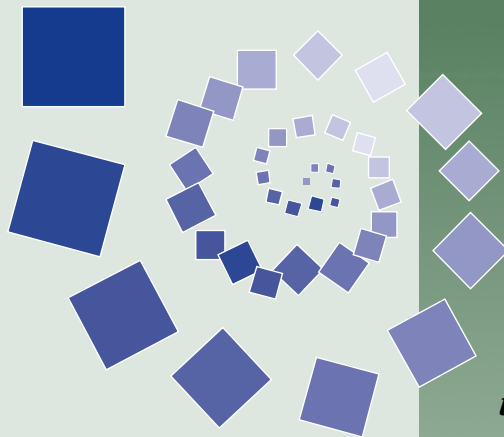


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## Foreword



**S**ince 1990, UNDP at the global level has sponsored the production of eleven Human Development Reports (HDR), contributing facts, figures and analysis to the discourse on people-centred approaches to development. Challenging the world-view that economic growth alone can lead to development, the reports have illustrated the importance of promoting national policies that expand peoples' choices, enhance their capabilities and broaden opportunities to ensure that all can achieve their full potential, contribute to and benefit from human development.

Each year, the reports have provided insight into a particular theme that is relevant at a global level, ranging from gender inequality to human rights, poverty and the nature of economic growth itself. The series has served as a catalyst for dialogue all over the world, prompting nations to review their performance in human development against the data and the facts of other nations with similar resources, helping to set realistic targets and encouraging improved performance and achievements in the future.

The success of the global reports in promoting dialogue on human development has been replicated at national level. Over 120 countries have prepared National Human Development Reports that review progress and setbacks in human development while exploring, in depth, the particular challenges faced by the country.

In South Africa, the first Human Development Report jointly sponsored by the UNDP and UNAIDS focused on the devastating impact of HIV/AIDS and its potential to reverse recent gains in human development. The main message of the report was one of hope – hope that the further rapid spread of the epidemic could be contained if national leadership combined with the active participation of people living with HIV/AIDS, others affected by it and all relevant civil society and public service partners channelled their resources to fight the scourge. The report highlighted the fact that, with South Africa's history of social mobilisation against the seemingly insurmountable odds of the apartheid system, it could equally address and overcome the threat of HIV and AIDS.

The present report takes on a very different challenge. It is one that again calls on South African society to reach deep into the experiences of the struggle against apartheid, this time to ensure that the gains celebrated in the short period of democratic governance are shared by

all in an equitable manner. The report for the year 2000 focuses on transformation and human development. It challenges all South Africans to commit themselves anew to a shared vision that transcends the deep inequalities that remain so tragic and deep-seated an aspect of the legacy of apartheid.

The 2000 report reviews the fundamental changes and significant achievements made in the political sphere, mainly through the adaptation and reform of institutions in both the public and the private sector. Impressive institutions of democracy, such as the Constitutional Court, one of the most representative Parliaments in the world and one of its most progressive Constitutions have justly filled South Africans with pride. These achievements have been applauded by the international community and have won the profound admiration of those, including myself, who have had the privilege of observing the process and discreetly contributing to practical expressions of international solidarity with the new South Africa.

The report also highlights transformation in the public service as well as some of the new sites and instruments for change established by government in partnership with civil society, labour and business, notably NEDLAC.

But this impressive record and the general rhetoric of transformation masks the continuing inequalities experienced in accessing the new opportunities that these institutions represent. Those who are better equipped or positioned to have ready access to the processes of change, either through better education or through positions of privilege in political movements, have benefited most. The vast majority of the population remains, in many essential respects, isolated from the country's historic renewal. Levels of poverty and inequality are still growing. The economy continues to shed jobs – reducing the choices and opportunities of those who are already deprived.

Successes in the political sphere need to be monitored against the broader objective of building a society that prioritises human development. The 2000 report suggests that these political achievements can indeed be echoed in the economic and social spheres if the development path is adjusted to promote feasible, realistic changes that ensure positive outcomes *for all*. The report underlines the need for shared responsibility in promoting transformation. It suggests some priorities for collective action as further attempts are made to deliver on the promises embedded in the Reconstruction and Development Programme, the strategy that remains the agreed national framework for human development in South Africa.

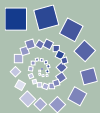
As elsewhere in the world, the report has been prepared by a group of some twenty independent national researchers. Its substantive preparation has been coordinated and authored by Professor Vivienne Taylor of the University of Cape Town's Department for Social Development. As an eminent International Researcher and Adviser to the Minister of Social Development, Vivienne Taylor has consistently displayed outstanding leader-

ship in the discourse and the application of human development in South Africa. Both here and internationally, she continues to guide many researchers and students in this growing field.

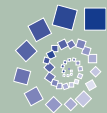
Preparations have included consultations with eminent members of an Advisory Panel, with representatives of government and civil society and of the United Nations system in South Africa. The independence of views, the professional integrity of the authors and the participatory nature of the exercise guarantee that the conclusions and recommendations are relevant and timely. We are convinced that they will prove useful for policy makers throughout South African society.

We hope that the report will stimulate further dialogue on the processes and outcomes of human development and of the transformation process and that it offers options that will be useful to the continuing efforts of the leadership and institutions of democratic governance as they strive forward to provide a *better life for all*.

*J. David Whaley*  
Former Resident Representative



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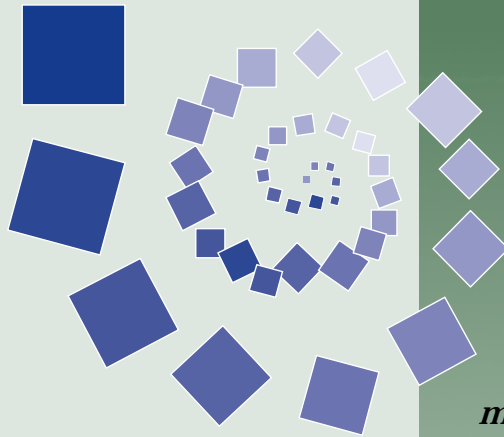
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## Overview



**H**uman Development is about transformation to promote the interests of all, especially the most marginalised and poorest members of society. While South Africa's first national Human Development Report in 1998 focused on HIV/AIDS and its devastating impacts on all spheres of life, this Report focuses on transformation. Six years after its first democratic elections, South Africa is moving from the politics of transition to the consolidation of state power within a representative democracy. Government has embarked on a significant programme of state restructuring in order to advance and protect the fledgling democracy. That South Africa is being transformed is beyond dispute. But what is the character of this transformation? Can it be sustained under current conditions? Does it contain fractures and fissures? And if so, what can be done to repair them? South Africa's Human Development Report 2000 provides a critical analysis of these questions.

The Report reviews the processes of transformation through the institutional frameworks established by government, as well as through the prism of race, class, gender and spatial inequalities. It also looks at the question of who determines the transformation agenda and who benefits from the outcomes.

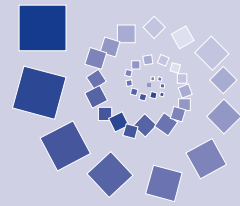
## The Changed Geo-Political Environment

As it takes its place in a changed geo-political landscape, South Africa is confronted with multiple challenges. New alignments amongst regional and global institutions of, largely, economic governance pose complex challenges for the democratic state. Globalisation creates new opportunities and generates greater risks as national borders become permeable and the traditional role of the nation state is challenged. At the same time, processes of social transformation and poverty eradication depend on the extent to which South Africa is able to manage the process of global integration in the interests of human development. This Report reflects on how transforming the state within a global system that increasingly sets the pace of development has created new tensions and modes of engagement between the state, civil society and the business sector.

## From Racial Discrimination to 'Rainbow Nation' and Democratic Governance

South Africa travelled a remarkable path in the 1990s. It avoided the civil war many had thought inevitable and, in six short years, established a new, democratic political order, buttressed by social and political stability. The rights and liberties enshrined in its Constitution have justifiably earned respect all over the world. Only a shadow of the legal edifice that supported the apartheid

*The Report reviews the processes of transformation through institutional frameworks, as well as through the prism of race, class, gender and spatial inequalities.*

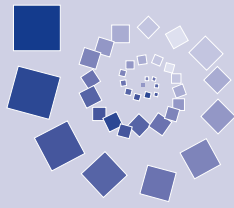


system remains. A disdainful and indifferent civil service is slowly being transformed into a servant of the public. State institutions are being modified to perform tasks they were previously explicitly designed to prevent. For millions of South Africans, there is evidence of change and improvement – from a de-racialised school system and free medical care for small children and pregnant mothers, to electricity grids and water lines that now reach households living in new houses built with state subsidies.

This Report reveals some of the main elements of transformation and democratisation and their relationship to governance in South Africa. It highlights key features of the state, its instruments and the way it engages with civil society and market forces as it responds to human development imperatives at the beginning of the new millennium. The analysis of the state of human development in South Africa is located within South Africa's experiences of colonialism, racism, patriarchy and cultural domination. It is precisely because of the fragmentation and gross inequalities that characterise South Africa that the Report calls for the implementation of a shared vision of transformation, one that may be implemented through collective endeavours. As broadly sketched by former President Nelson Mandela, government committed itself:

to bring fundamental change to the lives of all South Africans, especially the poor; to recognise the actual

*Formal democratisation, state reform, expanded delivery of social services, job creation, poverty alleviation and all aspects of development may constitute elements of transformation.*



contradictions in our society and to state them boldly, the better to search for their resolution; to avoid steps that further worsen social conflict, and to build our new nation by continually and consciously exorcising the demon of tribalism, racism and religious intolerance.<sup>1</sup>

Three salient goals emerge: improving the lives of the poor majority, maintaining social stability and building a nation that is inclusive and non-discriminatory.

Thus, *formal democratisation, state reform, expanded delivery of social services, job creation, poverty alleviation and all aspects of development* may constitute elements of transformation. The achievement of these goals may, however, be ephemeral and limited unless it occurs within the framework of *a transfer of power – particularly economic power.*

## Government Indicators of Transformation

The benchmark for the new government's economic and social policies and initiatives was contained in the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution (GEAR) plan. In the RDP White Paper, government committed itself to:

- Creating productive employment opportunities for all citizens at a living wage;

- Alleviating poverty, low wages and extreme inequalities in wages and wealth;
- Meeting basic needs and ensuring that every citizen enjoys a decent standard of living and economic security;
- Democratising the economy and empowering the historically oppressed, particularly workers and their organisations;
- Removing racial and gender discrimination in the workplace;
- Developing a balanced and prosperous regional economy in Southern Africa, based on the principle of equity and mutual benefit.<sup>2</sup>

Together, these commitments constituted the government's yardstick for socio-economic transformation. Officially, they remain key goals for the ANC<sup>3</sup>. The fundamental question the Report examines is the extent to which these commitments are understood and implemented across all sectors of government, business and civil society more broadly. Theoretically, transformation is captured in the notion that the South African state and society must change fundamentally if they are to move from autocracy, dictatorship, extreme poverty and inequality to substantive democracy and people-centred development. Many, however, have experienced transformation differently.

The various chapters in the Report express a new urgency for transformation. They highlight the need to extend beyond the political sphere in order to deal with people's experiences of economic and social marginalisation. The fact that the benefits of democracy are neither shared nor experienced by the poorest members of society is reflected throughout. However, in Chapter Two, both subjective and objective indicators of human development amply demonstrate the increasing poverty, inequality and alienation of people from the state.



## An Agenda for a Human Development Driven Society by 2010

The promise of the struggle for emancipation will ring hollow if South Africa does not translate political freedom into human development. Human development is not an option. Indeed, if there is to be social and political stability and economic growth, it is an imperative. Human development is the process of enlarging people's choices and raising levels of well-being.<sup>4</sup> It is a holistic, integrated process in which economic and political forces continually interact with one other in dynamic and diverse ways to improve the lives of and opportunities available to the poorest people.

For South Africa, sustainable human development implies a rapid process of redress, social reconciliation, nation-building and economic growth with equity, alongside the sustainable utilisation of natural resources. South Africa's journey of liberation and transformation highlights the importance of pursuing the human development process in an environment that promotes equity, affirmation, self-respect, participation and human rights. If this is not done, the time bomb of poverty, accompanied by related pathologies and some of the worst forms of violence – particularly against children, women and the elderly – will erode the legitimacy and power of the democratic state. The general rhetoric of transformation can no longer mask the continuing inequalities and pain visited on families, households and communities, where fear, survival, food security and violence are pervasive.

The Report also cautions against the use of conventional economic indicators to provide evaluations and forecasts of economic performance without examining what is happening within

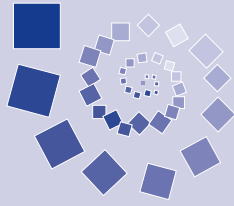
the household sphere. The application of conventional measures not only depoliticises, but also *desocialises*, the economy, in line with a logic that separates the economic from the social. The challenge posed in this Report is for government to go beyond measuring the aggregate well-being of individuals and to measure, in addition, changes in institutional and structural conditions. Furthermore, an attempt is made to develop both objective and subjective criteria in order to measure human progress and transformation.

The central question is, therefore, how to measure transformation and sustainable human development? What types of proxy indicators can be used to measure development and transformation? In this Report institutional/structural (policies/systems), normative (values, standards, attitudinal or change in organisational behaviour/culture, social solidarity/cohesion) or functional (service delivery/distribution of goods and services) measures are used as indicators of development and transformation. Further, in order to provide a human face to the indicators used, the views of people are profiled.

South Africa is considered to have a medium human development ranking, comparing well with other countries. The 1999 *Human Development Report* ranks South Africa at 101 behind Brazil. The estimated Human Development Index value of 0.628 (calculated with 1997 statistics) placed South Africa at 116 in the ranking. Based on this estimate, South Africa compares well with other African countries and ranks seventh behind Mauritius, Tunisia, Cape Verde, Algeria, Swaziland and Namibia.

In the southern African region, South Africa ranks third behind Swaziland and Namibia. South Africa's estimated HDI of 0.628 is also higher relative to the average HDI of 0.430 for Sub-Saharan Africa, but slightly lower than the average of 0.637 for all developing coun-

*Macroeconomic policies leave existing power relations intact and reinforce the subordinate position of women and poor people.*



tries. If one assumes no HIV and a constant growth rate in population and incomes, then South Africa's human development is expected to be 0.645 in 1999 and 0.654 by the year 2010<sup>5</sup> – based on a growth rate of 0.3 percent per year between 1996 and 2010. However, this prediction drops drastically with HIV/AIDS.

South Africa's rate of poverty<sup>6</sup> (a measurement of the extent of absolute poverty) is 45 percent. This translates into 3,126,000 households or more than 18-million citizens living below the poverty line (pegged at an income of R353). In mainly rural provinces, the figure rises above 50 percent.

A closer look at measures of human development reveals more precise contours of inequality and poverty. The experience of extreme poverty is dramatically concentrated among Africans: 57.2 percent of Africans live below the poverty threshold, compared to 2.1 percent of whites. The poorest 40 percent of citizens remain overwhelmingly African, female and rural. According to Statistics South Africa, twice as many female-headed as male-headed households are in the bottom quintile (26 percent compared to 13 percent). When race and gender are aggregated, the figure rises to 31 percent of African, female-headed households in the lowest quintile, compared to 19 percent of African, male-headed households.<sup>7</sup> Overall, the poverty rate among female-headed households is 60 percent, compared with 31 percent for

male-headed households. This underlines the need to prioritise African women in social welfare, job creation, training and small business development programmes.

Views of a cross section of some of the poorest citizens canvassed during the preparation of the Report were also illuminating. Their perceptions of transformation since 1994 – of what has changed and what has remained the same for the poorest in the country – were mixed. All those interviewed indicated that there are fundamental changes at the political level. People are beginning to see themselves as citizens with the right (if not the ability) to participate actively in all aspects of life. However, they indicated that this right is meaningless when, for many, grinding poverty remains the reality. People experience transformation as slow, contradictory and insufficiently participatory (inclusive of ordinary people). A significant trend that emerges is a deep sense of despondency, alienation and disenchantment and the sense of a slow pace of change.

Significant advances have been achieved in establishing democratic institutions, transforming policies and legislation and developing new processes for labour, business, and government to negotiate competing interests. Yet, although these gains entailed politically acceptable risks, the *realisation* of some of these rights may be stymied by retreats made in other policy areas, especially that of macroeconomic policy. The power of international and local organised business to set the pace of change in a market economy imposes severe constraints on government's capacity to reduce social inequality. The extent to which macroeconomic policies leave existing power relations intact and reinforce the subordinate position of women and poor people remains a concern.

## Overcoming the Constraints and Understanding the Contradictions

At the heart of the transition stood two, potentially contradictory, imperatives: *a formative break with the old order and, at the same time, a considerable degree of continuity with it.* In some cases, the contradictions could be resolved. For example, the protection of minority groups' cultural and language rights could fit neatly into the liberal-democratic frame of the new political system. Other constraints related to the retaining of the apartheid civil service and the internal government debt.

The purpose of the 'sunset clause' that protected incumbent civil servants from retrenchment was to remove insecurities that might stoke 'counter-revolutionary' mobilisation. However, while much has been made of the effects of this 'sunset clause' on initiatives to transform state structures, its cost to the fiscus has been its most debilitating outcome. Voluntary retrenchments and golden handshakes became the only 'broom' with which the new government could 'clean out' the civil service bureaucracies.

Linked to this was one of the most far-reaching oversights (or compromises) of the negotiations period: the leaving intact of the 1989 conversion of the Civil Service Pension Fund from a pay-as-you-go system into a fully funded entity. This guaranteed full payouts to as many civil servants as chose to leave the service. The effect was to inflate government debt hugely. In 1994, the debt stood at R189,9-billion; by March 1999, it had ballooned to R375,9-billion. Approximately 96 percent of the debt is owed to South African creditors. Crucially, 40 percent of the debt load is absorbed by the Civil Service Pension Fund.<sup>8</sup> Debt

obligations to the Civil Service Pension Fund swelled from R31-billion in 1989 to R136-billion in 1996.<sup>9</sup>

The result was to strengthen calls for fiscal stringency dramatically. High interest payments siphon off funds that could and should be directed at social spending. The contradiction is that, while government is determined to lower the amounts devoted to debt servicing by reducing the budget deficit, this has a direct impact on its ability to lever funds for much needed basic social infrastructure and poverty eradication.

Another important factor influencing South Africa's development path is the prevailing view that there are no alternatives to the orthodoxies that shaped development directions in the past.

South Africa marched the final steps of its liberation struggle in an era marked by the collapse or decay of the three main development models that held sway for most of the century. These were the Soviet model (associated with 'really existing socialist' states), the welfarist model (that at times characterised North America, the United Kingdom and Western Europe) and the developmentalist model (expressed in a variety of experiments in Africa, Asia and Latin America). The lack of an appropriate model that, theoretically, privileged human development over pure economic growth (or at least attempted a 'humane' balance between the two imperatives) and the hindsight afforded by the dissolution of these development models has severely constrained government in its search for a development path.

The perception was that, in the current phase of globalisation, an economy stricken with weaknesses has no choice but to bend visibly to market sentiments if it is to avoid chronic instability. Government's overarching framework and vision for development,

the RDP, was consequently adapted through the GEAR strategy.

Stripped to basics, GEAR sandwiched government spending between two stringent and fundamental prescriptions. First, fiscal austerity (reflected in a drive to bring the budget deficit down to 3 percent of gross domestic product by the year 2000) is pursued in order to reduce the total public sector debt, which stood at 56 percent of gross domestic product in 1996.<sup>10</sup> Resources spent on interest payments would go instead towards increased social spending, while the share of GDP taken by tax revenue would not exceed a ceiling of 25 percent. Second, increased government revenue would result from higher economic growth and, in the short term, increased revenue collection.

Growth would be propelled mainly by an anticipated massive increase in private investment, with real government investment increasing only in the last two years of the five-year plan. Overall, the plan was intended to shift the economy from a dependency on primary commodities onto a path characterised by strong, export-led growth in the manufacturing sector. Government has attempted to achieve advances in that realm mainly via supply-side industrial measures and by designing and promoting several major capital-intensive projects that form part of its Spatial Development Initiatives (SDIs).

Although promoted as an *integrated economic strategy* – with its various elements allegedly harmonising into a dynamic programme – the plan's main thrust is, in fact, political/ideological in the sense that it constitutes a bid to accommodate *diverse* market forces with what are considered acceptable adjustments. As many<sup>11</sup> have pointed out, GEAR pivots on an amorphous and intangible variable – investor sentiment – that is presumed to respond favour-

ably to an attractive policy environment.

There is international debate about what combinations of factors attract investment, with strong evidence that, rather than being a *direct function* of investor sentiment, investment is “primarily determined by profitability of investment and the complementarity between investment by the state and the private sector”.<sup>12</sup> Another consideration concerns what attracts *specific kinds of investment*.

The conclusion is that, within the current economic framework, FDI will remain highly inconsistent and driven, not by South Africa's job creation needs, but by external factors. The only advantage government has created for itself in this respect are the market-driven SDIs<sup>13</sup> and the accelerated privatisation of big-ticket state assets. The latter is a finite variable that risks evoking strong resistance from the labour movement if extended to parastatals like the electricity utility, Eskom.

In order to make significant inroads into the South African unemployment rate, a sustained annual GDP growth rate of about 6 percent is required. This, in turn, demands high levels of total investment – exceeding 25 percent of GDP. Yet in the 1990s, domestic fixed investment hovered between 15.5 and 17.8 percent of GDP, reflecting the reluctance of South African firms to invest in the productive sectors of the local economy and the state's gradual retreat from a similar role. This trend was fuelled in the early to mid-1990s by declining profit rates and trepidation about the political future of the country.

Propelled by rising unemployment and lower *per capita* disposable income, demand levels entered a long-term slump. Also inhibiting demand were the apartheid patterns of social infrastructure provision. The shortage of formal housing and lack of access to electricity, for example, stymied demand for durable and semi-durable goods, stunting

the growth potential of the local manufacturing sector. However, a demand-led growth path requires significant levels of state intervention.

Statistics seemed to support the need to boost savings levels. Savings overall had sunk from 30 percent of GDP in 1979-80 to 16.5 percent in 1996, while government dissaving rose as high as 5 percent of GDP in the mid-1990s. Private sector saving had also dropped – from 25 percent of GDP in the late 1970s to 19.2 percent in 1996. In line with a monetarist view, positive real interest rates came to be seen as an essential instrument for boosting savings levels, with little regard for their throttling effect on investment, output growth and job creation. A high degree of continuity with post-1989 Reserve Bank policies was affirmed. Importantly, these measures enjoyed the approval of local and international financial networks.

## Working towards a Development Framework to Promote Growth and Equity

### New advocacy agenda to respond to old problems

The possibility of marshalling new South-South (and even South-North) alliances in pursuit of a more equitable global economic order exists and should be pursued with vigour. Simultaneously, practicable, realistic revisions are possible at the national level. This entails a review of the assumptions that underpin current economic policy. These assumptions range from the truism that the economy is ‘savings constrained’ (as opposed to ‘investment constrained’) to the utility of current monetary policy, the relaxation of capital controls, the role of foreign investment in the economy and the envisaged revisions to the labour

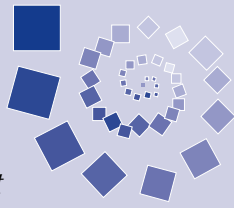
regime. South Africa’s economic potential – and importance – within the African context, its low levels of foreign debt and the organised, popular support that can be harnessed behind a quest for alternatives constitute a sound basis for such an endeavour.

This work must be converted into a call for urgent shared action to reverse the economy’s job-shedding character, a structural feature that predates the introduction of GEAR and the advent of the democratic order.

Along with the HIV/AIDS pandemic, unemployment poses the gravest threat to South Africa’s developmental achievements and goals. Successfully addressing these crises requires urgent action that extends beyond the labour market to macroeconomic policy, industrial strategy, investment frameworks, poverty eradication, an integrated HIV/AIDS strategy and a rural development strategy. In all these respects, there seems to be a substantial need and latitude for more directive state intervention. This must be supported by civil society and business, which must share responsibility for such interventions.

At the same time, the socio-economic hardships and disruption that radiate through households, families and communities when jobs are lost make the protection of existing formal employment a priority for government. The protection and promotion of work opportunities as an effective measure to address income poverty must be supported by agreements between labour, business and the community sectors. Government’s ability to come up with coherent consensus-based strategies and to manage its responsibilities is a crucial variable in any development path. The transformation achieved in the political sphere can be extended to the economic and social spheres, provided that government, business and civil society

*The protection and promotion of work opportunities as an effective measure to address income poverty must be supported by agreements between labour, business and the community sectors.*



organisations, including labour, share the responsibility for negotiating and implementing the required changes.

## Strategies Available for Sustained Economic Growth with Human Development

Strategies available include proposals<sup>14</sup> aimed at addressing systemic constraints on economic growth, job creation and redistribution in the economy. These hinge on a set of integrated (short- and long-term) policies that seek to link macroeconomic policy and industrial strategy with human development. Prominent in them are recommendations that:

- the fiscal deficit be allowed to fluctuate within a band – depending on the size of the social deficit and the level of unemployment – rather than observe the rigid target of 3 percent currently pursued by government;
- a ‘solidarity tax’ be levied on wealthier South Africans as a short-term measure to deal with the financing of apartheid backlogs;
- a prescribed asset requirement be imposed on the financial sector, including worker provident/pension funds, to raise capital for social investment.

