, financial management and information technology.

The Public Service Review Report argued in 2000 that the transformation of the public service was complex and likely to take much longer than initially expected, and that it had originally been tackled in an *ad hoc* fashion, without due regard to sequencing, co-ordination and integration. It emphasised management as a critical factor in transformation, more specifically that the demands brought about by policy overload and the pace of change had outstripped the managerial capacity available, and that these demands were not matched by initiatives to develop managers.

The Presidency's *Towards a Ten Year Review* used comprehensive internal and external research to evaluate the government's achievements in the preceding decade. The report noted that particular progress had been made in those areas where the government was not reliant on non-state actors for performance and delivery. It identified improving the performance of the state as one of the key challenges and opportunities facing the country. (Presidency, 2003:106)

A 2004 report, co-sponsored by the department of public service and administration (DPSA) and the Human Sciences Research Council (HSRC), said that "the current range, quality and distribution of skills in the South African public sector does not sufficiently meet the current demands for service delivery and, furthermore, that there are serious doubts as to whether the future performance and skills requirements associated with the developmental state can be addressed without concerted intervention in the field of skills development for public servants." (HRSC/DPSA, 2004: 3)

The senior management service (SMS) of the public service was reviewed in 2005 and the findings were mixed. High turnover rates had been significantly reduced and most SMS members held post-graduate degrees. Competency assessments were assisting in recruitment, to a degree. Training and development were described as "unco-ordinated". The greatest need was found in training, coaching and mentoring. Although the report found the SMS initiative had indeed boosted capacity in the public service, key human resource practices – such as competency assessments for development purposes and the performance management system – needed to be applied more effectively.

The Public Service Commission (PSC)'s annual *State of the Public Service* (SOPS) report evaluates compliance with the Constitution's nine basic values and principles of public administration. In 2006, the PSC found that the public service had continued to bolster its capacity to deliver, but that challenges still existed, such as the capacity to drive poverty reduction programmes in an integrated and sustainable manner. The PSC also advocated strengthening management, the development of human resources and the facilitation of public participation.

SKILLS IN THE PUBLIC SERVICE

The 2004 HSRC/DPSA study concluded that a concerted intervention in the field of skills development for public servants was required. It highlighted shortages in financial and computer skills, and in literacy, human resource management and communication. Skills gaps included transversal skills ("hard" skills such as project management and "soft" skills such as conflict management) and specific skills associated with particular job profiles or occupation categories. The following areas needed high-level skills:

- health (doctors and dentists, theatre nurses, infection control specialists, nursing educators)
- criminal justice (state prosecutors, interpreters, court managers)
- education (mathematics and science teachers)
- local government (engineers and technologists, financial managers, town and regional planners)
- South African Police Service (SAPS) (forensic scientists, crime investigators)
- trade and industry (economists and trade specialists, policy analysts)
- cross-cutting information and communications technology (ICT) (systems analysts, database administrators).

In 2003, the Presidency was conducting a scenario planning exercise to create "memories of the future" that would inform policy planning in the following decade.

Factors that had a significant impact on staff retention included the remuneration of professionals and other elements of human resource management, such as recruitment, succession and career planning, employment equity, reward and recognition, and employee relations. A recent study suggested that 44 percent of terminations from the public service were for financial reasons. Recently, the government approved a remuneration policy that includes "occupation-specific" dispensations for professionals in the public service. Health workers and educators have already benefited under the new dispensation and the scheme is being rolled out for other professionals in the medium term.

Further causes of dissatisfaction in the public service include a lack of career paths, the application of the performance management system, the application of the job evaluation system and the selection process (all human resource practices), which were perceived as unfair. Frontline workers also cited a lack of leadership and management skills, including poor communication, as factors contributing to a poor working environment. Unsurprisingly, "red tape" (lack of delegation and the time taken for decisions to be made) was a major factor.

The HSRC/DPSA study also reviewed the South African skills supply infrastructure. In higher education institutions, the number of engineering, finance and science and technology graduates was low, with low participation by women and Africans in these fields. High proportions of students, especially Africans, graduated in fields that did not match the skills demanded by the economy and the public service, which led to high levels of graduate unemployment. Better co-ordination was required, including improving the quality of qualifications in critical fields such as medicine, finance and developmental studies.

The report concluded that a lack of synergy was visible in the government's approach to skills development at inter-departmental and inter-sectoral levels and between the spheres of government, and that it was necessary to integrate human resource utilisation, management and development to meet the requirements of the developmental state. It further argued that this function should be located in a central department that has access to all government departments and between the three spheres of government.



GOVERNMENT CO-ORDINATION

The various reports highlighted the fragmentation of service delivery caused by a "silo-based" approach that had led to duplication and wastage and affected the quality of service delivery. The PRC in particular had been critical of the inadequate co-ordinating systems at the centre of government. In its second term, the government responded by strengthening the office of the Presidency, in particular with the establishment of the Policy Co-ordination and Advisory Services and the creation of cabinet and directors-general "clusters" to integrate the work of government within functional areas.

The cabinet committees included: governance and administration; economic sector; investment and employment; social sector; justice, crime prevention and security; and international relations, peace and security. (The directors-general clusters mirror the cabinet committees, except that economic and investment and employment issues are dealt with by one cluster.)

The cluster system has improved co-ordination between government programmes by providing for integrated

planning, implementation and monitoring and evaluation. It allows for issues relating to a specific policy, such as organisational and financial implications, to be fully explored prior to its submission into the cabinet system. In implementation, synergies can be realised and duplication and wastage avoided. However, the cluster system provides only horizontal integration, whereas effective integration often requires co-ordination across the spheres of government.

INTERGOVERNMENTAL RELATIONS

The Constitution states that the national, provincial and local spheres are distinctive, interdependent and interrelated. (Section 40(1)) It requires the spheres "to provide effective, transparent, accountable and coherent government for the Republic as a whole" (section 41(1)(c)) by, amongst others, "co-ordinating their actions and legislation with one another" (section 41(1)(h)(iv)). Section 41(2) requires that an act of parliament establish or provide for structures and institutions to promote and facilitate intergovernmental relations and provide for appropriate mechanisms and procedures for the resolution of intergovernmental disputes. The Intergovernmental Relations Framework Act, 2005 was developed in response to this requirement.

Various structures have since been created to promote and maintain sound intergovernmental relations. At the apex is the President's Co-ordinating Council, which brings together the president, key cabinet ministers, premiers and the leadership of the South African Local Government Association (SALGA) for a quarterly meeting to discuss matters of mutual concern. Ministers often take the opportunity to present programmes that impact on the provinces. MINMECS – which bring together a national sector minister and the relevant provincial MECs – have been established in various sectors. Premiers meet with district mayors, and district mayors meet with local municipalities in their areas.

Government programmes that, more and more, require co-ordinated integrated action are often hampered by "silo" structures and mentality, insufficient funding, or a lack of high-level backing. A concerted effort has been made to address these challenges. Within departments, "matrix teams" are established for cross-cutting projects, and a framework for the implementation of joint programmes has been developed.

INTEGRATION OF THE STATE MACHINERY

Concerns regarding service delivery have also led the government to develop plans for further integration through the establishment of a single public service (SPS) of national, provincial and local spheres. The SPS intends to integrate the institutions responsible for service delivery and the personnel at the frontline. This ambitious project entails a fundamental transformation of the administrative state apparatuses.

SPS legislation has already been drafted and will be tabled in parliament in a year's time. An extensive process of stakeholder liaison and communication is underway. Common human resource practices have been developed, and various scenarios for implementation are being costed. Local government human resource practices are being rationalised.

An important element of the SPS is the drive to expand access to government services in support of socio-economic development. In 1999, the government initiated local service centres to provide access to a basket of government services and information. Originally called "multi-purpose community centres", and now Thusong Centres (Sesotho for "a place to get help or assistance"), they are located in the rural and urban areas where poor people live. Ninety-six centres are now in operation, and the target is to establish one in every municipality by 2014.

In 2004, the Batho Pele Gateway was launched. This internet portal provides information on government services in all 11 official languages. Although it is available at some Thusong Centres, internet connectivity has proved to be a challenge, given their location and the cost of the equipment and maintenance.

The Citizen Relations Portal will offer citizens the ability to engage with government on service delivery issues through cellphone text messages. A substantial back office operation has to be established before this service can be launched, both in terms of information technology systems and change management for personnel who will operate the system, to ensure that queries can be investigated and responded to timeously. The system has been successfully piloted in the department of home affairs, where it is called "Track and Trace".

The government is also considering the geographical implications of integrated service delivery. It is necessary to identify where the people are, where the need for services exists, where the existing service delivery points are and where future sites should be built. Within the SPS initiative, it is necessary to identify where the public servants are located to ensure optimal deployment of human resources. The project to establish a geographical information system for the SPS will get underway in the coming months.

FOSTERING POPULAR DEMOCRATIC DEVELOPMENT

One of the government's flagships of integrated governance is the Community Development Worker (CDW) Programme. In his 2003 State of the Nation address, President Mbeki announced the establishment of a new cadre of public servant:

> "The government will create a public service echelon of multi-skilled community development workers who will maintain direct contact with the people where these masses live. We are determined to ensure that government goes to the people so that we sharply improve the quality

of the outcomes of public expenditures intended to raise the standard of living of our people. It is wrong that government should oblige the people to come to the government even in circumstances in which the people do not know what services the government offers and have no means to pay for the transport to reach government offices."

Currently more than 3000 CDWs are operating in over 2000 municipal wards throughout the country. They have been trained through a learnership and appointed to the provincial departments of local government, but their focus is firmly on the needs of local communities. Their role as change agents and conduits of information on all matters of government services involves them in a variety of other activities, such as letsema and iimbizo, where they are part of the process of deepening participative democracy. The majority of their interventions are in social services, in particular, the facilitation of social grants.

The CDW programme is increasingly becoming part of government interventions to address deep-seated economic inequalities and build bridges between our first and second economies. In this spirit, the department of trade and industry has carried out intensive training of CDWs in the co-operative working model of business enterprise that has proven to be a suitable starting point from which communities can organise their economic activities.



Within a system of local government, local leaders play an important role, primarily as ward councillors and in ward committees. Ward committees, although relatively new in South Africa, already exist in 96 percent of wards. They are functioning at different levels and a properly accredited capacity-building programme has been developed and is being piloted. CDWs and ward committees have a role to play in the development of municipal integrated development plans (IDPs), which form part of the complex, integrated system of planning for growth and development.

INTEGRATED PLANNING

At the beginning of a political term, the cabinet lekgotla considers the medium-term strategic framework (MTSF), a national five-year strategic plan based on the victorious party's manifesto. The MTSF and subsequent annual mid-year updates inform the budgeting process (the medium-term expenditure framework, MTEF), which takes place from August to September. The MTSF is a public document, containing measures to promote shared economic growth and sustainable social programmes, combat crime, strengthen international relations and increase the efficiency and effectiveness of the state.

The National Spatial Development Perspective (NSDP), which uses spatial data to pinpoint areas of high potential, informs the development of Provincial Growth and Development Strategies and municipal IDPs. The importance of these plans in promoting local economic development has been recognised, and the Presidency, the department of trade and industry and the department of provincial and local government are working to harmonise the planning processes of the national sector departments, provinces and municipalities. An iterative process using the district/metro as the principal unit of planning is undertaken annually within the framework of the MTSF and the NSDP.

At the national level, the MTSF and MTEF lead into the January lekgotla where cluster plans for the year are considered, subsequently enunciated in the State of the Nation address and consolidated into the government's programme of action, adopted by the cabinet in March. An entrenched system of monitoring and evaluation requires clusters to report quarterly to cabinet committees, after which the cabinet adopts the reports and they are made public on the website and at media briefings.

DEVELOPMENT PLANNING

"Every country needs a vision statement which stirs the imagination and motivates all segments of society to greater effort. It is an essential step in building a political consensus on a broad national development strategy, which encompasses the roles and responsibilities of different agents in the economy... It must identify the potential risks and bottlenecks and their possible solutions in order to mobilise efforts in a focused manner... [T]o meet these objectives, a vision statement has to operate at

several levels of generality and specificity." – India Vision 2020 (India: 2002)

The developmental state needs a strong centre complemented by a capable administration, able to work in unison towards common socio-economic and political objectives. Where resources are limited, central planning with devolved implementation is critical to getting the right mix between centralised and decentralised authority and policy execution.

In 2003, the Presidency published *Towards a Ten Year Review*. At the same time, it was conducting a scenario planning exercise to create "memories of the future" that would inform policy planning in the following decade. Currently, a fifteen-year review process is underway, together with a parallel process of scenario planning. The scenarios also link up to the MTSF.

An effective, formal, centrally articulated strategic planning process depends on the capacity of citizens to participate and the competence of bureaucrats to implement it. Central planning can help to ensure that scarce financial and human resources are used optimally. In the current period, South Africa engages in long-term strategic planning, but it does not produce a long-term national development plan. If South Africa were to go this route, a massive participatory process would be required, supported by five-yearly manifestos and election processes, which also serve to gauge the people's views of development interventions and their effectiveness.

CONCLUSION

At the beginning of this paper, it was argued that developmental states are characterised by a concerted mobilisation of national resources towards developmental goals. It was further argued that the engendering of a developmental state was not only possible but necessary for developing countries. Central planning and the articulation of a long-term national development plan with decentralised implementation capability are its essential building blocks.

If this is so, and given South Africa's commitment to achieve the goals of a developmental state in its own way and in accordance with its own unique circumstances: to what extent has the government succeeded in moulding the state into a revolutionary engine for social transformation and development?

Great strides have been made in socio-economic development. Basic services have been rolled out to millions, although challenging targets remain. The country is on a higher growth path, but unemployment and inequality remain at intolerable levels. The government has established integrated planning processes, strengthened co-ordination of implementation and made concerted efforts to expand access to government services. At grassroots level, CDWs facilitate the improved delivery of services and economic development to the poor and the historically marginalised.

The achievements of a developmental state must ultimately be measured by its capacity to promote shared, sustainable, employment-generating development and growth in an environment that respects and nurtures democracy and democratic institutions. In South Africa, the developmental state must be measured against the legacy of apartheid, which entailed immense material deprivation, racialised poverty, racial segregation, a hugely unequal race-based division of land, wealth and income, and legalised, institutionalised, violent and systemic racial discrimination in all walks of life.

At the end of the third term of democratic governance, it is therefore necessary to take stock and determine, given the resources available and the pressing needs that persist, whether the transformation wrought has been sufficient to warrant the term "developmental state".

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'Little old South Africa' has the



Jaco Kriek: "The PBMR's inherent safety features and low impact on the environment not only respect the needs of the public that it serves, but also differentiates it from its competitors." -- Jaco Kriek, CEO of Pebble Bed Modular Reactor (Pty) Ltd



Dr. Syd Ball: "South Africa is kicking our butt with its development of the PBMR"

PBMR'S COMPETITIVE ADVANTAGES

- Inherent safe features
- On-line refuelling
- Competitive economics
- Load-following characteristics
- Process-heat applications
- Short construction lead times
- Can operate in isolation anywhere
- Allows for additional modules to be added
- Requires a small tract of land (400m planning zone)
- Proliferation resistant
- Designed to withstand significant external forces
- Low environmental impact

Africa, the birthplace of natural nuclear reactors, has the future of nuclear power at its fingertips. More than a billion years after natural conditions prompted underground nuclear reactions deep under the African soil, South Africa is on the brink of building a nuclear power station that many believe has the potential to form the nucleus of the green energy revolution.

Scientists have discovered that natural conditions caused underground nuclear reactions in Gabon, West Africa, about 1,7 billion years ago. It is believed that these natural reactors could have functioned intermittently for a million years or more.

Natural chain reactions stopped when the uranium isotopes became too spare to keep the reactions going. Significantly, the radioactive remains of these natural fission chain reactions never moved far beyond their place of origin. They remain contained in the sedimentary rocks that kept them from being dissolved or spread by groundwater. The plutonium has moved less than three metres from where it was formed almost two billion years ago.

It is quite fitting that Africa should be the birthplace of the new generation of nuclear reactors in the form of the Pebble Bed Modular Reactor (PBMR) technology. This technology is currently being developed as an energy source to help meet South Africa's future electricity demands. It also has huge export potential, particularly because of its inherent safety features and process heat applications.

World's largest nuclear design team

Since its establishment in 1999, Pebble Bed Modular Reactor (Pty) Ltd has grown into one of the largest nuclear reactor design team in the world. In addition to the core team of some seven hundred people at the PBMR head-office in Centurion near Pretoria, more than a thousand people at universities, private companies and research institutes are involved with the project. Around the world, scientists and governments are looking to South Africa with great interest to see how the local nuclear reactor developments unfold.

The PBMR team is currently preparing for the building of a commercial scale power reactor project at Koeberg near Cape Town, where Africa's only nuclear power station is based, and a fuel plant at Pelindaba near Pretoria. If proven successful, the intention is to build up to 30 reactors in South Africa, after which the technology will be deployed overseas and elsewhere on the African continent.



Proudly South African. An artist impression of a PBMR power station and auxiliary buildings.

energy future at its fingertips

PBMR's current investors, the South African government, the South African electricity utility Eskom, the Industrial Development Corporate of South Africa and the American nuclear giant Westinghouse, share the vision of small, standardised, inherently safe, modular reactors as one of the best carbon-free alternatives for new power generation capacity around the world.

Westinghouse's decision to become a shareholder in PBMR, is a clear indication of the confidence in the pebble bed technology's technical, commercial and export potential. The PBMR project also enjoys solid support from the South African government, who regards it as one of the most important capital investment and development projects yet undertaken in the country.

Inherent safety characteristics

The PBMR is a High Temperature Gas-cooled Reactor with a closed-cycle, gas turbine power conversion system. Although it is not the only gas-cooled high-temperature reactor currently being developed in the world, the South African project is internationally regarded as the leader in the global power generation field. The PBMR is characterised by inherently safe features, which mean that no human error or equipment failure can cause an accident that would harm the public.

Says Jaco Kriek, Chief Executive Officer of Pebble Bed Modular Reactor (Pty) Ltd: "The PBMR is the ideal means for addressing growing energy demand in a seamless and secure fashion. Its inherent safety features and low impact on the environment not only respect the needs of the public that it serves, but also differentiates it from its competitors."

Kriek says if a fault occurs during reactor operations, the system, at worst, will shut down and merely lose heat on a decreasing curve without any core failure or release of radioactivity into the environment.

The PBMR's safety features render obsolete the need for safety backup systems and most aspects of the off-site emergency plans required for conventional nuclear reactors. It is also fundamental to the cost reduction achieved over other nuclear designs. Although plans related to aspects such as the transport of fuel will still be required, they will be modified to suit the specific characteristics of the fuel and the transport mode.

Next-generation high-temperature reactors such as the PBMR can furthermore produce hydrogen for transportation or for upgrading coal and heavy crude oils into usable products, thereby relieving pressure on natural gas supply (the source of most hydrogen produced today). They can also generate process heat for desalination, to extract oil from tar sands, and for many other industrial applications.

Around the world there is tremendous interest in the PBMR. Realising that South Africa was stealing the march on America, Dr. Syd Ball, senior researcher at Oak Ridge National Laboratory in the USA, was quoted as follows: "Little old South Africa is kicking our butt with its development of the PBMR. This should be a wake-up call for the US."



The pebble bed technology gets it name from the billiard-like fuel balls, each of which contains thousands of independent coated uranium dioxide particles. The reactor is continuously replenished with fresh or re-useable fuel from the top, while used fuel is removed from the bottom.

Mother Nature has offered mankind nuclear energy as a safe, clean and sustainable form of power. The PBMR honours her gift.

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THE ROLE OF DEVELOPMENT FINANCE FOR INDUSTRY

BY LUMKILE MONDI

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Last year, the Industrial Development Corporation (IDC) co-hosted a conference for African development finance institutions (DFIs) and national development banks. The conference took place in the background of a review process, driven by the national treasury, to rethink the role of DFIs. In local media speculation about the treasury's intentions, some have concluded that the high levels of liquidity in the financial sector, the poor performance of some of these institutions and their performance reward systems should point to their eventual demise. They envisage a narrowing of the DFIs' mandate, full-scale privatisation, and their conversion into deposit-taking institutions, in line with the second- and third-tier financial institutions that the treasury is planning to introduce. At the same time, the financial sector – particularly retail banking – is under the spotlight of the Competition Commission for the cost of lending. It is therefore very opportune to consider the developmental state and development finance for industry.

RETHINKING DEVELOPMENT

As we meet today, in the thirteenth year of our democracy, we have seen massive changes in the South African economy. The integration of South Africa into the global economy and the policy prescriptions of the Growth, Employment and Redistribution (GEAR) programme have had unintended consequences. In accordance with Adelman (1999), there are at least three sources of the changes in both theory and policy in the past decade.

First, there is learning. New evidence of either resounding real-world successes or conspicuous failures feeds into new theoretical or empirical paradigms.

During the phase of liberalisation in the first ten years of our democracy, the old apparatuses of intervention were either dismantled or significantly weakened.