The primary challenge for government is to devise ways to lever higher levels of *domestic* private investment and to harmonise them with an

overarching development path that is geared to reducing inequality and poverty

### Monetary policy

Progressive adjustments to monetary policy are part of a realistic route. During 1998, a broad consensus developed around the need to revise monetary policy.

### Capital controls

At the moment, government remains committed to the gradual but eventual complete lifting of capital controls. There is a pressing case for a revision of this stance.

### Industrial policy

Industrial policy needs to be synchronised more closely with macroeconomic adjustments. The current broad framework already offers several opportunities for more directive steps. Incentives built into investment promotion and industrial development programmes (particularly SDIs) should explicitly and strongly favour job creation.

### Effective labour market policies

Labour market policies critically require shared commitment. A piecemeal dismantling of the post-apartheid labour regime must be prevented. It is in the crucible of labour relations that the enigmatic dynamics of class, gender and race in South Africa become manifest. The guiding principle must be the recognition that the “transformation of the apartheid labour market, characterised by segmentation, inequality and exploitative relationships is an important aspect of broader social transformation”.<sup>15</sup>

### National budget

Another essential element of macro policy management is the national budget. The budget has the potential to become one of the most effective

redistributive policy instruments. However, while government actively promotes budget reprioritisation in favour of critical social and political imperatives, the budget process itself needs to be transformed in order to promote greater transparency, accountability and negotiation on priorities between government, Parliament and civil society.

### Addressing inter- and intra-provincial inequalities

Neither inter- nor intra-provincial inequalities have been fully addressed. While the former may be addressed at the national level by making adjustments in the allocation formula, the latter lies within the control of provinces and is thus more difficult to address through national policy. The national norms and standards provision, designed to deal with intra-provincial inequalities, has not been implemented. Addressing staffing rigidities could provide more opportunities for defining national norms and standards.

### Strengthening intergovernmental financial relations

The use of the section 100 constitutional powers of oversight and supervision by the national government when allocating 'bailouts' to assist provinces with expenditure shortfalls points to uneven relationships between national and provincial governments. Stringent conditions have been attached to these 'bailouts'. Asymmetry is acceptable and may even be required to build the capacity of provinces, provided the bounds of intervention are strictly defined and their mode supportive.

### Prioritising collective responsibility for poverty eradication

The scale and depth of poverty and its related problems calls for shared action within an integrated comprehensive

strategy that is responsive to the needs of the most vulnerable and excluded people. Such a response must include the following features:

#### *Addressing income poverty*

Measures to ensure that there is adequate social protection for all, including the working poor and those not in paid work, are critical interventions required of government, business and citizens. Such measures should combine employer/employee-based contributions, as well as social assistance or transfers provided by the state where paid work is not available.

#### *Generating sustainable livelihoods*

There must be concerted attempts to ensure that the majority of the poor in South Africa gain access to remunerative employment. Central to such attempts is the need to ensure economic access and productive returns for those who have been outside mainstream economic activity. Livelihood generation must involve sustained and creative ways of securing both income and meaningful work roles that build on the capacity and ingenuity of poor people themselves.

#### *Asset development and effective redistribution*

Income measures and sustainable livelihoods depend on the asset base of households and communities. Access to land, credit, training and education is critical. Furthermore, effective redistribution of assets requires that poor women are able to acquire assets as well as have control over them. Building the asset base of households and communities also involves providing tenure (land, housing) and the capacity for household and community self-management. Such measures are key to both economic empowerment and food security. In this regard, government needs to accelerate its land redistribution initiative.

*Promoting capability measures*

Access to education (both formal and non-formal), health care, basic social services and social infrastructure are essential requirements for human development and effective participation by people in all spheres of activity. National agreement on minimum requirements in respect of social service provision is urgently required.

*Facilitating social and economic integration*

High levels of violence, crime and social alienation are the result of the wanton breakdown of black family and community life during apartheid. They remain a feature of South African society. Growing and persistent inequalities and joblessness have eroded the moral and social values of communities. Crushing poverty, fuelled by anger that the benefits of democracy have not resulted in tangible gains for the poorest, perpetuates an environment of fear and increases social marginalisation.

Government, business and civil society organisations need to come together to negotiate policy and programme shifts to ensure that economic growth strategies within a market economy do not lead to a market-driven society. Promoting a competitive environment in which the 'survival of the fittest' is ensured will simply reinforce and reproduce the inequalities of apartheid. Consequently, the promotion of social integration needs to be understood as a national imperative and to become a shared responsibility that spans all sectors of society.

## The Challenge: Reclaiming Governance for Humane Development

*Extending the achievements and successes in transformation*

Government's commitment to institutional transformation has been demonstrated at the policy level through a set of wide-ranging policy documents

(Green and White Papers) and legislative interventions. These are designed to transform the public sector into an agency that is coherent, transparent and representative, as well as capable of achieving the crucial goals set for it by the people and government of South Africa.

Many of these policy initiatives have been in line with, and have sometimes exceeded, international best practice. In addition, the 1996 Constitution (including the Bill of Rights) has been widely acclaimed as one of the most liberal and progressive examples of its kind. The government's new labour legislation conforms to ILO standards. The promotion of women's empowerment and gender equality (as exemplified, for example, in the establishment of the Gender Commission, the ratification of CEDAW) is a significant milestone. In addition, South Africa has risen from 141<sup>st</sup> to seventh in the world in terms of representation of female MPs.

Moreover, the move to establish transparent and accountable government has been demonstrated by Government's willingness to submit itself to scrutiny not only through a free press, but also through critical investigations and the enactment of the Open Democracy and Administrative Justice Acts.

Impressive though some of these achievements have been, they have, in many ways, done little more than scratch the surface of the many socio-economic problems and imbalances bequeathed by apartheid. Serious problems of unemployment, poverty and inequality continue to exist and, as the government itself has acknowledged, much more needs to be done to address them. This is, in many respects, hardly surprising, given the daunting task faced by the new democratic regime in tackling the apartheid legacy.

The challenges are many. They include the urgent need to satisfy the popular expectations raised by the



transition to democratic rule. Effective ways of mediating the wide range of competing political, social and economic pressures that continue to be advanced by different social forces in the country must be strengthened. There is a need to work together to reconcile the almost universal tension between the internal needs of bureaucracy and the needs of citizens, in order to accelerate service provision within a caring society. There is also a need to negotiate the difficult path between political democratisation and economic liberalisation and to confront the many challenges posed by South Africa's integration into the region and global economy.

Moreover, if government is to resolve the discontinuity between policy objectives and outcomes, it will need to distinguish more clearly between ineffective implementation (resulting from a lack of capacity, particularly funds, rather than a commitment to the implementation of government policy) and non-implementation (resulting from a lack of compliance with such policy). As the decentralisation process moves forward, it will be important to devise appropriate and differentiated strategies for addressing these two issues. Whilst more effective forms of support for departmental, provincial and local government capacity building will help address the issue of ineffective implementation, it is also necessary to introduce a more rigorous system to tackle the issue of non-compliance with the transformation agenda.

Greater energy needs to be devoted to forging the kinds of creative partnerships between the state and civil society envisaged in the RDP. Since 1994, there has been discernible movement from the inclusive civil society forums that characterised the early phases of the transition towards a more social corporatist approach (particularly through the NEDLAC framework) that

has privileged business and labour over other civil society organisations.

The need for more effective forms of partnership between the state and civil society has been bolstered by recent research,<sup>16</sup> which has demonstrated that the increased capacity of the state is positively, rather than inversely, correlated with the increased vitality of civil society. As civil society grows more robust, the capacity of the state to govern is increased.

During the period of negotiations and the government's first term in office, efforts were made to build a consensual basis for post-apartheid rule and transformation endeavours. Institutionally, these attempts were most marked in the realm of labour relations and economic policy, with various mediation and arbitration structures and the National Economic, Development and Labour Council (NEDLAC) constituting the flagships of those efforts. Although transformation in the first six years of post-apartheid South Africa has been dominated – indeed, defined – by government-initiated and -managed changes, there are strong signs that the next few years will be shaped more decisively by struggles mounted from within civil society, in particular the labour and civic movements. There are cracks in the edifice of the progressive alliance that shaped post-apartheid social and political organisation. This must also be examined alongside the demobilisation and depoliticisation of the non-governmental development sector.

The participation of community representatives and organisations in new partnerships with government and business could be enhanced through the provision of financial assistance and by identifying connecting points for engagement. Furthermore, the tendency to substitute issues of distribution (power and resources) with the need for efficient management within the public and non-governmental sectors is

cause for concern. In developing a shared responsibility for transformation, it is important for all partners to understand that different sectors bring different but critical qualities to the process. The role of government cannot be substituted by civil society organisations or by market forces on the basis of efficiency arguments.

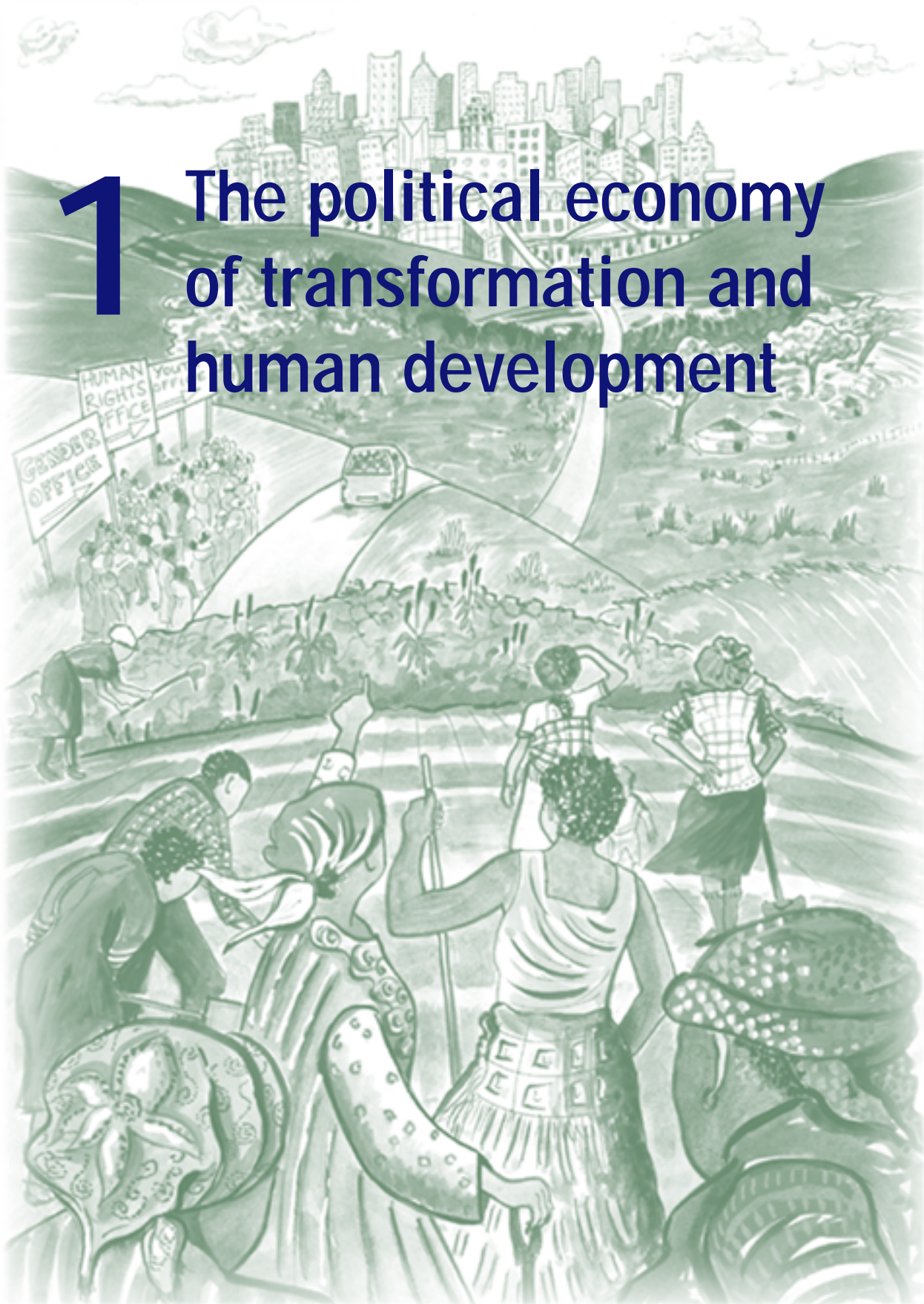
Attempts to shore up a platform of

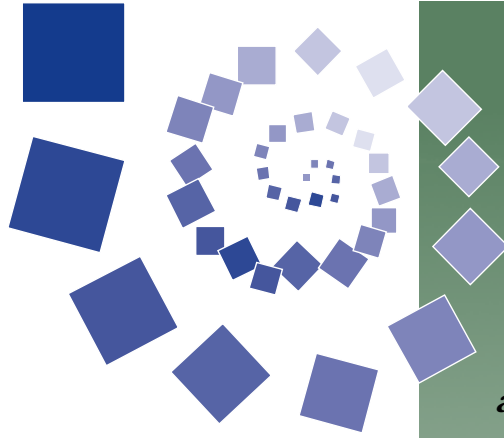
stability have encountered the enduring reality that post-apartheid society is shaped not only by the activities of a benign state committed to fulfilling the aspirations of the majority, but also by the activated interests and demands of conflicting social forces. It is within this reality that the priorities outlined in the Report call for shared responsibility if democratic gains are to be experienced by all.

## Notes

- 1 Address at Closing Session of the 50th National Conference of the ANC, Mafikeng, 20th December 1997, 2-3.
- 2 Government of South Africa [1994] *RDP White Paper*, 24
- 3 Statement of the National Executive Committee on the 87th birthday of the ANC, 8 January, 11
- 4 UNDP [1997] *Human Development Report*, Oxford University Press: Oxford, 15
- 5 This assumes a GDP per capita growth rate of 2 percent per annum.
- 6 A measurement of the extent of absolute poverty
- 7 Statistics South Africa figures, using the 1995 Income and Expenditure Survey and cited in Mbeki in his address to the NUM Congress, 28 March 1998, 2.
- 8 40 percent is owed to the Public Investment Commission, which invests state pension funds.
- 9 See F Meer [1999] 'It's not right that SA is still paying for past wrongs', *Sunday Times*, 11 July
- 10 In OECD countries, the average at the time was 72 percent of GDP, begging the question as to whether this was unacceptably high.
- 11 Nattrass [1996] 'Gambling on Investment: Competing Economic Strategies in South Africa', *Transformation* No 31, Durban;
- Davies [1997] *Engaging with Gear* (SACP discussion document), March, Cape Town;
- Adelzadeh [1998] 'The Costs of Staying the Course', *Ngqo!* Bulletin, National Institute for Economic Policy, June; Marais [1998] *South Africa: Limits to Change – The Political-Economy of Transition*, UCT Press and Zed Books: Cape Town and London
- 12 ILO [1996] *Restructuring the Labour Market: The South African Challenge*, ILO Country Review, Geneva
- 13 The Ministry of Trade and Industry claims the eleven local SDIs could create as many 104,000 jobs.
- 14 These can be found at <http://www.cosatu.org.za>
- 15 As stated by Creamer, K in Cosatu 1998] *Cosatu's Response to the 1998/99 Budget*, Cape Town, 12 March, 5
- 16 Rodrik [1996] 'Why do more open economies have bigger governments?' *Working Paper 5537 of the National Bureau of Economic Research*, Cambridge: Massachusetts; Evans [1996] 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy' in The World Bank [1997]; *World Development Report 1997: The State in a Changing World*, Oxford: Oxford University

# 1 The political economy of transformation and human development





*“The liberation of South Africa was both a local expression of a changing world and part of the catalyst to renewed efforts aimed at attaining international consensus on the most urgent questions facing humanity. Our transition took place in the context of a dynamic and changing political process...”<sup>1</sup>*

# Introduction

Six years after its first democratic elections, South Africa is moving from the politics of transition to the consolidation of state power within a representative democracy. In order to advance and protect this fledgling democracy, government has embarked on a significant programme of state restructuring. That South Africa is being transformed is beyond dispute. But what is the character of this transformation? Can it be sustained under current conditions? Does it contain fractures and fissures? And if so, what can be done to repair them?

This National Human Development Report (NHDR) reviews some of the main elements of transformation and democratisation and their relationship to governance in South Africa. It interrogates the nature of the state, its instruments and the way it engages with civil society and market forces as it responds to human development imperatives at the beginning of the new millennium. Factors such as colonialism, culture, racism, narrow nationalism and globalisation all influence South Africa's current development path.

The chapter also surveys the political economy of transformation in post-apartheid South Africa and examines, in particular, the main features of the development path on which the country has embarked. The transformation and development process is measured against the official vision reflected in the documents of the African National Congress (ANC) and government. The chapter also examines the extent to which the macro policy and planning framework takes account of the opportunities provided by the global system and mitigates its negative effects. The experience of governing and being governed poses new challenges for the democratic movement and

for those previously excluded from government. It is, therefore, important to review how the different sectors that formed part of the broad alliance against the apartheid state are responding to these challenges. Attention is also paid to the way in which new social movements articulate with the democratic state and use institutional and other opportunities to represent the interests of the poorest.

Given the country's history of colonialism, racial discrimination and national domination, transformation is a complex process<sup>2</sup>. It is, therefore, important to understand both the conceptual aspects and the emerging political economy of transformation in South Africa.

As it takes its place in a changed geopolitical landscape, South Africa is confronted with multiple challenges. Globalisation creates new opportunities and generates greater risks as national borders become permeable and the concept of the nation state is challenged.<sup>3</sup> Social transformation and the eradication of poverty are shaped by the extent to which South Africa is able to manage the process of global integration in the interests of human development.

## Transformation

Transformation literally means to change the appearance or character<sup>4</sup> – in this instance – of state or society. Theoretically, transformation is captured in the notion that South African state and society must change fundamentally if they are to move from autocracy, dictatorship, extreme poverty and inequality to substantive democracy and people-centred development. Transformation should, therefore, deal with economic, political and social relations and should result in fundamental freedoms and improvement in the lives of all, especially those of the poorest people.

Transformation as a process must, however, take account of the fact that societies are not homogenous. In South Africa, society is stratified along four major lines of inequality: 'race', class, gender and spatial. The degree to which change can occur in a given society is dependent on the balance of forces between social classes or interest groups, as well as its relationship to the balance of forces between and among other countries in the world. There are different interpretations of transformation. These are dependent on and shaped by the social location, social experience and social interests of a given social class or formation.

### Human development

Human development is the process of enlarging people's choices and raising levels of well-being.<sup>5</sup> It is a holistic, integrated process in which economic and political forces continually interact with one another in dynamic and diverse ways to improve the lives of, and opportunities available to, the poorest people.

Led by the pioneering work of the United Nations Development Programme (UNDP), the United Nations (UN) system has presented a significant challenge to mainstream development perspectives focusing purely on economic growth. A central contribution to the process has been the UN's advocacy of a sustainable human development perspective (SHD) as an essential strategy for the future of human existence. For South Africa, SHD implies a rapid process of redress, social reconciliation, nation building, economic growth and human development alongside the sustainable utilisation of natural resources.

The process of enlarging people's choices is central to human development. Such choices are related, not only to goods and services, but to expanding human capabilities. The human development index measures a person's capability to lead a healthy life, to have access to resources and opportunities and to be knowledgeable. Human development is also about political, social, economic and cultural freedom, a sense of community and opportunities to be creative and productive. In short, human development is about what people do and can do in their lives<sup>6</sup>. South Africa's journey of liberation and transformation provides an explicit example of the importance of pursuing the human development process in an environment that promotes equity, affirmation, self-respect, participation and human rights.

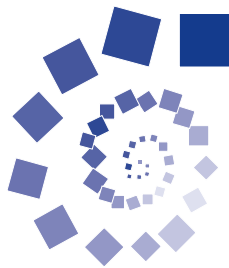
### Human development in South Africa

Human development in South Africa is about achieving an overall improvement in the quality of life for all people, giving priority to those who are the poorest and most excluded from mainstream society. The human development framework, therefore, needs to be sensitive to the multi-dimensional character of South African society. This means that the historical, political and

#### Box 1

The human development paradigm contains four main components<sup>7</sup>:

- *Productivity.* People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment ...
- *Equity.* People must have access to equal opportunities ...
- *Sustainability.* Access to opportunities must be ensured not only for the present generations but for future generations as well ...
- *Empowerment.* Development must be by people, not only for them ...



economic arrangements that lie at the core of the social system (relations between groups) must be analysed. Thus, poverty and other social issues must be examined against a landscape of colonialism, apartheid, inequality, power, class, gender and 'race'. Using the human development framework is necessary to encourage new forms of social mobilisation and social organisation in order to effect fundamental social transformation.

### Transformation for human development

Transforming the state within a global system that increasingly sets the pace of development has created new tensions and modes of engagement between the state, civil society and the business sector. The central challenge is whether South Africa's transformation will attain the objectives of human development for the majority of those who have been excluded from mainstream society.

South Africa travelled a remarkable path in the 1990s. It avoided the civil war many had thought inevitable and, in six short years, established a new, democratic political order, buttressed by social and political stability. The rights and liberties enshrined in its Constitution have justifiably earned envy and admiration all over the world. Only a shadow of the legal edifice that supported the apartheid system remains. A disdainful and indifferent civil service is slowly being transformed into a servant of the public. State institutions are being modified to perform tasks they were previously explicitly designed to prevent. For millions of South Africans, there is evidence of change and improvement – from a de-racialised school system and free medical care for small children and pregnant mothers, to electricity grids and water lines that now reach households living in new houses built with state subsidies.

## The Environment for Transformation: Factors and Constraints

### A negotiated political settlement

Far from constructing a new South Africa on the ruins of a defeated order, the ANC and its allies found themselves trying to shape the terms on which they would be incorporated into the state as a new ruling group. The latitude to proceed by edict was not available. The reality of the negotiated settlement and the need for stability eclipsed the impulses of political triumphalism, demanding a high degree of accommodation between the chief antagonists and limiting the pace and scope for transformation. Instead of constructing a new state (a vision that underpinned the profound challenges of the mid-1980s), the ANC government found itself assimilated into a matrix of institutions burdened with personnel, systems, organisational policies and an ethos contrary to its own ideals of transformation.

### Political threats during the negotiations process

A prime concern during the negotiations process was the fear that, if its main antagonists rejected the terms of a political settlement or abandoned the negotiations process, South Africa could implode and fragment.

The threats were certainly numerous. At minimum, the aim of the ANC's antagonists was to destabilise the country to the degree that the ANC and its allies would be forced to accept a settlement that fell well short of their 'bottom-line'. There was also a perceived threat of a possible counter-revolution or of persistent destabilisation and organised hostility by right-wing groups. Powerful elements in the Inkatha Freedom Party (IFP) favoured the option of secession

for KwaZulu-Natal, if necessary by violent means. Far-right paramilitary mobilisation and attacks became commonplace, spurred by motives ranging from Afrikaner homeland fantasies to scorched earth objectives. Elements of the apartheid security forces were involved in violence that engulfed hundreds of black townships as they sided with IFP forces and vigilante gangs. Widespread, too, was the view that a military coup could not be ruled out.

The ANC continued to regard the spectre of a 'counter-revolutionary' campaign by opponents of change as one of the main obstacles to transformation. Thus, the eventual settlement must be understood "as an attempt to hold it all together and avoid a Bosnia".<sup>8</sup> As a result, during the political negotiations, agreement was reached on some thirty-three constitutional principles that had to be incorporated, in one form or another, into the final Constitution. They were all compromises, aimed at addressing potentially destabilising demands and anxieties.

### Threats to delivery

Stressing the overarching goals of the RDP and its six basic principles<sup>9</sup>, the trade union movement, the South African Communist Party (SACP), community based organisations and religious and development organisations contend that the economic policies adopted by government – specifically the GEAR strategy – conflict with, and even negate the RDP.

At the heart of the transition stood two, potentially contradictory imperatives: *a formative break with the old order and, at the same time, a considerable degree of continuity with it*. In some cases, the contradiction could be resolved. For example, the protection of minority groups' cultural and language rights could fit neatly into the liberal-

democratic frame of the new political system. Accordingly, a cultural commission was set up to ensure that the various cultural interests of these groups would be respected. This deflected and channelled the more extensive demand for a territorial Afrikaner *volkstaat*.

The impressive gains in women's rights could also occur with minor risk to stability. This was demonstrated by the relatively weak and fragmented, opposition to the guarantee of reproductive rights. The establishment of a Commission for Gender Equality, the Office on the Status of Women within the Presidency, the requirement that each government department appoint a gender officer or unit – all these advances were greeted with wide acclaim. Such advances were not considered threats to the existing power relations.