Second, there are changes in ideology. As different power elites ascend and wane, their ideologies ascend and wane with them. Old theories and policy prescriptions that are seen as inconsistent with new ideologies and their fundamental values must be reformulated so as to achieve congruence.

Third, there are changes in the international environment. Major technological innovations (e.g. the industrial or communications revolutions) or institutional transformations (e.g. the post-Bretton Woods global financial system) can have major implications for both theory and policy. They can raise new issues, open new opportunities, or close old ones. In our case, it opens a consideration of a developmental state: its role in the economy; its degree of interventionism; the form of interventionism; and the nature of government-market interactions. (Hoff and Stiglitz, 2001)

In the post-war period, South Africa has transformed itself from a primary producer to an industrial and service powerhouse in Africa. At the centre of this massive performance is the critical role of the state's use of such instruments as DFIs to finance new industries. These institutions, which have mirrored the structural changes of the South African economy, benefited from economic developmental theory, such as the "infant industry" argument for the protection of emerging industries from competition. Seen as export pessimism, this theorem continues to dominate the literature on the developing economies.

During the phase of liberalisation in the first ten years of our democracy, the old apparatuses of intervention were either dismantled or significantly weakened. A significant effort is now required to design instruments that, aside from being consistent with the open economies of today, avoid the government failures that characterised some of the tools used in the past. (Such failures, including rent-seeking and cronyism, are obviously not exclusive to interventionist regimes; they have been equally present in the current liberal economic order.) (Ocampo, 2003)

The intrinsic nature of the financial sector, highlighted here, suggests it will not respond adequately to these imperatives.

In this paper, we discuss the financial sector's limitations for financing industries. We argue that financial institutions are reliant on past knowledge and do not take unknown risks. We contend that the financing of investment is an area where the assumptions of market efficiency are least warranted. DFIs thus have a crucial role in increasing investment rates, through lending where private sector institutions will not. We conclude that, in South Africa, the national treasury and the Harvard Group of economists need to rethink their stated ambition to limit the DFIs' role within a developmental state framework. We urge the government to improve its co-ordination with its agencies and DFIs towards a successful developmental state in the next century.

LIMITATIONS OF THE FINANCIAL SECTOR

The financial sector plays a particularly important role in economic development as it channels resources from sectors where there is a surplus to those where there is a deficit. It selects economic activities to receive resources for investment, and potentially acts a catalyst for structural change in an economy. However, financial sectors tend to follow, instead of lead, developments in the real economy.

Crucially, the financial sector relies on information to assess risk. This means that it tends to fund projects in sectors that are well developed in the economy, about which much is known, and where there are readily available examples (see Stiglitz, 1993 and 1998). This implies an intrinsic bias against products which are undeveloped, but where there is potential – a good example is the internet, which would never have received finance from commercial sources – and a bias against groups of agents (e.g. small black-owned businesses in South Africa) about whom relatively little is known because banks have not focused on them in the past.

As such, the financial sector tends to be conservative, reinforcing existing patterns of economic flows. Yet access to finance is potentially critical for new ventures that need to break the constraints of self-financing. The particular problems of information-reliance also tend to be reinforcing. In many sectors, linkages between firms are important for the success of each. Such a network ensures that complementary products are produced and that a skills-base is developed. Failure to finance one project therefore means that others are less likely to succeed (and, therefore, to attract finance).

DEVELOPMENT FINANCE FOR INDUSTRY

Most economists agree that investment financing is an area where the assumption of efficient markets is least warranted. (Stiglitz, 1993, 1998; Rodrik, 1999) The nature of finance, and in particular the importance of information, mean that "market failures" are intrinsic to the financial sector, rather than rare and temporary aberrations that can be "corrected". Indeed, it is misguided to refer to such intrinsic factors in the organisation of production as "market failures". Instead, the implications of the inherent limitations of the financial sector should be recognised and built into economic policies.

The far-reaching interventions in the financial system by East Asian governments, such as in South Korea and Taiwan, were a very important part of their ability to support large-scale investments in developing new industrial capabilities. In addition, the state placed strong regulations on financial institutions and, as a result, commercial banks often played a similar role similar to and alongside DFIs. Some governments decided how many banks could exist and what they could do. (Harris, 1988; Rodrik, 1999; Wade, 1990; Amsden, 1989)

The fundamental reorientation of the South African economy means that patterns of finance are particularly important. This relates both to the need to promote balanced growth and development, with employment creation and more equitable outcomes, and to the importance of financing the development of "sectors of tomorrow". But the intrinsic nature of the financial sector, highlighted here, suggests it

will not respond adequately to these imperatives.

Development finance institutions thus have a crucial role in increasing investment rates, through lending where the private sector's orientation means that it will not extend finance (or only on onerous terms). In addition, private institutions only consider private returns and not the linkages (and positive externality effects) of projects, nor the wider development impact. The "insider" position of institutions such as the IDC may also, in itself, improve the prospects of certain projects through ensuring the appropriate connections with other branches of government (including the use of incentives and the provision of necessary economic infrastructure).

Recent references to GEAR as a "stabilisation strategy" rather than a "growth plan" recognise that it was largely assumed that macro-economic stabilisation would in itself encourage investment.

Mechanisms to ensure development finance for industry have played a significant role in industrialisation in many, if not most, countries. While much recent attention has been focused on the experiences of the East Asian newly industrialising countries, countries such as the United States employed proactive industrial policies, including in finance. (Chang, 2002) Even today, the US provides high levels of financing for priority areas, such as research and development in the space and defence industries and pharmaceuticals.

The "catch-up" challenges faced by the countries in industrial development indicate even greater returns from effective financing of industrial development. Rather than focusing on technological frontiers, rapid industrialisation can be achieved through the adoption and adaptation of existing technologies, coupled with rapid accumulation of physical and human capital. As the flow of finance to potential areas of high growth is key to this process, development finance is therefore key to the "rise of the rest". (Amsden, 2001)

The rapid growth and extraordinary success of the East Asian economies has been credited to a publicly co-ordinated approach to industrial development, ensuring investment to build production capabilities and develop targeted industries. (Lall, 1994) It is characterised by strategic co-ordination through various bodies or institutions to "govern the market". (Wade, 1990) Malaysia had the Malaysian Industrial Development Authority, Korea had the Economic Planning Board, Taiwan had the Council for Economic Planning and Development, and Singapore had the Economic Development Board. For the most part these institutions had the same overarching goal: to achieve industrial catch-up.

The difference between the East Asian late-industrialising countries and those of Latin America or Africa is that the goal of development and rapid industrial growth was elevated to a national priority. This extended to the state acting relatively autonomously from potentially competing interests in the elite, and ensuring quite widely distributed economic development, unlike the unequal distributions that often characterise processes of industrialisation. The "developmental state" acts as an economic catalyst, playing an active and even aggressive role in the industrialisation process by emphasising the mobilisation of finance (both domestic and foreign) and by targeting it into investment that would raise productivity. (Chang, 1996)

Despite a move towards trade liberalisation, the capital account and the financial sector during the 1990s, development finance institutions continue to be critical, both to provide support to targeted industries and to set performance requirements for large firms and to discipline their behaviour to ensure their compliance with the government's industrial development goals. (Amsden, 2001) Their role in many ways epitomises the model of the developmental state: strong technocratic institutions implementing a long-term development agenda, using their knowledge base and acting as policy levers. (Chang, 1996)

A major weakness is the lack of appropriate co-ordination between economic and social authorities.

The importance of DFIs as catalysts for industrial development is not limited to East Asian countries, but stretches across the second tier of industrialising countries. There are case studies from Brazil, Mexico, India and Chile. (Amsden, 2001) The difference between these and the East Asian late industrialisers was that they were not generally part of an effectively co-ordinated and sustained industrial development programme.

THE DEVELOPMENTAL STATE AND INDUSTRY

There is widespread agreement that investment is crucial to the nature and pace of growth. Broadly, "investment" means the use of resources to generate new or additional productive capacity that will produce a stream of goods and



services for future consumption. Cross-country studies of growth have consistently found investment to be a significant determinant, especially investment in infrastructure, machinery and equipment. (Easterly and Rebelo, 1993; De Long and Summers, 1993; Temple, 1998) The high levels of growth attained by newly industrialising countries have also been characterised as "investment-led". Although the South African government placed investment at the core of the macro-economic strategy, GEAR, few direct mechanisms were put in place to increase investment. Recent references to GEAR as a "stabilisation strategy" rather than a "growth plan" recognise that it was largely assumed that macro-economic stabilisation would in itself encourage investment.

In addition, investment is particularly important as the South African economy undergoes the protracted and painful restructuring associated with liberalisation. Restructuring implies that some sectors will contract as production shifts to sectors that are more competitive and/or have greater future potential. New ways of doing things are introduced. To borrow from Schumpeter, restructuring brings:

- new goods and services, or new qualities of goods and services
- new production methods or marketing strategies
- the opening of new markets
- new sources of raw materials
- new market structures.

All these innovations involve active learning and diffusion processes, characterised by dynamic scale economies. Without new investment, productive capacity in potential growth sectors does not expand while other sectors contract. The economy gets the "pain" with little of the "gain".

Poor economic growth leads to increased heterogeneity (dualism) in productive structures, as low-productivity (informal) activities mushroom in the absence of job creation in dynamic activities. The links between the modernisation of leading economic sectors and the rest of the economy are crucial. This also underscores the importance of the appropriate distribution of production assets. According to Ocampo (2003), there is strong evidence that a distribution that generates a "universe of strong small firms" is associated with a better distribution of income.

Given the crucial linkages between economic and social development, a developmental state should design integrated policies and policy frameworks to take such connections into consideration. A major weakness in this regard is the lack of appropriate co-ordination between economic and social authorities. Co-ordination should start by creating mechanisms to facilitate the "visibility" of the social effects of economic policy and to provide effective systems for mainstreaming social priorities into economic policy.

Development finance institutions have a crucial role in increasing investment rates. A developmental state can use DFIs to create competition, lower the cost of doing business, create new industries and introduce black entrepreneurs into the mainstream of economic activity. As South Africa reviews its DFIs, it is important that it harmonises its policy formulation as a developmental state, stops the bickering and competition between government departments and improves consultation with the DFIs, for the benefit of the South African economy and its people in achieving the Millennium Development Goals.

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A DEMOCRATIC DEVELOPMENTAL STATE:
DRIVING THE NATIONAL DEVELOPMENT AGENDA

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The question of whether the state or markets should lead national economic development continues to engulf economic discourse. History has proven that markets alone have failed to address socio-economic challenges faced by society. Hence, the leading role of the state to promote social justice and equity has been strongly advocated.

THE DEVELOPMENT DISCOURSE

Back at the turn of the 18th century, the debate was more about the state and the market than the state and development. The Chinese may have regarded the market as a precious bird that must be caged so that it did not fly away, but conventional Western wisdom held that Britain had achieved its industrial supremacy through non-interventionist *laissez-faire* state policies. However, Ha-Joon Chang has shown that, during the industrial revolution, in the critical period when Britain overtook its continental rivals, the state intervened actively in both domestic and trade policy to promote Britain's economic interest. (Chang, 2002: 19-24) Similarly, the United States put up high tariff barriers and invested heavily in domestic transportation systems in the 19th century, which propelled it from an agricultural economy to the world's leading industrial power by the end of that century. (Kotz, 2005) Both countries advocated free trade and neo-liberal economic policies only after they had become so dominant economically; perhaps recommending a reduced state role for others enabled their dominance to be sustained.

As we engage with the debate on the developmental state, it is important to understand that different models have been informed by and evolved through diverse stages in human history. The first developmental state emerged in the sixteenth century in the northern part of the Spanish Netherlands, which evolved into today's Netherlands. (Bagchi, 2000) The modern developmental state appeared in the post-World War II period, with the emergence of newly independent states in Africa and Asia. The international community then embraced a state-led model of development to bring about industrialisation and entrepreneurship through intensive and deliberate effort and state intervention. The Economic Commission for Latin America and the Economic Commission for Africa, formed in 1948 and 1958 respectively under the mandate of the United Nations, became leading examples of such an approach. (Fritz and Rocha Menocal, 2006)

Developmental states have had to adapt themselves to local conditions and changing circumstances in order to remain relevant. One feature of a successful developmental state is its ability to switch gears between market-directed and state-directed growth, depending on economic and socio-political circumstances, or to combine them in a synergistic manner, when opportunity beckons. (Bagchi, 2000) Historical data have shown that state intervention is critical when dealing with the flux and imperfections of the markets. Successful Asian industrialising nations were very interventionist in trade, foreign direct investment, technology transfer and domestic resource allocation. (Lall, 2003) The success stories of economic growth and socio-economic uplift in East Asia are explained by particular state interventions in the market, which were driven by a coherent national development vision and the systematic deployment of administrative and political resources to the task of national development.

The 1980s witnessed a paradigmatic shift in the evaluation of the state's role to promote economic growth in the developing world. Against a backdrop of inefficient state intervention in Africa, neo-liberal policies dominated the international economic discourse. Those who embrace this view argue that anything the state can do, the market does better; that anything the state does will be offset by actions of the private sector; and that, rather than improving



resource allocation, government interventions make matters worse, for example, through rent-seeking. Therefore, they believe that the market should address such developmental problems as industrial growth, international competitiveness and employment creation. (Saad-Filho, 2004)

Thus, "structural adjustment programmes" (SAPs), crafted by the International Monetary Fund (IMF), became the order of the day. Although in many cases these helped to restore macro-economic stability, they also had detrimental effects on state capacity. Areas that particularly suffered included the provision and delivery of basic social services, the maintenance and modernisation of the civil service and the financing of the state. Neo-liberal thinking offered little practical guidance other than outsourcing selected tasks to NGOs or public-private ventures. In many cases, the privatisation of key economic sectors, such as telecommunications, energy and mining, was carried out in a rush and without transparent bidding processes, leading to the creation of ineffective private monopolies, rather than increased market competitiveness. (Fritz and Rocha Menocal, 2006) The failure of neo-liberal policies was nowhere more evident than in Africa. SAPs dismantled state capacity in the name of fighting bad, corrupt and inflated governance. As a result, the role of the state in both the economic and social spheres of society was systematically diminished, leaving them little capacity to actively engage in developmental efforts.

A TALE OF TWO COUNTRIES

These dominant neo-liberal policies were suggested for the transitional economies of Russia and China. The former implemented the policies, whilst the latter opted for a state-driven national development programme. The demise of the Soviet Union in 1991 gave birth to the newly independent Russian Federation. Following the advice and recommendations of the IMF, Russia's economic development strategy embraced a rapid retreat of the state from the regulation of economic life.

Its primary features included

- the immediate lifting of controls on domestic prices
- rapid privatisation of state-owned enterprises
- rapid elimination of the remaining elements of state direction of enterprise decisions
- sharp cutbacks in public spending
- tight monetary policy
- rapid elimination of barriers to free cross-border movement of goods and capital.

Proponents of this approach held that it would, after a brief period of transaction costs, bring about an efficient, technologically progressive and prosperous market system. (Kotz, 2005) Unfortunately, from 1991 to 1998, Russia suffered the most severe and long-lasting economic decline in modern history. GDP fell by 46 percent; gross investment fell by 81 percent.

China ignored the IMF's advice and developed its own economic model characterised by

- a gradual lifting of price controls
- delay of privatisation of state enterprises
- maintenance of state direction of the decisions of large state-owned enterprises for some time
- expansion of state spending, particularly state investment both in state enterprises and infrastructure
- generally expansionary monetary policy
- keeping the banking system in state hands
- state control over cross-border trade and capital movements.
- encouraging the development of new non-state, market-oriented enterprises. (Kotz, 2005)

In South Africa, the shortcomings of the neo-liberal-influenced Growth, Employment and Redistribution (GEAR) programme have necessitated a shift towards a more interventionist government. The introduction of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) indicates the state's intention to effect shared growth through active intervention.

The disastrous performance of neo-liberal policies in advancing the development agenda calls for a redefinition of the role of the state. Drawing from the success of the East Asian and some African countries, the concept of a developmental state has evolved to offer an alternative to the global development discourse dominated by Western neo-liberal thinking.

FOUNDATIONS OF A DEMOCRATIC DEVELOPMENTAL STATE

Although the developmental states in East Asia were characterised by authoritarianism, the concept of a "democratic developmental state" has since evolved. A democratic developmental state is one that not only embodies the principles of electoral democracy, but also ensures citizen participation in the development and governance processes. (Edigheji, 2005)

The South African Reconstruction and Development Programme states, "Reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society which in combination will lead to sustainable growth. (ANC, 1994)

It requires a social compact to be forged between various interest groups and resources mobilised to advance the developmental agenda. The active creation of a social compact is necessary to reverse the impression that market-driven economic growth can ensure human development in the long run. (Bagchi, 2000) As the ANC policy discussion document on economic transformation states, "People acting collectively in the spirit of human solidarity must shape the contours of economic development." (ANC: 2007)

In this process, the state must play a central and strategic role. Emphasis must be placed on co-operative work and deliberative traditions, bringing people together across party lines, racial backgrounds, class divides and other differences for the common good. (Edigheji, 2005) The democratic developmental state reminds us that economic and political processes are inseparable and mutually constitutive forces.

One must acknowledge that an active state does not guarantee economic success. However, an active state is fundamental to

- forge self-sustaining growth
- effect structural change in patterns of production and technological upgrading
- lead social, political and institutional modernisation
- improve human living conditions.

The fundamental task of a democratic developmental state is to foster development that not only transforms the economic base by promoting productive, income-generating economic activities, but also ensures improved living conditions of the majority of its population. (Edigheji, 2005)

An alliance between the state, civil society, and business is a fundamental necessity, but the state should lead the developmental agenda. Its ability to advance national development without being captured by particular interests is critical. Evans holds that the developmental state's "embedded autonomy" is key. A developmental state is "autonomous" insofar as it has a rationalised bureaucracy characterised by meritocracy and long-term career outlooks, traits that make civil servants more professional and detached from any powerful rent-seeking groups that attempt to influence them.

But the state cannot be too insulated because it would run the risk of being self-serving rather than responsive to the needs of society. It is critical that the state be "embedded" within "a concrete set of social ties that binds the state to society and provides institutionalised channels for continual negotiation and renegotiation of goals and policies. Embedded autonomy, not just autonomy, gives the developmental state its effectiveness. The power of embedded autonomy arises from the fusion of what seem at first to be contradictory characteristics. Embeddedness provides sources of intelligence and channels of implementation that enhance the competence of the state. Autonomy complements embeddedness, protecting the state from piecemeal capture, which would destroy the cohesiveness of the state and eventually undermine the coherence of its social interlocutors. The state's corporate coherence enhances the cohesiveness of external networks and helps groups that share its vision overcome their own organisational problems. (Evans, 1995)

TOOLS TO ADVANCE THE DEVELOPMENT AGENDA

Building a developmental state requires hard work and ongoing assessment and adjustments to the institutional arrangements. Strong nationalism enables the state to pursue a cohesive, sustained development-oriented policy. Success is contingent upon the rapid accumulation and diffusion of social capital and the social construction of economic institutions.

Within a market-driven economy, the state essentially has three sets of policy instruments, those pertaining to macro-economic management; the regulation and provision of incentives and disincentives; and the provision of public goods. It may be useful to begin by accepting the need for stable and sound macro-economic fundamentals. It is also necessary to admit that such fundamentals may not be sufficient to precipitate the labour-absorbing growth path needed. (Mhone, 2003)

To give expression to the development agenda, the state uses incentives to steer the private sector into sectors they would otherwise avoid, but which benefit the country in terms of structural change and employment creation. It also provides economic and social infrastructure and an appropriate regulatory regime for the various aspects of the market to broaden their base, and for the efficient absorption of marginalised groups into the market economy (e.g. land reform to benefit small household agriculture; the promotion of rural and urban micro-enterprise). (Mhone, 2003)

The protection offered to local industries should be time-bound to ensure that returns are visible within a certain period. Strict discipline should be imposed on firms in return for the temporary protection they are enjoying. These mechanisms should not only result in immediate profit but also contribute positively to the national economic development agenda. Industrial policy should include elements to compel private sector compliance and to ensure that public monies are being utilised in the desired fashion. (Chibber, 2004)

Although globalisation brings profound constraints, comparative advantage can be created by developing a technological capacity quite independent of the natural endowments of the country. Furthermore, with the global market as a stage, there is no limit to markets, particularly if the aim is to capture the high premium-paying market segments whose demand is best met by deploying the frontiers of technological capacity. (Mhone, 2003)

Mhone (2003) contends that an active state is needed

- to foster the development of domestic technology in terms of minimum thresholds of national, sectoral, industry and factor technological capacities that can act as gravitational poles in economic and spatial terms
- to guide domestic and foreign investment into activities leading to the development of technological capacities in high-order comparative advantage, particularly strategic industries relying on modern technology, with increasing returns and economies of scale, positive externalities and spill-overs to other firms, industries and sectors, and with the ability to develop home demand
- to facilitate the acquisition of foreign technology in the desired strategic industries, and to assist in the penetration of foreign markets
- to develop and enhance physical and human capital in a manner facilitating the development of strategic

industries
- to provide supply-side and demand-side incentives to encourage the growth of strategic industries with the potential to spear-head an investment driven economy
- to mobilise savings, and regulate the allocation of investment funds towards strategic industries.