Yet, although these gains entailed politically acceptable risks, the *realisation* of some of these rights may be stymied by retreats made in other policy areas, especially that of macro-economic policy. The power of international and local organised business to set the pace of change in a market economy imposes severe constraints on government's capacity to reduce social inequality. The extent to which macro-economic policies leave existing power relations intact and reinforce the subordinate position of women and poor people is of particular concern.

### The Government of National Unity

The ANC's exercise of political power was limited by the creation of a five-year government of national unity, which included in the executive representatives of the National Party (NP) and the IFP.

There were other, more powerful constraints on the exercise of political power. Chief amongst these was the need to shore up stability and avoid potentially destabilising reactions from



other social, political and economic forces, especially in the light of the (temporary) shortfall of policy frameworks, institutional systems and personnel capacity required to translate will into action. Indeed, the Congress of South African Trade Unions (COSATU) 1996 *Programme for the Alliance* discussion paper noted that:

the power of the apartheid-era ruling class remains largely entrenched in critical areas: the security forces, the media, the bureaucracy, and above all in the commanding heights of the economy ... The new democratic government, while fully legitimate, popular and apparently in full control, neither has its hand decisively on all tillers of state power (the security forces, bureaucracy, parastatals, reserve bank, judiciary etc.) nor has it been able to strategically direct the economy of the country based on our own agenda.<sup>10</sup>

All in all, the ANC was prepared to make considerable concessions to ensure a smooth transition.<sup>11</sup> This commitment to govern on a platform of inclusivity, reconciliation and moderation was to earn it credence with its political opponents and the private sector.

### The apartheid debt

The objective of the 'sunset clause' that protected incumbent civil servants from retrenchment was to remove insecurities that might stoke 'counter-revolutionary' mobilisation. However, while much has been made of the effects of this 'sunset clause' on initiatives to transform state structures, its cost to the fiscus has been its most debilitating outcome. Voluntary retrenchments and 'golden handshakes' became the only 'broom' with which the new government could 'clean out' the civil service bureaucracies.

Linked to this was one of the most far-reaching oversights (or compromises) of the negotiations period: the

leaving intact of the 1989 conversion of the Civil Service Pension Fund from a pay-as-you-go system into a fully funded entity. This guaranteed full payouts to as many civil servants as chose to leave the service, hugely inflating government debt. In 1994, the debt stood at R189,9-billion; by March 1999, it had ballooned to R375,9-billion. Approximately 96 percent of the debt is owed to South African creditors. A breakdown of this reveals that 40 percent of the debt load is absorbed by the civil service pension fund, with a further 40 percent owed to the Public Investment Commission (which invests state pension funds). Debt obligations to the civil service pension fund swelled from R31-billion in 1989 to R136-billion in 1996.<sup>12</sup>

The effect was dramatically to strengthen calls for fiscal stringency. High interest payments siphon off funds that could and should be directed at social spending and government was determined to lower the amounts devoted to debt servicing by reducing the budget deficit.

### Globalisation

Globalisation is based on an ideology that eschews a directive role for the state in the economy. It also demands the removal of obstacles that impede transnational production and the free flow of commodities, investment and finance. The Bretton Woods Institutions (BWI) have sought to enforce conformity in this respect and their stance is reinforced by transnational investment and credit rating agencies. Conformity is encouraged by the capricious operations of financial markets and the ability of both local and foreign capital to withhold investment.

Not all emerging markets (as South Africa has become classified) have complied with these prescriptions to the same extent.<sup>13</sup> However, the costs of non-conformity appear daunting to

policymakers in a society-in-transition, where the swift achievement of social, political and economic stability ranks as an overriding priority. There was, further, a need to lever a weakened economy rapidly out of a prolonged phase of stagnation. Acquiescence to BWI prescriptions seemed to hold the promise of boosted investment levels. It was assumed that these, in concert with an array of supply-side adjustments and initiatives, would lay the foundation for sustained economic revival. From a human development perspective, the critical question is whether South Africa's emphasis on economic integration into the global system and the securing of markets takes full account of the social, cultural and political consequences of this strategy.

Another influential factor was the structural shift in the global economic system. From the early 1970s, falling profit margins led to severe adjustments – most notably in production. Further changes were triggered by the startling surge in financial transactions and the 'transnationalisation' of production and distribution.

### Local and international business

South African business recognised that "economic growth would not occur without a political settlement, and long-term peace and stability demands policies that can restore political and social conditions for economic growth".<sup>14</sup> Merely resolving one aspect was insufficient.

The first requirement was a political settlement that was inclusive and consensual, managed thereafter by (a) political force(s) capable of marshalling compliance and stability. The second was a development path that would guide South Africa out of its economic and social malaise. Its character, too, would be determined by an overriding need to maintain stability. The macro-economic parameters of that path may

be seen as highly conservative and accommodating of the interests of capital.<sup>15</sup>

The sentiments of local capital towards the new government were seen as one of the key variables in the process of compromise. While political negotiators worked towards a settlement to usher in the new South Africa, the short-term fortunes of the new order were being engineered elsewhere – in a series of engagements with local and international business representatives in the early 1990s. The ANC was demonstrably disadvantaged in these early encounters by its lack of an agreed post-apartheid economic framework. The report of the Macro-Economic Research Group (MERG) – *Making Democracy Work* – provided a comprehensive framework. However, by the time it was completed in late 1993, the key principles of a post-apartheid economic policy had already been established with the business sector.

### A dearth of appropriate development models

South Africa marched the final steps of its liberation struggle in an era marked by the collapse or decay of the three main development models that had held sway for most of the century. These were the Soviet model (associated with 'really existing socialist' states), the welfarist model (that at times characterised North America, the United Kingdom and Western Europe) and the developmentalist model (expressed in a variety of experiments in Africa, Asia and Latin America). The lack of an appropriate, approved model that, theoretically, privileged human development over pure economic growth (or at least attempted a 'humane' balance between the two imperatives) and the hindsight afforded by the dissolution of these development models severely disarmed the ANC in its search for a development path.

In this environment, the ANC's vision for transformation and its development path as represented in the Reconstruction and Development Programme retain their significance. However, government's attempts to implement a development path that would be responsive to poverty, social inequality and economic growth have been disjointed. While espousing the need for a democratic developmental state, South Africa has, however, travelled a path of incremental change within a dominant market economic system, for reasons discussed later in this chapter.

## A Vision for Transformation

The ANC government's vision of transformation is informed by its past principles and ideals, reflecting a direct relationship with the rousing goals sketched in the Freedom Charter. This is most apparent in the emphasis on non-racial inclusivity within a democratic system of governance based on an equal franchise. It is also evident in the guarantee of human rights (including language and cultural rights) and equal access to learning opportunities. Indeed, the Charter's success as a touchstone for popular mobilisation grew out of the expansive allure of affirmations that echoed the needs and demands of the poor majority.

By 1998, however, ANC policy had shifted from the more radical injunctions of the Freedom Charter. This is not to imply that the ANC has abandoned its broad transformative ideals. Simply, the horizons of realisable transformation have shrunk as the government has sought to align its policies and activities to an inhibiting domestic and global context. Some of these factors and constraints are incontestably 'real'. Others are 'putative', gaining their potency from particular perceptions which, in turn, arise out of specific analyses.

The broad commitments of government are, as described by former President Nelson Mandela, to:

bring fundamental change to the lives of all South Africans, especially the poor; to recognise the actual contradictions in our society and to state them boldly, the better to search for their resolution; to avoid steps that further worsen social conflict, and to build our new nation by continually and consciously exorcising the demon of tribalism, racism and religious intolerance.<sup>16</sup>

Three salient goals emerge: improving the lives of the poor majority, maintaining social stability and building a nation that is inclusive and non-discriminatory. These goals are broadly consistent with the central thrust of the Freedom Charter.

The SACP, however, defines transformation not only in terms of developmental goals reached, but also as progress towards transforming the country's capitalist state into a 'national democratic state'. Such a state has been described as:

one in which the political and economic power decisively shifts from the capitalist class and its allies into the hands of an alliance of the working class, the landless rural masses and elements of the middle strata, particularly the black middle strata [and where] the interests of women and the transformation of gender relations are placed at the centre of the interests of the state. This is the actual meaning of the *transfer of power to the people*.<sup>17</sup>

Thus, although formal democratisation, state reform, expanded delivery of social services, job creation, poverty alleviation and all aspects of development may constitute elements of transformation, the achievement of these goals may, however, be ephemeral and limited unless it occurs within the framework of a transfer of power – particularly economic power – as defined above.<sup>18</sup>

## The Reconstruction and Development Programme

In early 1994, the ANC adopted the Reconstruction and Development Programme (RDP) as a detailed map for transformation. The RDP sought to reorder politics, the economy and society along democratic and highly participatory lines. The original RDP, an ANC alliance document, captured the hopes and aspirations of the majority and was informed by a vision of transformation led by:

A people-centred society of liberty that binds us to the pursuit of goals of freedom from want, freedom from hunger, freedom from deprivation, freedom from ignorance, freedom from suppression and freedom from fear. They will therefore constitute part of

the centrepiece of what this Government will seek to achieve, the focal point on which our attention will be continuously focused.<sup>19</sup>

This vision is entirely consistent with a human development perspective (see Box 1 above).

The RDP reflected the imperatives of building consensus, compromise and stability that guided the quest for a political settlement. It was the outcome of wide-ranging consultation, an attempt to harmonise a rich variety of demands and concerns. As a result, “the policy framework was beset by enough fragmented voices, multiple identities and competing discourses to leave even post-modern analysts confounded”.<sup>20</sup> The RDP base document was, indeed, sufficiently ambiguous to allow for differently navigated voyages towards its goals. As a vision for transformation, it hinged on a mutually reinforcing dynamic between basic needs provision, economic growth, vigorous civil society participation and initiative and a democratised state servicing the needs of all citizens.<sup>21</sup> Significantly, the RDP promoted the principle of economic growth with human development. According to a participant in the drafting process:

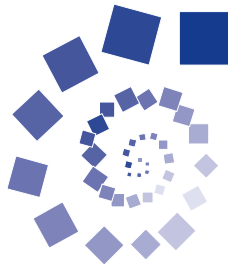
the broad presumption was that when the market failed, as it so often did in South Africa, the state would step in to both force capital to follow a long-term rational, non-racial capitalist logic, and to facilitate access to basic goods and services, to environmental and consumer protection, or to industrial and technological development. This was ultimately no profound challenge to the market, but rather an affirmation of its hegemonic role in the ordering of society. Corporatism in this spirit pervaded the document.<sup>22</sup>

The document also advocated strict limits on state spending, endorsed a drive towards international competitiveness and approved calls for an ‘independent’ Reserve Bank.<sup>23</sup>

### Box 2

The RDP document listed a set of targets, amongst them:

- Creating 2,5-million jobs in 10 years;
- Building one-million low-cost houses by the year 2000;
- Providing electricity to 2,5-million homes by the year 2000, thereby the number of homes linked to the electricity grid;
- Providing potable water and sewage systems to one-million households;
- Redistributing 30 percent of arable agricultural land to black farmers within five years;
- Shifting the health system from curative services to primary health care, with free medical services at state facilities for children under six years and pregnant mothers;
- Providing 10 years of compulsory, free education, as well as revising the curriculum, reducing class sizes and instituting adult basic education and training programmes;
- Democratising and restructuring state institutions to reflect the racial, class and gender composition of society.



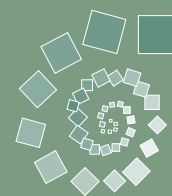
## The RDP White Paper

The ambiguities in the RDP became even more pronounced when it was translated into a White Paper (released by government in late 1994). The White Paper also laid more emphasis on the constraints that would determine how economic growth and redistribution would be pursued. RDP objectives would be “achieved through the leading and enabling role of the State, a thriving private sector and active involvement by all sectors of civil society”<sup>24</sup>. The overriding economic goals were for:

*sustainable growth, viable employment creation and a movement to full employment, greater participation in the economy leading to reduced income disparities, and a labour market characterised by effective collective bargaining, an equitable system of rights, active policies to address employment patterns, and stability.*<sup>25</sup>

The RDP White Paper highlighted several structural barriers that inhibit the growth prospects of the South African economy, including “high unemployment, poor social infrastructure, inequitable income distribution, primary product export dependence and excessive protection”<sup>26</sup>. It also highlighted impediments such as “isolation from the world economy”, low skills levels, “excessive concentration of economic power” and “government dissaving”. Also listed were “low exports and high import propensity”, alarmingly low levels of net domestic savings and net domestic investment, stagnating productivity, “falling rates of return”, “capital outflows”<sup>27</sup> and an unstable current account of the Balance of Payments. Against these goals of the RDP and the recognition of the structural barriers that constrain South Africa’s development, it is necessary to

*As a vision for transformation, the RDP hinged on a mutually reinforcing dynamic between basic needs provision, economic growth, vigorous civil society participation and initiative and a democratised state servicing the needs of all citizens.*



identify the benchmarks or indicators used to measure progress.

### Government indicators of transformation

The benchmark for the new government’s economic and social policies and initiatives was contained in the RDP and the Growth, Employment and Redistribution (GEAR) plan. Government committed itself to:

- Creating productive employment opportunities for all citizens at a living wage;
- Alleviating poverty, low wages and extreme inequalities in wages and wealth;
- Meeting basic needs and ensuring that every citizen enjoys a decent living standard and economic security;
- Democratising the economy and empowering the historically oppressed, particularly workers and their organisations;
- Removing racial and gender discrimination in the workplace;
- Developing a balanced and prosperous regional economy in southern Africa, based on the principle of equity and mutual benefit.<sup>28</sup>

Together, these commitments constituted the government’s yardstick for socio-economic transformation. Officially, they remain key goals for the ANC.<sup>29</sup>

## The Economy and Transformation

As indicated earlier, even before assuming power, the ANC became highly sensitive to the potential reactions of market forces. This sensitivity determined the design of the parameters of economic policy and, hence, the framework of reconstruction and development.

Official ANC speeches and documents have consistently attested to deep concern about the inherited, structural weaknesses of the economy and the pressing need to revive economic growth. Equally evident from 1991 onwards was a growing conviction that the choice of adjustments would be guided by the imperative of nourishing the confidence of domestic and international capital. By 1993, the 'growth through redistribution' approach had been sidelined. It was now seen as risking 'macroeconomic populism' which would, allegedly, saddle the economy with new debilities and scuttle the prospects of more equitable development.

Government economic policies were, therefore, designed to conform to a market-driven approach within the reigning orthodoxy. These policies were contained in GEAR. The perception was that, in the current phase of globalisation, an economy stricken with weaknesses has no choice but to bend visibly to market sentiments if it is to avoid chronic instability. As a participant in the drafting of the government's macroeconomic plan, GEAR, has written:

The immediate aim of the GEAR strategy was to signal to potential investors the government's (and specifically the ANC's) commitment to the prevailing orthodoxy.<sup>30</sup>

However, even within the logic of GEAR, it is acknowledged that economic growth and development are dependent on social and political

stability, which are, in turn, outcomes of human development and a reduction in poverty and inequality. In implementing GEAR, the challenge for government is to achieve an effective balance between social development needs and macroeconomic stability.

### Launching GEAR

A prime characteristic of post-1994 economic policies has been the desire to create a favourable environment for market-led economic growth. The government is justified in its view that it has shown "commendable determination"<sup>31</sup> on this front. Adopted in June 1996, the GEAR strategy is the centrepiece of South Africa's growth path and, consequently, its broader development path. It is premised on core economic priorities that establish the key terms on which development and reconstruction will be pursued. It is not, however, the only source of those terms. The overhaul of the state system and government policies, the roles assigned to organised popular forces and the wider imperatives of stability and inclusivity have all helped shape the terrain on which transformation endeavours have proceeded. These factors combine to influence the basic template of economic policies in important respects.

Underpinning the new 'integrated strategy' of GEAR was the need to address structural economic weaknesses as raised in the RDP. The options available to government to address these structural barriers had to meet the external requirements set for integration into the global system. Consequently, the plan's market-based measures hinged on a bid to build market confidence by introducing adjustments in line with the edicts of the Washington Consensus.

### Economic structural adjustments

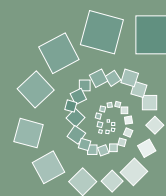
Invoking RDP goals, the GEAR strategy outlines several structural adjustments

that are required to achieve higher and more labour-absorbing economic growth, thereby reducing poverty levels. According to the GEAR document<sup>33</sup>, its core elements are:

- a renewed focus on budget reform to strengthen the redistributive thrust of expenditure;
- a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;
- an exchange rate policy to keep the real effective rate stable at a competitive level;
- consistent monetary policy to prevent a resurgence of inflation;
- liberalised financial controls, eventually including the complete lifting of exchange controls;
- a privatisation programme which would see the complete privatisation of 'non-essential' state enterprises and the partial privatisation of some state-run utilities;
- a liberalised trade regime which would see most tariffs and other forms of protection drastically reduced (and, in several cases, completely removed) by the early part of the next century;
- tax incentives to stimulate new investment in competitive and labour absorbing projects;
- an expansionary infrastructure programme to address service deficiencies and backlogs;
- wage restraint by organised workers and the introduction of 'regulated flexibility' in the labour market.

These adjustments are seen as constituting an 'integrated approach' and were expected to achieve an economic growth rate of 6 percent by the year 2000 and an average of 400,000 jobs a year. A sustained growth rate "in the 5,6 or 7 percent range" was predicted while, according to the Minister of Finance, Trevor Manuel<sup>34</sup>, redistribution would emerge from "job

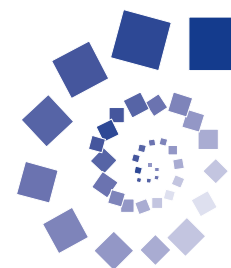
*Even within the logic of GEAR, it is acknowledged that economic growth and development are dependent on social and political stability, which are, in turn, outcomes of human development and a reduction in poverty and inequality. In implementing GEAR, the challenge for government is to achieve an effective balance between social development needs and macroeconomic stability.*



### Box 3 South Africa's Basic Economic Template

Both the Business Growth for All document and the government GEAR plan:

- view the world economy as an integrated capitalist system where market forces reign supreme, punishing countries which do not obey the unwritten code of 'sound' fiscal, monetary and labour-market policies;
- stress the need for privatisation in order to reduce debt and to signal government's clear commitment to market-oriented policies;
- recognise that some government policies promote redistribution (such as land reform and the provision of basic social services);
- see job creation through greater labour-market flexibility as the most sustainable and effective means of lowering inequality. It is here that the moral claim (most bluntly expressed by the South Africa Foundation (SAF)) that lower wages are good for the poor is evident.<sup>32</sup>



creation and more focused public expenditure." The foundation for the strategy was a set of macroeconomic targets that, government argued, would create a 'bedrock' of confidence and stability in the economy. The GEAR

document describes the nub of the strategy as follows:

The higher growth path depends in part on attracting foreign direct investment, but also requires a higher domestic saving effort. Greater industrial competitiveness, a tighter fiscal stance, moderation of wage increases, accelerated public investment, efficient service delivery and a major expansion of private investment are integral aspects of the strategy. An exchange rate policy consistent with improved international competitiveness, responsible monetary policies and targeted industrial incentives characterises the new policy environment. A strong export performance underpins the macroeconomic sustainability of the growth path.<sup>35</sup>

These adjustments are aligned to four, long-term goals:

- a competitive, fast-growing economy which creates sufficient jobs for all work seekers;
- a redistribution of income and opportunities in favour of the poor;
- a society in which sound health, education and other services are available to all, and
- an environment in which homes are secure and places of work are productive.<sup>36</sup>

Stripped to basics, GEAR sandwiched government spending between two stringent and fundamental prescriptions. First, fiscal austerity (reflected in a drive to bring the budget deficit down to 3 percent of gross domestic product by the year 2000) is pursued in order to reduce the total public sector debt, which stood at 56 percent of gross domestic product in 1996.<sup>37</sup> Resources spent on interest payments would go instead towards increased social spending; while the share of GDP taken by tax revenue would not exceed a ceiling of 25 percent. Second, increased government revenue would result from higher economic growth and, in the short term, increased revenue collection.

Growth would be propelled mainly by an anticipated massive increase in private investment, with real government investment increasing only in the last two years of the five-year plan. Overall, the plan hopes to shift the economy from a dependency on primary commodities onto a path characterised by strong, export-led growth in the manufacturing sector. Government has attempted to achieve advances in that realm mainly via supply-side industrial measures and by designing and promoting several major capital-intensive projects that form part of its Spatial Development Initiatives (SDIs).

### Spatial Development Initiatives

South Africa's industrial strategy is focused *sectorally* by promoting, via supply-side measures, industrial 'clusters' with the potential of producing high value-added products, and *spatially* by catalysing economic activity in certain geographical areas via SDIs. Importantly, these initiatives are to occur within the fiscal and other constraints embodied in the GEAR macroeconomic strategy and are, therefore, largely dependent on private investment.<sup>38</sup>

SDIs hinge on large 'anchor projects', recommended by the existing (or potential) advantages in an area – transport links, mineral deposits, natural resources, energy supplies and so on. The projects are conceptualised by government teams and marketed to private investors. Government inputs are minor (not exceeding 10 percent of costs) and are generally restricted to infrastructure provision (such as roads and expanding electricity supplies), conducting feasibility studies and marketing projects to prospective investors. Projects are designed along the lines of 'cluster industrialisation', in terms of which project viability is enhanced by the specific features of each 'cluster' of



projects, creating a concentrated dispersion of advantages.

## Criticisms of GEAR

Growth that does not feed the poor will collapse in on itself, economic progress without social development will be both hollow and short-lived, redistribution without expanded production cannot be sustained, and prosperity without security of life and property holds no appeal.<sup>39</sup>

Criticisms of GEAR can be separated into two categories: the plan's failure to reach its key targets (most importantly in job creation, economic growth and redistribution) and technical flaws inherent in the plan and its assumptions.

### Technical flaws

Critics have charged that GEAR does not constitute an integrated strategy and that it conflicts with government's broader developmental goals. They contend that GEAR is bereft of measures to ensure that investment occurs in ways that will help achieve the document's stated economic and socio-economic goals.

It has been noted that one of the models used in GEAR's projections contradicted the eventual plan. According to Gibson and Van Seventer's Development Bank model, "if the goal is to reduce the public sector borrowing requirements as a share of GDP, the result must be a fall in income, output and employment, all other things being equal".<sup>40</sup> Commenting on other similar technical inconsistencies, Natrass has concluded that there are:

so many 'shift parameters' in GEAR's integrated scenario projection that its 'technical' status is severely compromised. The growth and employment outcomes are in large part the product of a set of optimistic guesses about the likely effects of the economic policy package.<sup>41</sup>

The Chair of the parliamentary Portfolio Committee on Trade and Industry, Rob Davies, has said that GEAR's various measures do not mesh into a coherent, integrated strategy:

The integrated scenario projections do not guarantee that if the above-described measures are implemented we will achieve (GEAR's targets). These results depend on assumptions that lie beyond the macro-economic policy measures proposed, viz. that the new policies generate 'confidence' among domestic and foreign private investors, who respond by significantly increasing investment. There is thus no causal linkage between the budget deficit reduction, tariff liberalisation measures, etc. and the assumptions (that targets will be reached).<sup>42</sup>

Thus, although promoted as an 'integrated economic strategy' – with its various elements allegedly harmonising into a dynamic programme – the plan's main thrust is, in fact, political/ideological in the sense that it constitutes a bid to assuage diverse market forces with an appealing set of gestures and signals. As many<sup>43</sup> have pointed out, GEAR pivots on an amorphous and intangible variable – investor sentiment – that is presumed to respond favourably to an attractive policy environment.

### In defence of GEAR

Initial opposition to GEAR was answered with the claim that the impact of the plan would require some time to mature. In late 1996, Manuel stated that "in the course of the next two years, not months" the fruits would be readily visible.<sup>44</sup> That two-year 'pay-off' period now seems to have been indefinitely postponed. In the midst of the mid-1998 market upheavals, Manuel conceded that "the results, in the short term, have not always reached the targets we set for ourselves", adding that some of the targets could become "even more elusive". However, it was "precisely at times like this that our resolve and commitment is tested".<sup>45</sup>

While government initially declared the GEAR plan to be 'non-negotiable', as opposition grew the arguments made in its defence appeared to vacillate. During 1997, official faith in the essential soundness of the policy was shadowed by explanations that the drop in the currency's value in the first half of 1996 had required an immediate and emphatic effort to calm the markets.

Overall, government's defence of GEAR rests on two arguments – the one political, the other economic. Politically, the GEAR plan is presented as an elaboration of the principles and perspectives contained in the RDP. The more pliant version of this argument holds that the overriding goals of the RDP and GEAR are identical – attacking poverty and deprivation. By launching the economy quickly into a new growth cycle, GEAR “provides a foundation to underpin accelerated RDP delivery”.<sup>46</sup> However, ANC government leaders take this argument further, saying that the measures in the GEAR plan are merely refinements of positions established in the RDP. As Thabo Mbeki put it in mid-1998:

In clear and straight forward language, the RDP identified a high deficit, a high level of borrowing and the general taxation level as ... 'part of our macro-economic problem' ... For some strange reason, when work is then done to translate the perspective contained in the RDP into actual figures, this is then interpreted as a replacement of the RDP by Gear.<sup>47</sup>

Thus, it is argued, far from deviating from the RDP, the GEAR plan is intrinsically loyal to its goals and injunctions. GEAR “simply seeks to set out clearly and unambiguously the key economic requirement for achieving [the RDP] goals”<sup>48</sup> These allegedly identical goals can be achieved only “in the context of sustained economic growth, a stable macroeconomic environment and a thriving competitive sector”.<sup>49</sup>

Recognising the economy's failure to respond to the need for higher growth and job creation, government officials have, since 1997, preferred to emphasise the plan's contribution to economic stability and the achievement of 'sound fundamentals'. Indeed, the declaration that “it was employment creation that became the central focus of the macro-economic strategy”<sup>50</sup> has subsequently been replaced by claims that the plan has steered the economy against the upheavals and instabilities that have rocked other emerging markets since 1997. Sound economic policies and economic institutions are seen, therefore, as the most formidable defence against the kinds of tremors that rocked Thailand, Malaysia, South Korea, Indonesia and later Russia and Brazil.<sup>51</sup> The liberalising and deregulatory adjustments codified in the GEAR plan are not, it is argued, negative factors, but key ingredients in a successful defence against upheaval:

Since our own savings levels are inadequate, we have to attract foreign savings ... in a rapidly globalising world where capital moves relatively freely across borders ... We are a small open economy and ... shall remain caught in this vortex of rapid capital movement until we can successfully address all of the structural difficulties ... The lesson we draw from all these experiences is that what matters are sound economic policies and solid economic institutions.<sup>52</sup>

This emphasis on economic adjustments in response to financial market volatility appears to relegate the human development side of the strategy to the background. It also does not recognise that, in countries with similar characteristics to South Africa, economic growth initiatives were underpinned by significant land reform, land redistribution and education programmes as well as effective social safety nets to meet the basic needs of the poor majority.

## Economic Trends

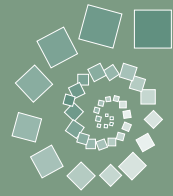
### Foreign direct investment

There is international debate about what combinations of factors attract investment, with strong evidence that, rather than being a *direct function* of investor sentiment, investment is “primarily determined by profitability of investment and the complementarity between investment by the state and the private sector”.<sup>53</sup> In other words, investment tends to follow investment, in a kind of waltz typically initiated by the state and domestic private sector. GEAR, however, reduces the state’s role as a key source of investment (until a higher growth rate is achieved) and fails to establish a direct chain of causation between its measures and boosted domestic private investment.

The second consideration concerns what attracts *specific kinds of investment*. Despite its explicit goal of stimulating productive and labour-absorbing investment, GEAR does not promote measures that favour one type of investment over another.

After government began lifting exchange controls in 1996, capital flows surged – from 0.7 percent of GDP in 1996 to 4.2 percent in 1997. Foreign direct investment (FDI) rose from R4.7-billion in 1994 to R5.4-billion in 1995 and R5.8-billion in 1996.<sup>54</sup> According to the SA Reserve Bank’s April 1999 *Quarterly Bulletin*, FDI in South African assets soared to R17.6 billion in 1997,<sup>55</sup> exceeding government estimates. However, the destinations of the inflows should have tempered reactions, lured as they were by privatisation ventures (notably the selling of a 30 percent stake in the telecommunications giant Telkom in 1997) and the unbundling of large local conglomerates. The other main destination for FDI was the capital-intensive oil and energy sector. Moreover, about 60 percent of FDI in 1997 went towards mergers and acquisitions.

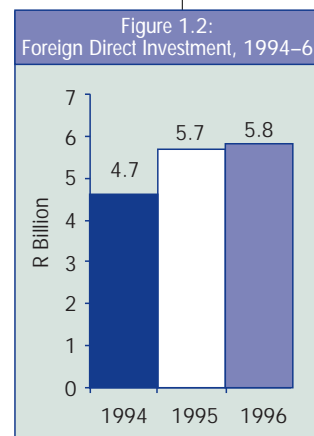
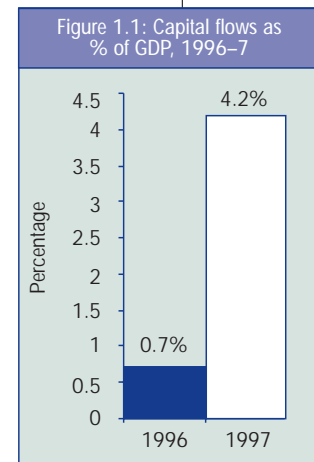
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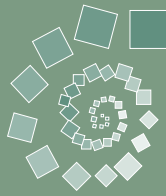
Although these kinds of investment rose by 160 percent in 1996 and 130 percent in 1997, their benefits to the productive capacity of the economy and job creation are dubious. Meanwhile, new investments in 1997 were pegged more or less at 1996 levels, while expansion activities decreased. In 1998, FDI plummeted to R3.1-billion.

The conclusion must be that, within the current economic framework, FDI will remain highly inconsistent and driven, not by South Africa’s job creation needs, but by external factors. The only advantage government has created for itself in this respect are the market-driven SDIs<sup>56</sup> (discussed above) and the accelerated privatisation of ‘big-ticket’ state assets. The latter is a finite variable that risks evoking strong resistance from the labour movement if extended to parastatals like the electricity utility, Eskom.

Believing that it has established the requisite “climate of attraction”<sup>57</sup>, government is disappointed by the unsatisfactory and fluctuating levels of FDI entering South Africa. Also troubling is the changing composition of capital inflows. Since 1995, South Africa has witnessed a dramatic rise in net short-term capital inflows, mostly destined for the bond and equity



*Within the current economic framework, FDI will remain highly inconsistent and driven, not by South Africa's job creation needs, but by external factors.*



markets. Their value increased five-fold since 1996-97, overshadowing FDI.

The provisional benefits of net short-term capital inflows register mainly in the capital account of the balance of payments. However, their volatile nature was confirmed in the third quarter of 1998, when R5,4-billion left the country. This triggered serious exchange rate instability and prompted a series of interest rate hikes that badly depressed economic growth and again encouraged short-term capital inflows. Conditions were stabilised in the fourth quarter of 1998, although this was almost exclusively due to bond and equity purchases. This 'revolving door' phenomenon is supported by the relaxation of capital controls.

As asserted by the ANC:

The preoccupation of the previous period was to open the economy to trade and capital markets, and to remove the structural distortions that were causing stagnation and would have caused deindustrialisation. This was accompanied by the pressing need to deliver social infrastructure to those previously deprived of it...we now need to ensure that we attain higher levels of direct investment, accelerated economic growth and a greater degree of job creation."<sup>58</sup>

The critical challenge of ensuring investment that creates jobs and addresses issues of poverty remains.

### Private sector investment

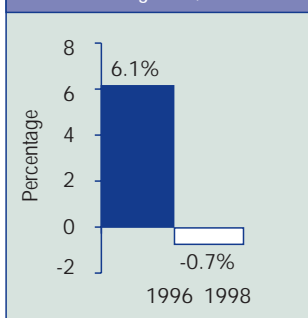
In order to make significant inroads into the South African unemploy-

ment rate, a sustained annual GDP growth rate of about 6 percent is required. This, in turn, demands high levels of total investment – exceeding 25 percent of GDP. Yet in the 1990s, domestic fixed investment hovered between 15.5 and 17.8 percent of GDP, reflecting the reluctance of South African firms to invest in the productive sectors of the local economy and the state's gradual retreat from a similar role. This trend was fuelled in the early to mid-1990s by declining profit rates and trepidation about the political future of the country.

Economic policy shifts in line with market needs were designed to end what has been described as an 'investment strike' by the domestic private sector. Real private sector investment growth was forecast to rise by more than 9 percent between 1996 and 1998, before soaring by 13.9 percent in 1999. Instead, it has dropped sharply in the past three years – from a 6.1 percent growth rate in 1996 to -0.7 percent in 1998. Overall, the sector's share of total fixed investment has fallen from 73 to 68 percent.<sup>59</sup> Most of this investment is in the category of 'machinery and equipment'. According to the Reserve Bank, this is "in all likelihood a reflection of the continuous process of substituting capital for labour"<sup>60</sup>. Except in the mining and construction sectors, says the Bank, "the private sector held back its fixed investment spending in all the other major sectors of economic activity". It attributes this tendency to weak domestic demand conditions, poor prospects for an immediate recovery in export demand, falling output volumes, greater under-utilisation of production capacity and the high user cost of capital. This validates Gibson and Van Seventer's conclusion:

The critical element necessary to motivate private investment, whether domestic or foreign, are markets. Ultimately it is the ability to sell what is

Figure 1.3: Private sector investment growth, 1996–8



produced that guides the investment decision, not available savings, either private or government ... Fiscal policy which increasingly withdraws demand and shrinks markets will lead to a contraction in the level of economic activity.<sup>61</sup>

Meanwhile, local corporations are showing a strong propensity for off-shore investments, a tendency facilitated by the lifting of capital controls. South African firms made \$2.3 billion of outward investments in 1997, contrasted with a mere \$57-million in 1996.<sup>62</sup> This is a clear indication that the objectives of corporations have little if anything to do with social development. This disjuncture between macroeconomic objectives and social development imperatives requires that government play a more directive role in guiding monetary policy if it is to address social inequality and poverty.

### Slow economic growth

The modest economic recovery of 1994-96 ground to a halt by mid-1998, with total real output for the year stuck at 1997 levels. The mild upturn of 1994-1996 began reversing in 1997 when GDP growth of 1.7 percent was registered. The adjusted figure would be 2.2 to 2.7 percent, against GEAR's target of 2.9 percent. In 1998, the adjusted figure would be between 0.5 and 1 percent, against GEAR's 3.8 percent. Most economists were predicting 1 to 1.5 percent growth in 1999, as against GEAR's 4.9 percent. Indeed, initial GDP growth figures for the third and fourth quarters of 1998 placed South Africa in an official recession.

However, using a new accounting framework to adjust sectoral contributions to GDP, Statistics SA was able to show 0.2 percent GDP growth in the final quarter and growth in each of the past five years (except 1995) to have been 0.5-1 percent higher than previously estimated. For the first time, government infrastructure provision

(roads, bridges and dams) was incorporated into calculations, while informal activities in respective sectors are allegedly better measured.<sup>63</sup> GDP over the five-year period has consequently increased from 2.2 to 2.7 percent a year – though it is still well short of the 6 percent annual growth needed for the significant reduction of poverty levels.<sup>64</sup> Presenting the figures, the Department of Finance claimed that the economy was more buoyant and resilient than was previously believed. The new data supported expectations of better growth and proved that South Africa was benefiting from globalisation.<sup>65</sup> At the time, it was predicted that the debt-to-GDP ratio for 1997/98 would be 48 percent (not 55.6 percent as measured in the previous data) and that the fiscal deficit for 1998/99 could drop to 2.9 percent of GDP (not the initial estimate of 3.3 percent). Government said the changes would enable it to increase capital expenditures.

With GDP growth lagging and the overall tax level set at no higher than 25 percent of GDP, the means for funding greater social spending are limited to two factors: improved revenue collection (a finite variable once 'maximum efficiency' is attained) and reduced debt service obligations (as long as spending cuts can depress the budget deficit, another finite variable). This has serious implications for poverty reduction and human development. The post-apartheid development path was premised on economic growth and social development. Its implementation through the GEAR strategy must be measured against the government's understanding of transformation and development benchmarks reflected earlier on in this chapter.

### Declining demand

Propelled by rising unemployment and lower *per capita* disposable income, demand levels entered a long-term slump. Also inhibiting demand were the apartheid patterns of social infrastruc-

ture provision. The shortage of formal housing and lack of access to electricity, for example, stymies demand for durable and semi-durable goods, stunting the growth potential of the local manufacturing sector. However, a demand-led growth path required levels of state intervention that, ANC economic policy-makers feared, would undermine investor confidence in a period dominated by the orthodox policies associated with the Washington Consensus. Steadily, the emphasis shifted towards the introduction of supply-side stimulants.

### Low domestic savings

In stark contrast to a Keynesian, investment-led approach (where rapid growth is promoted “through a low and stable cost of capital and a high expected growth rate in effective demand”<sup>66</sup>), the ANC adopted a neo-liberal view, highlighting low savings levels as one of the main growth constraints in the economy. In this analysis, low savings means less investment. Statistics seemed to support this view. Savings overall had sunk from 30 percent of GDP in 1979-80 to 16.5 percent in 1996, while government dissaving rose as high as 5 percent of GDP in the mid-1990s. Private sector saving had also dropped – from 25 percent of GDP in the late 1970s to 19.2 percent in 1996.

In line with a monetarist view, positive real interest rates came to be seen as an essential instrument for boosting savings levels, with little regard for their throttling effect on investment, output growth and job creation. A high degree of continuity with post-1989 Reserve Bank policies was affirmed. Importantly, these measures enjoyed the approval of local and international financial networks.

### Balance of payments constraints

South Africa's unstable balance of payments situation stems in part from the fact that foreign revenue generation

depended to a large extent on mineral exports (at volatile prices determined in the metropolises of the industrialised world) and the economy's heavy reliance on capital goods imports<sup>67</sup>.

Historically, South Africa has coped with deficits on the current account of the balance of payments by encouraging foreign capital inflows and, occasionally, inhibiting import demand. In the 1990s, high real interest rates have been used to help finance current account deficits, but at the cost of restricting investment and retarding economic growth. Government sees robust export growth and large foreign capital inflows as the main counterweights to chronic balance of payment difficulties.

### Other structural weaknesses

Among the other structural weaknesses plaguing the South African economy were:

- a dependency on strong performance in the agricultural and mining sectors (the former notoriously inconsistent; the latter in long-term decline);
- vulnerability to declining prices of gold and other precious minerals on the world market;
- poor labour, managerial and capital productivity (although assessments generally tend to focus only on the first area);
- a very low rate of labour absorption;
- an industrial sector exhibiting very uneven competitiveness and dependent on imported technologies, capital goods and even product components.

Remedies to address these weaknesses have been heavily influenced by the sentiments, analyses and pressures of corporate business, international investment and credit ratings agencies and international finance institutions.<sup>68</sup> They are based on the perception that, in the current phase of globalisation, there is minimal scope for risk-taking or even selective ‘violation’ of dominant

economic forces for an emerging market like South Africa. Market volatility, chronic balance of payments constraints and low levels of domestic savings and investment seemed to underline the need to 'play by the rules'. This stance was underscored by the sudden currency devaluation in early 1996 and the instability that coursed through emerging markets in the wake of the so-called Asian Financial Crisis.

Trade and Industry minister, Alec Erwin, has said that the route of rapid industrialisation via strong state intervention – as followed in, for example, South Korea and Malaysia – is unavailable to South Africa<sup>69</sup>. Importantly, many of these countries' economic strategies were supported by strong social development programmes that included basic needs provision, land redistribution and agricultural development as well as human resource development.

Despite these economic trends, South Africa has been able to make significant advances in the political and social spheres. These advances must, however, be viewed against the government and ANC's stated commitment to transformation. South Africa's commitments to transformation are best reflected in the statement made by President Thabo Mbeki on the responsibilities of government and the ANC as agents of change. As stated these are:

- ... to transform South Africa into a non-racial country, non-racial in all elements of human activity ...
- ... to transform ours into a society characterised by real gender equality ...
- ... to entrench and deepen democracy ... and ensure that the conditions exist such that none resort to force to solve any social problem ...
- ... to conduct a sustained campaign to end poverty and ensure a decent and continuously improving standard of living for all ... without discrimination ...
- ... the deracialisation of the economy [and its] transformation into a modern,

dynamic and competitive economy ...

- ... to work for the construction of a caring society, sensitive to the needs of the most vulnerable, including children, the youth and the disabled ...
- ... to place ourselves among the forces in Africa and act together with these forces for peace, democracy and the reconstruction and development of our continent ...
- ... to act together with all other like-minded forces to impact on the process of globalisation so that the institutions of global governance that accompany this process work to end poverty and underdevelopment ...<sup>70</sup>

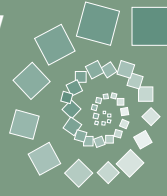
## Political Achievements

### Constitution-making

South Africa's new Constitution was signed into law by President Nelson Mandela on December 10, 1996 and came into effect on February 4, 1997. Guaranteed in its Bill of Rights is an exemplary range of civil and political liberties, including the rights to freedom of speech, assembly, expression, association and religion. The Constitution places at the hub of the new political system the principles and guidelines for political accountability and democratic governance. It differs from the interim constitution (1993) in several respects, amongst them:

- In certain instances, the Bill of Rights applies 'horizontally'; in other words, it binds not only the state, but also private persons and entities in civil society.
- It includes some socio-economic rights and grants citizens the right of 'access' to housing, health care, food, water and social security.
- It recognises traditional authorities and customary law, subject to other constitutional provisions and legislation.
- It sets out complicated measures to resolve disputes between the National Assembly and the National Council of Provinces (which replaced the old Senate).

*In countries like South Korea and Malaysia economic strategies were supported by strong social development programmes that included basic needs provision, land redistribution and agricultural development as well as human resource development.*



- It safeguards the language and cultural rights of minorities and the reproductive rights of women.

Quick progress was made in building a constitutional state and several independent constitutional bodies were established. These include the Office of the Public Protector, the Constitutional Court, the Human Rights Commission, the Commission on Gender Equality, the Independent Electoral Commission and the Independent Broadcasting Authority (now to be disbanded in favour of the Independent Communications Authority of South Africa (ICASA)).

### Recasting the political and ideological basis of state power

As discussed earlier, the chief feature of the transition was to introduce an inclusive political system based on the principles of democracy, non-racism and non-sexism.<sup>71</sup> Inclusive approaches were both consciously mustered and compelled by the very nature of the transition. “[T]his was a war without absolute winners ... the two major political forces in South Africa had fought to a draw,” said ANC veteran Govan Mbeki. “And so it happened that the oppressor and the oppressed came together to chart the road to a democratic South Africa.”<sup>72</sup>

However, the shift from a national liberation movement to a party political organisation changed the character of the ANC’s engagement with its allies and opponents. Moving from contestation and challenge to political accommodation and

electoral politics set the scene for a range of tensions among former allies. These tensions are seen as a part of the normal processes of transition as well as a necessary factor in the alliance.

For decades, South Africa represented perhaps *the* paradigmatic case of racist discrimination and discord. Without an enveloping national identity to subsume or at least muffle narrower racial and ethnic identities, there is still the danger that diverse grievances and tensions may be opportunistically translated into racialist and ethnic reactions.

A prime challenge was to resolve and transcend these defining features of society – a challenge that came, in the discourse of the democratic movement, to be referred to as the ‘national question’. That quest rested firmly in the historical principles and ideals of the Congress movement. In the 1990s, however, it gained wider acceptance and stronger momentum from the pragmatic awareness of the need for stability. Unity and reconciliation became the beacons of post-apartheid South Africa, and the ‘rainbow nation’ became the metaphor for the desired outcome.

### Dealing with diverse interests

By and large, the architects of the post-apartheid order have adopted the view<sup>73</sup> that democratic consolidation requires the institutionalisation of conflict. The broad political framework is explicitly geared to achieve this. More narrowly, a host of structures and institutions have been set up to serve as forums for the arbitration and resolution of conflicts and differences. These range from statutory bodies like the Constitutional Court, the Public Protector’s Office, the Commission for Conciliation, Mediation and Arbitration, the Commission for Gender Equality and the Human Rights Commission to civil society bodies like the Broadcasting Complaints Committee of South Africa. In addition, institutions like the National Economic, Development and



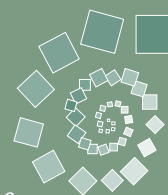
Labour Council (NEDLAC) offer inclusive arenas where broad agreement on policies can be negotiated. Bilateral, voluntary bodies like the Gold Crisis Committee (comprising the mining houses and major mineworkers' unions) exist to hammer out and monitor sector-specific agreements. In theory, as long as difference and conflict can be funnelled into such bodies – and as long as they retain legitimacy and trust – the prospects for further democratic consolidation are enhanced.

The electoral system serves a similar role. During elections, the party political landscape was healthily diverse – ranging from the dominant ANC to the smaller opposition parties and a menagerie of parties representing minority ethnic, regional and issue-specific interests. The ANC's ongoing ability to attract and serve as an abode for diverse groups, ideologies and interests is widely viewed as one of the main pillars of stability.

The efficacy of these institutional edifices is profoundly dependent on the economy's capacity to generate surplus resources for redistribution, in order to blunt or overcome discrepancies rooted in material inequality. In other words, even where a transformation project is cast mainly in a *political-institutional* idiom, its fate depends on *political-economic* dynamics. In South Africa's case, such an understanding is hardly novel. It is, indeed, explicit in both the thinking and the policies of government and in the strategies and activities of its main allies.

Despite teething problems, post-apartheid South Africa's most resounding accomplishments reside in the deracialisation of the political-institutional realm. There has been less progress in fostering a national basis for consent or a national political consciousness in which the political potency of parochial identities can be contained. Less decisive still is progress

*Unity and reconciliation became the beacons of post-apartheid South Africa, and the 'rainbow nation' became the metaphor for the desired outcome.*



towards de-racialising the economic system – not simply in terms of ownership patterns but in the redistribution of opportunities to participate (as workers and entrepreneurs) and share more equitably in the surpluses generated.

## Prospects for Human Development

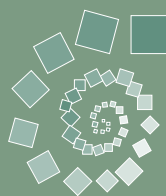
The ANC seeks to construct a society that, in its own slogan, offers “A better life for all”. After six years in power, the new policy edifice is largely in place. The restructuring of government and the overhaul of state institutions are no longer reflexive activities, but form part of strategic-change plans. Threats of destabilisation can be assessed on facts rather than on anxieties. Moreover, the provisional outcomes of the chosen path of transformation can be measured. The following questions can now be asked:

- What are the chief characteristics of South Africa's development path?
- Does it hold the promise of a society that expands the choices and opportunities of the majority of citizens and enhances their opportunities to live fulfilling and dignified lives?
- If it does not, what are the alternatives?

### The macroeconomic framework, social spending and poverty

Insufficient financial resources lie at the heart of government's difficulties in addressing the crisis of poverty and inequality in South Africa. According to

*Post-apartheid South Africa's most resounding accomplishments reside in the deracialisation of the political-institutional realm.*



COSATU, however, it “has become obvious that it is not possible to have a developmental budget within an anti-developmental economic framework”.<sup>74</sup> Simply put, macroeconomic policies cannot be managed without a social policy programme that ensures human development and an effective social safety net.

Commenting on the 1998/99 Budget, COSATU’s President highlighted one of GEAR’s central (though often overlooked) strictures: that of a conservative tax regime heavily impregnated with corporate tax incentives and concessions.<sup>75</sup> Increased corporate tax relief has been a consistent feature of national budgets drawn up in accordance with the GEAR plan. COSATU claims that the country (read ‘the corporate sector’) is under-taxed by up to 3 percent of GDP.

This remains the pattern. In the 1999/2000 Budget, the relief extended to low- and middle-income earners was matched by a lower rate of company tax. The latter move favours richer individuals, who are able to shift personal income to lower-taxed corporate entities. This recreates, according to

one analyst, “a form of tax arbitrage practised in the 1960s and 1970s (and) widely felt to offer unfair advantage to high earners”<sup>76</sup>. This revenue cap (structured around a bias towards the private sector) limits the funding pool available for government expenditure in favour of stimulating an ideological climate for stronger private investment. Far from being over-taxed, the private business sector is dramatically under-taxed by international standards.<sup>77</sup>

The effects of fiscal policy are manifest in government expenditure. It is generally accepted that there is a need to redistribute and align overall budget spending to the goals of combating poverty and inequality and successive cuts in defence spending since 1994 are in line with that commitment. But the need to limit government spending has clearly constrained the degree of redistribution achieved in the areas of education, health, welfare and land reform, while inhibiting capital expenditures aimed at improving infrastructure.

### Impact of budget reprioritisation on poverty and services

Government asserts that “achieving fiscal discipline has not been at the expense of delivery”. This claim is accurate in that overall, social spending has stayed above 14 percent of GDP. Measured as a percentage of total non-interest spending by government, social services expenditure rose from 58 percent in 1995/96 to about 61 percent in 1999/2000. Government provides a social pension of R540 per month to about two-and-a-half million citizens (including 700,000 who qualify for disability pensions). In its 1999 budget, government allocated R1 billion for targeted poverty relief programmes. This is set to increase to R1.2 billion this year (2000) and R1.5 billion in 2001.<sup>78</sup> As a key sector in this programme, the Welfare Department in 1999 funded 1,933 poverty relief projects in provinces and

**Table 1.1: Percentage Share of Total Government Revenues (Main Revenue Sources)**

	1995/96	1996/97	1997/98	1998/99
Individuals	40.7	39.6	40.2	42.4
Gold Mines	0.7	0.4	0.5	0.1
Other Mines	0.6	0.9	0.8	0.7
Companies	11.2	12.4	13.0	12.0
Value-Added Tax	26.0	24.8	24.9	24.8

Source: COSATU, 1998, Fact Sheet – 1998/99 Budget and the MTEF projections

15 national programmes, assisting 11,197 women, 2,904 men, and 2,055 youth. Also assisted were older persons, people with disabilities and those in poor rural communities, particularly in Kwa-Zulu Natal, Eastern Cape and the Northern Province. Poverty relief programmes are beset by a number of problems including government's ability to disburse the funds and a lack of community and government capacity. However, budget allocations for poverty eradication are available. More than eight million children have been immunised against measles, five million against polio and government claims that seven out of ten children are fully immunised.<sup>79</sup> Thus, fiscal austerity in some sectors has not come at the cost of slashing social spending.