High value should be placed on education and a highly skilled and flexible labour force should be created – partners in a social compact have a critical role to play in this.

CONCLUSION

Successful governments have helped create markets (such as bond and stock markets and long-term credit institutions), and strengthened domestic competition. They have established and enforced laws and regulations that have made financial markets more stable and increased competition in all sectors. They act as entrepreneurs, they encourage firms to enter certain – especially export – markets, they set performance targets and provide firms with strong incentives. (Stiglitz, 1996) The relationship between state and market should strike a balance between the strengths and limitations of both.

The developmental state we are building should lead and manage economic relations. It must have the capacity to respond to changing conditions. Relations with private capital should be premised on common interest, vision and struggle. State policy is a key variable in successful development outcomes, and its effectiveness is determined by the degree of "embedded autonomy" the state enjoys. The establishment of institutionalised channels for continual negotiation and renegotiation is important.

The strategic capacity of the democratic developmental state is its ability to lead in the definition of a common national agenda, to mobilise all of society to take part in the implementation of this agenda and to direct the country's resources – including those of the state and private and social capital – towards this shared programme.

State-owned enterprises, critical to achieving a truly developmental state, should be geared to meet their challenges. The regulatory capacity of the state should be strengthened to effect the developmental vision and programme.

A strong and democratic state, with clear objectives, internal cohesion, popular legitimacy and the capacity to control economically powerful fractions of the population and direct the use of their resources can achieve democratic economic objectives much better than the market alone. It is possible to mobilise economic and social institutions towards socially determined ends democratically, without any implication that the state will either command or control the entire economy or society. These objectives require recognition of the strongly negative consequences of neo-liberalism, popular mobilisation against them, clarity of objectives and the relentless political determination of the vast majority. (Saad-Filho, 2004)

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SKILLS MISMATCH CRISIS: CAN WE STEM THE TIDE?

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It has now been well established in both the academic and policy communities that the South African economy did not experience "jobless growth" in the post-apartheid period. Labour supply trends for the period 1995 to 2005, utilising nationally representative survey data, indicate that aggregate employment increased from 9.5 million in 1995 to 12.3 million in 2005. This translates into a growth in employment of 29 percent over the period, or about 2.67 percent per annum. Economic growth over the period averaged 3.27 percent per annum, suggesting that for the given level of economic growth, the economy has been creating a fairly acceptable number of jobs. However, despite this fact, the labour force expanded by just over twice this amount, resulting in about 6.3 million new entrants into the labour market. The consequence of a rise in participation rates in excess of employment growth has been a significant expansion in the numbers of unemployed individuals.

Within the context of these aggregate trends, however, it is important to get a more detailed sense of employment shifts in the post-apartheid period, according to what is probably the key attribute of those supplying their labour: level of education.

While national unemployment rates increased by 26 percent over the 1995-2005 period, graduate unemployment grew by 51.2 percent.

EMPLOYMENT TRENDS BY EDUCATION COHORTS

We would ordinarily expect higher levels of education to be associated with an increased probability of securing long-term employment. However, we find that over this first decade of democracy, half of all individuals with a matric qualification (or indeed a completed technical qualification) who were searching for a job did not find one. A more startling fact that the higher education and training institutions – with the possible exception of universities – do not seem to doing an adequate job in securing employment for their graduates. We find that between 68 and 72 percent of all diploma and certificate holders with some secondary schooling were absorbed into employment over the 1995-2005 period. Of those who have incomplete secondary schooling or technical college certification, only 43 percent were successful in their search for employment. Approximately 95 percent of graduates with a university degree who were job-searching over the period found employment.

Employers are concerned about issues of quality.

The results very worryingly suggest that, despite the existence of severe skills shortages in the domestic economy, as reported consistently in representative firm surveys, those individuals with higher levels of human capital do not appear to be guaranteed employment in the domestic economy. Specifically, the data suggest that the secondary and higher schooling system (in addition of course to the general school system) may not be operating efficiently and optimally in terms of providing the appropriate level and quality of human capital desired by employers.

THE SPECTRE OF GRADUATE UNEMPLOYMENT

These figures above all allude to the rising phenomenon of graduate unemployment. Think about that: in a society that is experiencing severe skills shortages, we are witnessing a rise in unemployment among individuals who have post-schooling qualifications!

It is useful to present some of the key trends and statistics on graduate unemployment. Approximately 240 000 individuals with some form of post-schooling training were unemployed in 2005. While the absolute figure remains low, particularly relative to overall national unemployment levels, the relevant rate and *rate of change* are of concern. The graduate unemployment rate stands at 10.5 percent for 2005 – a rate higher than most national unemployment rates in comparable middle-income countries. We find that, while national unemployment rates increased by 26 percent over the 1995-2005 period, graduate unemployment grew by 51.2 percent. African graduate unemployment rates, while higher than those of their white counterparts, have also increased at the fastest rate relative to all other race groups. What is referred to as a graduate unemployment problem is, more

accurately, a fast-expanding African graduate unemployment problem.

WHAT YOU STUDY AND WHERE YOU STUDY MATTERS

Two of the key aspects of graduate joblessness are the fields of study in which individuals are receiving their degrees, certificates or diplomas and the differing quality (perceived or actual) of the institutions that offer them.

What did unemployed graduates study?

Field of Study	Total	Share of total	Share with tertiary degree
Business, commerce and management studies	62 633	26.38	10.01
Physical, mathematical, computer and life sciences	40 819	17.19	17.74
Education, training and development	33 476	14.10	24.83
Manufacturing, engineering and technology	25 851	10.89	6.20
Total	237 453	68.55	15.23

Source: LFS 2005:2 (Statistics SA)

These four fields of study account for close to 70 percent of all jobless graduates. It is also important to note that, in almost all cases, institutions of higher education that do *not* offer degrees dominate the unemployment figures. One could argue that the further education and training (FET) sector and the system of technikons (or universities of technology) lie at the heart of the graduate unemployment problem. These institutions are either not producing the graduates in demand by employers, or, where they are, employers are evidently concerned about the quality of the graduates. The fact that three of the four dominant fields of study are clearly areas in demand must suggest that employers are concerned about issues of quality. Evidence from a recent survey of large South African companies, concentrating on the issue of graduate unemployment, indicates that employers indeed experience constant problems with the quality of the graduates at all levels of the higher education system – be it the FET institutions, technikons or universities.

Companies struggling to meet their employment equity targets and fulfil their BEE goals are forced to offer huge premiums.

LABOUR MARKET OUTCOMES

The graduate unemployment problem in South Africa is thus characterised, firstly, by a disproportionate share of African graduates being jobless, and secondly, mainly as a consequence of the non-university institutions supplying wrongly or poorly qualified graduates. The latter, however, should not detract from the fact that the university system also produces graduates that find it difficult to source long-term employment.

Apart from the rising levels of graduate unemployment, there are multiple labour market outcomes of this severe institutional mismatch. One indicator is relative wages. We find that, in a four-year period since 2001, the average real wage of a degreed individual increased from R8 417 to R12 788 per month. This translates into a 52 percent increase. The increase for African individuals was more than three times this value, at 185 percent.

To some extent, these increases do reflect a shortage of African graduates, as companies struggling to meet their employment equity targets and fulfil their broad-based black economic empowerment goals are forced to offer huge premiums for these scarce individuals.

However, this result may also reflect a market that is too dependent on outputs from the university system. Put differently, it may reflect a poor and malfunctioning FET and technikon system that forces employers to offer unusually large wages to a much smaller pool of appropriately trained and qualified university graduates.

The one overwhelmingly strong piece of evidence to emerge from the research is that individuals accumulating human capital outside and beyond the schooling system are not assured of employment in the domestic economy.

Furthermore, it is evident that the problem lies overwhelmingly with the non-university segment of the higher education system in South Africa – although, again, the universities themselves are not absolved of all responsibility.

In terms of policy interventions, it is gratifying to note that, through the FET recapitalisation programme, the redesign of the FET curriculum and proposed greater consultation with employers by higher education authorities, we may be at the beginning of a process that will deliver the skills required.

Finally, it is hoped that the inputs currently provided by the Joint Initiative on Priority Skills Acquisition for South Africa (JIPSA) will generate the impetus that is needed in this area that is so critical to this country's long-run growth and development prospects.

BRIDGING SOUTH AFRICA'S SECOND ECONOMY

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South Africa is a middle-income country with a GDP (nominal) per capita of $5 384 or R37 688, comparable to countries such as Turkey and Argentina, but lower than that of its African neighbour, Botswana. This GDP per capita masks major income inequalities. There are two societies in South Africa: one similar to those found in very highly developed economies, and the other similar to underdeveloped economies. This two-tiered economy poses challenges when planning development. Can those living in the underdeveloped part of South Africa be integrated into the highly-developed economy? To answer this question, it is important to clarify how the South African economy is conceptualised and understand what strategies have been used so far to bridge the gap between these two societies.

THE CONCEPT OF THE SECOND ECONOMY

The meaning of "the second economy" has been debated since 28 August 2003, when President Mbeki wrote in his weekly *ANC Today* letter that "the successes we have scored with regard to 'the first world economy' also give us the possibility to attend to the problems posed by the 'third world economy', which exists side by side with it." One could understand this concept to mean that South Africa's economy has characteristics of highly-developed industrial countries as well as those of seriously underdeveloped economies, or that within the same economy we have two societies: one that resembles the developed and another that resembles the less developed economies.

The concept became more complex when the president addressed the National Council of Provinces on 11 November 2003. He defined the second economy as a marginalised economy that is characterised by underdevelopment, contains a large proportion of the population, contributes little to the gross domestic product (GDP), incorporates the poorest of the poor, and is structurally disconnected from both the first and the global economy. He also took the view that this economy is incapable of self-generated growth and development. What complicated the definition are these notions that the second economy might be structurally disconnected from the first economy and that this large population contributes little to the GDP. However, it is generally recognised that the first and second economy are linked, insofar as the economic system reproduces high rates of inequality and marginalisation amongst the majority of the population. A small elite population benefits from an extremely high standard of living and services. This quality of life appears to depend on the perpetuation of low wages and exclusion. This is the legacy of apartheid; and yet, this exclusion will slow down potential rates of economic growth.

The problem is not underdevelopment, but rather an economic and social system that perpetuates highly unequal access.

Isolated societies tend to create their own ways of development.

Another way of thinking about the concept of the second economy is to consider it as the sector of the population that does not engage with the formal economy through the usual routes of banking, investment, credit, mortgage, leasing, etc. About 16.4 million South Africans do not have a bank account (Kirsten, 2006), meaning that they are excluded from access to large capital for development. Almost all of this unbanked population is black. Efforts are underway by both government and the private sector banks to serve them through financial institutions. Examples are the Mzansi bank account with lower bank charges, and the establishment of automatic teller machines in remote places.

In this paper, the "second economy" refers to those who are marginalised from the mainstream economy. The "first" and "second" economies are inextricably linked, although in ways that reproduce poverty and marginalisation amongst a large proportion of the population. The marginalised have secondary access to the services, social protection, earnings and means of accumulation that are available to a small elite portion of society. The problem is not underdevelopment, but rather an economic and social system that perpetuates highly unequal access.

Members of the elite have high incomes, earn money which is taxable, live in urban areas, have access to private transport, to the private healthcare sector, to better private education, to credit and bank accounts and generally enjoy

the economic benefits that accrue in the country. Their lifestyle is no different, or even better, that their counterparts in industrialised countries of the North.

In contrast, those who are marginalised generally have low income, which is often not taxable, don't use banks, have difficulty getting loans because they lack collateral, rely on the public sector for health services and education, and are likely to be eligible for social grants. They are members of stokvel and burial societies; they may get loans from *amashonisa* or "loan sharks" at very high interest rates. In general, members of this society live on the margins of the developed society.

Despite the state's intervention, the divide between public and private health sectors has widened. The private sector now serves fewer people with more money and doctors than it did at the beginning of the state intervention.

ORIGINS OF THE DIVISION

South Africa's divided societies came about as a result of a number of historical developments; chief among them is apartheid. Apartheid created an unequal society, unequal in terms of access to resources necessary for development. The South African economy was structured such that it ensured that the majority of the population served as a pool of labour to allow those living in the first economy to enjoy the benefits, but did not earn enough to enjoy the fruits of their own labour. Education, health and social service standards for the minority resembled that of the industrialised countries in the north, while those of the majority resembled those of poor, less developed and less industrialised countries.

The apartheid government created laws that physically removed a large proportion of the population to live on the fringes, where inferior housing structures were constructed with little or no amenities, and where rudimentary health and education services were provided, but with inadequate access. These people were not allowed to establish businesses in the city, which effectively prevented them from competing with the minority population.

Isolated societies tend to create their own ways of development. The poor majority initiated their own insurance systems, such as burial societies, their own financial institutions, such as stokvels, their own credit institutions, such as *amashonisa*, and their own labour unions, such as *letsema* in the agricultural sector. The rules of engagement in these institutions were fundamentally different from those of the developed society. They were unregulated and there were no clear criteria on who was a member and who was not.

ATTEMPTS TO INTEGRATE THE ECONOMY AND SOCIETIES

When the new government came into office in 1994, it had to consider two options for integrating the two societies: redistribute the resources to achieve equity, or to "grow the pie" first, before redistribution. Each option had its challenges. Different economic policies emerged, starting with the 1994 Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution (GEAR) programme, which was adopted in 1996. The RDP was developed with the participation of civil society and implemented to try to promote growth through greater economic participation and deeper access to health, education, housing and basic services.

Health services

The state attempted to reduce the disparity between the two societies by improving access to healthcare. Population growth had outstripped the number of clinics available, forcing the new democratic government to rapidly erect and staff new clinics and offer free primary healthcare to the population. The RDP policies of free healthcare to pregnant women and lactating women, free termination of pregnancy and universal access to primary health care were attempts to bridge the gap between the two societies. The benefits were immediately wiped out by the emergence of the HIV/AIDS epidemic. According to department of health statistics, 7.6 percent of pregnant women tested positive in 1994. In 2006, this had increased to 29.1 percent.

Energy saving strategies appear not to have been a major focus of the energy policy.

State intervention was not limited to the public health sector, but extended to private healthcare as well. The regulation of medical schemes was crucial in view of the escalating cost of healthcare, which consequently excluded more people who could not afford the cost of medical aid. The majority of doctors, medical specialists and dentists work in the private sector, serving the small proportion of the population that uses private hospitals. This elite has access to state-of-the-art technology for diagnosis and treatment. Despite the state's intervention, the divide between public and private health sectors has widened. The private sector now serves fewer people with more money and doctors than it did at the beginning of the state intervention.

Social services

Another major development was the state's attempt to reduce poverty. Realising that the social security system was favouring the minority population, the new government expanded access to social grants. More poor people were enrolled into programmes such as the child support grant, old age pension, disability grant, care dependency grant, war veteran grant, foster child grant, grants in aid and social relief of distress. More than 10.5 million poor people are now beneficiaries of the social grants, and this has

reduced poverty levels. Of course, this should be considered a temporary solution while more sustainable solutions, such as employment and economic growth, are sought.

Access to housing

A national housing programme needed to be developed and implemented with speed because the apartheid government had stopped building houses, thus creating massive housing backlogs. The government embarked on a massive housing construction programme. Some of the houses built initially were of poor quality and often too small even for small families. The newer houses are of good quality. Consequently, millions have acquired houses, but unfortunately, without sustainable income, the housing programme has become a revolving door where the poor move from a *zozo* (garden shed) when they acquire a new house, but then rent it immediately to earn money to live and set up a new *zozo*. Alternatively, people living in formal housing find that they are so overcrowded, even in the new RDP houses, that they make their own *zozo*.

South Africa is a middle-income economy with a human development index that resembles a low-income economy.

Access to basic services

To bridge the gap between the two societies required service delivery to the poor. One of the four pillars of the RDP was massive increases in access to basic services. The government moved swiftly to develop policies, which, by world standards, would be considered exemplary. More than 3.5 million households now have electricity. (Of course, we know that the supply is often interrupted, suggesting that the policies were not in sync with the capacity of the electricity supplier, Eskom, to plan and provide the service. Energy saving strategies appear not to have been a major focus of the energy policy.)

With respect to safe water, more than 10 million people have benefited since the advent of the new democratic government. Sixteen million more people still have yet to get access to basic sanitation. Progress is being made to address the needs of the poor, but not fast enough. Frequent protests are indicative of the slow pace of delivery. The government has responded that the pace of delivery is because of the lack of skilled people. Because the earlier skills development programmes were being implemented so slowly and without the impact needed, the government introduced the Joint Initiative on Priority Skills Acquisition (JIPSA). But the effects of JIPSA are unlikely to be felt fast enough to quell the uprising of those who need basic services now.

Often the blame for poor service delivery is placed squarely on the local government. This does not absolve the national and provincial governments, because, constitutionally, South Africa has an integrated three-tier system of government. Policies, including standards for service delivery, are set at national level; they are financed at national level and then distributed to the provincial and local government levels. The mayors of the major metropolitan councils are also appointed centrally.

EDUCATION

One strategy for closing the gap between the first and second economy is through education. This includes the massive enrolment of children into schools by increasing the number of schools, increasing the number of students enrolling in universities through increased budgets for education and bursaries, and also establishing basic adult education programmes. Of late, the introduction and accreditation of the early childhood development programmes has been added to this strategy.

Despite this increased access to education, the pass rates have not improved at matriculation level and the throughput rate at universities for members of the marginalised has not improved. The cost of education has become unaffordable for those aspiring to get a university degree, as has already been seen during the Wits University and University of Johannesburg student protests. The state may have to intervene and set uniform tuition fees in all state-funded tertiary institutions.

PROGRESS ASSESSMENT

If progress is measured in terms of the input of resources and coverage, one is likely to assume that the two societies are closer than they were before state intervention. But the story is different when using outcome measures such as the human development index (HDI) and the Gini co-efficient.

Human development index

The HDI is a complex measure comprising three dimensions: life expectancy; adult literacy and enrolment at primary, secondary and tertiary levels; and GDP per capita. As is well known, South Africa is a middle-income economy with an HDI that resembles a low-income economy.

South Africa's GDP per capita has been rising for the first time in decades. GDP per capital (PPP) was US$11 192 in 2004. This was almost 40 percent higher than Brazil's, but Brazil's HDI was about one quarter higher than ours. South Africa's GDP per capita (PPP) was more than three times that of India's, but our HDI was only marginally higher.

In 2006, South Africa was ranked 121st in HDI out of 171 countries. This was below countries with similar levels of development, such as Brazil (69th) and Thailand (74th), and well below many low-income economies, such as Indonesia, Sri Lanka and Guyana.

From 1994 to 2004, South Africa may have done well in terms of physical infrastructure, but when it comes to human development, it has regressed from an HDI score 0.74 to

0.65. Life expectancy has declined to 47 years. The literacy rate for persons 15 years and older is high at 82.4 percent, but the combined gross enrolment ratio is not so high, at 76.6 percent.

The major contributor to South Africa's poor performance on the HDI is the extremely high rate of HIV and AIDS. More than 5.4 million people with HIV/AIDS live in South Africa. Mortality due to AIDS is very high, mainly because antiretroviral (ARV) treatment was not started early enough. Now that the programme is being rolled out, mortality is beginning to decline.

The desire of the state to integrate the *less developed society* into the *developed society* will not be easy to achieve unless the state intervenes in the private sector.

Inequality

South Africa, together with its southern African neighbours Lesotho, Swaziland, Namibia and Zimbabwe, has very high rates of income inequality or wealth distribution. These are usually measured using the Gini coefficient, in which zero means perfect equality and one means perfect inequality. When South Africa's progress is measured this way, it becomes clearer that the two societies have moved further apart. In 1995, the Gini coefficient was 0.56. By 2001, it had risen to 0.73. (cited in Bhorat and Kanbur, 2006) Poverty has been reduced, mainly through social grants, but the rich have become much richer.

The 2006 UN Development Report measured South Africa's Gini coefficient at 0.578, worse than India (0.325) and Thailand (0.420). The probable reason for the further separation of the two societies was the introduction of GEAR. While the programme yielded benefits such as economic growth and stability, and more recently the availability of substantial fiscal resources for social spending, it did not accelerate job creation until the early part of this decade.

STRATEGIES FOR INTEGRATING THE TWO SOCIETIES

In this paper, we have tried to understand the concept of "second economy" and came to the conclusion that there is one economy with two different societies. We have outlined the efforts of the state to bridge the gap between these two societies. Using the standard international measures of development and inequity, the conclusion reached is that these programmes have not yet had the desired effect of narrowing the gap between the two societies. If anything, it is widening.