Table 1.2 shows that spending on education and social security and welfare, measured as a percentage of GDP, has dropped marginally since 1996, and has risen for health, housing and community development. However, because they are cast against such large backdrops, these measurements tend to 'lose' or 'diminish' important spending shifts. These become more apparent when looking at year-by-year real changes in categories of expenditure.

As Table 1.3 shows, measurement of the year-on-year percentage change in expenditure (in *real* terms) reveals a different picture. While overall social spending rose slightly until 1998, several allocations decline in the 1999/2000 Budget. Such shifts show that, even within government's mainstream economic framework, some of the human development goals are not given the priority indicated in the macroeconomic plan. This provides further evidence that GEAR's emphasis on the need for an effective social safety net to cushion the impact of the market on the poorest has yet to be realised.

Social spending as a proportion of total non-interest expenditure remains slightly above 60 percent. However, it drops in real terms by 2.6 percent in the 1999/2000 Budget (at the average 1998 inflation rate of 7.6 percent) or by 0.5 percent (at the Department of Finance's projection of a 5.5 percent inflation rate), while state personnel expenditure growth falls from 9.5 to 5.1 percent. At the same time, however, the Minister of Finance budgeted R1-billion for poverty relief and almost R3-billion for employment creation programmes. In real terms, the percentage year-on-year change in expenditure has been considerably more pronounced in spending on defence, water affairs, fuel and energy, transport and communication, and mining, manufacturing and construction. Each of these functions has experienced significant, negative expenditure growth in at least two of the three budgets passed since the introduc-

**Table 1.2: Consolidated Provincial and National Spending – Social Services only (as % of GDP)**

Function	1996/97	1997/98	1998/99	1999/2000
Social services	14.9	14.6	15.1	14.6
Education	7.0	6.6	7.1	6.9
Health	3.3	3.3	3.6	3.4
Social security & welfare	2.9	3.0	2.9	2.8
Housing & community development.	0.3	0.7	1.3	1.4

Source: Department of Finance Budget Review 1998 and 1999

**Table 1.3: Consolidated Provincial and National Spending – Real Percentage Change from Previous Year Social Services Only**

Function	1996/97	1997/98	1998/99	1999/2000
Social services	2.0	1.2	3.9	-2.6
Education	5.2	-4.8	7.4	-2.9
Health	6.8	1.6	7.4	-4.1
Social security & welfare	-0.2	4.6	-2.9	-4.7
Housing & community development.	-54.8	154.9	95.6	7.9
Other	3.7	-11.1	-81.2	-6.3

Source: Department of Finance Budget Review 1998 and 1999.

tion of GEAR. The social sector's share of total government expenditure is nonetheless over 60 per cent, reflecting government's desire to combat poverty.

The question is whether government's economic policies will give real effect to the twin strategies of economic growth and human development. In a country trapped in a low-growth track and requiring massive funding infusions to reduce inherited social backlogs, the development template must give equal emphasis to both.

### Down-sizing the public sector

Government intends reducing the public service wage bill substantially. Personnel costs account for about 40 percent of total expenditure (or 51 percent of non-interest spending). The ratio is even higher in the social services as reflected in education for example, which accounts for roughly 75 percent of total expenditure.

There are approximately 1,1-million civil servants – a national ratio of one civil servant to every thirty-six citizens, which is consistent with international standards.<sup>81</sup> Moreover, social services are, by their nature, personnel intensive. If driven strictly by fiscal considerations, labour cuts may substantially compromise service provision. COSATU argues that, rather than 'down-sizing', government should be 'right-sizing', which:

entails that expenditure be guided (for example) by targeted teacher/pupil ratios rather than these ratios simply being determined – devoid of reconstructive vision – by expenditure levels.<sup>82</sup>

Workforce reduction needs to be assessed holistically. Cuts should observe the service delivery objectives outlined in the RDP and should occur in tandem with or follow adjustments aimed at improving work performance. These should include the overhaul of management systems, skills develop-

ment and the democratisation of worker-management relations.

The social impact of large-scale public service cuts has been considerable, particularly in provinces saddled with the remnants of several homeland administrations. Northern Province and Eastern Cape rank among the poorest and most depressed regions of the country and, in provinces such as these, government has been the only net employer over the past five years. "The wages and benefits the public service provides have a massive impact on effective demand", says Adler<sup>83</sup>. According to the provincial audit reports, released in August 1997, provincial administrations are plagued by inefficiency, surplus staff, poor management, lack of skills and corruption. Adjustments need to be tied to the specific realities of particular sections of these administrations, with the overriding aim of expanding and improving services to the public.

The direct relationship between the 'sunset clause' protecting civil servants and the tightened fiscal squeeze in the public sector is often overlooked. Yet, despite a drop of nearly 13 per cent in the number of public servants in September 1995, government's wage bill increased.<sup>84</sup> It is instructive to disaggregate that bill, which comprises payments in four main areas:

- non-wage benefits like pension contributions, medical aid and 13<sup>th</sup> cheques;
- often lucrative voluntary retrenchment packages and golden handshakes issued in line with the 'sunset clause';
- an elite layer of highly-paid technocrats, appointed to restructure state institutions and draft new policies;
- above-inflation wage increases won by rank-and-file public servants, ranging from the publicly demonised 'pen-pushers' and 'paper-shufflers' (in reality only 10 percent of the civil service) to teachers, health workers, police officers and the like.

The government-commissioned 1998 *Poverty and Inequality in South Africa* report notes that “the attempt to refocus the budget and reduce costs simultaneously may prove very difficult to achieve”. The report proposes:

a mechanism to monitor the impact of policies very closely to ensure that poverty and inequality reduction is an integral part of the focus of the policies and their implementation. Furthermore, the country must develop the institutional capacity to take corrective action quickly should policies fall short of expectations.

### The ‘capacity constraint’

The scope and efficiency of state services is affected not only by fiscal constraints, but also by the difficulties of transforming an inherited and largely dysfunctional apartheid state sector.

There are widespread institutional capacity problems. As indicated, these are worst in provinces that had to amalgamate Bantustan administrations with provincial ones. Not least of the difficulties is the need to harmonise different financial management systems in the midst of central government concern about provincial government overspending.

The provincial audit reports gave only two provinces (Gauteng and Western Cape) relatively ‘clean bills of health’, while warning that the Northern Province, Eastern Cape and KwaZulu-Natal were on the verge of collapse. Serious problems also plagued the Northern Cape and Free State administrations and, to a lesser extent, Mpumalanga and North-West.

The reports illustrated the extent to which provincial public services are affected by grossly inadequate financial, information and human resource management systems and highlighted a chronic shortage of appropriately skilled staff. “The lack of discipline and the prevalence of misconduct (such as fraud and theft) are major problems in

many departments and provincial administrations”, and procedures to manage misconduct are ineffective. The primary cause was the lack of investment in skills development in preceding decades. The reports found that government had made “a lot of dangerous assumptions” in 1994, thinking it could depend for skills on the country’s 1,27-million public servants.

Another factor was the centralisation of financial and personnel management functions in provinces, hindering the departments’ ability to deliver services and implement national government policies.<sup>85</sup>

Estimates indicated that it would take a decade to nurture the management skills needed to reverse the sometimes-chaotic state of provincial administrations.<sup>86</sup> Closer collaboration between the public and private sectors was seen as a way of resolving the problem. A training levy on business was proposed, as were steps to prevent the private sector from ‘poaching’ state-trained personnel. Yet, although the skills shortage requires that 22,000 public servants be trained annually, progress on this front is slow.

The provinces have the potential to play an important role in formal politics by serving as a less remote tier of elected government, particularly in an electoral system based on proportional representation. Provinces can boost opportunities for citizens’ groups to influence government policies and conduct – a ‘luxury’ few are able to exercise in relation to national government.

In an effort to deal with administrative problems and political jousting at the provincial level, the ANC leadership has begun nominating premiers in provinces governed by the party. There are also calls for a revised system to support politically-weak provincial administrations sandwiched between delivery-oriented municipalities and mega-cities and a national government

responsible for policymaking and resource allocations.

Initiatives are also underway to strengthen the capacity of local government to accelerate service delivery. In July 1999, the Department of Local Government and Housing announced a transfer of more than 2,800 civil servants to local councils. This was accompanied by a transfer of assets held by national and provincial departments “in order to restructure and facilitate local government, [in ways that would ensure they are] better placed to address developmental needs of the new millennium”.<sup>87</sup>

## Human Development Achievements and Trends

It would be difficult to find examples elsewhere in the world where a negotiated transfer of power took place, where such progress was achieved in so short a period of time to redefine the nature of the new society.<sup>88</sup>

Despite many difficulties, government has made admirable progress towards fulfilling many of its 1994 election promises. According to the Minister of Finance, “we now deliver more and better services to more people (and) importantly, we are doing this within an affordable budget framework”.<sup>89</sup> Government says it has made good on about 60 percent of its 1994 election promises, as the following snapshot of delivery successes by early 1999 shows:<sup>90</sup>

- In 1994, some 30 percent of South Africans lacked access to a safe supply of water near their homes. Today, three million people have benefited from the government’s water supply programme, reducing the figure to 20 percent.
- In 1994, fewer than 40 percent of South African households had access to electricity. Today, after more than

two million connections, 63 percent of households are connected to the electricity grid.

- In 1994, about a quarter of homes had telephones. Today, after 1.3-million connections, 35 percent are linked to the telephone system.
- On an average, each day since 1994 a further 1,300 homes have been electrified, a further 750 telephones have been installed and a further 1,700 people have gained access to clean water.
- The Primary School Nutrition Programme reaches about five million children, and about 10,000 classrooms have been built or repaired.
- Pregnant women and children under six years qualify for free medical care, and 638 clinics have been built since 1994.
- The government has now developed the capacity to build 15,000 houses every month. At March 1999, the housing subsidy scheme had contributed to the building of 630,000 houses. Almost 40 percent of approved subsidies were registered to women.

## Setbacks in advancing human development

Yet, despite significant advances, sustainability has proved a problem. Thousands of electricity and water connections are being cut off because users cannot afford to pay service fees. Three out of four newly installed telephone lines in rural areas are disconnected each month because users cannot afford to pay their bills.<sup>91</sup> The housing tally reflects both built (brick and mortar) homes and the transfer of title deeds for tiny serviced stands. According to news reports<sup>92</sup>, the Minister of Housing has declared many of these houses substandard (either poorly constructed or smaller than the minimum size designated by government). In the meanwhile, the total housing backlog has long passed the 2.5-million mark.

### Water

A May 1999 study by the Department of Water Affairs reported that several of its water provision projects had become dysfunctional or fallen into disrepair. According to the South African Municipal Workers' Union (SAMWU), as many as two million of the taps installed have fallen into disrepair. Government is also concerned with problems in the maintenance of new connections.

### Education

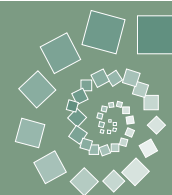
The education system has proved one of the more difficult areas to transform. It requires, on the one hand, an overhaul of the entire education system.<sup>93</sup> On the other, it must redress the huge, apartheid-bequeathed discrepancies in the availability of teaching sites, materials and personnel within a limited fiscal frame. Repaired township classrooms are still overcrowded, and teachers in poor areas struggle under increased workloads as the Department of Education tries to lower its salary bill. School fees have rocketed and, in some provinces, those students fortunate enough to receive textbooks at all may wait for delivery until midway through the school year. A recent study by the Department of Education claims that, at some surveyed schools, there is no teaching on 90 percent of school days. This is further complicated by the severe decay of an ethos of teaching and learning at many institutions. With laudable candour, (the new) Minister of Education, Kader Asmal, declared in July 1999 that the system was "in crisis" and announced its comprehensive overhaul.

Education is looked at in greater detail, both as a site of and as an instrument for transformation in Chapter 5.

### Land Reform

Land reform lags furthest behind 1994 targets. The National Land Committee (NLC) says that less than 1 percent of South Africa's farmland has been redis-

*Estimates indicated that it would take a decade to nurture the management skills needed to reverse the sometimes-chaotic state of provincial administrations.*



tributed to poor, black households. The target set by the ANC in 1994 was 30 percent. Of the 54,000 land claims lodged, only twenty-seven have been settled in favour of claimants (involving 167,534 ha of land and about 70,000 people). The Department of Land Affairs anticipates that most of the backlog will be dealt with in two or three years.<sup>94</sup>

### Health

Health clinics are severely understaffed and many lack even the most basic medicines, particularly in rural areas. The scaling back of curative services in favour of primary healthcare has put public hospitals under severe strain. "We have fewer doctors, fewer beds, fewer resources and more patients than ever before," the principal surgeon at one of Johannesburg's largest public hospitals has complained.<sup>95</sup>

The limits to what legislation can achieve emerge clearly in the health context. The entrenchment of women's rights in the Constitution and new legislation has been deservedly praised. In law, for instance, every woman has the right to terminate her pregnancy. Yet, the health budget prevents most from claiming this right, as state hospitals cannot afford to provide the service. In the meantime, women who can afford private healthcare can and do claim that right. Hence, "benefits made to this homogenous notion of women are benefits in danger of being reaped by the most powerful within this group - that is white (and some black) middle-class women".<sup>96</sup> Thus, the parameters of

the economic growth path pursued by government could diminish the realisation of new rights and replicate existing contours of inequality within social groups.

Once the yardstick of human development is applied, positive changes and achievements appear to be eclipsed by other, overwhelmingly negative, developments. Because of their cascading direct and side effects, the unemployment crisis and the HIV/AIDS pandemic rank high in that category.

### The Unemployment Crisis

Estimates of unemployment in the early 1990s ranged between one quarter and one third of the South African workforce. By 1994, only seven out of every 100 school leavers were able to find formal employment. A complex set of factors has sent unemployment rates soaring steadily since the early 1980s. These include lower economic growth as well as:

policies which decreased the cost of capital relative to labour, thereby encouraging more capital-intensive production, and increasing demand for skilled rather than unskilled labour; the rising cost of unskilled labour in the formal sector due to increasing unionisation and labour market regulation; apartheid spatial policies which increased the difficulty and cost of job-seeking by those living in remote areas; and under-investment in education, which limits the opportunities open to many of the unemployed.<sup>97</sup>

New job creation, therefore, required economic adjustments. However, as noted above, the options available to the new government would be determined mainly by the extent to which these were likely to be endorsed by the private sector. Thus, job creation gradually became subsumed within a broader quest for market-led economic growth. Yet ultimately, the efficacy of improved GDP growth (and of GEAR's subsidiary targets)

will be measured in the social realm – in job creation and income redistribution. The indicators are of concern.

Rising unemployment has serious implications for South Africa's development path. Since 1994, more than half a million jobs have been lost, many of them during the mild economic recovery of 1994-96. Because black wage packets tend to be shared extensively within family and kin circles, the effect on consumer demand is strong. It is estimated that each formal job lost has a negative impact on the living standards of at least five other citizens.

In 1998, the official (non-agricultural) unemployment rate stood at 22.9 per cent. If one includes unemployed workers who did not seek work in the month prior to polling, the 'expanded unemployment rate' rises to 37.6 per cent (up from 35.6 percent in 1996). The fact that 69 percent of unemployed workers have never held a formal job testifies to the structural nature of this trend. Hardest hit are those sectors that contribute about 80 percent of total formal non-agricultural employment: manufacturing, mining and quarrying, construction, and transport and electricity. Business leaders indicate that these trends are unlikely to be reversed in the near future.

According to the National Union of Mineworkers (NUM), some 20,000 mining jobs were lost in the first half of 1999. The July slump in the gold price to its lowest level in twenty years put a further 17,000 jobs under immediate threat; the mining sector could shed as many as 50,000 jobs by the millennium.<sup>98</sup> Meanwhile, the projected trimming of 25-50,000 jobs in the public service will probably raise unemployment figures even higher in the current year.

Although government seems convinced that its structural adjustments will eventually solve the unemployment crisis, the evidence makes this question-



able. There are persistent, long-term vigorous contrary trends in the manufacturing sector, including the continuing substitution of machinery for labour and a strong shift towards outsourcing, casual and contract labour. These support business leaders' explicit reminders that the manufacturing sector will not become a key source for job creation in the near future. Between 1989 and 1996, the manufacturing sector spent R30-billion on additional plant and equipment (over and above the upgrading of old machinery); during that period some 145,000 jobs were shed in the sector while output rose only marginally.<sup>99</sup> Within the current economic framework, tourism appears to be the only area with significant job creation potential.

The 1999 Budget included R3-billion "linked directly to job creation programmes". These include the *Working for Water* programme, municipal infrastructure programmes, rural water supply and sanitation, community-based public works programmes, income-generating welfare programmes and training for the unemployed and employment services. However, although almost all the programmes listed by the Minister of Finance could create short-term employment opportunities, few if any are likely to create sustainable jobs. This crucial distinction is too often overlooked.

### A false dualism: formal and informal jobs

The government's increasing tendency to promote the alleged advantages of semi-formal and informal modes of employment needs to be reviewed. Addressing the Central Committee of COSATU in June 1998, Mbeki challenged the view that "the economy is not growing and that this stagnant economy is shedding jobs". Nothing, he said, was being reported of the

so-called 'grey economy' of informal trading and other small-scale enterprises which, he claimed, had resulted both in job creation and growth.<sup>100</sup> According to Manuel, much employment growth is not being captured in conventional statistical measurements.<sup>101</sup> Government's efforts to stimulate the development of small, medium, micro enterprises is linked (though not reducible) to such thinking.<sup>102</sup>

Erwin indicates that, with the conversion of formal jobs to 'casualisation' and sub-contracting, the number of *de facto* jobless workers might be lower. He warns that this may give rise to the "danger of creating further divisions of rights and income inequality in the labour market"<sup>103</sup>.

It must be pointed out that merely working – whether in informal, semi-formal or formal settings – is not necessarily an antidote to poverty. Wages earned by most farm and domestic workers do not enable them to escape impoverishment. The *National Speak Out on Poverty Hearings* heard that women employed at a fruit packing plant in Trichardsdal, for example, earned a monthly wage of R340, of which R140 was spent on transportation.<sup>104</sup> Indeed, studies by the ILO have confirmed a strong correlation between poverty and wage employment, with a downward pressure on wage demands in the context of high unemployment. According to the Minister of Trade and Industry:

What this meant is that people had so few resources that they were prepared to accept any payment for work despite the fact that this only served to impoverish them. A policy that says that even such jobs are justified is tantamount to feeding someone poison and then giving them painkillers. This government does not have such a policy. Our policy is to generate the conditions wherein real and sustainable employment activity takes place throughout the economy and to create employment

and business opportunities that provide a reasonable income that can continue over time.<sup>105</sup>

Informal sector activities are numerous and varied, ranging from street sellers to small-scale manufacturing. Although the most common activities are retail and service-oriented, a relatively small proportion of self-employment is in manufacturing. Competition is intense, with most informal 'entrepreneurs' providing similar services or selling identical products. The absence of affordable transport means that activities are spatially concentrated in areas with narrow commercial horizons. Diversification and risk-taking are inhibited by the lack of access to finance and credit.<sup>106</sup>

Figures from Statistics SA indicate that 80 percent of South Africa's growing informal sector is survivalist and that most who are active in it live below the poverty line, earning average wages of below R500 a month. Nor does the sector appear to be a hidden generator of growth. It contributes US\$6.7-billion (R30 billion at 1995 exchange rates) to South Africa's GDP annually, about 7 percent of the total value added to the economy. Citing South African Labour and Development Research Unit (SALDRU) studies, the *Poverty and Inequality in South Africa* report<sup>107</sup> noted that:

average monthly net return to the self-employed was R826, while the median monthly income was much lower at R200 ... A minimum of 45% of the self-employed are earning an income lower than the Supplemental Living Level (SLL) poverty line, set at R220.10 per month ... the sector contains a high proportion of the working poor who would readily take up employment in the formal sector.

The report also found that the most disadvantaged among the self-employed are African women aged 15-24 living in rural areas, of whom 80 percent earn less than the SLL. According to Jabu Ntuli of the Self-Employed Women's Union,

gender discrimination is acute and pervasive in the informal sector:

We are competing with men who are selling. Some of them are fresh from employment so they have money with which to buy stock. But we have none. If a buyer sees what you, as a woman, are selling, he will hurry to buy from a man. We are unable to go to the banks and get a loan, no matter how meagre. So it's impossible for us to purchase material at a lower price.<sup>108</sup>

Analysts have also disputed the portrayal of the informal sector as South Africa's entrepreneurial hub, pointing out that workers lack job security and most forms of benefits, while working long hours in poor conditions. The purported benefit to the economy and society is also undermined, as most enterprises fail to pay taxes and bypass social security and other laws.

From its cross-country surveys, the ILO has concluded that "no economy has successfully industrialised or boosted its productive employment primarily or largely through a massive expansion of informal own-account or petty activities".<sup>109</sup> It has also warned against conceptually stratifying the labour market into formal and informal sectors, saying that this creates an ideological framework that falsely pits a so-called 'labour aristocracy' against the un- and underemployed. These dualisms:

tend to lead to debates about the merit of removing or exempting the 'informal' from regulations and of providing credit or subsidies to small-scale (informal) units on a preferential basis, paradoxically introducing arbitrary distortions into the market structure ... in reality, nothing is quite so simple. Increasingly, even large-scale firms resort to 'informal' forms of employment, through sub-contracting, out-sourcing, use of casual labour and so on.<sup>110</sup>

By endorsing 'regulated flexibility' in the labour market, GEAR supports business' demands for a two-tier labour system or, at the very least, the removal

of alleged rigidities in the labour market. Despite this, business leaders have criticised the ‘labour-friendly’ bills passed since 1995,<sup>111</sup> and pressure is mounting for the relaxation of aspects of the Labour Relations Act (LRA), aimed at giving the Minister of Labour greater discretion on whether collective bargaining agreements should be extended to non-parties. Yet, according to COSATU’s research, this is “a marginal issue”:

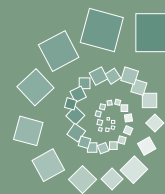
Research shows that industrial council agreements cover only 10% of South Africa’s workforce and that only 1% of this 10% work for employers who have agreements imposed on them through extensions. No one can seriously argue that this is a prime cause of unemployment in South Africa.<sup>112</sup>

The desire to reduce the power of organised labour is an important subtext of the (inter-related) calls for greater labour market flexibility<sup>113</sup>, as are claims that unionised workers represent a ‘labour elite’ whose jobs, wages and work conditions are maintained at the expense of the unemployed. Meanwhile, retrenchments weaken union power in workplaces and have, in some instances, led to the deregulation of key sectors through privatisation and the outsourcing of services. Hence, COSATU’s demand that retrenchments be made a collective bargaining issue.

### The Job Summit

Government’s willingness to re-examine labour policies reflects the problems it faces in devising a job creation strategy without also revising key aspects of its broader economic policy. At the long-awaited Job Summit in October 1998, government, labour and business agreed on a range of employment-creating initiatives. Changes in macroeconomic policy were not, however, on the agenda and an earlier push by business for greater labour market flexibility suffered

*The fact that 69 percent of unemployed workers have never held a formal job testifies to the structural nature of unemployment.*



a similar fate. Although grand expectations were initially vested in this initiative (the President called it “perhaps the most important event since our first democratic elections”<sup>114</sup>), the structural dynamics that led to job shedding and discouraged job creation were not addressed.

In one critical assessment, the Summit “turned out to be much more of a political spectacle than an economic operating room”, with a thrust more “towards consensus-building and determined but circumspect moves” to soften the unemployment crisis than towards setting in place the rudiments of a job creation strategy.<sup>116</sup> Eight months later, practical evidence of the Job Summit agreements stood thin on the ground. A job creation trust fund (financed by one-day wage contributions from workers) was still being legally constituted, while three ministries had started projects geared towards implementation of the agreements.

Yet, on the fringes of the Summit, there were signs of a tentative shift towards a less rigid stance towards meeting some of the macroeconomic targets set in GEAR. The Minister of Finance announced that the reduction of the budget deficit to 3 percent of GDP would be delayed slightly and the revenue target was increased from 25 to 26.5 percent of GDP. The Summit also agreed on the need for a “counter-cyclical package to compensate for the effects of lower growth and the current international crisis”.<sup>117,118</sup>

Indications of a more flexible approach on government’s part emerged

in late 1998, when it announced plans to spend between R170 and R323-billion on public infrastructure in the next five years. If executed, the plans could increase gross domestic fixed investment three- to five-fold.<sup>119</sup>

The adjustments agreed to at the Job Summit may contribute to an effective job creation strategy. However, in the immediate term, the unemployment crisis and its effect on the poorest remain a daunting blot on South Africa's development path.

### The HIV/AIDS Pandemic

Advances in human development are threatened by the spread of the HIV/AIDS pandemic. Even if more concerted and effective counter-measures are rapidly introduced, its effects on the human development prospects of South Africa's citizens will be traumatic. These impacts have been thoroughly documented elsewhere, including in the *HIV/AIDS and Human Development in South Africa Report* (1998).

Currently there are approximately 3.5 million South Africans living with HIV.<sup>120</sup> It is reported that the virus is spreading at a rate of 1,500 new infections every day, though this may be a gross under-count. According to an UNAIDS report, fewer than 10 per cent of all people with HIV in Africa have been tested and know their HIV status.

More than 100,000 people will develop full-blown AIDS this year alone. Unless the disease is checked, one in every four citizens is expected to be HIV-positive by the year 2010. More than half of the new tuberculosis cases being reported in South Africa are attributable to HIV. Clearly, South Africa's formal health system will be unable to cope with increasing demand. New research shows that the HIV/AIDS pandemic is spreading at such a rate that deaths now outstrip births for the first time in the country's most populous province. There is an almost four-

fold rise in HIV infection levels in KwaZulu-Natal, home to more than a fifth of the population. The trend is being repeated in the rest of the country, albeit it at a slightly slower pace<sup>121</sup>.

It is clear that South Africa stands on the brink of a major social and economic disaster. Already HIV is having an incremental impact on GDP and it is estimated that growth rates will plummet from 3.2 to 2 percent per annum. Projected life expectancy has fallen from 68.2 years in the absence of AIDS to 48. Already, a sharp reduction in life expectancy has dropped South Africa fourteen slots down the UNDP's human development index: it now ranks 103rd out of 174 countries. UNDP's *2000 Human Development Report* estimated that 25.9 percent of South Africans were not expected to live to the age of forty, compared with 3.9 percent of those living in industrialised countries and an average of 14.3 percent for all developing countries.<sup>122</sup>

The efforts mounted by government and civil society organisations have failed to curb the spread of the disease. Until 1999, combating HIV/AIDS was not demonstrably elevated to the status of a national priority by government or civil society. This represents a sad deterioration of the constructive climate in 1994. In the early 1990s, the impetus for a cogent AIDS prevention strategy was generated within the NGO sector and revolved around the National AIDS Co-ordinating Committee of South Africa (NACOSA). Its National AIDS Plan would eventually form the basis of government's 1995/96 strategy, business and structure plans within the HIV/AIDS and STD (Sexually Transmitted Diseases) programme.

However, the plan met with a number of difficulties. Implementation proved difficult, particularly at the provincial level, and the national Department of Health displayed a gradually diminishing enthusiasm for the AIDS plan. Matters

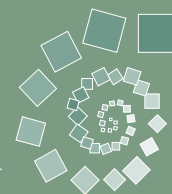
were compounded by mishaps. One fifth of the Department's AIDS budget went towards the abortive *Sarafina II* musical. Next, it became involved in the Virodene controversy, throwing its weight behind the alleged 'wonder drug'. In October 1998, the Department announced that it would not be funding an R80-million programme offering free AZT treatment to HIV-positive pregnant women (part of a bid to reduce mother-to-child HIV transmission).

Soon afterwards, government announced a new initiative, the *Partnership against AIDS*, which would draw on some of the strategies detailed in the original National AIDS plan. Government has more recently been involved in the design of a National Integrated HIV/AIDS Strategy that brings together related government departments. A new determination to act decisively against the pandemic appeared finally to have taken hold in government. This does not, however, obscure the failure to harness and link the energies and resources of both state and civil society both at a political and programme level earlier in the course of the pandemic. This initial response from Government has minimised the impact of innovative strategies and efforts within communities and civil society.

## South Africa in the World Economic System

Government – especially the Ministry of Finance – believes that the volatility associated with the current phase of globalisation poses a threat to economic growth and development in developing countries, which have little capacity to mount remedies and defences. Heterodox policies at the national level (or, importantly, even regional and continental levels) are ruled out by the punitive might of market forces. The result is a reading of

*The most disadvantaged among the self-employed are African women aged 15-24 living in rural areas, of whom 80 percent earn less than the SLL.*



the world economic system – and of South Africa's place in that system – which seems hedged, to say the least. In the words of the Minister Finance, Trevor Manuel, globalisation has brought:

greater prosperity than ever before, further advances in democracy, but also greater uncertainty, more dramatic swings in the fortunes of nations, than we have ever known. So this is a time when the nations of the world, rich and poor, are searching for a new cohesion, a balance between exuberance and order, between the dynamism of the market and the constraints of prudent governance.<sup>123</sup>

In his political report to the ANC's 1997 national conference, Nelson Mandela made repeated reference to globalisation, particularly to the integration of capital markets which "make it impossible ... to decide national economic policy without regard for the likely response of the markets". He and other ANC figures have spoken of the "loss of sovereignty" experienced by states in the current phase of globalisation.

Government economic thinking displays an idealism rooted in an expectant reading of the global economic system and the grudging acceptance that South Africa is confronted with no alternative but to conform to global prescriptions. Opening Parliament in February 1998, President Mandela stated that "there is no other route to sustainable development" than the market-led policies adopted by his government. The political/ideological

dimension of this stance should not be overlooked. In one view:

emphasis on the loss of sovereignty makes it possible to shift some of the blame for domestically unpopular policies to faceless international forces (while convincing) doubters that what is happening is to a large extent inevitable.<sup>124</sup>

Consequently, government's economic policies exhibit a determination to maintain 'sound economic fundamentals' by complying with the checklists drafted by international investment

and credit rating agencies. As argued earlier, these indicators closely match the "standard set of policy prescriptions associated with the Washington Consensus".<sup>125</sup>

Thus, government policy positions are shaped by the conditions set for engagement in a global system dominated by the powerful northern countries. President Thabo Mbeki has emphasised the need to seize opportunities thrown up by an "irreversible" process. A document issued by Mbeki's office in 1998 declared that Africa had to "create the conditions for becoming part of the globalisation process", but reminded that "this will essentially depend on the competitiveness of its economies and the adoption of successful industrialisation strategies".<sup>126</sup> Although this perspective does not call for mere, obediently suborned postures, at its heart lies an idealised prospect of equal partnership and mutual reward:

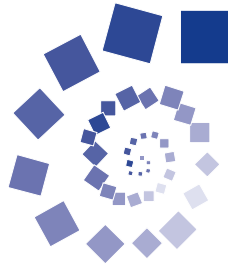
With regard to economic reform, there are many issues that are of common concern, including the liberalisation of trade, the reform of financial, commodity and other markets, the functioning of multilateral institutions, and development assistance and resource transfers from the developed to the developing world. We are interested that these matters be discussed in an atmosphere that recognises the legitimate interests of the poor. In this context, we also recognise the importance of our own African business sector, which has a critical role in continuing the African Renaissance into the 21st century and is capable of both acting on its own and in partnership with international investors.<sup>127</sup>

South Africa's economic interests are linked "to Africa through the register provided by the meta-narrative of globalisation with its seemingly endless vistas, shrinking horizons and economic logic".<sup>128</sup> The centrality of (still mainly) white South African capital in such ventures is noteworthy – its role

#### Box 4

The Job Summit agreed that:

- Some funds generated by privatisation, as well as direct government contributions, would go into the National Empowerment Fund. The Fund aims mainly to assist black South Africans in launching small and medium-sized business ventures.
- About R1-bn would go to public works programmes in 1998/99, increasing to R1.8-bn by the year 2000 or 2002.
- A dedicated fund would be set up to help finance growth in the tourism sector, to which government is looking for the bulk of new jobs.<sup>115</sup> The private sector is expected to contribute matching funds.
- Workers would donate one day's wages annually to a special job creation fund.
- The effects of tariff reductions would be monitored and possibly reviewed in industries where jobs are threatened by trade liberalisation.
- A series of tourism projects would be designed to link into the Department of Trade and Industry's Spatial Development Initiatives (with, according to government, the potential of creating 130,000 jobs).
- Business would train 5,000 new apprentices in travel and tourism over three years.
- A 'social plan' aimed at avoiding further job losses would be designed.



not merely invited, but demanded. The key to integration in Africa is the establishment of South Africa as the “anchor” for a “chain of economies that, with time, might become the African equivalent of the Asian Tigers... through the development of trade, strategic partnerships and the like”.<sup>129</sup>

Prominent in such pronouncements is the view that conformity to economic orthodoxy (if harmonised with other, subsidiary measures aimed at safeguarding or promoting the interests of national economic elites and the poor writ large) will achieve more equitable participation in the global economic system. Apparently discounted, says Amin<sup>130</sup>, are analyses that detect in that system “an immanent tendency ... towards polarisation into centres and (variegated) peripheries” – a state of affairs in which “the centres ‘restructure’ themselves while the peripheries ‘are adjusted’ ... Never the opposite”. Thus, government policy advisers could, until 1998, uphold “the East Asia miracle” as “one of the most important socio-economic developments of the 20th century”. Yet, six months later, Amin’s bold synopsis was validated as the financial markets lodged in the ‘centre’ adjusted Asia’s ‘miracles’.

Business, meanwhile, argues that government measures are insufficiently resolute. Some business economists have accused government of “decision-making paralysis”, arguing that “countries that have taken aggressive corrective action against a bad backdrop have fared best”<sup>131</sup>. Business wants lower direct taxes, higher indirect taxes, more and speedier privatisation (including of parastatals like Eskom), massive reductions in the size of the civil service and a substantial relaxation of labour regulations. Calls for greater government expenditure are paradoxically accompanied by ongoing demands for fiscal stringency (‘paradoxically’, because this

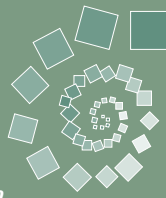
implies staying within the fiscal envelope by cutting other spending functions). Social spending is seen to be occurring at the expense of lower expenditure on economic services, which business believes should be increased – specifically capital investment. Some economists have suggested that government should be borrowing to finance more investment on that front.

While there is virtual unanimity around the call for substantial relaxation of the labour regime, areas like trade liberalisation elicit different responses, depending on the vulnerability of the sector to foreign competition. Similarly, an insistence on driving the inflation rate lower is most pronounced among financial institutions. Interestingly, while the relaxation of capital controls is widely supported, there is also a push for “strict financial and prudential regulation governing, for example, financial companies”<sup>132</sup>. Business has also tended to ignore the specific circumstances of individual SADC (South African Development Community) countries.

Since 1998, government has grown more sensitive to what it calls “shortcomings in the international institutional environment”. These pertain mainly to global capital markets, which, according to the Minister of Finance’s 1999 Budget Speech, require “improved financial regulation domestically and internationally”. “We believe that regulation and oversight of all financial institutions (yes, including hedge funds) is necessary”, Manuel said, adding that South Africa will “continue to review and update our own financial regulation and supervision to ensure that it remains state of the art”.<sup>133</sup> The wording appears to be in line with agreements reached at a tripartite alliance summit meeting in October 1998, where the need for “contra-cyclical measures” to avert economic crises was emphasised.

However, it seems equally clear that government is reluctant to move on its

*Government's economic policies exhibit a determination to maintain 'sound economic fundamentals' by complying with the checklists drafted by international investment and credit rating agencies.*



own, preferring to follow the lead of adjustments it hopes the G-7 countries and Bretton Woods institutions will introduce. Addressing an Organisation of African Unity summit meeting in July 1999, Mbeki urged African countries to develop a "sovereign continental capacity" to participate in processes that established the rules and institutions of global economic governance.<sup>134</sup>

Government remains committed to continuing to lift exchange controls. Judging by Erwin's broadly endorsing attitude towards measures in the controversial Multilateral Agreement on Investment (MAI)<sup>135</sup>, the fundamental resolve to open the South African economy on both the trade and capital flow fronts is unlikely to be tempered.

## Conclusion

Reviewed against government's vision and indicators of transformation, it is clear that significant structural advances have been made. There have been impressive achievements, potentially improving aspects of the lives of millions of poor South Africans. The government has been particularly successful in dispensing demonstrable gains to a variety of constituencies, classes and distinct interest groups.

Along with the quantifiable changes discussed in this chapter, are other important gains. Though women are still thinly represented in social life, women's rights

enjoy constitutional and legislative protection. The Labour Relations Act, the Employment Equity Bill and the Basic Conditions of Employment Bill constitute the legislative pillars of a post-apartheid labour market, benefiting millions of workers. Under the banner of black economic empowerment, government has enthusiastically promoted the ascent and growth of an African corporate class, as well as creating space and support for the growth of a small- and medium-scale African entrepreneurial class. Meanwhile, established corporations operate within a market-friendly economic framework. These and other advances form part of the material basis of the ruling party's political power.

The political realm provided most of the drama of the early 1990s. As crucial and far-reaching, however, were the less formalised bids and engagements to define the basic terms of a post-apartheid development path. This path is still contested and has yet to find coherence in an explicit implementation programme across government, the private and community sectors.

The question, therefore, remains as to whether the achievements attained can be expanded and improved to the extent needed within a current development path that reinforces social and economic inequalities. Indeed, the very prospects of robust growth along that path are questionable. For, as James K. Galbraith recently reflected on the past two decades of orthodox economic adjustment:

Where are the continuing success stories of liberalization, privatization, deregulation, sound money and balanced budgets? Where are the emerging markets that have emerged, the developing countries that have developed, the transition economies that have truly completed a successful and happy transition? Look closely. Look hard. They do not exist.<sup>136</sup>



If left unrevised, the development path embarked upon seems destined to yield what historian Colin Bundy has called “a lop-sided structure - two nations disguised as one, a hybrid social formation consisting of increasingly deracialised insiders and persistently black outsiders”.<sup>137</sup> Such an outcome would bear little resemblance to the visions that informed the long struggle against apartheid and continue to propel the transformative efforts of government and its allies.

New benefits will continue to accrue to sections of the poor majority. But available evidence suggests that this will occur on terms and amid conditions that recreate underfoot the very inequalities which threaten social stability. It was this awareness that prompted Mbeki to warn, in 1997, that South Africa could face race revolts if the living standards of impoverished black people did not improve dramatically.<sup>138</sup>

In summary, it is easier to detect which routes must be avoided than to

map those that should be followed. The charts foisted upon countries of the South since the late 1970s have failed emphatically to improve the lives of the majority of citizens. The disintegration of the economic consensus that has defined and, in many cases, further ruined societal development around the globe offers great scope for alternatives which, a decade ago, seemed merely fanciful. Amassed in the wealth of civil society formations committed to lasting and definitive change that can break SA’s insider/outsider mould, are invaluable resources, creativity and energies. They are crucial components in the dialogue of transformation South Africa is seeking.

In tandem with their counterparts in other countries of the South (and the industrialised North) South Africa can fulfil its promise – for the seeds of an alternative *can* still be sown domestically, but their fate depends on unified international action. It is onto this stage that South Africa has to step.

## Notes

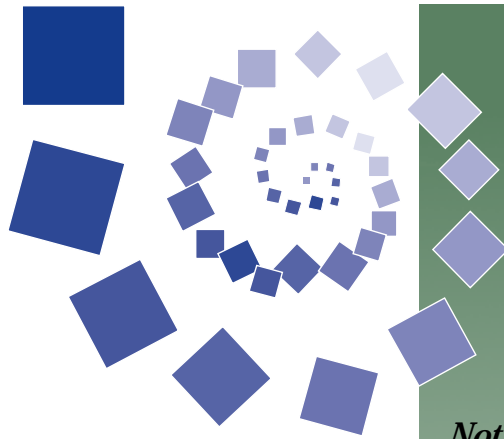
- 1 ANC [2000a]
- 2 Taylor [1997]
- 3 Taylor [2000]
- 4 Oxford Advanced Learners Dictionary [1995]
- 5 UNDP [1997], 15
- 6 Streeten [1999], 16-17
- 7 UNDP [1995], 12
- 8 Jeremy Cronin quoted in Marais [1998], 87
- 9 Government of South Africa [1994], 6-7
- 10 Cosatu [1996], 3
- 11 When fears that it would not hold the redistributive demands of its constituency in check led to a clamour for a property rights clause and the protection of the Reserve Bank's 'independence' in the early 1990s, the ANC granted both demands.
- 12 See Meer, F [1999]
- 13 South, south-east and east Asia contained numerous examples of 'deviance'; some favourably considered and even applauded by the BWI.
- 14 Morris [1993], 9
- 15 Kraak [1997], iii
- 16 Mandela [1997], 2-3
- 17 Nzimande [1997], 7. Emphasis in original.
- 18 In such an exposition, privatisation of key state assets is seen as anathema to transformation because its augments the capitalist character of the state.
- 19 Mandela [1994]
- 20 Bond [1999]. Bond participated in the drafting of sections of the RDP base document.
- 21 In essence, the document answered to the description 'Keynesian', although some aspects expressed more radical impulses – the provision of certain basic goods and services through non-market mechanisms, the partial decommodification of low-income housing and the like.
- 22 Bond [1999]
- 23 It did not provide guidelines on monetary policy or the apartheid debt, about which it had no detailed information before 1994. Industrial policies and macroeconomic concerns were not integrated. Nor did the RDP translate its proposed land reform programme into a rural development strategy.
- 24 Government of South Africa [1994], 24
- 25 Government of South Africa [1994], 27. Emphasis added.
- 26 Government of South Africa [1994], 29
- 27 Government of South Africa [1994], 9,28
- 28 Government of South Africa [1994] : 24
- 29 ANC [1999b], 11
- 30 Gelb [1998], 16
- 31 Mandela [1998], 5
- 32 Natrass [1996], 26
- 33 Department of Finance [1996]
- 34 Manuel [1996]
- 35 Department of Finance [1996], 21
- 36 Manuel [1996], 2
- 37 In OECD countries, the average at the time was 72 percent of GDP, begging the question as to whether this was unacceptably high.
- 38 See Jourdan, Gordhan, Arkwright & De Beer [1997]
- 39 Manuel [1996]
- 40 Gibson & Van Seventer [1995], 21
- 41 Natrass, N. [1996], 38
- 42 Davies [1997]
- 43 Natrass [1996], Davies [1997], Adelzadeh [1998] and Marais [1998].
- 44 Manuel [1996], 4
- 45 Manuel [1998b], 3
- 46 Manuel [1996], 4
- 47 Mbeki [1998d], 4
- 48 Manuel [1996], 2
- 49 Manuel [1996], 1
- 50 Manuel [1996], 1
- 51 See, for example, Manuel [1998a]
- 52 Manuel [1998a], 2-3
- 53 ILO [1996], 29
- 54 Erwin [1999a], 4
- 55 'Massive job losses on mines and in industry signal crisis for Mbeki'. *SouthScan*, Vol 14 No 14. London: 9 July 1999
- 56 The Ministry of Trade and Industry claims the eleven local SDIs could create as many 104,000 jobs.
- 57 According to a 1997 study by the Economist Intelligence Unit, of 32 middle-income countries surveyed, South Africa was the cheapest place to do business.
- 58 ANC [2000b]
- 59 Adelzadeh [1999], 2
- 60 SA Reserve Bank [1998], 10
- 61 Press briefing cited in Natrass [1996], 37
- 62 The logic for supporting these offshore investments is worth noting. Government economic policy is, in important respects, premised on large, sustained flows of FDI into the country. However, foreign investors eyeing post-1994 opportunities found an economy dominated by sprawling local corporations, with little space for bulky foreign entrants. By encouraging offshore investments, government may have hoped to create 'space' for foreign investors (and black economic empowerment consortia). This space is created when firms shifting abroad are pressured into selling non-core local operations in order to raise investment capital. Some foreign investors took the opportunity (evident in the large share of FDI acquisitions). However, without robust local demand to trigger further new investments, the rush soon became languid.
- 63 The latter include the (private) commuter taxi industry, use of firewood, micro lending and traditional health practices. 64 According to Mark Orkin [1999], the main sources of the minor improvement in GDP growth lie in the greater weight accorded to three sectors in the GDP basket: transport and communication (share of GDP in the 1995 base year

- rose from 7.4 to 8.9 percent between 1993 and 1998); finance, real estate and business services (up from 14.5 to 16.4 percent); general government services (up from 13.8 to 16.2 percent). Opposite trends held in the traditional mainstay sectors of the economy: agriculture (down from 5.3 to 3.9 percent); mining and quarrying (down from 9.7 to 7 percent); manufacturing (down from 25.2 to 21.2 percent). Thus, the relative output of goods-producing sectors continues to decline, while that of service sectors is on the rise.
- 65 Statements attributed to Department of Finance Director General, Maria Ramos in 'GDP defies expectations', *Business Day*, 22 June 1999
- 66 Edwards [1998], 59
- 67 Thus the capital account of balance of payments could swing from a negative US\$4,665-million in 1993 to a positive US\$5,303-million in 1995, before plummeting to a positive US\$35-million. SADC [1998] : 82
- 68 For more, see Marais [1998], 146-176
- 69 Erwin [1999c], 19
- 70 Thabo Mbeki, 12 July 2000, p3, in his statement made at the ANC National Governance Council, Port Elizabeth.
- 71 Its consolidation and survival is based on the ability to forge national consensus – underpinned by the principles of reconciliation and nation building. These were expressed in both deed and affirmation: in the (rhetorical) acknowledgement of Afrikaners' right to seek self-determination; steadfast attempts to achieve a rapprochement with the IFP, and the Truth and Reconciliation Commission trade-off between amnesty, accountability and disclosure. The dramatisation of unifying sports and cultural spectacles and gestures of goodwill by Nelson Mandela were also expressions of reconciliation and nation building. The political/ideological project of nation building and stability was also advanced through a welter of consensus-building ventures and structures.
- 72 Mbeki [1996], 119
- 73 Przeworski et al [1995]
- 74 Cosatu [1998], 2
- 75 According to Vavi the contribution of corporate taxes to total government revenue plummeted from about 50 percent in 1970 to 13 percent in 1995. The opposite held for personal taxes: an 18 percent share in 1970 rose to 40 percent in 1995. Vavi [1998], 2
- 76 'Of course it's an election budget. So what?'. *Financial Mail*, 19 February, 1999
- 77 *Financial Mail*, as above
- 78 Department of Finance, Budget Review, 1999 and 2000.
- 79 Figures cited by Manuel [1998b], 2
- 80 Calculated at 1998 average inflation rate of 7.6 percent.
- 81 'Less means more - and more less'. *Business Day*, 28 July 1999
- 82 Creamer [1998], 3
- 83 Glen Adler, Quoted in *SouthScan*, Vol 14 No 14. London: 23 July 1999
- 84 'Less means more - and more less'. *Business Day*, 28 July 1999
- 85 'Three provinces on verge of collapse'. *Business Day*, 21 August 1997
- 86 'Administration of provinces chaotic'. *Business Day*, 14 August 1997
- 87 Department of Local Government and Housing [1999]
- 88 Mbeki [1998a], 4
- 89 Manuel [1999], 2
- 90 Based on ANC [1999], *SouthScan* 'ANC's achievements and failures'. Vol 14 No 11, London: 28 May 1999 and Manuel [1999]
- 91 'Drive to get Africa in touch'. *Mail & Guardian*, 12 March 1999
- 92 'R6bn housing rip-off', *Sunday Times*, 14 March 1999. Almost all were built by private developers, underwritten by state subsidies schemes.
- 93 Deracialising it, aligning it to skills needs in the broader economy and society and developing new curricula and teaching materials.
- 94 National Land Committee, 2000
- 95 Quoted in *The Star*, 19 March 1999.
- 96 Meer, S [1999]
- 97 UNDP [1998b], 9
- 98 'Mines may shed 11,700 jobs'. *Business Day*, 7 July 1999. The figure did not include the 5,000 jobs threatened by the provisional liquidation of another mine.
- 99 'No one has really thought about new bill's effects'. *Business Day*, 31 October 1997.
- 100 'Virtues of grey economy questioned', *SouthScan* Vol 13 No 14. 10 July 1998.
- 101 Manuel [1999], 3
- 102 These include the activities of Khula Finance (which approved R57-million in loans to small businesses in 1997/98) and the 1998 launch of the KhulaStart programme, aimed at providing small amounts of credit to rural communities, with an emphasis on women. Information and counselling services have also been established for new small businesses.
- 103 Erwin [1999b], 4-5
- 104 Sangoco, CGE & SAHRC [1998], 16
- 105 Erwin [1999b], 4-5
- 106 The 1995 October Household Survey reported that 1.1-million people were either employers or self-employed in the informal sector; 413,000 worked as employees in the sector, while some 129 000 people in full-time formal sector jobs were also moonlighting in the informal sector. About 86 percent of these was African and 7 percent Coloured.
- 107 UNDP [1998b]
- 108 Sangoco, CGE & SAHRC [1998], 18
- 109 See ILO [1996], 11
- 110 ILO [1996], 11

- 111 The sentiment is not restricted to dominant white business. Speaking as SA Breweries' acting chairperson, former trade union and ANC leader Cyril Ramaphosa, for instance, has described aspects of the new labour regime as "unduly prescriptive, let alone cost-burdensome". The Johannesburg Chamber of Commerce and Industry's 1999 Survey of Member Companies asked members for their opinion of the effects on their businesses of the Labour Relations Act (LRA), the Basic Conditions of Employment Act and the Employment Equity Bill. The results revealed that over 60 percent of them *believed* the new labour laws would further shrink the labour market, reduce productivity and retard new investment. ('Business pessimism on laws'. *SouthScan* Vol 13 No 22, 30 October 1998.) The small business sector, especially, indicated that it would reduce dependence on labour by cutting staff, mechanising and using contractors.
- 112 Creamer, K [1998], 4
- 113 A shibboleth, according to the ILO's 1996 and 1998 studies of the South African labour market.
- 114 Mandela [1998], 5
- 115 In 1998, Mandela estimated that the industry could create 300,000 new jobs by the turn of the century.
- 116 'Job creation projects planned as more losses loom'. *SouthScan* Vol 13 No 23, 13 November 1998.
- 117 This provision grew out of a tripartite alliance meeting a few weeks earlier and reflected an attempt to accommodate the views and concerns of the ANC's main allies to the GEAR plan. The meeting endorsed an economic discussion paper that highlighted the 'paradigm crisis for the simplistic 'one-size-fits-all' strictures of the so-called 'Washington Consensus' and added that 'world-wide ... there is an acknowledgement that there is a need for fresh thinking, new leadership and greater flexibility in economic policy-making'.
- 118 'First cracks appear in official macro-economic strategy'. *SouthScan* Vol 13 No 22. 30 October 1998.
- 119 *SouthScan*, 30 October 1998, as above.
- 120 This is according to a government "HIV/AIDS Strategic Plan for South Africa, 2000 - 2005", published in May 2000. On the other hand, a UNAIDS "Report on the Global HIV/AIDS Epidemic", published in June 2000, estimates that at the end of 1999, more than 4,2 million South Africans were living with HIV/AIDS.
- 121 UNDP [1998a]
- 122 UNDP [2000]
- 123 Manuel [1999], 1
- 124 Nel [1999], 23
- 125 Maziya [1999]
- 126 The document was issued after Mbeki attended meetings of the World Bank's Forum for Development in Africa. Quoted in Nel, P [1999], 23
- 127 Mbeki [1997], 36
- 128 Maseko & Vale [1998], 6
- 129 Maseko & Vale [1998], 8
- 130 Amin, S [1993], 79
- 131 SG Frankel Pollak Securities. Czypionka [1999]
- 132 FBC Fidelity Investment Bank's Hania Farhan in Czypionka [1999]
- 133 Manuel [1999], 2
- 134 'Africa must embrace globalisation - Mbeki'. *Business Day*. 14 July 1999.
- 135 Which foundered in the OECD in 1998, but is due to be revived in the Millennium Round of the World Trade Organisation.
- 136 Galbraith, James K., 1999, "The Crisis of Globalization", *Dissent* Vol 46 No 3 (summer), New York, p 2
- 137 Bundy, C., 1999, "Truth .... or Reconciliation", *Southern Africa Report* (August), Toronto, p 11.
- 138 "Mbeki says race riots ahead if whites fail to redistribute wealth", *SouthScan* Vol 12 No 41, 7 November 1997.