The desire of the state to integrate the *less developed society* into the *developed society* will not be easy to achieve unless the state intervenes in the private sector. Focusing only on the public sector is unlikely to succeed in creating one South African society.

First, there is a need for rapid implementation of the commitments made to expand new industries and investments, and therefore create larger numbers of quality jobs. These commitments have been made in the Accelerated and Shared Growth Initiative for South Africa and the government's plan of action, in relation to improving efficiency in network industries (telecommunications, rail, ports, energy, water), stabilising the currency, etc.

Second, it is necessary to improve access to financial services that would support the accumulation of resources and productive investments by emerging business. The government should support small and medium enterprises (SMEs) by ensuring that it pays within 60 days for services provided by these businesses. These SMEs can create new jobs, and poor cash flow is one of the main reasons why SMEs do not survive. On a broader level, there is a need to create better paying jobs that allow people a decent living.

Third, the government needs to strengthen efforts to create service-related jobs as part of the public works programme, for example, as has been started with early childhood development. The implementation of this programme should be accelerated.

Fourth, in the health sector, it is advisable for the government introduce a national health insurance plan to bring the public and private health sectors under one umbrella. This will reduce disparities in access to doctors and quality healthcare.

Finally, as a matter of urgency, South Africa needs to implement the national strategic plan on HIV and AIDS and sexually-transmitted infections, which targets a reduction of new infections by half in five years and ensuring access to ARVs for 80 percent of those eligible for treatment.

NOTE

The author appreciates the comments made by Dr Miriam Altman in preparing this paper. The views expressed here are those of the author.

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RURAL DEVELOPMENT, LAND REFORM AND AGRARIAN CHANGE

AFRICAN NATIONAL CONGRESS

This is an excerpt from the resolution of the ANC's 52nd National Conference in Polokwane, December 2007

THE CONFERENCE THEREFORE RESOLVES TO:

1. Embark on an integrated programme of rural development, land reform and agrarian change based on the following pillars:

   a. the provision of social and economic infrastructure and the extension of quality government services, particularly health and education, to rural areas

   b. fundamental changes in the patterns of land ownership through the redistribution of 30 percent of agricultural land before 2014. This must include comprehensive support programmes with proper monitoring mechanisms to ensure sustainable improvements in livelihoods for the rural poor, farm workers, farm-dwellers and small farmers, especially women

   c. agrarian change with a view to supporting subsistence food production, expanding the role and productivity of modern small-holder farming and maintaining a vibrant and competitive agricultural sector

   d. defending and advancing the rights and economic position of farm workers and farm-dwellers, including through improved organisation and better enforcement of existing laws.

2. Strengthen the voice of rural South Africans, empower poor communities and build the momentum behind agrarian change and land reform by supporting the self-organisation of rural people; working together with progressive movements and organisations and building forums and structures through which rural people can articulate their demands and interests. ANC branches together with alliance partners will assist in the organisation, unionisation and empowerment of farm workers.

3. Build stronger state capacity and devote greater resources to the challenges of rural development, land reform and agrarian change. In particular to:

   a. create an over-arching authority with the resources and authority to drive and co-ordinate an integrated programme of rural development, land reform and agrarian change

   b. implement the Freedom Charter's call to help those working the land with implements, seed, tractors, infrastructure for irrigation and other forms of material support

   c. implement large-scale programmes to establish new smallholders and improve the productivity of existing small-scale and subsistence farmers, and to integrate small-holders into formal value chains and link them with markets

   d. build dedicated state and private institutions that are accountable to their users for the effective and directed support to land reform beneficiaries in general and smallholder agriculture and family farms in particular, including through financial support, research and extension, the provision of tools and equipment and the facilitation of market access and co-operation

   e. review the mandate, capacity and operations of institutions such as the Land Bank, in order to ensure that the state is able to provide directed credit and capital for investment in support of a transformed agricultural sector and rural economy

   f. improve the ability of the government to take the lead in innovation, research and development and extension services appropriate to the development of a smallholder farming sector.

   g. build the capacity of rural local governments to lead the processes of development, land reform and agrarian change including through the leadership of decentralised, participatory and people-centred programmes that are linked with wider development priorities, particularly through the integrated development plans (IDPs) of municipalities

   h. improve the capacity of the state to monitor and collect information on the use of land, including through the conduct and publication of regular land audits

   i. ensure that the state regulates the land market effectively with a view to promoting the goals of rural development

and agrarian change, limiting the unsustainable use of land for elite purposes (such as the conversion of prime agricultural land to golf estates) and ensuring that land remains predominantly in the hands of South African residents. To this end, the management and control of state land must be consolidated under one roof.

4. Review and change all institutional, legislative, regulatory and tax-related policies that create a bias in favour of large-scale, capital intensive, environmentally damaging agriculture and under-utilisation of land and which constrain the emergence of a vibrant, pro-poor rural economy, including in particular:

a. repeal any legislation which prevents the sub-division of land and other policies which promote the concentration of ownership in land and the under-utilisation of land

b. introduce a special land tax and other progressive tax measures with the aim of creating incentives for the disposal of under-utilised land and the de-concentration of land ownership, and act urgently to remove biases that currently exist in the tax system that provide incentives for the ownership of large tracts of land, capital intensity and the underutilisation of agricultural land

c. revisit national agricultural policies, particularly in respect of subsidies, tariffs and marketing institutions, and the relationship between these and our objectives in respect of rural development, land reform and agrarian change as well as food security and inflation

d. combat monopolistic practices in the markets for agricultural land, inputs, finance and outputs.

5. Where appropriate, work together with the commercial agricultural and the private farming sectors to promote black economic empowerment, create partnerships between emerging and established farmers, create linkages between large and small farmers, including through procurement and "contracting-out", and build institutions to contribute towards more equitable structures of production and ownership in rural South Africa, including through collective ownership, employment equity, skills development and support for new enterprises in the agricultural sector.

6. Support the growth of rural market institutions including through the provision of infrastructure and by helping rural communities and small farmers to build organisations which help them to access markets, build links with formal sector value chains and co-ordinate their activities to realise economies of scale. Such organisations may include producer co-operatives, smallholder associations, input supply co-ops, marketing co-ops and/or state regulated institutions designed to support and promote market access and collective action amongst small rural producers. Special attention will be given to the empowerment of women in co-operatives.

7. Where necessary, expropriate property in the public interest or for public purpose, in accordance with the Constitution, to achieve equity, redress, social justice and sustainable development. All legislation pertaining to expropriation must be aligned with the Constitution.

8. Ensure adequate resources are available for the creation of agricultural colleges and extension services specialising in the tasks of rural development, land reform and agrarian change. Community Development Workers in rural areas must be inducted properly on land and rural development issues in order to support an accelerated land reform programme and to ensure compliance with laws affecting farm workers.

9. ANC branches will work together with the progressive trade union movement, particularly the Food and Agricultural Workers Union, government agencies and civil society to build national organisations for farm workers and farm dwellers dedicated to the realisation of their rights, combating human rights abuses and super-exploitation, and the provision of support and advice to communities living on farms. Furthermore, to ensure the vigorous implementation of laws that protect farm workers and farm-dwellers by strengthening the capacity, resources and resolve of government to protect and advance their interest. This will include the review and strengthening of relevant legislation.

10. Ensure that the allocation of customary land be democratised in a manner which empowers rural women and supports the building of democratic community structures at village level, capable of driving and co-ordinating local development processes. The ANC will further engage with traditional leaders, including CONTRALESA, to ensure that disposal of land without proper consultation with communities and local governments is discontinued.

11. Integrate land rights and water rights into a common programme.

12. Find ways to stabilise food prices in order to prevent inflationary surges, protect food security and combat hunger.

13. Accelerate the roll-out of rural infrastructure, particularly roads but also other services, including potable water, electricity and irrigation and ensuring in particular that the former Bantustan areas are properly provisioned with an infrastructural base for economic and social development, and that farm dwellers, like all South Africans, benefit from universal access to free basic services. In this regard, the ANC reaffirms our objective of realising universal access to free basic water, electricity and sanitation before the centenary of the ANC and recognises that the bulk of this challenge is in rural South Africa.

14. Improve the co-ordination and synergy between departments and all levels of government to ensure an integrated approach to land reform and rural development.

SLAVERY: A HISTORY OF RESISTANCE

BY Z PALLO JORDAN

The author is the minister of arts and culture in South Africa.
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Dr Jordan outlined the worldwide history of slavery and notable slave rebellions for a forum marking the bicentennial of the abolition of the slave trade at the Cape Town International Book Fair, 18 June 2007.

ANCIENT ORIGINS OF SLAVERY

Slavery is the oldest form of exploitation evolved by humankind. There are numerous accounts of the origins of the institution, but there seems to be general acceptance that enslavement was originally imposed on those unable to meet their debts. If that is true, it implies that it was conceived as a temporary arrangement, until an owed debt had been discharged.

It is clear too that, at a certain point, prisoners of war were enslaved instead of being killed. This later practice transformed slavery from a temporary condition into the permanent fate of the defeated. The enslavement of war prisoners also imparted the central tenet of slavery as an institution: the slave was a person under sentence of death, in whose case the sentence has been commuted on the understanding that the person will become the property of the victor. As someone under a death sentence, it was understood by both the enslaved and the enslaver that the death sentence could be invoked at anytime. The absolute power the slave-owner exercised over his or her slave derived from this.

Despite its extreme cruelty there was an unassailable internal economic logic to enslavement.

Slavery thus entailed the reduction of other human beings to a status not too dissimilar to that of livestock. Despite its extreme cruelty there was an unassailable internal economic logic to enslavement. Slaves, being human, had exactly the same abilities as those who enslaved them: they could think, they had the ability to reason; they could do conscious work; they had the capacity to imagine. All these human abilities meant that they could be extremely productive. Compelled to consume far less than they produced, what they produced, over and above their own needs to sustain life, accrued to the slave owner.

In ancient times, looting was the primary purpose of war. Victorious armies seized the cattle, sheep, horses, pigs, goats and other livestock of those they had defeated. They also seized non-combatants, surviving combatants and any other humans. Like the other goods seized, enslaved humans could be bought and sold at the market. Like livestock, such humans were the property of their owners, who exercised power over them. In all the ancient civilisations – Egyptian, Sumerian, Chinese, Indian, Greek, Roman or Carthaginian – slavery was the dominant mode of production.

While various forms of free labour were found in all of these societies, slaves came to dominate as producers and providers of services, from domestic work right up to the state bureaucracy, even becoming leading state officials. The palace eunuch was a feature of the Chinese state until the early 20th century. In the Rome of the emperors, enslaved state officials were able to influence important government decisions and often conspired with the emperor's enemies to overthrow or assassinate him. The post-seventh century caliphates employed enslaved officials in a number of capacities. In a few cases, ex-slaves rose to become heads of state.



One of the most inspiring stories in the Old Testament is the book of Exodus, which recounts the narrative of Moses leading the "children of Israel" out of slavery in the Egypt of the pharaohs. In the ancient Hebrew kingdoms, it was customary to free all slaves every 25 years, in what was called a jubilee, to mark the exodus from Egypt.

The Greeks referred to a slave as a tool with the power of speech. A sharp distinction was drawn between the free and the enslaved. Apart from the slave's likely foreign origins, as a person captured in war the slave was not and could not become a citizen. A citizen was a member of the political body and as such enjoyed certain rights and owed the state a number of obligations.

In all the ancient civilisations – Egyptian, Sumerian, Chinese, Indian, Greek, Roman or Carthaginian – slavery was the dominant mode of production.

In Julius Caesar's days in ancient Rome, slave labour had displaced free labour to an extent that the majority of citizens were not employed and relied on a grant from the state to live. The common phrase "bread and circuses" derives from Caesar's practice of distributing free grain to the citizens and staging regular spectacles at the circus or the arena to entertain them. The Latin word for slave is *"servus,"* from which we derive the English term "servile," meaning behaviour suited to a slave.

Slavery in ancient Rome flourished to the extent that, in certain parts of the empire, slaves vastly out numbered the free. Sicily, the site of the biggest farms (called *latifundia*), mines, quarries and other works in the Roman Empire, was peopled almost entirely by slaves and those who oversaw them. The island was consequently the site of numerous slave revolts, although the most famous, led by the gladiator Spartacus, was on the Italian mainland.

The economic rewards of slavery had declined radically by the time of the "barbarian invasions" that finally brought down the Roman Empire. The institution continued in both Byzantium and in the emergent Islamic empires after the seventh century CE, as well as in other parts of the world. The primary victims of enslavement at this time were the Slavic peoples of Eastern Europe, hence the term "slave," derived from Slav.

Slavery had been known on the African continent since the beginning of time. It had been practised in ancient Egypt, Libya, Carthage, Nubia and Ethiopia. In West Africa, household slavery was widely known and practised in virtually all the medieval African kingdoms, Songhay, Ghana and Benin. Prisoners of war were the usual candidates for enslavement.

SLAVERY IN THE "NEW WORLD"

It was the arrival of the Europeans in the Caribbean after the 15th century that revived slavery and plumbed the depths of its brutality.

Their national differences notwithstanding, the Europeans shared a common goal: the conquest and exploitation of the Americas. Within the first century after contact with the Europeans, the peoples of the islands of the Caribbean had virtually been exterminated by the new arrivals. Along with foreign domination, forced labour, the gun and the whip, the Europeans had brought strange diseases. Having developed no resistance to such illnesses, these diseases spread like wildfire amongst the indigenes, wiping out entire villages.

Various forms of unfree labour were employed to "tame" the wilderness in the "new world". In the Americas, both north and south, convicted and condemned prisoners were sent into servitude in the colonies to do backbreaking work on plantations and in the mines. Australia is the classic example of this practice. In the plantations of Virginia, the Carolinas and Maryland, convicted persons from England often worked alongside African slaves.

Race very quickly became associated with social status at the Dutch colony in the Cape.

The European powers turned to African slavery as they realised that there could not be sufficient numbers of condemned prisoners to meet the demand for labour. Slaves from Africa replaced the indigenes as the labour force in all the colonies in the Americas. Among the islands of the Caribbean, by the mid-eighteenth century, with the exception of Cuba, the demographic profile of the Caribbean was overwhelmingly African. On the North American mainland, African slavery sustained the plantation economies of the southern states. South America also acquired huge concentrations of Africans in the territories along Brazil's north coast where plantations were established. Brazil reputedly received fully 37 percent of the Africans transported across the Atlantic!

SLAVERY IN SOUTH AFRICA

Within a decade of the establishment of a permanent European settlement at the Cape, the first slaves were imported into South Africa. They were from West Africa, purchased off a Portuguese vessel. After that, regular shipments of slaves were landed at Table Bay from the islands of the Indian Ocean, from Bengal, from Ceylon, Indonesia and various points along the east and west African coasts. For close to two centuries, until 1838, slavery became one of the chief features of the society the Dutch settlers created in southern Africa.

The scale of slavery in South Africa never reached the

proportions seen in the Americas. But, as in the Americas, slavery was responsible for unprecedented population movements. Thousands of Asians became part of South Africa's populations as a direct result of slavery, just as a huge African presence in the Americas was created by slavery. And, as in the Americas, the enslaved tended to be peoples from Africa and Asia, while those who were the enslavers tended to be of European descent. Race very quickly became associated with social status at the Dutch colony in the Cape, imparting to the society that evolved from it an institutional racism that became deeper and more pervasive with time.

Slaves rose while on board slavers carrying them across the seas; slaves rose on the plantations where they worked; slaves rose in the harbours where they were brought for auction; they rose in the towns and the cities.

Like the colonies founded by Europeans in the Americas and Australia, the Cape produced foodstuffs and other raw materials for export to Europe. Unlike the Americas, plantations did not play as dominant a role in the economy of the Cape. Consequently, though the numbers of slaves grew and their owners carried them further and further inland as the European colony expanded, their numbers were relatively small and they worked as household servants rather than as labourers in huge farms.

THE COMMERCIAL SLAVE TRADE

Post-15th century slavery differed fundamentally from that practised in previous eras. In the ancient, medieval and late medieval worlds, enslavement was a by-product of inter-state warfare. Slavery, as it evolved after the 15th century, became a system of international commerce. The principal source of slaves in this system was the African continent, though the Indonesian archipelago, the Indian Ocean islands and the Far East also became minor sources.

The trans-Atlantic slave trade was part of a triangular system of commercial exchange involving the sea-faring nations of Europe, Africa and the Americas. Slavers would depart from European seaports bound for the west coast of Africa, laden with goods. At the various slaving ports, these goods were exchanged for human cargo. At the American ports, the African slaves were exchanged for raw materials bound for Europe. In Europe, these raw materials were worked into manufactured goods which could in turn be exported to West Africa to be traded for slaves.

As the demand for human labour power grew in the "new world", pressure mounted for more captives in the slaving ports of Africa. Slave-raiding and wars waged to capture slaves became the norm in a number of kingdoms. The king of Dahomey became one of the more notorious slave traders of West Africa, enriching himself with regular raids into the savannah to capture men, women and children to be sold into slavery.

REVOLTS AND RESISTANCE

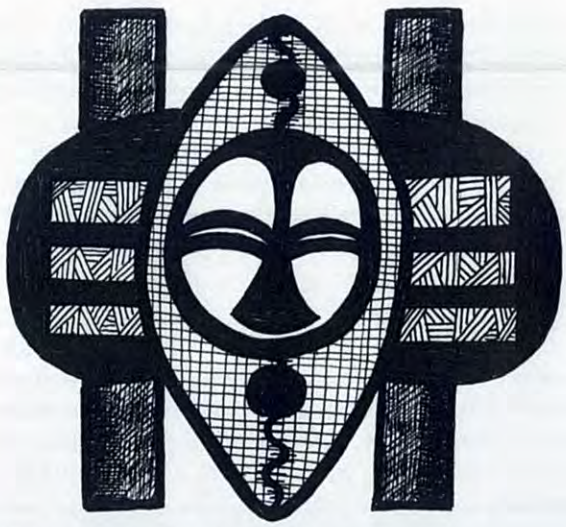
"The whole history of the slave trade and slavery is a sequence of revolts," Professor Oruno D Lara told a UNESCO meeting of experts in 1978.

Unlike livestock, slaves were conscious sentient human beings. Consequently, in every part of the world where slavery was practised, there were slave revolts, large and small. Slaves rose while on board slavers carrying them across the seas; slaves rose on the plantations where they worked; slaves rose in the harbours where they were brought for auction; they rose in the towns and the cities.

All such revolts were crushed with terrifying brutality. All, except for the revolution of the African slaves which began in the French colony of San Domingo (now Haiti) in 1791, two years after the storming of the Bastille in Paris and the French revolution of July 1789.

Eighteenth-century San Domingo was considered one of the richest colonies in the "new world". But its wealth was built on an extremely brutal plantation regime that required the regular replenishment of the slave population with new arrivals from the mother continent.

Ownership of land, and the slaves who worked it, was the index of wealth and power in San Domingo. The upper reaches of San Domingo society were white, some of noble birth, but many descended from commoners who had acquired land for the first time in the colonies. As in all slave-owning societies, the white slave owners and their white retainers and servants, the *petits blancs*, had extracted sexual favours from the African slave women. A sizeable mulatto population, which already outnumbered the whites, had consequently grown up.



Most of San Domingo's mulattoes were free. Some had become very rich, owning both plantations and slaves. They sat awkwardly between the overwhelmingly African slave majority and the white plantation owners. On 15 May 1791, at Robespierre's instigation, the French National Assembly passed a decree granting equal political status to whites, mulattoes and freed Africans in its colonies, including San Domingo.

The revolutionaries in Paris had ignored the slaves. On 22 August 1791, the slaves rose in revolt and, in twelve years of war, inscribed one of the most inspiring chapters in the annals of humanity's struggle for liberation.

TOUSSAINT L'OUVERTURE OF SAN DOMINGO

Toussaint L'Ouverture, born on All Saint's Day (hence his name) 1744 to the freed man Pierre Baptiste, emerged as the most significant leader among the slaves. Although his father was free, Toussaint's mother was a slave, and he shared her status. But his father's freedom gave him access to a vital skill – literacy – which opened the portals of human knowledge to him.

Toussaint had also been fortunate in work assignments on the plantation. From a herdsman, he rose to the position of a coachman, offering him opportunities to travel in San Domingo beyond the boundaries of plantation and parish, thus broadening his horizons. Toussaint emerged as a leader during the second phase of the revolt, after the republican government in Paris decided to lend its authority to the emancipation the slaves achieved for themselves in 1793. From then until his betrayal and capture, Toussaint was the senior leader of San Domingo's former slaves.

Under Toussaint's leadership, the self-liberated Africans of San Domingo fought off repeated attempts by the white planters to re-impose slavery. After 1793, revolutionary France became the freed slaves' principal foreign ally as they fought off English and Spanish armies. They gave such a good account of themselves that, by 1799, American and British diplomats in the Caribbean were speculating about a possible invasion of Jamaica and the US to liberate the slaves.

"His [Toussaint's] army amounts to 55 000 men, of which 30 000 are of the line and disciplined. The remainder are militia," wrote Edward Stevens, a US consul on the island. Such a formidable army, made up of slaves who had won their freedom by their own hand, was considered a threat by all the powers in the Americas. Napoleon Bonaparte was so fearful of such an eventuality that he reportedly remarked that unless Toussaint was stopped, "the sceptre in the new world" would sooner or later pass into the hands of the blacks.

When Napoleon made himself military dictator of France, one of his aims was to re-establish San Domingo as a prosperous French colony. This, he was told, could only be attained through the restoration of slavery. Slavery was first re-imposed in the other French territories of the Americas – Louisiana, Martinique, Guadeloupe and Cayenne – where there had been no revolt. Having tasted freedom, the former slaves of San Domingo would not submit without a fight. Skilfully using guerrilla tactics and aided by what they called "general mosquito", the freed slaves fought the French armies to a standstill. During the course of the war, Toussaint was betrayed to the French and captured.

In the end, however, Napoleon was forced to admit defeat and abandoned San Domingo at the end of 1803. Historians speculate that this defeat persuaded him to sell the Louisiana territory, which extended along the Mississippi river basin as far north as present-day Minnesota, to the United States. Toussaint's fate was a portent of future of the revolution he had led. After the 1793 emancipation decree, he had regarded France as an ally and had governed San Domingo as such. Transported to Europe as a prisoner, he died at the age of 59, after issuing a prophetic warning to Napoleon that he would meet the same fate.

When the new national flag of independent Haiti was about to be raised, Jean-Jacques Dessalines, who had replaced Toussaint as leader, briefly halted the proceedings in order to rip out a band of white bunting. "We want nothing white in our flag!" he declared: so embittered had the former slaves become after twelve years of fighting successive armies of white soldiers bent on the restoration of slavery.

Skilfully using guerrilla tactics and aided by what they called "general mosquito", the freed slaves fought the French armies to a standstill.

From these revolts, rebellions and uprisings there arose distinctive cultural practices, like the capoeira dance of Brazil, which African slaves evolved as a means of training in martial skills in preparation for an uprising.

RESISTANCE AT THE CAPE

Slaves at the Cape too staged numerous acts of resistance. Given the relatively small numbers of slaves in South Africa, mass revolts were not a realistic option. Resistance assumed a number of forms, some covert, others overt. Escape plots were a regular device of resistance. When a Dutch slaver, the *Meermin*, docked at Table Bay, the slaves on board overpowered the crew and forced them to take the ship out to sea in an attempt to return to their home countries. As in many other instances, the slaves were outwitted and their rebellion crushed. Escapes in groups or by solitary slaves were also quite frequent. With the frontier within reach, escaped slaves sometimes found refuge among Khoikhoi and other indigenous communities.

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ENGENDERING THE NATIONAL GENDER MACHINERY

BY NADIA SANGER

The author is a senior researcher in the democracy and governance research programme, Human Sciences Research Council (HSRC). This article is adapted from a paper presented at the Women's Month Seminar, Parliament, 27 August 2007

The focus of this article is to consider how the national gender machinery (NGM) – a set of integrated structures meant to promote gender equality, proposed in the South African Policy Framework for Women's Empowerment and Gender Equality (NGPF, 2000) – is currently operating within the state, and how these operations affect the attainment of gender equality outside of the state. Although the NGM consists of other structures, I use key structures such as the Office on the Status of Women (OSW), gender focal points (GFPs) and the independent Commission on Gender Equality (CGE) to frame this discussion.

While it is important to consistently remind ourselves of the gains made in terms of women's human rights, it is equally important to work rigorously at subverting gendered power relations. Acting as "a vehicle through which South Africa can meet its constitutional and international commitments to gender equality, human rights and social justice" (OSW, 2000: 26), the gender policy provides overarching principles as a vision for attaining gender equality through women's empowerment.

> "How do we make use of the rhetoric that supports women? What are the spaces that this rhetoric is opening up? We need to re-analyse gender, politics and power. This area is no longer the preserve of the autonomous women's movement. The state and political parties also play gender politics. Feminist activists need to rethink gender politics in Africa to devise new strategies for advancing gender transformation." (Amina Mama, 1999: 27)

POLICY GAPS

There are gaps in the gender policy, some of which directly relate to assumptions made about the context in which the NGM is expected to operate. One of these is the notion that the NGM would be operating in an environment supportive of gender equality and women's empowerment. But gender concerns, particularly those which critique hegemonic patriarchal power, remain largely marginalised and sometimes completely silenced across most spaces in our society, including government.[1]

In a context where gender equality is not supported administratively, the NGM might be set up for failure.

Another limitation of the policy is the lack of detail regarding *how* the various components of the NGM would be set up, even though specific mandates are carefully outlined. This has consequently led to difficulties in co-ordination and integration between the various structures of the NGM. A third limitation relates to the "basic needs" approach, where basic needs for women refer to such factors as safe and clean water, some cash income and healthcare.

These limitations are not isolated and they have direct consequences for substantive gender equality outside of the state. The lack of co-ordination between structures within the NGM suggests that the assumptions highlighted above have considerable impact. I discuss some of these consequences below.

THE OFFICE OF THE STATUS OF WOMEN

The OSW in the presidency and the provincial OSWs in premiers' offices have the responsibility of co-ordinating the NGM. The mandate of the OSW includes:

- advancing the national policy on gender equality
- prioritising key concerns related to gender mainstreaming
- advising and briefing the president, the deputy president and the minister in the presidency on all gender concerns
- liaising between NGOs dealing with gender concerns
- liaising between international bodies
- working with ministers, departments, provinces and other bodies to mainstream gender in policies and programmes
- developing key indicators in order to measure the

national progression for gender equality
- arranging gender training and analysis
- acting as a catalyst for affirmative action, specifically in terms of gender equality
- initiating and promoting cross-sectoral action on the girl-child, violence against women and HIV/AIDS
- facilitating awareness-raising and confidence-building among all women at all levels
- providing a co-ordination framework for effective implementation of the gender programme at national, provincial and local government levels
- consulting and liaising with civil society and parliament. (NGPF, 2000: 30-31)

These responsibilities are not just challenging, but overwhelming.

We cannot afford for women in government to be afraid of asking the difficult questions about power inequalities.

Ultimately, policy development and implementation has become centralised in the OSW instead of spreading across each line department through gender focal points (GFPs). The OSW operates at director level within the presidency, with four officials making up the structure (one director and three deputy directors). They are meant to carry out all 13 functions above, "some of which would require special dedicated machineries to carry out successfully". (Nkomo, 2007)

Furthermore, currently the OSW in the Western Cape is not operating optimally because its head has resigned, reflecting the overwhelming responsibility on one structure. Also critical is the commitment of ministers, who the OSW is supposed to advise on all gender concerns. Ministers have multiple profiles and it is likely that gender concerns will be marginalised without political will targeted at gender equality.

GENDER FOCAL POINTS

A substantial amount of the OSW's functions has to take place through the "gender focal points", persons located in each line department within government. The functions of the GFPs include ensuring that:
- each department implements the national gender policy
- gender issues are consistently considered in departmental planning and policy and business plans
- all policies, projects and programmes are engendered
- gender-aggregated data is used in departmental work
- mechanisms to liaise with civil society are established
- staff in all departments receive gender training and that gender is integrated into all aspects of their work
- departmental projects and programmes are constantly monitored and evaluated to assess their consistency with the national gender policy. (NGPF, 2000: 29)

For the GFPs to fulfil their roles optimally, they should be positioned at the level of director, with the appropriate level of skills and understanding of what gender mainstreaming in the current socio-political climate means. But the reality is that most GFPs are located at low levels in government with little access to decision-making processes, and a general lack of understanding of what it means to mainstream gender. (Gouws, 2006; Nkomo, 2007)

In addition, the GFPs appear to be responsible not only for gender issues but for a range of human rights issues, such as disability or youth. Though an umbrella approach, it is highly likely that gender concerns become sidelined and erased. Furthermore, a lack of a dedicated budget for the gender mainstreaming process reflects a lack of commitment to gender equality within the state. (Nkomo, 2007)

COMMISSION ON GENDER EQUALITY

The responsibilities of the independent Commission on Gender Equality (CGE) appear to be equally broad. The CGE's mandate is to:
- monitor and evaluate policies and practices of organs of state, statutory bodies and functionaries, public bodies or private businesses with regard to their compliance with legislation on gender equality
- conduct research, develop educational strategies and programmes that foster understanding of gender equality
- evaluate any existing law or propose new law with a view to ensuring compliance with gender equality
- investigate gender matters, complaints and resolve conflicts by mediation, conciliation and negotiation
- monitor government compliance with international conventions on gender equality
- prepare and submit reports to parliament on aspects relating to gender equality. (NGPF, 2000: 30-31)

As they currently stand, the functions of the three components are overwhelming and appear to overlap, contributing to a lack of integration between them. In a context where gender equality is not supported administratively, the NGM might be set up for failure. (Nkomo, 2007) At the level of implementation, insufficient human and financial resources and little decision-making power are emblematic of a lack of commitment to gender equality.

But underlying all of these obstacles is the institutionalisation of gender equality in the state.

INSTITUTIONALISING GENDER EQUALITY

Amanda Gouws (2006) defines state feminism as "a space for women within the state". (2006: 143) The NGM, one of the most elaborate in the world, was conceptualised as institutional by South African feminist activists in the early 1990s. Some would argue it represented an attempt to implement state feminism.

The rationale for this machinery was to institutionalise gender equality within the new democratic state and, as I note above, it consists of multiple structures both inside and outside of the state, created to articulate women's policy interests, intervene in decision-making at government level and hold the government accountable to its broad commitment to gender equality. The NGM was seen as providing a bridge between various sectors of the state, but also between the state and society. The state, as both Mama (2002) and Hassim (2005) have noted, appeared in many ways to become more accessible to influence by the women's movement outside of the state.

But Hassim (2005) writes that the state is "profoundly gendered and unequal", where patriarchal practices often silence women in decision-making positions and leave male social and cultural power intact. Others argue that national machineries worldwide are often elite-driven, under-resourced and dependent mostly on donor funding. (Tsikata, 2000). The inclusion of women in decision-making positions within the state does not automatically lend itself to a feminist focus that will critique patriarchy both within and outside of the state. Mama notes, for instance, that specialised gender institutions "have not been at the cutting edge of women's struggles", with their projects "replacing more militant forms of struggle". (2000: 23)

While defining women's interests within the state as part of a "continuum of women's struggles for full citizenship", Hassim (2005) talks about inclusionary versus transformatory approaches. *Transformatory* feminist politics appear more likely to be conducted within social movements that aim at structural transformation in the form of eradicating poverty. The focus on an *inclusionary* feminism (emphasising the representivity of women leaders within the democratic state) and the institutionalisation of gender equality ten years ago have resulted in a loss of leadership within the women's movement, leading to a very fragmented but existent women's movement outside of the state.

On the one hand, the space has been created to integrate gender equality concerns into legal reform and policy, but, as Mtintso notes, "consistent and conscious efforts have to be made to bring women and gender interests to centre stage in decision-making spheres like parliament." (2003: 577)

On the other hand, the institutionalism of gender equality has often meant that the more difficult task of critiquing patriarchal power within the state has been replaced by efforts to include women in decision-making. The lack of interrogation of power and the consequent maintenance of gender inequalities is often sidelined in favour of the "basic needs" approach advocated in the gender policy. So, while the decision to pursue inclusionary politics at the expense of transformatory politics has resulted in important legal reform, it has simultaneously marginalised and silenced strategic gender concerns focused on critiquing patriarchal power.

A feminist approach that focuses on the eradication of domestic violence and the absolute control over women's own bodies cannot work separately of a "basic needs" approach. Notwithstanding the difficulties of being positioned as gender advocates within the state, we cannot afford for women in government to be afraid of asking the difficult questions about power inequalities.

THOUGHTS ON A MORE TRANSFORMATIVE FEMINIST APPROACH

The challenges of the NGM reflect the way that matters of substantive gender equality (unequal power relations between men and women) are marginalised and erased. If the NGM, given so many powers to execute gender mainstreaming, only has conceptual and not administrative power, there remains much to be done to make gender equality dominant within government.

Elitist approaches are counter-productive to the achievement of substantive gender equality.

The ad hoc committee on the review of the chapter nine institutions recently recommended the establishment of an umbrella commission on human rights and equality, under which the CGE would fall. This is emblematic of how a human rights approach often lends itself to marginalising gender equality and women's empowerment. A human rights approach to gender would further reinforce the current focus on policy and law reform, at the expense of critiquing patriarchal power both within and outside of the state.

The NGM needs to operate at the highest level in government, supported by appropriate human and financial resources in order to mainstream women's human rights into government planning, implementation and monitoring processes. Technocratic and bureaucratic ways of dealing with gender concerns need to be avoided as much as possible. Elitist approaches are counter-productive to the achievement of substantive gender equality.

While the harder questions about the deeply entrenched cultural issues that maintain and reinforce patriarchal power need constant attention, the NGM appears to see its responsibilities linked solely to policy issues and law reform. As it stands, the NGM's inclusionary politics appear to translate in many ways into a lack of "real" transformational politics aiming to produce substantive gender equality.

It is fundamental that the focus of the NGM is steered towards feminist principles and values, which see the importance of continuously building and strengthening a progressive women's agenda. This involves consistent reflection on the work of the NGM and the development of efficient monitoring and evaluation tools. For example, the establishment of

provincial gender machinery (PGM), as noted in the gender policy, is critical to linking the NGM to local government and civil society – linkages required by the mandates of such NGM structures as the CGE and the OSW.

The dismantling of patriarchy must be seen as inherent to a "basic needs" approach.

Despite the theoretical commitment to gender equality through policy initiatives and the strides made by the NGM, at an administrative level, it has proven difficult to implement the NGM effectively. One reason often cited is the lack of co-ordination between the various components of the NGM. (Gouws, 2006; Nkomo, 2007)

Nevertheless, a climate that is supportive of gender equality and women's empowerment and resistant to cultural power and patriarchy is central to the effectiveness of gender machinery. This means that the dismantling of patriarchy must be seen as inherent to a "basic needs" approach, which must be constantly evaluated for its relevance to women outside of the state.

NOTE

"Gender" is not synonymous with "women". In this article, gender refers specifically to the socially constructed attitudes and behaviours that women and men learn in a heteronormative patriarchal society. Gender is not static: these attitudes and behaviours can change.

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Individual acts of sabotage, like hay-rick firing, the burning of crops, setting alight the houses and homes of slave owners, as well as random acts of violence against particularly brutal slave owners took place. A mass march on Cape Town from the wheat fields of Mamre in 1828 was a stirring example of an attempt at open revolt, as was Gallant's uprising, centred on the Houd Den Bek farm in the Bokkeveld.

AND IN THE AMERICAS

In the Americas, on the mainland of North America, South America and the islands of the Caribbean, mass revolts involving extended periods of armed conflict were a regular feature of the slave economies.

In Brazil, on the islands of the Caribbean and in some parts of North America, escaped slaves banded together and established free communities, similar to those of the Cossacks of the Tsarist empire. These communities, called maroons, were stable enough to field armies. In Jamaica, for example, after repeated wars, the maroons were able to impose treaties on the British authorities, who recognised them as free communities by signing such agreements. Maroon communities retained a host of African cultural practices and, in a number of instances, words from various languages.

As important as the slaves' acts of resistance were, it was not these alone that finally led to the abolition of slavery. Motivated by Christian principles, liberal politics and humanist ideals, an effective abolition movement developed in Europe and the Americas. Post-revolutionary France, as I have mentioned, first abolished slavery in France and its colonies in 1793. Britain abolished the slave trade in 1807, and then finally abolished slavery throughout its empire in 1836.

After numerous slave rebellions, all of which had been suppressed with sadistic brutality, slavery was finally abolished in Brazil in 1885, ending nearly four centuries of the most despicable form of commerce. Though formally "free", Brazil's former slaves occupied the lowest rung on the social ladder and were subjected to every form of legal and non-legal discrimination.

Slavery and its legacy still haunt us in the 21st century. In marking the bicentennial of the end of the slave trade in 1807, we are celebrating a giant step in the making of our modern world. A modern world in which all human beings are accepted as of equal value and worth irrespective of their skin colour, their hair texture, the religion they observe, their gender, or the previous condition of their ancestors as slaves.

REGIONALISM, THE SALVATION FOR POOR COUNTRIES

BY YASH TANDON

Tandon is the director of the South Centre in Geneva. This interview, conducted by Michel Egger, appeared in *Alliance Sud News*, April 2007

Whatever the outcome, the poor countries have more to lose than to gain from the Doha Round of the World Trade Organisation (WTO) negotiations. The protracted freezing of the negotiations would therefore be the best course for them. That would allow them the time and policy space needed to disconnect partly from the world trading system, and to develop regional integration strategies, which are the only means of responding to their true needs.

MICHEL EGGER: The WTO negotiations have resumed. Does the "development round" still have a chance, or any meaning?

YASH TANDON: This is a "soft resumption" that is merely ending the suspension of the talks that has lasted since July 2006. It is hard to see what will happen next. There are three possible scenarios.

The first is some kind of agreement on agriculture between the United States and the European Union. Deals are already being struck on US subsidy reductions and access to the European market. Once they have reached agreement, the two powers will pressure Brazil and India to open up their industrial sectors. Such a scenario cannot be ruled out, even less so since Director-General Pascal Lamy could repeat the move made by Arthur Dunkel in 1993 during the Uruguay Round, when he put forward a text that had been agreed between the United States and the European Union, and the other countries had no choice but to accept it. We must therefore be vigilant. Should such a scenario materialise, it would have no development content.

We must start to map out the contours of a new WTO capable of genuinely accommodating the development levels of the various countries.

Unless, of course – and this is my second scenario – the developing countries manage to extract further concessions from the industrial countries. I am thinking specifically of still deeper cuts in US subsidies – especially for cotton – or of the right to protect certain products termed "special" for the purpose of food security. But the battle is far from won. At all events, opening up the industrial sector would be disastrous for a number of developing countries: it would be synonymous with de-industrialisation.

ME: Even in such a scenario, do the poor countries, especially the African, Caribbean and Pacific (ACP) ones, stand to gain anything from this Doha Round?

The US is in the grip of a profound economic, budgetary, military, ideological and moral crisis, which could end very badly.

YT: I am afraid not. A study by the Carnegie Endowment for International Peace has set out six scenarios of the potential gains and losses for developing countries in the Doha Round. The weakest ACP countries are always the losers. Whatever the outcome of the talks, they will see a substantial erosion of their "preferences", in other words, their advantages vis-à-vis other developing countries in terms of market access in the North. Despite their constant calls, this key question has so far been ignored. The fact is that the major countries are only interested in the advantages that they can extract from the WTO system. The concerns of poor countries are being systematically sidelined. There is the pretence that they are being heard and they are being offered "aid for trade" or measures of that kind. But these amount to no more than sweeteners for the bitter potions they must swallow.

ME: All this is hardly encouraging...

YT: The best scenario for developing countries is the third one, namely the protracted freezing of the negotiations. More than anything else, the poor countries need time and policy space to deal more broadly and deeply with such structural problems as insufficient production capacity, raw materials processing, rural development, and so on. These are all issues that have so far been sacrificed on the altar of trade liberalisation.

ME: How do you account for the crisis of the WTO?

YT: Like Pascal Lamy, one could see only a political crisis, a lack of will on the part of governments to make the concessions needed to reach an agreement. To me, it is symptomatic of

a much deeper crisis, a systemic one. We are approaching the end of an era of globalisation. First, we are becoming ever more aware of the illusions and negative impacts of the neo-liberal programme. Trade liberalisation has done all but deliver on its promises. Above all, it has helped to compound the inequalities between rich and poor, both globally and nationally. Second, geopolitics has undergone a sea change with the emergence of new trading powers such as China, Brazil and India, which is challenging the dominance of the North and causing the rich countries to become increasingly protectionist. Third, the US – the greatest power on the planet – is itself in the grip of a profound economic, budgetary, military, ideological and moral crisis, which could end very badly.

ME: What is the way out of this systemic crisis?

YT: A balance must again be struck. To achieve this, we must start by sitting down and taking time to reflect, to map out the contours of a new WTO capable of genuinely accommodating the development levels of the various countries. Brazil, China and India can liberalise their markets, but not Africa. The real question is not to what extent and at what speed a country should be integrated into the world economy, but the quality of that integration. For Africa, this will mean specifically developing its capacities for adding value to its export products.

ME: What would be the path to the new WTO that you are visualising?

YT: We need a strategy on three parallel tracks. The first is a practical and short-term plan under which we must continue to work within the system. The important thing is to limit the negative aspects on the most disadvantaged countries. Second, we need to reform that WTO system to make decision-making and dispute settlement mechanisms more democratic, transparent, inclusive and more sensitive to the needs of small and medium-sized developing countries. Lastly, we must endeavour to come up with alternatives and – why not? – to invent a new trade organisation. We should already be devoting twenty percent of our time to this paradigm change within the system.