# 2 The state of human development in South Africa: Key indicators of development and transformation



**T**he winds of change are  
not blowing for every-  
body

*The fresh smell of hope is  
not breezing through the  
mud hut*

*In Xitlakati*

*Not even the grass is shaking an  
inch further from this wind*

*In GaSekhukhuni*

*The poor remain poor, the desti-  
tute remain destitute*

*The hungry remain hungry, the  
voiceless remain voiceless*

*But the winds of change are  
blowing faster day by day*

*Why then? The old man asks  
himself*

*Why is it that four years ago  
they came and made the  
Same promises?*

*Why is it that they came and  
told us that we will have  
running water?*

*Why is it that they told us that  
we would have electricity  
in our homes?*

*Why is it that we were told our  
culture would be  
enriched and respected?*

*Has that got anything to do with  
the votes we cast four*

*Years ago?*

*Or maybe it has a lot to do with  
votes we will be casting*

*Next week*

Extract from "The Winds of Change"

by Thwadi Komane

# Introduction

**H**uman development is the process of enlarging people's choices as well as raising their levels of well-being<sup>1</sup>. The human development process in South Africa is, therefore, about an overall improvement in the quality of life of the poor. The human development framework is used as a conceptual and indicative tool to encourage social mobilisation and social organisation in the direction of fundamental social transformation. Within this framework, sustainability is critical. Sustainable Human Development (SHD) implies that different aspects of life, the environment and people's participation are taken into account. Simply put, development is not sustainable, nor will it be human-centred, if it is futureless, voiceless, anti-poor people, discriminatory and not gendered in ways that empower women.

In applying a human development framework to the South African reality, it is necessary to focus on the multi-dimensional character of society. This implies that the historical, political and economic arrangements that lie at the core of the social system (relations between groups) must be analysed to provide the basis upon which further inquiry can be structured. For example, institutional change and governance as well as processes of transformation need to be reviewed against concepts and notions of colonialism, apartheid, inequality, power, class, gender and 'race'. This is the landscape against which poverty and other social issues must be examined.

The political economy of transformation in South Africa discussed in Chapter One sets the conceptual framework for an assessment of the progress of and setbacks to human development. This chapter provides an analysis of the

key indicators of human development and transformation. In doing so, it attempts to go beyond conventional indicators and to introduce the views of representatives of the poorest South Africans on transformation and development. In addition, the chapter focuses on South Africa's performance in respect of basic needs provision, poverty and inequality, especially along race, gender, rural/urban and income lines. The state of human development is assessed using the following tools: Human Development Indices (HDIs), Gender Development Indices (GDIs), Human Poverty Indices (HPIs) and Gender Empowerment Measures (GEMs).

## Conventional Indicators and Human Development

Conventional economic indicators provide evaluations and forecasts of economic performance. They tend to measure progress and development by monitoring economic output and related data, as well as the quantitative outputs of government in relation to key social programmes. As elsewhere in the world, the dominant conception of 'progress' or 'development' in South Africa is based on economic growth indicators such as gross domestic product (GDP)<sup>2</sup>. Typically, the health and vitality of the economy is measured against GDP growth figures, fractional variations in the inflation rate, *per capita* GDP statistics and the like. Hence, a shrinking budget deficit may be seen as a positive outcome or rising capital inflows as proof that the economy has 'turned the corner'.

Conventional measures and indicators do not, however, accurately reflect the development or quality of life of citizens. A high GDP does not imply

equal distribution, nor does a growth in GDP mean an improvement in standards of living. Indeed, a higher GDP may even imply lower standards of living for the majority of the people. In many countries, economic growth has been followed by widespread inequalities, with the rich getting richer and the poor getting poorer.

Thus, the application of conventional measures means that the economy is not only depoliticised, but also *desocialised* in line with a logic that separates the economic from the social. The economic sphere is assumed to be a site of neutral science stripped of normative distractions. Government's role is confined to administering and politically defending the required economic adjustments, while managing social policies that blunt the torment of 'the poorest of the poor' or provide a social safety net. The eventual beneficence of the current growth path is presumed and the correlation between the fundamental economic imperatives being pursued and the socio-economic realities they generate is seldom confronted. Citizens are called upon to display "further discipline", while both government and business pronounce themselves "confident that it is the correct road and that it will lead to the future that this country deserves".<sup>3</sup> Unable to increase social spending in line with manifest need, government finds itself acclaiming the success with which it has "protected spending on education, health and welfare".<sup>4</sup>

National income accounts and GDP are market-oriented. With just a few exceptions, these indicators are confined to the value – measured at market prices – of goods and services produced for the market<sup>5</sup>. Such conventional indicators display an obvious gender bias and discount the roles that women play in the economy and in the continuous reproduction of society. Thus much of women's work becomes invisible, and is 'lost' in the

counting of formal economic transactions.

Not only is the value of total production undercounted, but errors are also made in comparisons across time and across countries. For example, GDP has been rising in the United States and many other northern countries, largely because more and more women are leaving the home to join the labour force and participate in market production. It is misleading to count the increase in business production without taking account of the associated loss in household production; to count restaurant meals and the services of day-care centres without noting that they have replaced home cooking and childcare.

A further problem with the conventional measure of GDP is its treatment of domestic investment. This is limited to gross 'private domestic investment' and includes only the acquisition of tangible assets – such as machinery – by business and non-profit-making institutions. The acquisition of tangible assets by households and government is not included. Also uncounted are huge investments in intangible and 'human capital' by all sectors – business, households, non-profit organisations and government. These include investment in research and development, in education and training, in knowledge and in health. South Africa's apartheid history makes investments in human capital an essential issue for redress and human development, especially for the black majority. All of these areas contribute to building people's capabilities and are proxies in the calculation of human development indicators. If these investments are not counted, national resource allocations to human development appear as pure consumption.

Popular notions of progress tend to be heavily interlaced with the material-ideological outputs of an increasingly globalised environment. This poses another hurdle in the measurement of progress and transformation. A recog-



nised consequence of economic globalisation has been the tendency towards increased cultural and social uniformity resulting from a consumer culture mediated through movies, television, music, sport, fashion and so forth. Brand names, such as Nike, Coca-Cola, Wrangler, MacDonalds, Philips and Toyota, are the high priests of this global consumer culture. Accordingly, economists might define development as the achievement of economic growth and hence improved living standards<sup>6</sup> – as an improvement in the use made of a country's human, natural and institutional resources. In this sense, gross national product (GNP) provides the obvious measurement of progress. But for many people, the visible consumer signs of brand names and popular culture are the symbols of having 'made it out of poverty'.

However, these definitions do not capture other critical aspects of development, such as the social capacity of people. As decades of experience have shown, economic growth does not of itself lead to improved living standards for the majority<sup>7</sup>, nor does it automatically result in increasing their social capacity or their participation in mainstream activity. The challenge, therefore, is to move beyond these notions and to develop simple alternatives to ensure that:

development is not a commodity to be weighed or measured by GNP statistics. It is a process of change that enables people to take charge of their own destinies and realise their full potential. It requires building up in the people the confidence, skills, assets and freedoms necessary to achieve this goal.<sup>8</sup>

Thus, a country's human development status (in contrast to that measured by conventional indicators) is its ability to take care of its citizens and provide an environment in which they are able to access opportunities and resources and make choices that enhance their opportu-

nity to live decent lives. This implies that human development is not about prioritising one aspect of life – such as the economy – over others. It is the recognition that, for human beings to develop to their fullest and lead meaningful lives, they must have economic, social, cultural, political and human rights.

## Exploring New Measures of Human Development

It is estimated that a broader measure of gross capital formation – including all investment, tangible and intangible, market and non-market, by all sectors of the economy – would total more than four times the conventional measure of gross private investment<sup>9</sup>. Such a measure would take into account the contributions of all sectors of society – both productive and social reproductive – and add value to the country's total output. Government inputs or investments in people and in human capital formation would be seen, not as pure consumption, but as essential to economic growth and total output.

Connections need to be made between economic opportunity, social progress and human rights, especially in a country like South Africa, where these were denied to the majority of the people. Transforming the process of development requires an analysis of concrete and verifiable measures to ensure that deprivation and oppression are being addressed. Social indicators provide standards or goals according to which progress and regress can be evaluated. The challenge in this report is to go beyond measuring the aggregate well-being of individuals and to measure, in addition, changes in institutional and structural conditions. Furthermore, an attempt is made to develop both objective and subjective criteria in order to measure human progress and transformation.

When considering alternative or people-centred indicators of human development that go beyond normative or expert-driven criteria, it is important to examine the perceptions that people themselves have of change and transformation.

### How ordinary South Africans view transformation in South Africa

People's perceptions of transformation are important because it is these perceptions that determine how they engage in the process of change. Ordinary South Africans drawn from working class ranks tend to hold different views on transformation and change to those held by officials in the public sphere. Thus, the views of grassroots or community-based organisations are critical.

At a workshop entitled *People's Indicators of Transformation and Development* held in Johannesburg in 1999, participants were asked to discuss their experiences of change and transformation. In sharing their views, some common and some unique aspects were highlighted. Listed below are some of the key elements they saw as fundamental to transformation (see Table 2.1).

Table 2.1: People's Perspectives of Transformation	
Transformation entails the following:	
•	must be practical and visible
•	the basic needs of people are met
•	rural development and livelihoods
•	freedom – bringing life to people
•	national unity
•	women's empowerment and liberation
•	eradicating poverty and inequality
•	government creating an enabling environment for people's participation in their own development
•	transmission of information to the masses
•	NGO participation
•	political, social and economic freedom
•	being able to vote
•	engaging in policy debate and formulation
•	people's organisation at the grassroots
•	a human rights culture
•	increasing individual liberties and control
•	eradicating the apartheid legacy
•	redistribution of wealth.

The list in Table 2.1 reveals a view of transformation as understood by ordinary South Africans, demonstrating that people are able to articulate a vision of change and transformation which is practical, passionate and searches for empirical, visible evidence of progressive change at local (community) level. Such a vision and understanding links to that of the Freedom Charter and the RDP. However, participants' perceptions of transformation since 1994 – of what has changed and what has remained the same for the poorest in the country – were mixed. All those interviewed indicated that there are fundamental changes at the political level; people are beginning to see themselves as citizens with the right to participate actively in all aspects of life. However, this right is meaningless when, for many, grinding poverty remains the reality. Some saw “the rich getting richer and the poor getting poorer”; “globalisation, usury, retrenchments, and the closing of small businesses”; “resources concentrated in the hands of the rich” and “slow change in rural areas”. The focus on access to education, to health care, work opportunities, housing, basic necessities such as food and water, as needs reflected by poor people themselves, underscores the significance of human development indicators.

People experience transformation as slow, contradictory and insufficiently participatory (inclusive of ordinary people). The economic policy framework (GEAR) is viewed as an obstacle to change. Rural development, or the lack thereof, is a clear concern. While participants acknowledged the significant constitutional, policy and legislative changes that have laid the basis for the attainment of human rights, such democratic gains need to be translated into changed living conditions for the poorest.

## 'People's indicators' and social capacity measures

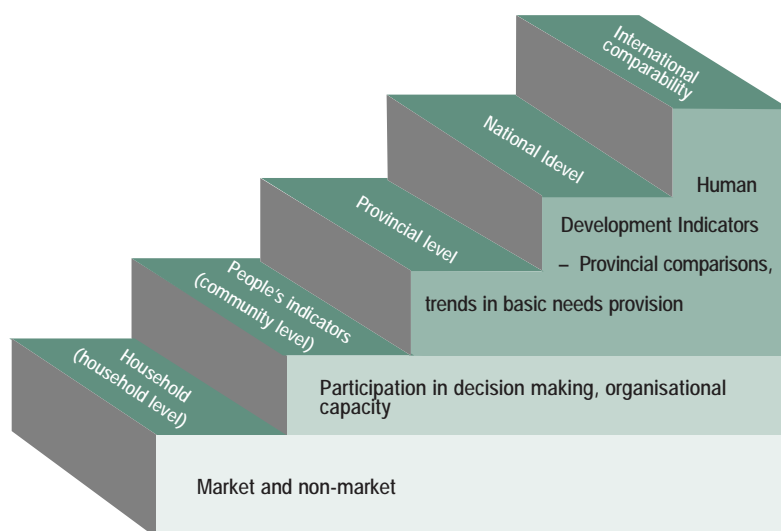
As noted, conventional indicators of transformation and social progress are not seen to relate directly to the lives and experiences of ordinary citizens. Since transformation and human development are more than just indicators and statistics, they need to be understood against the lived experiences and views of the poorest. A significant trend that emerges is a deep sense of dependency, alienation and disenchantment and the sense of a slow pace of change. While aggregate indicators reflect changes in overall conditions, they do not reveal what is happening within households and poor communities.

It is for this reason that South African indicators of transformation need to go beyond existing conventional indicators (such as GDP) and existing national-level indicators to include social, environmental and (broad) political trends (such as legislative and policy reform and peoples' expressions of satisfaction or dissatisfaction). Such indicators would enable

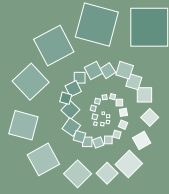
policy makers to understand the extent of alienation or lack of social capacity that exists in communities. Social capacity measures include the capacity of individuals and communities to participate, as active and informed citizens or organised formations, in decision-making structures at every level of society.

'People's indicators' or social capacity measures could add value to the process of transformation by providing rich detail and a means of making comparative assessments. The capacity of civil society to engage in development processes is also an indication of its ability to monitor and assess its own contribution to development as well as that of the government and private sectors. This, in turn, creates a framework that facilitates policy debate and effective communication between policy-makers and the grassroots. Such indicators and measures could be used in national monitoring systems, enhance social progress towards SHD and enhance the participation of the masses in the development process.

Figure 2.1: A hierarchy of indicators for transformation



*Social capacity measures include the capacity of individuals and communities to participate, as active and informed citizens or organised formations, in decision-making structures at every level of society.*



### Indicators and measures of transformation and sustainable human development

The central question is, therefore, how to measure transformation and sustainable human development? What types of proxy indicators can be used to measure development and transformation? In this report, institutional or structural transformation is examined through national macro policies, legislation, systems, procedures, institutions and structures. Efforts are made to examine the type of institutional and structural changes that have been made against the ANC's stated vision and objectives of transformation. Chapter One has reviewed the super-structure and Chapters Three and Four provide an overview of institutional changes underway at other levels of governance.

Linked to institutional change measures and indicators are normative standards and assessments. These normative standards reflect the minimum levels of provision required for an

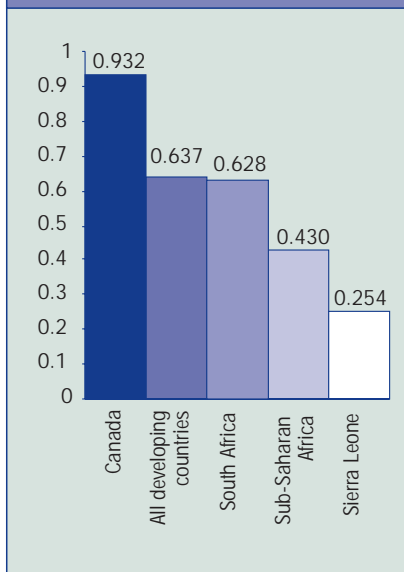
improved standard of living. Normative measures (qualitative through puts of government) also provide an indication of the types of values, standards, or attitudinal change that are required in organisational behaviour/culture to promote social solidarity and cohesion. Functional measures (quantitative and qualitative inputs and outputs of government) are used in this NHDR as tools to analyse the extent to which service delivery, the distribution and redistribution of goods and services, benefit the most vulnerable and marginalised sectors of society. In addition to these measures and tools of analysis, the HDI is used to provide the basis for comparison of South Africa's basic human development between provinces and countries.

## Measuring Human Development

### The Human Development Index

The Human Development Index (HDI) has been developed as a measure of average achievements in basic human development<sup>10</sup>. The HDI is a composite measure of a country's development, measured in terms of income, level of educational attainment and life expectancy (health). As proxy indicators for human well-being, they provide a useful tool for analysis since they are measurable and verifiable across countries and time. GDP, therefore, becomes just one of the variables used in calculating the HDI. As a value, the HDI ranges between 0 and 1. Where the three proxy indicators or variables are high, the HDI value will also be high. Within these parameters, the higher the HDI value, the better the country's achievements in basic standards of living. Human development indices for countries with the available data range from as high as 0.935 in Canada to as low as 0.252 in Sierra Leone (Figure 2.2).

Figure 2.2: Human Development Indices: Selected countries



ABC

South Africa is considered to have a medium human development ranking, comparing well with other countries. The estimated HDI value of 0.697 for 1998<sup>11</sup> placed South Africa at 103 in the HDI ranking. Based on this estimate, South Africa compares well with other African countries and ranks fourth in Africa behind Seychelles, Mauritius and Tunisia. However, calculations done in South Africa, based on the latest available data, reflect a HDI of 0.628 (refer to Table 2.2). The significance of the NHDR calculation of the HDI is that it places South Africa third after Swaziland and Namibia.

South Africa's estimated HDI of 0.697, calculated in South Africa as 0.628, is also higher relative to the average HDI of 0.464 for Sub-Saharan Africa. If one assumes no HIV and a constant growth rate in population and incomes, then South Africa's human development is expected to be 0.654 by the year 2010<sup>12</sup> – based on a growth rate of 0.3 percent per year between 1996 and 2010.

This cautious upward trend will only acquire real significance if South Africa is able to translate economic growth into improvements in the quality of life of the poorest people and address the HIV/AIDS pandemic in a significant way.

### The provincial human development indices

HDI varies across geographical regions or provinces in South Africa. As can be seen in Table 2.3, certain provinces perform better than others in terms of human development. Gauteng has the highest HDI in South Africa and Northern Province the lowest at 0.531. Gauteng and Western Cape have HDI values above 0.7. These put the two provinces in the medium HDI value and rank them at around 95 and 102 respectively in the world rankings. The relatively higher ranking of these two provinces highlights the links between infrastructural development, the resource and asset base and the potential to be self-sustaining. The growing

Table 2.2: Comparison of HDI estimates with Southern African countries<sup>h</sup>

COUNTRIES	Life expectancy at birth (years)	Adult literacy rate %	Real GDP per capita (PPP\$)	Life Expectancy Index	Education index	GDP Index	(HDI) value
South Africa	53.2	84.6	8,488	0.47	0.88	0.74	0.697
South Africa*	54.7	81*	3,056 <sup>r</sup>	0.50	0.81*	0.58	0.628*
Swaziland	60.7	78.3	3,816	0.60	0.76	0.61	0.655
Namibia	50.1	80.8	5,176	0.42	0.82	0.66	0.632
Botswana	46.2	75.6	6,103	0.35	0.74	0.69	0.593
Lesotho	55.2	82.4	1,626	0.50	0.74	0.47	0.569
Zimbabwe	43.5	87.2	2,669	0.31	0.81	0.55	0.555
Congo, Democratic Republic of the	51.2	58.9	822	0.44	0.50	0.35	0.430
Zambia	40.5	76.3	719	0.26	0.67	0.33	0.420
Uganda	40.7	65.0	1,074	0.26	0.57	0.40	0.409
Angola	47	42.0	1,821	0.37	0.36	0.48	0.405
Malawi	39.5	58.2	523	0.24	0.64	0.28	0.385
Mozambique	43.8	42.3	782	0.31	0.37	0.34	0.341

\* Estimates based on the 1996 Census

<sup>r</sup> Based on data obtained from the Reserve Bank of South Africa

<sup>h</sup> From the Human Development Report 2000

inequality between rich and poor in the provinces is blurred in the aggregate indicators.

There is also a close relationship between HDI values and rural areas. Although HDI has not been computed for rural and urban areas, a close look at the provincial HDI values gives some indication of the relationship between human development status and the quality of life of rural people. As illustrated in Table 2.3 below, Northern Province has the highest proportion of rural population and the lowest HDI. In Gauteng and Western Cape, where only 3 percent and 11 percent respectively of the populations are rural, there are relatively high corresponding HDI values of 0.712 and 0.702. This is no coincidence. Poverty is very closely related to unequal development in terms of infrastructural and administrative capacity, assets, access to information, knowledge and opportunities.

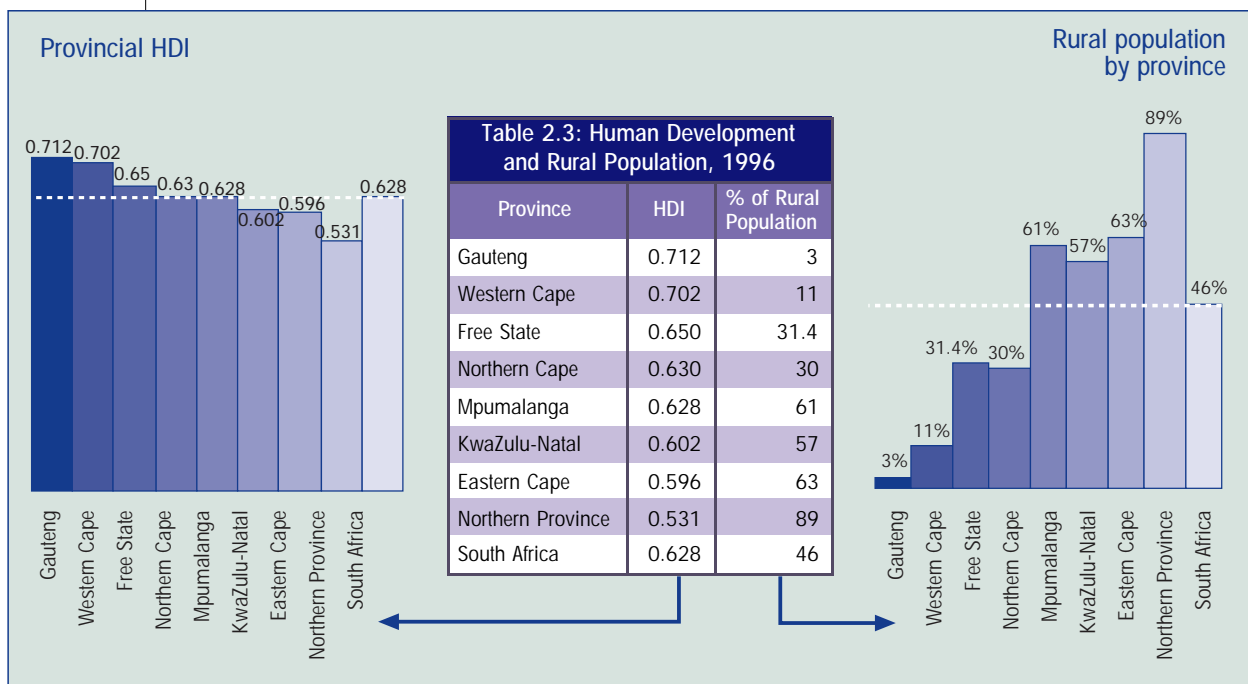
There is, furthermore, a clear relationship between former homeland areas and HDI values. According to the *1996 Census*, Northern Province and Eastern Cape account for 32 percent and 29 percent respectively of the

population of South Africans living in former homeland areas. These two provinces also have the lowest HDI in the country. Gauteng, Western Cape and Northern Cape have no former homeland areas incorporated into their provinces and have relatively high HDI values compared to the other six provinces. Low human development correlates with high levels of poverty and inequality as shown in the next section. Further, lack of access to basic services and infrastructure, including housing, water, electricity, roads and transport, also has a devastating impact on poor people.