ME: What would that entail in concrete terms?

YT: My view is that the developing countries should disconnect from the world trade system. It should be a selective disconnection, especially as pertains to basic services such as water, energy and education, which are public resources and the responsibility of the governments. The key to that disconnection would be the formation of common markets between geographically adjacent countries, which would be the diametric opposite of the unbalanced free trade agreements between the countries in the North and the South. The salvation of the ACP countries, as well as poor and middle-income Asian and Latin American countries will lie in such a regional integration. Before opening up to the global system, they must be able – in a regional context – to protect their industries and develop their own production capacities. It is only subsequently, when they are strong enough, that they will be able to negotiate with the wealthy countries their selective re-entry into the world market.

Governments in the South are certainly not yet ready for this step, but I place high hopes on the civil societies that are now emerging, especially in Africa, and whose influence is increasing. I am thinking specifically of that remarkable project called ANSA (Alternatives to Neo-liberalism in Southern Africa), which was launched by nine trade unions and presented in January 2007 at the World Social Forum in Nairobi.

Trade is undoubtedly important, but less so than production

ME: You have been in Geneva for two years now as director of the South Centre. What has been the most striking thing in this new experience?

YT: The atmosphere in Geneva is entirely obscured by the obsession with trade. That is all people ever talk about here. Yet it is a very partial view of the world economic system. Trade is undoubtedly important, but less so than production. This is one of the several ingredients of development. It is development that should be the central focus. This is why we must absolutely reinvigorate the United Nations Conference on Trade and Development. Now that it has ensured its survival, UNCTAD should move beyond its role as a mere provider of technical assistance to resume its policy-making role. Among other things, it should again become a forum where countries from the South can work out common proposals to strengthen their positions in trade negotiations. For this and all other changes, what is basically needed is the transformation of our view of things. A new mindset. There will be no new economic paradigm without a psychological paradigm shift.



THE TANZANIAN EXPERIENCE

BY ANNE S MAKINDA, MP

The author is deputy speaker of the parliament of Tanzania. This is an excerpt from her presentation to a seminar on the role of parliamentarians in the development of poverty reduction strategy papers (PRSPs), held in Cape Town, 15 March 2007

CONSTRAINTS TO PARLIAMENTARIANS' ENGAGEMENT

Though the Tanzanian parliament increasingly played an active role during the PRS review process, a few factors are worth noting. The policy-making function is usually limited to the national executive; in these cases, the approval of a policy does not pass through parliament.

Thus, in most cases, PRSP involvement has been restricted to participation by individual members of parliament (MPs) in consultation sessions, mostly without institutional participation by parliament. The reasons for this are the low significance of the legislature in political terms, donors' traditional focus on the executive, and the fact that "participation" is equated with civil society actors. Other major constraints include limited resources to MPs to discharge their responsibilities in their constituencies.

WAY FORWARD

The parliament of Tanzania is studying how to overcome these constraints. We are learning how other parliaments of the Commonwealth countries implement parliamentary independence in finance, administration and oversight. We also want to introduce the practice, which is done in other countries, whereby parliament is given an opportunity to go through proposed draft budget estimates and to recommend some priorities before the government concludes its budgetary process. Currently, the parliamentary standing committees just participate in approving the ministries' budget estimates in the final stages and have no powers to change anything. After that, the minister of finance reads the budget in the house where it's debated and endorsed.

We also strongly feel that, after the committees have gone through the estimates of all the ministries, the committee chairpersons should meet with the minister of finance in order to discuss the different opinions which emanated from the committees and to recommend changes before the minister publicly reads the budget.

In Tanzania, because the MKUKUTA [the Kiswahili acronym for the National Strategy for Growth and Reduction of Poverty] expenditures are included in the budget and all donor funds are channelled through the budget, it is important that the parliament participate in the budgetary process from the start to the end.

At the same time, I strongly advocate that donors find a way to support parliaments financially so that they can follow up the money they donate. Of any donation given to the executive, a percentage could be set aside for parliamentary oversight. This way, parliaments would not have to wait for their executives to fund them to carry out their oversight functions.

It goes without mention that collaboration between parliaments and civil society organisations (CSOs) should be strengthened so that the money budgeted for projects or programmes is used as stipulated and the executives are held to account for the money spent.



REGIONAL INFRASTRUCTURE IS KEY TO NEPAD OBJECTIVES

This article appeared in *NEPAD Dialogue*, Issue 193, 31 August 2007

THE CHALLENGES – AND THE PROGRESS

Infrastructure – energy, water and sanitation, transport, information and communications technology (ICT) – stands at the heart of NEPAD objectives of poverty reduction through economic growth and full participation in the world economy.

The goal of NEPAD is to develop infrastructure services that are adequate, efficient and of minimum cost and which are, therefore, able to support the development of trade and economic growth needed for achieving the NEPAD aim of reversing Africa's marginalisation in the global economy.

Because African economies considered individually are typically too small, the co-ordinated development of regional infrastructure has been identified as a critical element in fostering regional integration and trade competitiveness.

Collaboration and joint action at the sub-regional and regional levels are, in turn, necessary for the development of regional infrastructure to allow economies of scale through pooling and joint facilities, and to overcome the limitations of small markets and enhance competition.

The NEPAD infrastructure short-term action plan (STAP), produced in May 2002, has evolved and today the project portfolio contains a selection of infrastructure programmes or projects that support regional integration, with a value estimated to be US$20bn. It does not contain all the projects proposed by the regional economic communities (RECs). The mandate of the STAP ends in 2007 and it will be replaced by a medium to long-term strategic framework, expected to be finalised at the end of 2007.

The RECs are considered as the "pillars of integration", and the driving forces for helping to implement regional programmes. To speed up preparation and implementation of regional infrastructure projects, improvement is required in two main areas:

- clear roles, task assignment and co-ordination between the various actors
- selective capacity strengthening of the individual actors, keeping in mind the overall goal of simplification and efficiency improvement.

LARGEST ECONOMIES MUST HELP POORER

Africa's ten largest economies (ATLEs) contribute 77 percent of Africa's GDP, which indicates that the rest are too small to survive on their own. These ten (South Africa, Algeria, Egypt, Nigeria, Morocco, Libya, Tunisia, Sudan, Angola and Cameroon) are important destinations for exports and sources of imports and their physical connectivity will feature prominently in Africa's infrastructure development plans.

There is need to put in place strategies that will use the economic activity in the ATLEs to catalyse development in the poorer smaller countries, for whom improved access to regional markets will be key to economic success. Presently, the World Bank and the African Development Bank (ADB) consider the majority of African countries as, respectively, international development assistance or African development foundation countries, which limits them to soft loans. This condemns these countries to perpetual poverty since they cannot borrow bank resources.

Africa's ten largest economies contribute 77 percent of Africa's GDP.

The efficiency of cross-border infrastructure will be an important determinant of Africa's prospects for economic growth, employment creation, poverty reduction and social improvements. The regional projects, because of their large scale, usually require high up-front project preparation costs. STAP requires an investment of over $7 billion. Ten percent of this – $700 million – is needed for preparation of these projects. NEPAD is tackling the problem through the establishment of the infrastructure project preparation facility at the ADB, but support for the facility has been very slow from co-operating partners. The private sector, particularly in South Africa, has a significant role to play in the delivery of cross-border infrastructure on the continent. The private sector brings additional financial and technical resources and shares the risk with governments.

There are many public-private partnership projects successfully implemented in South Africa that are being duplicated elsewhere in Africa. It is NEPAD's hope that South African business will take a longer-term view and continue to invest in other African countries in infrastructure

development despite the huge investment in the run up to the 2010 FIFA World Cup.

Both the ADB and the World Bank have responded positively to NEPAD through their increase in resources for regional projects and internal institutional arrangements. In the last three years, they have mobilised financing amounting to $2.2 billion, of which they have provided about $900 million with a pipeline of projects under consideration.

PROGRESS WITH REGIONAL PROJECTS

Three regional projects – collaborations of the ADB and the World Bank under the NEPAD infrastructure project preparation facility (NEPAD-IPPF) – are well under way.

Togo-Benin-Ghana power interconnection

Date of IPPF approval: 27 October 2004
Physical project costs estimate: $118 million

The objective is to support the governments of Benin, Togo and Ghana through their power utilities to update the feasibility study and detailed designs of the Benin-Togo-Ghana electricity interconnection, and the development of a detailed environmental impact assessment for the project.

Kenya-Uganda oil pipeline

Date of IPPF approval: 5 November 2004
Physical project estimated costs: $75 million

The objective of the grant is to support the governments of Uganda and Kenya in the solicitation process for a private sector investor in the project. This entailed the preparation of the tender process leading to bidding, evaluation, negotiation, award and contract for a joint venture with a private sector investment partner, and assistance to the governments of Uganda and Kenya in securing financing for the project.

Zambia-Tanzania-Kenya power interconnector

Date of IPPF approval: 17 December 2004
Physical project estimated costs: $860 million

The activities of the Zambia-Tanzania-Kenya electricity interconnection have four distinct phases: pre-development, investor selection, concession negotiation and financial closure. The IPPF support is to facilitate the engagement of a private sector participant in the project and achievement of financing for physical implementation.

GAS PIPELINE COMPLETED IN WEST AFRICA

The $1.1billion West African gas pipeline, covering 1 000 kilometres onshore and offshore from Nigeria's Niger Delta region to its terminus in Ghana, has been completed.

Four nations, Nigeria, Ghana, Togo and Benin, signed a 20-year agreement on the implementation of the pipeline, which provides for a comprehensive legal, fiscal and regulatory framework, as well as a single authority for the implementation of the project.

The efficiency of cross-border infrastructure will be an important determinant of Africa's prospects.

In the Democratic Republic of Congo (DRC), the NEPAD secretariat has hosted an international roundtable seeking ways to make progress on the Inga hydro-electric development. It attracted some 120 participants from African and regional institutions in the public and private sectors, electricity companies, non-governmental organisations, civil society and the media.

The DRC currently obtains its electricity supply from the Inga 1 and 2 stations built in 1972 and 1982, respectively. It currently has 1,775 megawatts of generating capacity at its Inga hydroelectric facility. If implemented, the Inga 3 site could supply the whole sub-region, especially countries of the Southern African Development Community (SADC).

The speakers at the roundtable stressed the integrating nature of the Inga project, as well as the need to find the best ways to update and finalise the feasibility study on the development of the Inga site, including Inga 3 and Great Inga. Great Inga will have a generation capacity of 39 000 megawatts, offering the DRC the possibility of exporting electricity to the sub-region and North Africa. It will accelerate regional integration by providing adequate power supply to many African countries.

NEPAD's role in infrastructure development is essentially one of co-ordination, advocacy and facilitation

THE NEPAD SPATIAL DEVELOPMENT PROGRAMME

For the future, twelve new spatial development initiatives (SDIs), which could form the initial core of a NEPAD spatial development programme, have been identified in an assessment report prepared by the regional SDI programme support unit and Mintek, a South African-based global consultancy.

The report investigates the potential development corridors in Africa with the greatest prospects for success – economically, socially and politically. Focusing on defined geographic areas, usually along existing transport or development corridors (DCs), its spatial development methodology allows for the creation of the critical mass of integrated private sector and infrastructure development necessary to kick-start a sustainable economic development process.

The report gives an overview of each possible new SDI, reflecting its name, location, geographic description, underlying rationale and the main infrastructure and economic drivers that justified its inclusion.

North Africa

- Maghreb Coastal DC (Morocco, Algeria, Tunisia, Libya, Egypt): enhancing regional economic co-operation and integration through clustered industrial development based on abundant hydrocarbon and other mineral deposits
- Red Sea-Nile DC (Egypt, Sudan): promoting integrated economic development through the development of natural resources along the Nile River valley and Red Sea coast

West Africa

- Niger (Dakar-Port Harcourt) DC (Senegal, Gambia, Mali, Niger, Nigeria): integrating minerals development and the utilisation of diverse sources of energy for the development of heavy industry as a platform for multi-sectoral economic growth across the interior of West Africa
- Sekondi/Takoradi-Ouagadougou DC (Ghana, Burkino Faso): providing viable transport choices to enhance the competitiveness of the land-locked Burkino-Faso economy
- Conakry-Buchanan DC (Guinea, Liberia, Côte d'Ivoire): improving transport links and integrating economies based on the mineral potential of the region
- Gulf of Guinea DC (Nigeria, Benin, Togo, Ghana, Côte d'Ivoire, Liberia): promoting the integration of West African economies through the development of a transport and energy orientated economic development corridor

NEPAD's role in infrastructure development is essentially one of co-ordination, advocacy and facilitation focused on:

- mobilising political will and actions to implement policy and institutional reforms, including the harmonisation of regulatory systems
- facilitating resource mobilisation through policy co-ordination among external partners and by helping to create an enabling environment for investment in infrastructure
- fostering partnerships for infrastructure development and financing involving the private sector, infrastructure agencies and regional economic communities (RECs)
- developing a strategic framework to co-ordinate and monitor programmes for regional infrastructure
- facilitating knowledge-sharing, networking and dissemination of best practices among countries, RECs and technical agencies.

Central Africa

- Douala-N'djamena DC (Cameroon, Chad): promoting access to the coast for landlocked Chad
- Libreville-Lomie DC (Gabon, Republic of Congo, Cameroon): achieving economic and regional integration through complementary minerals developments
- Bas-Congo DC (DRC, Angola) harnessing energy potential for Africa's development and supporting mining and industrial development in the Bas-Congo region

East Africa

- Djibouti DC (Ethiopia, Djibouti, Eritrea. Somaliland): providing Addis Ababa access to the coast to facilitate trade and investment and integrating Ethiopia with its southerly East African neighbours
- Mombasa DC (Kenya, Uganda, DRC, Sudan): utilising established infrastructure links to unlock stranded natural resources in DRC and southern Sudan

Southern Africa

- Madagascar DC (Madagascar): unlocking natural resources as a platform for sustainable economic growth and development.

Of the 12 possible new initiatives, seven were identified as having the greatest aggregate economic potential and it is proposed that these should form the core of a first phase of a NEPAD SD Programme.



WHAT'S THE DAMAGE? SUBPRIME LOSSES SPREADING

BY GILLIAN TETT AND PAUL J DAVIES

This article was published in the *Financial Times*, 5 November 2007

When Merrill Lynch, the US bank, announced 10 days ago that it was taking $8bn-worth of losses on mortgage-related securities, bankers and regulators around the world reeled in shock. For the write-down was twice the size of the losses that Merrill had forecast just a two and a half weeks earlier – a "staggering" multi-billion dollar gap, as Standard and Poor's, the US credit rating agency, observed.

These calculations were not limited to Merrill: after UBS unveiled $3.4bn (€2.3bn, £1.6bn) of third-quarter mortgage-related losses last week, Merrill Lynch analysts warned that the Swiss bank would need to take up to $8bn more losses in the fourth quarter of this year. Meanwhile, Citigroup's share price slumped on rumours that it may need to acknowledge equally large losses.

The numbers offer an unpleasant reminder that the pain from this summer's credit turmoil is still far from over – contrary to what some bullish American bankers and policy makers were trying to claim a few weeks ago.

Perhaps the most shocking thing about recent announcements is that while big banks might have now written down their mortgage holdings by more than $20bn, this does not appear to capture all the potential losses. Some private sector economists think the total loss from mortgage problems could reach $200bn or more.

Moreover, it is also very unclear how the pattern of mortgage defaults will develop. In recent years, banks have not simply been acquiring subprime loans, they have been repackaging them into complex "asset-backed securities" (ABS) that can be difficult to value. The Bank of England, for example, suggests that on the basis of industry data, some $700bn-worth of bonds backed by subprime loans are now in circulation in the world's financial system, with another $600bn of bonds backed by so-called "Alt A" loans, or those with slightly better credit quality.

The numbers offer an unpleasant reminder that the pain from this summer's credit turmoil is still far from over.

As the subprime credit chain has grown in recent years, it has left banks exposed not simply to these assets but to a host of other investment institutions as well, including insurance companies, pension funds and hedge funds. These institutions sometimes use different approaches to report their subprime exposures from those adopted by the very large ("bulge bracket") investment banks – and these differences are further magnified by the fact that they are operating under different national accounting regimes.

Similarly, uncertainty dogs large parts of the asset management world in continental Europe.

In recent days, the share price of the largest US monoline insurance groups, such as MBIA and Ambac, have collapsed in spectacular fashion, due to concerns about potential exposure to mortgage-linked collateralised debt obligations (CDOs).

The opaque subprime chain has created unexpected linkages between an extraordinarily wide range of investors and institutions around the world. The longer investors continue to fear that this chain could produce unexpectedly large future losses, the greater the danger of a downward spiral in investor confidence – and thus the higher the risk of a knock-on impact on the "real" economy.



REVIEWS EDITOR: HELEN DOUGLAS

READING ZIMBABWE



THE NATIVIST REVOLUTION AND DEVELOPMENT CONUNDRUMS IN ZIMBABWE

SABELO NDLOVU-GATSHENI

ACCORD: Durban, 2006. 40 pp

ZIMBABWE: The Political Economy of Decline

SUZANNE DANSEREAU AND MARIO ZAMPONI (HENNING MELBER, ED)

Nordic Africa Institute: Uppsala, 2005. 44 pp

TALES OF THE NATION: Feminist Nationalism or Patriotic History? Defining National History And Identity In Zimbabwe

LENE BULL-CHRISTIANSEN

Nordic Africa Institute: Uppsala, 2004. 118 pp

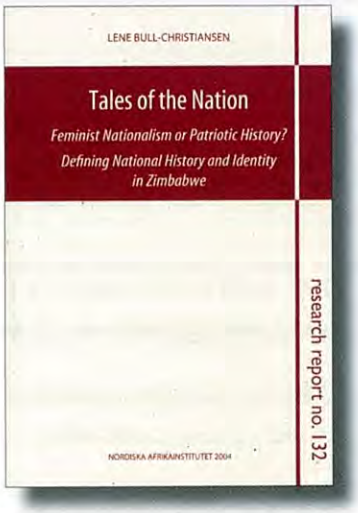
REVIEWED BY BLESSING J KARUMBIDZA
(ECONOMIC HISTORY AND DEVELOPMENT STUDIES, UKZN)

Close to a decade since the Zimbabwean economy went into free-fall, observers and analysts are confounded that it does not seem to reach a bottom. President Robert Mugabe continues to pursue reckless and hard-line policies, while regional leadership remains divided on how to respond. The social and economic impact is deleterious. While the three publications under review require individual attention to adequately tease out the issues they raise, the brief here is to highlight their usefulness as contributions to analysis and theory on Zimbabwe.

In *The Nativist Revolution*, Sabelo Ndlovu-Gatsheni criticises the tendency of analysts to concentrate on Mugabe and his hold on power as not useful. He suggests instead that Zimbabwe's "development conundrum [should] be understood [within] the broad contending frameworks of Afro-radicalism and post-modern neo-liberal cosmopolitanism."

The papers by Suzanne Dansereau and Mario Zamponi in *Zimbabwe: The Political Economy of Decline* also place the crisis in the context of Zimbabwe's historical development. They trace the economic decline through the transition to independence and the end of the liberation war. In the 1990s, the economy took further strain with the supposed "turn-around" economic structural adjustment programme (ESAP), which was meant to correct the imbalances generated by the welfarism and general lack of growth in the previous decade. In street lingo, ESAP was interpreted to stand for the "extended suffering of African people". By the year 2002, "considered a bleak year", the economic plunge showed no sign of abating.

Dansereau considers the complexity of the Zimbabwean crisis and the resulting polarisation in view of the failure of the "modernising, reconstruction and welfare agenda of the 1980s". This agenda was "an internal response to the grossly inequitable pattern of income distribution and predominant foreign ownership of assets, by both promoting economic growth and reducing socio-economic disparities, with the state as the engine of growth and development". This characterisation of the role of the state requires qualification. There is consensus that, while the post-independence state was indeed welfarist to some extent (and also "exterminationist", vis-à-vis Gukurahundi), the state – through agencies such as the Industrial Development Corporation (IDC) – didn't do enough to be considered as the "engine of development".



Zamponi analyses the crisis in Zimbabwe from "the perspective of the internal struggle over democratisation, and the transformation of the political consensus within state institutions under the hegemonic pressure of the ruling party". He cites David B Moore's (2001) suggestion that "the impasses of primitive accumulation, the simmering dilemma of the nation-state formation, and the democratisation process are still open issues". (Moore has more recently suggested the possibility of the emergence of a market economy from the current crisis. See *Safundi* 8:2, 2007.)

Lene Bull-Christiansen's *Tales of the Nation*, which requires a separate and more elaborate review given its length and specific area of coverage, remains in sync with other contributions. She considers the question of "nation", which is identified by many analysts as being part of crisis, as Zanu-PF battles to re-invent national history to occupy, use and monopolise the liberation of Zimbabwe.

INTERNATIONAL ROLES

How should the international community respond to the Zimbabwean crisis? Neighbouring countries and the SADC region, represented by President Thabo Mbeki of South Africa, are expected to discipline Mugabe into order. There is been very little, if any, progress made in that direction. The man credited by the international community and local opposition with single-handedly destroying Zimbabwe is still receiving applause and public admiration, as at the SADC heads of state meeting in Lusaka. Dansereau claims this is partly because "the situation in Zimbabwe resembles that of many countries in sub-Saharan Africa experiencing conflict and instability after rising debt levels and the introduction of structural adjustment and governance conditionalities weakened the national economy, narrowed state capacities and political options". Zamponi suggests that, "while Zimbabwean opposition and civil society are struggling for democratisation... the SADC countries have been unable, because of the lack of consensus, to find opportunities for a negotiated solution..."

Ndlovu, who describes the origins of Zimbabwe's development problems as those of a "nativist revolution", concurs with Dansereau's suggestion that "the failure of the two independence strategies – an inward-oriented one and an externally-driven one, left government in an economic vacuum with higher debt problems and heavier loan conditionalities and especially unable to curb inflation and address problems of growing poverty, unemployment and hunger". Nativism is conceptualised as a move away from "neo-colonialism", towards charting one's "own autonomous development trajectory to join the global world with dignity".

Ndlovu tends to focus too much on economics and/or culture – which are, to be sure, ignored by too many people – rather than the political dimension. However, these economistic and culturalistic explanations still lack much at the level of empirical research. Thus "nativism" runs the danger of being as empty a concept as "structural adjustment". For Ndlovu, "there is a need to understand the contours of Afro-radicalism and nativism as it unfolded in Zimbabwe as a reflection of the limits of both orthodox nationalism and neo-liberalism in societies on the margin of the global village." As more research and evidence emerges, it will be necessary to ensure that "Afro-radicalism" and nativism do not become shields for despotism and anti-democratic tendencies.

THE LAND QUESTION

The importance of the land question, and how Zanu-PF chose to deal with it, cannot be over-emphasised. Zanu-PF fought the presidential election in 2002 with a manifesto that declared that "the land is the economy, and the economy is the land", pursuing a destructive land reform process often accompanied by violence and intimidation.

According to government figures published before the current crisis, some 4 400 whites owned 32 percent of Zimbabwe's agricultural land – around 10 million hectares – while about six million black peasants farmed 16m ha, or 38 percent. Following the failure of a referendum on a constitution to replace the 1980 Lancaster House version, Zanu-PF supported the land movement by militarising it and allying itself with some veterans of the war of liberation and rural communities.

Suzanne Dansereau argues that "deepening poverty among the peasantry prompted spontaneous land occupations, precipitated by rising prices and land hunger in areas bordering some of the more congested areas... [as the] government had not been successful in bringing about [satisfactory] land reform, a promise made during the independence struggle and again in the first decade in the form of a land resettlement scheme". As the economy continued its rapid decline, political violence increased and food production dropped. It is important to highlight that, notwithstanding the mass repression thesis, Zanu-PF still held sway among the rural poor as its land reform rhetoric spoke to their demands for land. The Movement for

Democratic Change (MDC), a mixed church of liberals, workerists, farmers and industrialists, pursued a land policy that failed to appeal to the impatient rural masses and gave credence and justification (in the minds of the politically unsophisticated) to Zanu-PF's allegations that the MDC was in the service of western interests.

These pieces steer clear of the tendency to dwell in a wishful sort of way upon the economic collapse that would end Mugabe's hold on power. Much media commentary on Zimbabwe has concentrated on describing the country as an economy and society on the "brink of the precipice", a "sinking titanic" where a "humanitarian crisis is building", with a "free falling economy", and prophecies of the "end game" take centre stage. Recently, these prophesies have heightened the expectations of an "end in sight" with some even suggesting in 2007 that "Mugabe will not be in office by Christmas this year", citing run-away inflation as the "last straw" and the final "nail in the coffin". The former head of Zanu-PF propaganda and presidential hopeful, Jonathan Moyo, disqualified both the MDC and Zanu-PF as having what it takes to redeem Zimbabwe from its current affliction, wishfully suggesting that a coup is imminent.

Just how useful are these projections? How much do these labels of a "man-made crisis" and "country on the edge" tell us about the issues in Zimbabwe and how they should be addressed? These "end is nigh" and "imminent coup" projections simply play into Mugabe's fascination with declaring states of emergency and help him justify further militarisation. Ndlovu suggests that "what is, indeed, predictable is the danger of spontaneous demonstrations and violence not related to the fight for civil rights, but rather to food, access to healthcare, affordable education, public transport and other related human livelihood issues."

WOMEN'S STRUGGLE

The role and place of women in Zimbabwean nationalist and political historiography has also not captured centre space in the crisis analysis. This is in spite of the fact that women are among the worst affected as the crisis grinds into the day-to-day life of households. Mugabe considered the appointment of a woman deputy president to be a celebration of the role of women in the liberation and development of the country, but women activists, such as members of Women of Zimbabwe Arise (WOZA), have been subjected to police brutality.

In *Tales of the Nation*, Bull-Christiansen accentuates the place, role and struggle of women in an intricate analysis of gender issues in Zimbabwean historiography. Citing Vera, she highlights that "the women, without power to govern, often have no platform for expressing their disapproval... [L]ike pods, some of these women merely explode... words become weapons". This "explosion" of women cannot be over-emphasised, as seen in the reaction of the Zimbabwean security to women who spoke and acted out against its excesses. Bull-Christiansen uses the liberation struggle and the post-independence Matebeleland insurrection to demonstrate the historic ruthlessness of the ruling regime in its quest for political control.

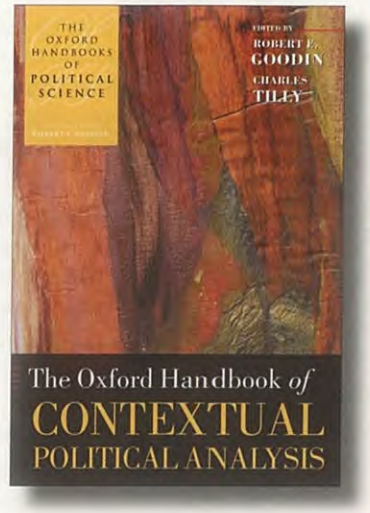
These pieces are highly recommended for those interested in understanding the many faces of the Zimbabwean crisis as, in Zamponi's words, a combination of "economic difficulties, land occupations, famine, violence, political authoritarianism and international isolation [which] created an explosive and 'exceptional' cocktail of tensions".

THE OXFORD HANDBOOK OF CONTEXTUAL POLITICAL ANALYSIS

ROBERT E GOODIN AND CHARLES TILLY (EDS)

Oxford University Press: Oxford, 2006. 869 pp

REVIEWED BY ANDRE DU TOIT (POLITICAL STUDIES, UCT)



The *Oxford Handbook of Contextual Political Analysis* is part of a new ten-volume series of *Oxford Handbooks of Political Science*. Other published volumes cover public policy, political economy, political theory and political institutions. These are evidently meant to update and replace the standard nine-volume *Handbook of Political Science* edited by Fred Greenstein and Nelson Polsby in the 1970s. And they may well succeed in doing just that. However, this particular volume also has an agenda of its own, which is to provide an alternative intellectual framework to the quantitative methodologies and rational choice paradigm that have increasingly come to dominate much of Western political science, and American political science in particular.

It is the successor to a previous *Oxford Handbook of Contextual Political Analysis* (1980), also edited by Robert Goodin. This time round Goodin teams up with Charles Tilly, one of the most influential historians active in the broad field of political studies, to make the case for "contextual" political analysis. The programmatic claim is that "context matters" in political analysis, and this is demonstrated through eight thematic chapters: "Philosophy matters", "Psychology matters", "Ideas matter", "Culture matters", "History matters", "Place matters", "Population matters" and "Technology matters".

The general standard of the contributions is high. The editors recruited "the best authors we could find", and it is an impressive range of established and emerging scholars. But perhaps they could have cast their net further afield. Contributors overwhelmingly come from the Anglo-American academic establishment, with some allies drawn from northwestern Europe, but few from France or Germany, not to mention eastern Europe, India, Africa or the Hispanic world.

Rather than attempting the usual bland synoptic accounts of some specialised topic or aspect, the contributors typically provide concrete case studies or illustrative arguments. This makes for much more lively but also varied reading. It also means that headings and titles do not always provide a reliable guide to the actual contents. Who would have expected that the chapter on "How previous ideas affect later ideas" (by Neta C Crawford) contains an excellent account of the history of the idea of trusteeship, from its origins in colonial policy and practice to its current uses in the context of globalisation and universalist human rights discourse? More pertinently, how would anyone interested in the idea of trusteeship know to look for guidance here?

Similarly, the chapter by Tilly himself, "Why and how history matters" does not so much deal with this issue in general. Instead, it provides powerful summary accounts of the key historical processes of state formation as well as of the historical emergence and political functions of social movements. In other cases, though, the labels do cover the contents more reliably. Courtney Jung's chapter on "Race, ethnicity, religion" delivers just what it promises to do: an incisive summary of these issues in the context of the current literature on democratic consolidation. And the chapter by Aleida Assmann on "Memory, individual and collective" is an excellent survey of interdisciplinary approaches to issues of history, memory and commemoration.

But what do all these varied contributions add up to? And to what extent does the *Handbook* succeed in its agenda to provide an alternative intellectual framework?

The basic problem lies in the nature of that framework. It is not meant to be a radical or wholesale rejection of the mainstream approach. Rather, the editors present it as "something in-between" the search for general laws and causal explanations, on the one hand, and social constructivism or post-modern theory and skepticism, on the other. In the tradition of Robert Merton's "theories of the middle range", it is concerned not so much with generalised social theory and explanation, but with mechanisms, propensities and path-dependant or narrative accounts. The key is to be provided by attention to "context" in different relevant senses.

But what are the distinctive features of such "contextual" analysis? The *Handbook*'s editorial introduction provides an interesting analysis of three different kinds of contextual effects to be taken into account. But whatever the merits of this for outlining a distinctive analytical approach, there is little sign that anything like it was taken at all seriously by other contributors. Indeed, going by the index, hardly any of them find it necessary to make any reference to context as such. And at least one contribution, that on "Why and how culture matters" (Thompson, Verweij and Ellis), explicitly proposes that "culture is not contextual to politics; it is essential".

On closer scrutiny, it turns out that precisely those sub-fields of political studies where context might actually matter most are conspicuously missing from the diverse topics covered. For example, the comparative study of political transitions, and in particular of democratic transitions from authoritarian rule, has been a major focus in recent decades, as has the emerging sub-field of comparative transitional justice. Surely these are the kind of topics where contextual political analysis must come into its own. But, apart from a passing reference in the concluding chapter by Lucian Pye, neither of these is so much as mentioned.

Even more surprisingly, no serious attention is given to the vexed topic of "area studies" (e.g. African, Latin American or southeast Asian studies) or what the implications of contextual political analysis might be for them. In the editorial introduction, there is a reference to "some wit (who) described the field of study known as 'American politics' as 'area studies for the linguistically challenged'". Unfortunately, it would seem that contextual political analysis, at least on this performance, also continues to assume the domain of "American politics" as its governing context.

In effect, what the *Handbook* offers, rather than a new or distinctive approach of "contextual political analysis", may be better understood as a survey of *interdisciplinary* approaches to the study of politics. Instead of proposing Politics as the Master Science or an autonomous intellectual discipline, it convincingly demonstrates the relevant contributions that not only history or anthropology, but also philosophy, psychology, geography and demography can bring to enrich political analysis. Seen in this way, the *Handbook* has a great deal to offer to students and more specialist scholars of politics alike.

GLOBAL IMBALANCES AND THE LESSONS OF BRETTON WOODS: THE CAIROLI LECTURES



BARRY EICHENGREEN

The MIT Press: Cambridge MA, 2007. 182 pp

REVIEWED BY MILLS SOKO (GRADUATE SCHOOL OF BUSINESS, UCT)

Eichengreen sets out to disprove the argument that the international financial regime of today is akin to the Bretton Woods system that operated between 1958 and 1973. Although he concedes the historical parallels between the current global financial system and the one that existed four decades ago, he also points to marked differences between them. Masking these differences, he argues, conveys a misleading way of thinking about the prospects for the present international monetary and financial order.

The analogy with the original Bretton Woods is based on the following factors. Like its predecessor, the current international financial system is made up of core and peripheral economies. The core enjoys the privilege of issuing the currency used as international reserves and a penchant for living beyond its means. Having a long way to go to catch up to the core, the periphery is dedicated to the pursuit of export-led growth predicated on the maintenance of an undervalued exchange rate. The upshot of this is the massive accumulation by the periphery of low-yielding international reserves issued by and denominated in the currency of the core.

Four decades ago, the United States represented the core, while Europe and Japan made up the periphery; the developing countries were not yet fully incorporated into the financial system. With the expansion of globalisation, a new periphery has developed in the shape of the emerging markets of Asia. The US has retained its core position however, with the same propensity to live beyond its means. It has continued to occupy a dominant position in the international monetary and financial system, running balance of payments deficits, supplying international reserves to other countries and serving as an export market of last resort for the entire world.

The countries of the periphery have kept their currencies to the dollar in order to preserve their position in the American market and to keep their exchange rates from appreciating. Their willingness to amass dollar reserves has been a consequence of their growing economies and trade, while it also reflects the attractiveness to them of the extraordinary depth and liquidity of US international markets. Traditionally, the Asian emerging markets have pursued export-led growth policies. In this context, they have pegged their currencies to the dollar and resisted pressures for re-evaluation. China inherited this policy practice from the newly industrialising economies of East Asia, which in turn had emulated Japan. Considering China's massive development imperatives, it is highly likely that the country will maintain its export-led growth strategy in the coming decades.

These policies have shaped the incentive for US policy response, and explain how the current global imbalances have evolved. The US has felt little pressure to control public spending, as the dollar-denominated securities that it pumps into the global economy are readily absorbed by Asian central banks eager to supplement their reserves. Consequently, there has been less dollar depreciation. Given that the stimulus to demand exerted by America's expansionary monetary and fiscal policies has been equalled by a supply increase from China and other emerging markets, there has been less inflation.

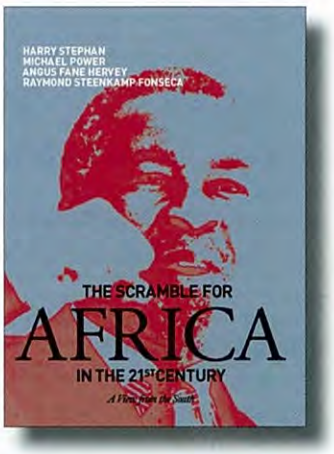
This has reduced pressure on the Federal Reserve to hike interest rates, thereby relieving it of the necessity to decide between price stability and growth- and employment-friendly monetary policies. The structural factors that underpin the present pattern of exchange rates (undervalued Asian currencies and an overvalued dollar) and global imbalances (Asian surpluses and US deficits) suggest that this situation is likely to continue for a long time into the future.

Yet even though the author accepts the historical similarities between the present international financial system and the one that existed forty years ago, he argues that the image of a new Bretton Woods system misleads. This is because it downplays the dramatic changes that have occurred in the world since the 1960s. First, the Asian countries that constitute the new periphery are a less cohesive group than the European countries that made up the periphery four decades ago. Second, the members of the new periphery are more heterogeneous today than they were previously, and do not regard providing support for the economic and financial policies of the US as a priority in the same way as Japan did in the past.

Third, unlike in the past, there exists today a credible rival to the dollar – the dominant reserve currency – in the form of the euro. Fourth, in the 1960s, unlike today, the anxiety of foreign central banks and governments for the stability of their dollar reserves was tempered by the existence of huge American current-account surpluses. Fifth, there are important differences between the domestic financial-market structures in which the consequences of current policies have evolved and those that prevailed four decades ago.

In this book, Eichengreen demonstrates the power of historical analogy to shape interpretations of present conditions and future possibilities. But, as he has convincingly argued, the power of analogy lies not merely in sketching the parallels between two historical settings but also in pointing out the differences between them. The overarching message is that history ought to be studied cautiously for its policy consequences.

THE SCRAMBLE FOR AFRICA IN THE 21ST CENTURY: A VIEW FROM THE SOUTH



HARRY STEPHAN, MICHAEL POWER, ANGUS FANE HERVEY AND RAYMOND STEENKAMP FONSECA
Renaissance Press: Cape Town, 2006. 352 pp

REVIEWED BY TIM HUGHES
(SA INSTITUTE OF INTERNATIONAL AFFAIRS)

"There is little doubt that sub-Saharan Africa has become increasingly marginalised since the end of the Cold War". Thus opines the opening sentence of *The Scramble for Africa in the 21st Century*.

The opposite is true.

Sub-Saharan Africa is increasingly integrated, albeit unevenly, into the global polity and economy. The evidence for this is, in fact, supplied by the book itself. Despite Africa's share of global trade and investment remaining pitifully low, fixed direct investment into Africa grew by 78 percent in 2005. High commodity prices linked to China's seemingly insatiable appetite for natural resources such as petroleum, minerals and timber have drawn Africa into the core of global commodity value chains.

But it is not just the rampant double-digit economic growth of China that propels this demand; American and European investment in the African petrochemical and mining sectors in particular has boosted economic growth rates in Angola to 19 percent and in Nigeria to around 8 percent. In 2004, Africa attracted more mining investment than Asia, North America or Europe. In 2006, Africa's stock markets (as thin as they are) outperformed those of Asia, North America and, indeed, the global average. The cumulative returns on Africa's stock markets between 2001 and 2006 were five times the global average. Not bad for an "increasingly marginalised" continent.

The book's other points of departure see Africa as characterised by "political failure, civil unrest, famine and AIDS". Wrong again. The incidence of political instability and war in Africa is now lower than at any time since 1970. Most of the continent's major civil wars have been curtailed; the AU Charter specifically rejects governments brought to power by non-constitutional means and, outside of the SADC countries, the HIV/AIDS pandemic in Africa is stabilising.

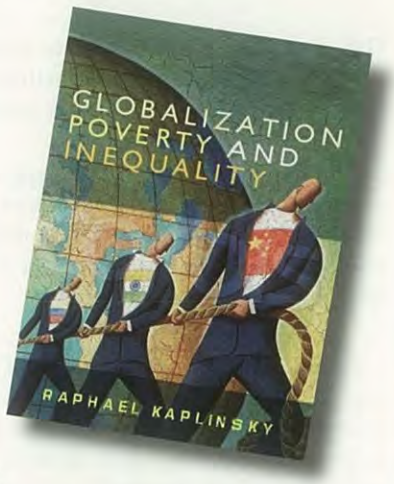
The central thesis of the book – that the global shift in the political economy from a unipolar (which economically it never was) to a multipolar paradigm, driven by massive growth in the Chinese economy, holds potential benefits for Africa's deeper and more successful insertion into the global political economy – is intriguing and felicitous. Yet it requires far more rounded analysis than is provided in this volume. For example, an analysis of the institutional linkages and development agenda of the Forum for China-Africa Co-operation is absent, as are observations of the highly differentiated nature of China's engagement in, say, Ghana, Sudan and South Africa.

Indeed, a central problem of the book's analysis is the almost cavalier manner in which "Africa" is portrayed and treated as a monolith. Africa is nothing if not diverse, as one might expect with 54 states and their different histories, cultures and economic bases. Disappointingly too, the book concludes with a superficial and banal "analysis" of South Africa's near-term future, centred on

the succession battle within the ANC. At this point, one is reminded of Charles Tilly's injunctions regarding the dangers of examining "big structures, large processes and huge comparisons".

The overarching criticism of this book is that, despite its numerous intelligent insights and intriguing cases studies, it simply doesn't gel. Four authors of any book are two or three too many and, unfortunately, too many cooks have spoilt this broth.

GLOBALIZATION, POVERTY AND INEQUALITY: BETWEEN A ROCK AND A HARD PLACE



RAPHAEL KAPLINSKY

Polity Press: Cambridge and Malden, 2005. 280 pp

REVIEWED BY PUNDY PILLAY

Raphe Kaplinsky's multi-disciplinary and comprehensive analysis is, in his words, an attempt "to explain the relationship between globalisation, poverty and inequality, and to consider the policy implications of this analysis for low-income economies." This is not an easy book to read but it is of great value. In contrast to the usual neo-liberal approaches to globalisation, which often argue that globalisation is always and everywhere a good thing, Kaplinsky shows, with meticulous research, how globalisation can have both positive and detrimental effects on developing economies.

The book is aimed at the serious student of development economics in general and of the effects of globalisation in particular, while less technically-minded readers can read some of the chapters to understand the book's key messages. In this regard, Kaplinsky has provided a wealth of information as well as imaginative and sophisticated analysis on issues that are (or at least should be) at the forefront of policy makers' thoughts in both developing and industrialised countries.

Part I gets to grips with the "simplistic view that participating in the global economy automatically solves problems of poverty and inequality". The two chapters here provide extremely useful discussion on such issues as the various dimensions of globalisation and the changing nature of globalisation in the latter part of the twentieth century. Chapter 2 provides a wealth of data on the nature and magnitude of both absolute and relative poverty in the international and developing country contexts. Kaplinsky analyses as well the issues of income distribution within and across countries. Amongst the many important points made are these:

- inequality and poverty are caused not so much by the workings of the global economy as by the failure to engage positively with globalisation
- the issue is not whether to participate in the global economy but how to do so.

Part II, which provides the key analytical chapters, shows how producers could be worse off even when they expand their production and participate in the global economy. Using rent theory, Kaplinsky shows how some producers can generate high and sustainable incomes through protective measures, while others unable to hide behind "barriers to entry" are subject to competition, and low and declining incomes. The point he so convincingly illustrates here is that the gains from globalisation depend fundamentally on the way in which producers position themselves in global markets. The author then shows how issues of such comparative competitive advantage can be combined with innovation management ("turning good ideas into practice") to enable low-income countries to achieve success in the globalised economy. The extent to which producers have been able to combine trade advantages with innovation management is illustrated for three sectors: clothing and textiles, furniture, and automobiles.

The ultimate point of this fascinating book is that, if globalisation can offer rewards to many producers in poor countries, it can surely provide the means to overcome global poverty.

For those interested in policies to address the overwhelming challenges of poverty and inequality in our country and on our continent, this book provides immense value and hope. It is highly recommended for the wealth of information provided but especially for the profundity of the analysis.

AFRICA, REGIONAL COOPERATION AND THE WORLD MARKET: SOCIO-ECONOMIC STRATEGIES IN TIMES OF GLOBAL TRADE REGIMES



MICHAEL BRÜNTRUP, HENNING MELBER AND IAN TAYLOR

Nordic Africa Institute: Uppsala, Sweden, 2006. 72 pp

REVIEWED BY STEVEN GRUZD
(SA INSTITUTE OF INTERNATIONAL AFFAIRS)

This slim collection by the three authors explores, from different viewpoints, the limited development options for African countries in the current trade environment of faltering multilateral talks, inequitable rules and a fetish for free trade agreements between unevenly matched economic blocs.

Ian Taylor traces the genealogy of the New Partnership for Africa's Development (NEPAD). He argues that this latest African economic master plan shares with its ancestors an elitist approach to development, hatched in state houses and the presidential jets flitting between them. But unlike previous generations of recovery schemes, NEPAD has found resonance and strong support among developed countries: it is made in their image, talks their language of governance and growth, and urges better and more equitable globalisation.

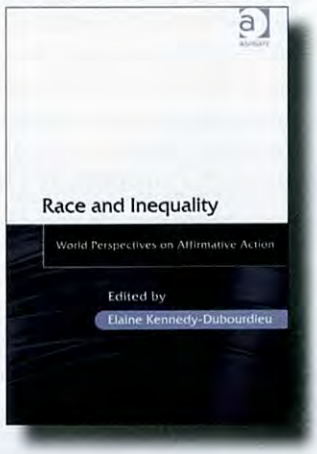
Henning Melber deftly critiques the ongoing economic partnership agreement (EPA) negotiations between the European Union and African regions being carved out anew by the north. He argues that the negotiations undercut the very integration that Europe preaches, as poor and not-so-poor countries contort their economies to meet environmental and health requirements more relevant to Brussels and Berlin than Brazzaville and Bamako. Unlike the now WTO-unfriendly Cotonou Agreements that they seek to replace, these plans lack an explicit policy reduction focus, with sophisticated lawyers and Eurocrats squeezing struggling developing countries into disadvantageous deals.

Finally, Michael Brüntrup takes on the free traders when he homes in on the low-tariff rice and high-tariff vegetable oil markets in Senegal. He proposes that developing countries could invoke the "right to protect" as a fundamental tenet of sovereignty, emphasising that this right should be cautiously exercised in clearly-defined particular circumstances, and outlining political, legal and administrative obstacles. Citing both traditional and modern arguments for protectionism – the collapse of the Washington Consensus and unfulfilled expectations of the Uruguay Round – Brüntrup argues that structural adjustment and rapid WTO-induced trade liberalisation caught African countries with their trade pants down.

He also illustrates why relatively high tariff barriers still exist in Africa, showing that farmers don't pack the political clout of the better mobilised and informed urban consumers and importers who crave lower tariffs. African states should use their little remaining policy leeway to protect key crops and agro-industries for growth, poverty reduction and food security.

Despite the promise of the title, the booklet offers only a limited range of strategies in what is admittedly an ever-shrinking policy space for African countries seeking alternative development paths. It is nevertheless a brisk, useful (if sometimes overly technocratic) salvo in the debate about twenty-first century Africa's economic future and its complex relationships with erstwhile colonisers.

RACE AND INEQUALITY: WORLD PERSPECTIVES ON AFFIRMATIVE ACTION



ELAINE KENNEDY-DUBOURDIEU (ED)

Ashgate Publishing Limited, Hampshire England, 2006. 200 pp

REVIEWED BY KIM SMITH

Profound changes have been made to governing structures and national policies around the world to address past discrimination and increase the participation of under-represented groups in certain key areas in society. This book provides a detailed account of such attempts in the United States, Canada, India, Britain, Northern Ireland, Australia and South Africa.

There is no universal form of affirmative action; it can be referred to as multiculturalism (as in Australia), positive action, reverse discrimination, positive positioning or protective discrimination. There are, however, certain broad underlying principles. The ultimate aim is to correct imbalances that resulted from policies implemented along racial and ethnic lines. This is commonly achieved through targeted recruitment programmes, preferential treatment of applicants from previously disadvantaged groups and, in some cases, through the use of quotas (e.g. India).

Affirmative action policies have been implemented in favour of numerous segments of the population, such as minority groups, women, handicapped people and war veterans. This book, however, focuses primarily on their use in favour of racial or ethnic groups that have been subject to past discrimination.

The belief that all citizens are equal is fundamental to Canadian multiculturalism, which ensures that all citizens can keep their cultural identities, take pride in their ancestry and have a sense of belonging. Through multiculturalism, Canada recognises the potential of all Canadians, encouraging them to integrate and take an active part in its social, cultural, economic and political affairs.

The system of the protective discrimination in India grants special privileges to the scheduled castes and tribes. Since its introduction in the late nineteenth century it has contributed much to the upliftment of the scheduled castes. It is apparent, however, that only a small number of persons have benefited from the policy regarding education and employment in government departments and legislatures.

In countries the world over, where these policies have been implemented, they have been met with great opposition by non-beneficiaries, who often call this approach "reverse discrimination". Particularly in the United States, this is used to imply that under-qualified members of minority groups are being hired and promoted instead of more qualified members of majority groups.

Affirmative action is a highly controversial issue and its implementation highly complex. The book will be extremely useful to students and others who are interested in affirmative action policies. It explains where the policies stem from and how they came to be. It is particularly useful for drawing comparison between different government structures and their implementation of these policies.

SOUTH AFRICA'S ROLE IN CONFLICT RESOLUTION AND PEACEMAKING IN AFRICA

ROGER SOUTHALL (ED)

HSRC Press: Cape Town, 2006. 266 pp



REVIEWED BY CHRIS SAUNDERS (HISTORICAL STUDIES, UCT)

To those who have suggested that South Africa's post-apartheid problems are so enormous that the country's attentions should be focused inward, the government has responded that South Africa cannot isolate itself from the rest of the continent, and that it has a duty to help resolve conflicts and establish peace and stability elsewhere in Africa.

Whether or not it was "inevitable" that the newly democratic South Africa should be drawn into conflict resolution and peacemaking, as the editor here asserts, there were cogent reasons of self-interest for South Africa to do so, not least relating to refugee inflows and the promotion of investment and trade in other parts of the continent. Because South Africa has invested so much time and money trying to deal with conflicts elsewhere, it is important to ask why this policy has been pursued and with what results. This volume very usefully brings together a set of conference papers that reflect on these questions for the decade after 1994.

South African intervention has taken many different forms, with many different results. Burundi is identified here as the most successful peacemaking role played by South Africa since 1994, but Southall argues that its intervention in Lesotho in 1998 was also a success, and that its mediation in the Democratic Republic of Congo did much to facilitate the election that took place there after this volume was completed. Mbeki's attempt to mediate in the Ivory Coast conflict was not successful.

Dale McKinley argues that corporate interests in South Africa had hoped to benefit from the government's disastrous "quiet diplomacy" policy towards Zimbabwe, which has meant, in effect, support for Robert Mugabe's ever more authoritarian rule. So the record is decidedly mixed, and clearly the capacity for effective intervention is limited, despite South Africa's relative political and economic power.

One of the most interesting chapters in this volume, by John Daniel and Marisha Ramdeen, is not concerned with state intervention at all, but with truth commissions and special courts in other countries that are influenced to some extent by the South African experience. In the last chapter we are reminded that South Africa has sold arms to a number of countries in Africa, though not, it seems, to any that it was simultaneously trying to bring peace to.

This is a most useful collection, admirably edited by Roger Southall. Anyone interested in South Africa's external policy since 1994 should read it.

AGAINST GLOBAL CAPITALISM: AFRICAN SOCIAL MOVEMENTS CONFRONT NEOLIBERAL GLOBALIZATION



E OSEI KWADWO PREMPEH

Ashgate: Hampshire, 2006. 189 pp

REVIEWED BY SALIM VALLY
(EDUCATION POLICY UNIT, WITS UNIVERSITY)

The invasion and occupation of Iraq has shown, incontrovertibly and dramatically, that the imperialist enterprise is not over; the "blood and lucre" represented by Iraq today continues an unbroken bloodied thread which conjoins violence and military conquest with expropriation, pillage and other undisguised resource grabs. Prempeh, following David Harvey, argues in this book that the hallmarks of the New Imperialism, that is, accumulation by dispossession, have had a devastating impact on Africa. Paradoxically, this process under corporate neo-liberal globalisation has also given rise to counter-hegemonic contestation and resistance in Africa by emergent social movements. Prempeh sees these grassroots-based social movements and the praxis they embody as both providing the basis for concrete alternatives to imperialism and essential for re-imagining democracy.

Against Global Capitalism is a scholarly book which skilfully examines conventional notions of globalisation and exposes the damage wrought by institutions such as the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO), and the false promises of the Third Way political project which posits a middle ground between statist "socialism" and neo-liberal market reforms. Prempeh compellingly shows that the "pragmatism" of Third Way advocates has less to do with reinventing the social democratic project but rather "entrenches the logic of capitalism".

Part two of the book articulates the narratives of the emerging social movements in Africa, the "other stories... other sources of information that reside outside the dominant Western conceptualisations and views on resistance".

The final part of the book carefully selects five contemporary issues from examples throughout the continent to concretely examine Prempeh's case that social movements are both resisting corporate globalisation and opening spaces for democratic participation. These case studies include African social movements' engagement with the New Partnership for Africa's Development (NEPAD); resistance to "medical apartheid" and the power of pharmaceutical companies through the campaign for anti-retroviral drugs; resistance to water privatisation; the campaign for debt cancellation; and social movements involved in fair trade.

This book is a welcome addition to the critical literature on Africa's encounter with globalisation, written by an African unafraid to challenge the dominant discourse concerning Africa's desperation while pointing to a radical, but realistic and hopeful, alternative to corporate globalisation.

A RACE AGAINST TIME: PSYCHOLOGY AND CHALLENGES TO DERACIALISATION IN SOUTH AFRICA

GARTH STEVENS, VIJÉ FRANCHI AND TANYA SWART (EDS)

Unisa Press: Pretoria, 2006. 353 pp

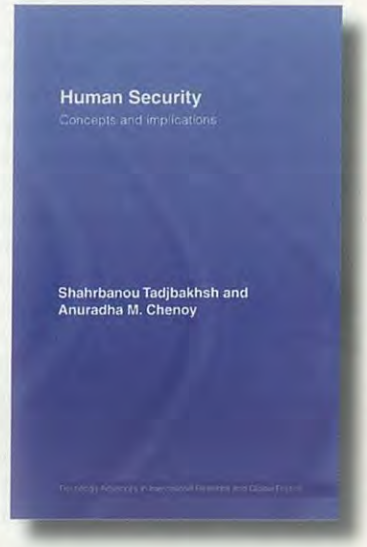
REVIEWED BY VANESSA THOMPSON

This collection examines the terms and conditions that constitute and reinforce issues of race, racism and deracialisation in South Africa. Undoing the idealist modern project and returning to beginnings, this seminal collection throws out what is no longer useful and contributes non-essentialist terms, situated in the present post-apartheid socio-political context. For example, the cliché that the post-apartheid milieu heralded the end of violent oppression is uncovered and unpacked in profoundly humane and intellectual ways that allow us to reformulate more appropriate and aware structures of knowledge. In order to restructure our understanding, the authors of this collection differentiate discourses of racism and ethnicism, articulate our hidden assumptions and the judgments that accrue due to our lack of humane engagement with the (racialised) Other. As Vijé Franchi puts it:

> "A national history of systemic segregation... racist ideology, and structurally entrenched inequalities... has fostered ethnocentrism, cross-cultural ignorance and prejudice, and the potential for gross misunderstandings which are often displaced onto issues of *cultural* differences that are understood as tributaries of racial segregation. This leads to the re-interpretation of these dynamics... as racial conflict rather than interpersonal violence and humiliation as a result of this very process of racialisation."

The authors conduct courageous and critical analyses of charged issues, such as affirmative action, gender relations and social justice as they bear on political, judicial, economic and psychological ideologies in the post-apartheid era. While South Africa has overcome an oppressive regime, we know the danger that our desired ends can sometimes reinforce violent means and the very ideologies that we hope to replace. This project, which includes both South African and French contributions, has the integrity and insight to form the basis of a renewed effort to undo, displace, and differentiate ideologies of oppression, in favour of nation-building, peace-making and the proper reformulation of our understandings and orientations, within a diverse, rich and humane South Africa.

HUMAN SECURITY: CONCEPTS AND IMPLICATIONS



SHAHRBANOU TADJBAKHSH AND ANURADHA M CHENOY

Routledge: Oxon and New York, 2007. 272 pp

REVIEWED BY HELEN DOUGLAS

The concept of "human security", which has been gaining currency internationally since the 1990s, is an attempt to shift primary security concerns away from nations or states and towards the vulnerabilities of people. In much the same way that economists like Amartya Sen introduced "human development" as an ethical turn from utilitarian economics, human security proponents make human lives the focus of policies and practices for security and international relations. The concept has been taken up in various organisations and countries in various ways and for various ends, leaving a fair bit of confusion about what it might mean – if it is not just an infinitely flexible buzzword and means anything at all – and whether it represents a qualitative shift in understanding.

This book brings an academic focus to human security. As the authors quip, "It works in practice, but will it work in theory?" The first part looks at theoretical and conceptual debates, including definitions, political implications and critiques. The second part asks how human security might be guaranteed, and considers possible transformations in the ways we understand development, conflict, intervention and responsibility.

There is a *lot* of material here and it is remarkably well presented, with frequent summaries and clarifying tables and figures. The authors, female academics from Iran and India respectively, also have a very nice political sensibility and make a good case for the usefulness of a human security framework for policymakers and activists of the South.

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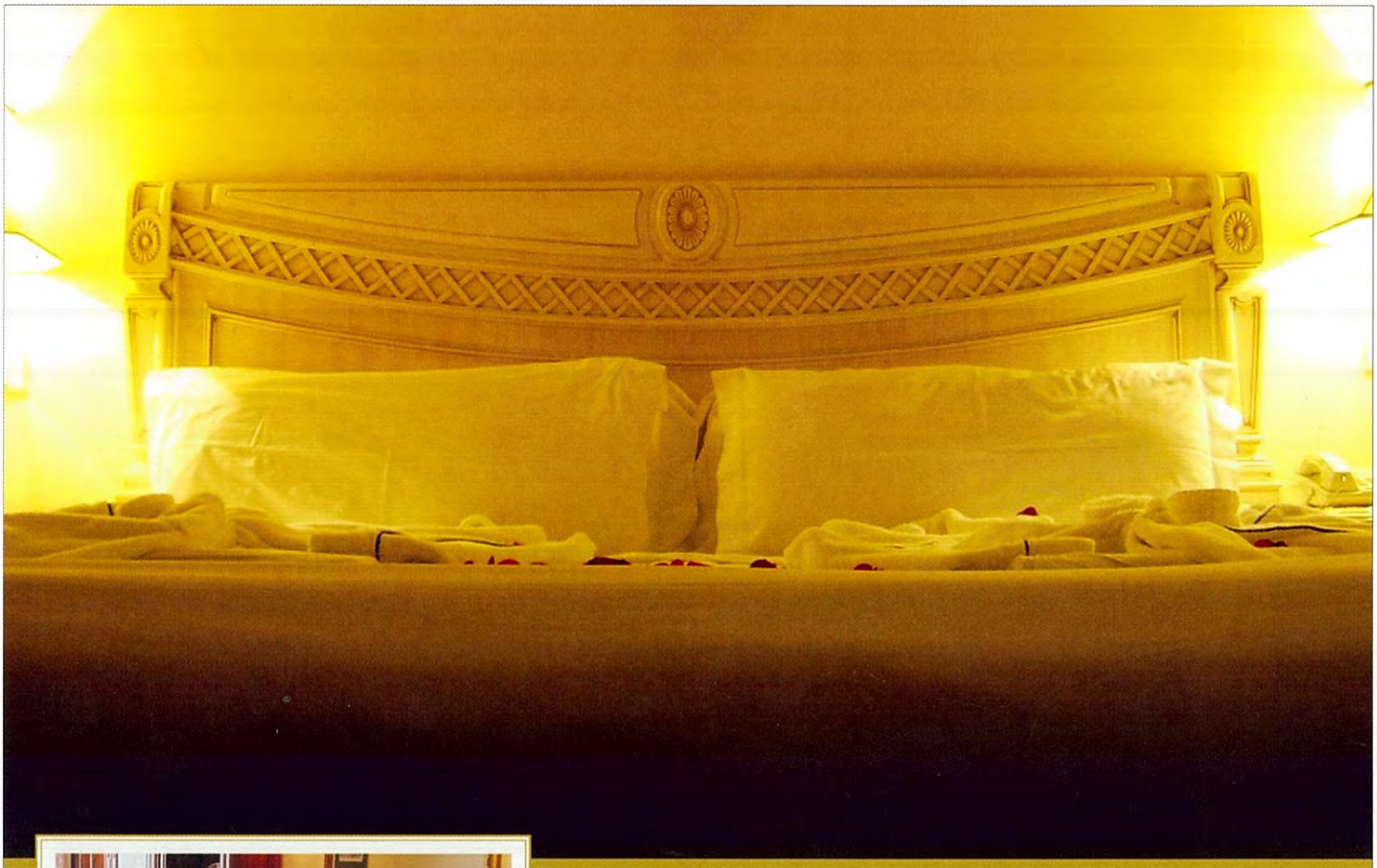
Your partner in development finance

The IDC is committed to the creation of a modern, dynamic economy, characterised by shared and sustainable economic growth for the prosperity and well being of South Africa and the African continent.

Sustainable job creation	**Creation of new industries**	**Regional economic development**	**Small and medium enterprises**	**Black economic empowerment**

We've changed our look and remain committed to the economic development of South Africa and the rest of the continent. Success depends on finding entrepreneurs with the right projects, then using our expertise as a solutions - driven partner to add value to their plans. It's a comprehensive process - and we cannot afford to fail. It is the only way that the IDC can fulfil its responsibility of being a catalyst for sustainable development in South Africa and the continent.

www.idc.co.za

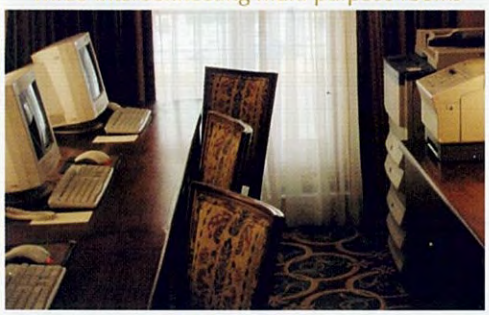




Private Boardrooms



Three interconnecting multi purpose rooms



Business Centre

Customised solutions for all your Conference and Banqueting needs.

Welcome to our exquisitely and classically furnished , Hôtel Le Vendôme. Emanating the true ambience of France in the bustling heart of Sea Point, Cape Town. Our rooms are designed with the attention to the corporate traveler. Featuring complimentary ADSL and private facsimile.

Our ideal Conferencing and banqueting facilities include three interconnecting multi-purpose rooms plus private boardrooms. Each fitted with impressive state-of-the-art conference equipment, including a remarkable global Videoconferencing recourse. The Business Centre offers guests the convenience of full secretarial services including copying, faxing and ADSL internet connectivity.

Contact our Conference and Event department for your customised Conference and Banqueting requirements.

Hôtel Le Vendôme

Sea Point · Cape Town

★★★★★

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