## Poverty and Human Development

### How poor is South Africa?

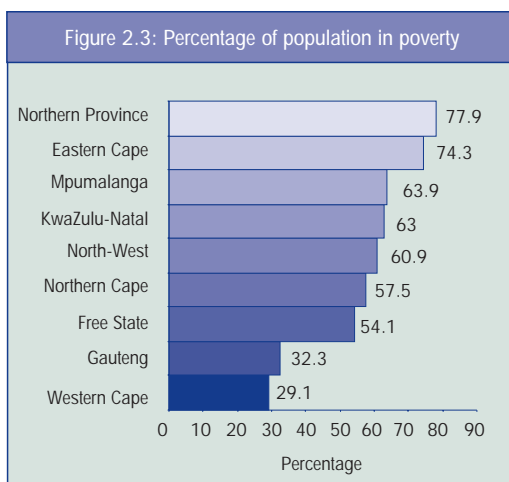
South Africa's rate of poverty<sup>13</sup> (a measurement of the extent of absolute poverty) is 45 percent. This translates into 3,126,000 households or more than 18-million citizens living below the poverty line (pegged at an income of R353). In mainly rural provinces, the figure rises above 50 percent. These differences are



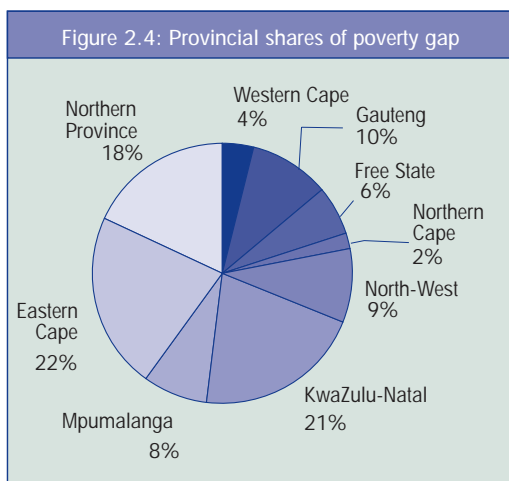
discussed in a 1999 study by Whiteford and Van Seventer<sup>14</sup> and are illustrated in Figures 2.3 and 2.4

Another study, the *Poverty and Inequality Report* (PIR) concluded that, although South Africa is an upper-middle-income country in *per capita* terms, most households experience either outright poverty or vulnerability to poverty. It found that:

- 18 million people live in poor households which earn below R352,53 per month, per adult;
- 10 million people live in ultra-poor households earning less than R193,77 per month, per adult;
- 45 percent of the population is rural, but 72 percent of poor people live in rural areas;
- 71 percent of people in rural areas fall below the poverty line;



Source: Whiteford and van Seventer - 1999: iv



Source: Whiteford and van Seventer - 1999: iv

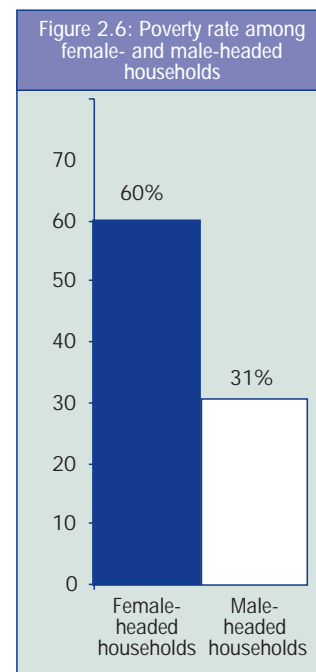
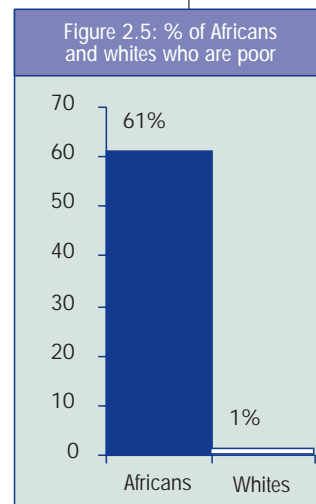
- three in five children live in poor households<sup>15</sup>.

Poverty has spatial, racial and gender dimensions. The human development indices for the provinces vary considerably. Provincial poverty rates are highest for the Northern Province (77.9%), Eastern Cape (74.3%), and Mpumalanga (63.9%), and lowest for Western Cape (29.1%) and Gauteng (32.3%). Thus, poverty is deepest in the Northern Province, Eastern Cape and Mpumalanga, which together account for 48 percent of the total poverty gap.<sup>16</sup> Furthermore, 61 percent of Africans are poor compared with 1 percent of whites. Women are more likely than men to be poor: the poverty rate among female-headed households is 60 percent, compared with 31 percent for male-headed households.<sup>17</sup>

Statistics paint a world of averages, patterns and contours. They cannot convey the realities of intense poverty and inequality:

its texture: the dull ache of deprivation, the acute tensions generated by violence and insecurity, the intricacies of survival and all its emotions - despair, hope, resentment, apathy, futility and fury.<sup>18</sup>

The 1995 South African Participatory Poverty Assessment described the reality behind the statistics. It reported that millions of citizens are plagued by continuous ill health, experience extraordinary levels of anxiety and stress



(and the accompanying realities of violence and abuse vented mainly on women and children) and perform harsh and dangerous work for low incomes. There is pervasive demoralisation and fatalism. A sense of hopelessness and an inability to alter the conditions of life is a defining feature. Yet all this is matched by the courage and perseverance with which South Africa's poor attempt to hold these ravages at bay.

Describing her life at the *Speak Out on Poverty Hearings* in 1998, Emma Makhaza told commissioners:

I am having seven children and nothing to depend on. I am making bricks and sometimes it rains and then I can't do it. And I collect food and take it to people. I fetch wood and collect cans of cold drink and sell them. When I am without food then I go next door and if they don't have, then the children will have empty stomachs and I cry. Yesterday I left with my children fast asleep because they will ask me what we are going to eat. I am very thin, because when I bought a bucket of

mielie meal, I won't eat at all if I am thinking of the children. They say: "Mum, you are going to die".<sup>19</sup>

### Poverty and resource allocation

Poverty and standard of living are directly related to resource allocation and income. Improved accessibility to resources can contribute to improvements in standards of living for many South Africans. Human development involves such basic ingredients as access to water, knowledge, health care, employment and other productive resources. In all cases, one needs to go beyond the basic statistics and evaluate the distribution of services between races, provinces and gender.

Government aims to meet the basic needs of communities through the provision of basic education (pre-primary and primary), basic health (primary and district level services), housing, water and sanitation. It reports the following successes in meeting basic needs:

- 46 percent of the total education budget is spent on basic education;

Table 2.4: Housing indicators by province, 1998 (Rand value in thousands)

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Mpumalanga	Northern Cape	Northern Province	North West	Western Cape	RSA
Approved formal residential building plans financed by the private sector <sup>1</sup>	623 077	570 642	3 200 887	1 000 328	570 589	1 354 662	457 359	524 245	2 633 404	10 935 193
Expected capital expenditure by the public sector on formal residential buildings	141 704	51 365	358 495	127 787	8 527	50 721	23 478	9 908	228 164	1 000 149
Formal residential buildings completed by the private sector: <sup>1</sup>										
Dwelling-houses	357 792	321 943	1 572 508	479 430	262 610	110 747	208 675	150 802	1 269 788	4 734 295
Flats	9 394	10 902	98 323	36 849	1 673	-	-	6 587	177 536	341 264
Townhouses	38 153	22 733	584 008	225 771	32 165	4 047	15 305	45 574	265 294	1 233 050
Other	18 902	762	142 740	354 933	20 942	950	11 198	-	193 792	744 219
Total	424 241	356 340	2 397 579	1 096 983	317 390	115 744	235 178	202 963	1 906 410	7 052 828
<sup>1</sup> Estimates. - Nil or not applicable.										
Source: Stats SA										



- 20 percent of the total health budget is spent on basic health care;
- there is free health care for pregnant women and children under six;
- 12 000 primary schools are reached by a nutrition programme;
- two million people have access to safe water;
- 491 000 houses have been built since 1994;
- the Consolidated Municipal Infrastructure Fund subsidises the cost of capital investment in municipal infrastructure;
- an 'equitable share' of national revenue is provided for local government; funds are transferred to municipalities on the basis of need to enable them to provide services to poor communities.

The situation in respect of housing and distribution of services is reflected in Tables 2.4, 2.5 and 2.6.<sup>20</sup>

The following analysis of resource allocation looks at overall provision, then at the disparities between groups and provinces.

### Water

Access to clean water is a necessity. About 87 percent of the population have access to safe water<sup>21,22</sup>. Approximately 81 percent of the population

have access to tap water and about 12.5 percent of the population still draw water from dams, rivers and streams. Forty-five percent of South Africa's population have piped water in their dwellings.

Access to clean water varies across population groups. Approximately 97 percent of whites and 75 percent of blacks have access to tap water. However, only 27 percent of the African population have piped water in their dwellings, compared to about 98 percent of Indians and 96 percent of whites. Access to water also varies across provinces. Almost the total population of Gauteng, Free State and Western Cape can access clean water, compared to only 59 percent in the Eastern Cape.

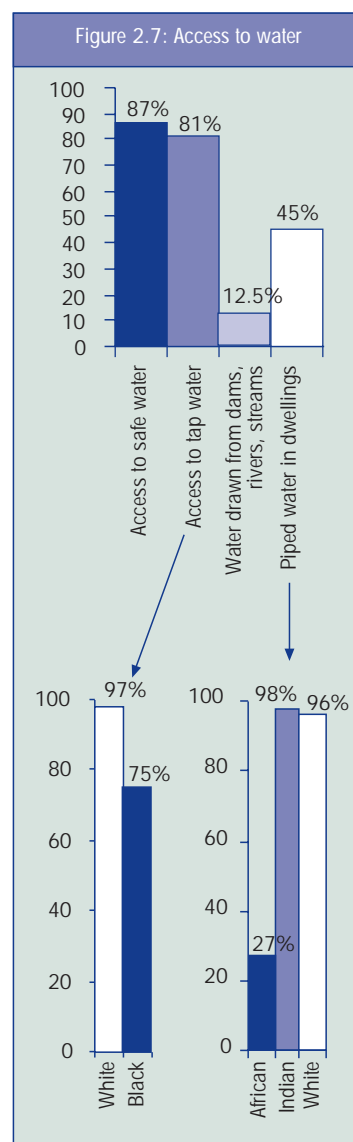


Table 2.5: Housing indicators by province, 1998 (numbers)

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Mpumalanga	Northern Cape	Northern Province	North West	Western Cape	RSA
Approved formal residential building plans financed by the private sector <sup>1</sup>	16 732	18 871	31 720	8 712	9 660	2 871	5 353	7 339	21 293	122 551
Formal residential buildings completed by the private sector: <sup>1</sup>										
Dwelling-houses	8 460	13 992	17 240	5 349	5 123	3 480	9 374	6 659	11 682	81 359
Flats (units)	78	111	935	188	15	-	-	161	2 287	3 775
Townhouses (units)	420	184	4 728	1 628	314	31	105	448	1 653	9 511
Other	15	3	10	104	16	4	11	-	63	226
Total	8 973	14 290	22 913	7 269	5 468	3 515	9 490	7 268	15 685	94 871
<sup>1</sup> Estimates. - Nil or not applicable.										
Source: Stats SA										

Table 2.6: Distribution of services by population group of head of household, 1996<sup>1</sup>

	Africans	Coloureds	Indians	Whites	Unspecified/ other	Total
<b>Energy source for cooking</b>						
Electricity direct from authority	1 973 996	557 655	237 670	1 437 864	39 503	4 246 688
Electricity from other source	13 687	1 880	274	2 641	136	18 617
Gas	212 989	42 618	2 600	26 723	1 727	286 657
Paraffin	1 886 002	49 117	1 228	1 714	5 800	1 943 862
Wood	1 981 251	80 553	640	3 084	7 692	2 073 219
Coal	314 074	4 046	145	1 623	943	320 830
Animal dung	105 345	351	29	125	219	106 068
Unspecified/Other	46 652	4 987	1 055	8 717	2 218	63 629
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>
<b>Energy source for heating</b>						
Electricity direct from authority	1 811 606	525 983	236 385	1 398 692	37 617	4 010 283
Electricity from other source	13 933	2 012	309	4 107	206	20 567
Gas	74 525	8 769	848	22 894	654	107 689
Paraffin	1 254 009	31 559	975	4 612	3 809	1 294 964
Wood	2 275 112	122 616	1 291	9 941	8 764	2 417 724
Coal	715 856	10 547	546	6 360	2 323	735 632
Animal dung	83 680	409	17	174	166	84 447
Unspecified/Other	305 277	39 311	3 270	35 710	4 698	388 266
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>
<b>Energy source for lighting</b>						
Electricity direct from authority	2 829 808	616 089	239 896	1 459 861	42 990	5 188 644
Electricity from other source	22 677	3 365	225	5 721	193	32 182
Gas	32 342	1 867	141	1 043	118	35 512
Paraffin	1 105 936	32 482	862	1 537	3 196	1 144 014
Candles	2 485 860	83 205	1 369	3 174	9 423	2 583 031
Unspecified/Other	57 375	4 197	1 147	11 155	2 316	76 190
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>
<b>Main water supply</b>						
Piped water in dwelling	1 745 954	532 953	236 805	1 422 557	38 587	3 976 855
Piped water on site or in yard	1 335 644	137 337	2 894	9 467	5 886	1 491 228
Public tap	1 721 853	36 023	924	2 062	5 084	1 765 945
Water-carrier/tanker	106 053	3 949	235	600	367	111 204
Borehole/rain-water tank/well	386 987	13 797	1 386	38 137	1 576	441 884
Dam/river/stream/spring	1 096 334	11 975	493	3 428	4 255	1 116 484
Unspecified/Other	141 173	5 172	903	6 241	2 481	155 970
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>
<b>Toilet facilities</b>						
Flush toilet or chemical toilet	2 212 402	590 484	237 838	1 470 664	41 465	4 552 854
Pit latrine	2 844 863	57 716	4 447	3 869	8 699	2 919 594
Bucket latrine	364 605	52 927	280	638	1 734	420 185
None of the above	1 074 691	37 539	428	1 335	4 139	1 118 132
Unspecified/Other	37 437	2 539	647	5 985	2 199	48 807
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>
<b>Refuse removal</b>						
Removed by local authority at least once a week	2 430 509	595 389	233 415	1 340 728	41 074	4 641 115
Removed by local authority less often	182 987	8 919	888	6 928	754	200 477
Communal refuse dump	241 012	31 334	658	13 023	1 173	287 199
Own refuse dump	2 719 220	80 172	5 404	91 910	8 879	2 905 586
No rubbish disposal	838 801	12 575	1 287	6 855	3 207	862 726
Unspecified/Other	121 470	12 816	1 987	23 046	3 150	162 469
<b>Total</b>	<b>6 533 998</b>	<b>741 206</b>	<b>243 639</b>	<b>1 482 492</b>	<b>58 237</b>	<b>9 059 571</b>

<sup>1</sup> Excluding institutions and hostels

Source: Census '96

## Education

The 1996 Census shows that 19.3 percent of the population of twenty years and over have had no access to schooling. Schooling also varies across population groups. About 24.3 percent of the African population of twenty years and over have had no schooling, compared to only 1.2 percent of the white population. Only 3 percent of the African population of 20 years and over have accessed higher education, compared to 24.1 percent of the white population.

The combined gross school enrolment ratio for South Africa is 80 percent. This implies that 80 percent of the population of school-going age (6-22) are in school. The enrolment ratio for primary school is 123 percent, indicating that there are people older than the primary school age who are still in primary school. Only 14 percent of people aged 18-22 are in tertiary education<sup>23</sup>.

About 84.6 percent of the adult population are considered literate.<sup>24</sup>

Education is looked at in greater detail, as both a site and an instrument for transformation, in Chapter Five.

## Land

Land redistribution can play a major role in human development, particularly in rural areas where land use can contribute to sustainable livelihoods, food, security and an asset base for rural households. Whereas farming contributes minimally to rural incomes, many households with access to land produce enough food for the household to survive<sup>25</sup>. This is an important contribution to household food security, household income, standard of living and consequently human development.

The Restitution of Land Rights Act was passed in November 1994. It established the Commission on the Restitution of Land Rights and the Land Claims Court, both instruments for

dealing with cases of land alienation that resulted from the enactment of the Land Act of 1913 and other related pieces of apartheid legislation.

The Land Claims Court was given the same status as the Supreme Court, with the right to appeal either to the Constitutional Court or the Appellate division of the Supreme Court. Successful claimants either have their access to or their ownership of land restored, are compensated, or are granted other state or publicly owned land.

The land restitution process has been sharply criticised for its slow pace of delivery. Less than 1 percent of land has been redistributed through the land reform programme and the greater proportion of land remains in the hands of a few South Africans. By July 1998, the Land Claims Court had settled only ten out of more than 26,000 claims lodged with the Commission. A review process was subsequently instituted to investigate bottlenecks in restitution. According to the Department of Land Affairs, by 1999, of the 54,000 land claims lodged, only twenty-seven were settled in favour of the claimants (involving 167,534 ha of land and about 70,000 people).

Land reform, restitution and redistribution has been slow to take off and has not contributed significantly to building the assets or capabilities of the poor, especially in rural areas where effective land use could contribute to

Figure 2.8: Schooling and access to higher education

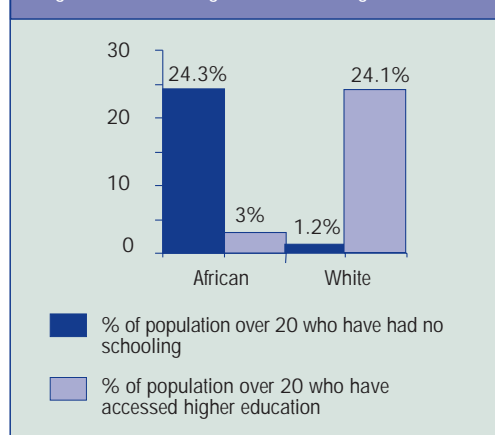
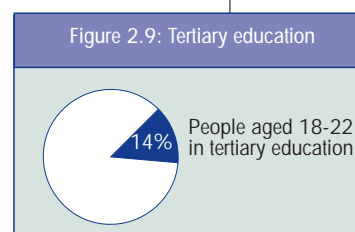


Figure 2.9: Tertiary education



sustainable livelihoods. In addition, land reform and redistribution has not been used as a potential instrument to transform gender relations within households by addressing women's lack of access and control over assets (land) and resources.

### Poverty and social security

The government highlights the fact that South Africa is the only developing country in sub-Saharan Africa with a non-contributory social security system, including old age, disability and child security grants. It points to its efforts to increase the levels of old age and disability grants and to the introduction of the Child Support Grant, which is intended to support children under seven years of age in poor households.

An analysis of the current social security system reveals a glaring gap in social assistance to the poorest and most vulnerable sectors in South Africa. The system provides only for poor families with children under the age of seven years and for adults over the age

of sixty (females) and sixty-five years (males). While these forms of assistance are important targeted contributions to poverty alleviation, they are insufficient and do not, in any case, reach all those living with no income. Furthermore, even if all the intended beneficiaries were to be reached by the current system, 30 percent of the very poor and 40 percent of poor households would continue to receive no social assistance.

In the context of unemployment and jobless growth, the situation of these households is extremely desperate. In order to extract themselves from poverty, people must receive basic provision to ensure they are able to survive. They must also be in a position to pay for transport to centres where they can apply for assistance. For many of the most vulnerable, there are no household or community resources for this. The need for a basic income or development grant of last resort to ensure that households below the minimum living level are able to survive is of critical importance.

Table 2.7: Comparison of HPI estimates with Southern African countries<sup>a</sup>

Countries	Value (%)	Population who will not survive to age 40 (% of total population) 1997	Adult illiteracy rate (%) 1997	People without access to		Under-weight children under age 5 (%) 1990-1998
South Africa	20.2	25.9	15.4	13	"	9
South Africa*	17.46*	9.6*	19.3*	12.5*	37.8 <sup>b</sup>	9 <sup>c</sup>
Swaziland	27.4	20.2	21.7	50	45	10
Namibia	26.6	33.5	19.2	17	"	26
Botswana	28.3	37.1	24.4	10	14	17
Lesotho	23.3	26	17.6	38	20	16
Zimbabwe	30	41	12.8	21	29	15
Congo, Democratic Republic of the	"	31.7	41.1	32	0	"
Zambia	37.9	46.2	23.7	62	25	24
Angola	"	37.7		69	76	42
Malawi	41.9	47.5	41.8	53	20	30
Mozambique	50.7	41.9	57.7	54	70	26

\* Estimates based on the 1996 Census

<sup>b</sup> From the *Human Development Report 2000*

<sup>c</sup> From the *October Household Survey*

<sup>d</sup> From Department of Health, South Africa

## Poverty and human resource development

In order to build people's capabilities to engage in productive endeavour so that they can compete in a liberalised market economy, a new skills base is required. There is an indisputable dearth of appropriate skills and capacities at all levels.

Government argues that it has prioritised human resource development. This, it claims, is evidenced by increased levels of expenditure on education and training, skills development initiatives, fundamental curriculum reforms, the initiatives on the National Qualifications Framework and the Further Education and Training Green Paper.

Youth training and the retraining of unemployed people for entrepreneurial activity have yet to make an impact on levels of poverty, income earning capacity and overall improvements in living standards.

## Poverty and job creation

Government views job creation as the most urgent challenge facing society. It sees its role as providing an enabling environment for the creation of jobs by ensuring macro-economic stability to encourage investment. The government's community-based Public Works Programme aims to provide short-term job creation and skills training.<sup>26</sup>

Unemployment is highest among African women (52%, measured by broad definition<sup>27</sup>), followed by African men (42.5%). The labour absorption rate differs widely between population groups. In 1997, it ranged between 35 percent for African men and 68 percent for white men and between 22 percent for African women and 44 percent for white women. Urban men were most likely to find jobs (40 percent of those of working age were formally em-

ployed in 1997), while non-urban women had the worst job prospects (only 15 percent had jobs in 1997).<sup>28</sup>

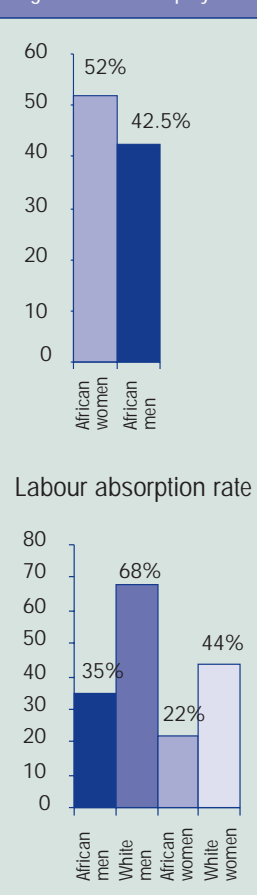
## Measuring poverty: the human poverty index

Access to basic services and the meeting of fundamental human needs must be examined against poverty indicators. According to estimated calculations, R28-billion would be needed merely to increase the income of those South Africans living below the poverty line to R353 per month. Fully 76 percent of this money would have to be spent in rural areas.

Current definitions of poverty include several deprivation factors such as lack of access to basic resources and services. The Human Poverty Index (HPI) is an attempt to capture a broader measure of poverty, going beyond money or income. Whereas HDI measures progress in a country in general, the HPI is used to measure deprivations in basic dimensions of human development and the proportion of the people left out of progress. The HPI was computed on the basis of deprivation in longevity<sup>29</sup>, deprivation in living standards<sup>30</sup> and deprivation in knowledge<sup>31</sup>.

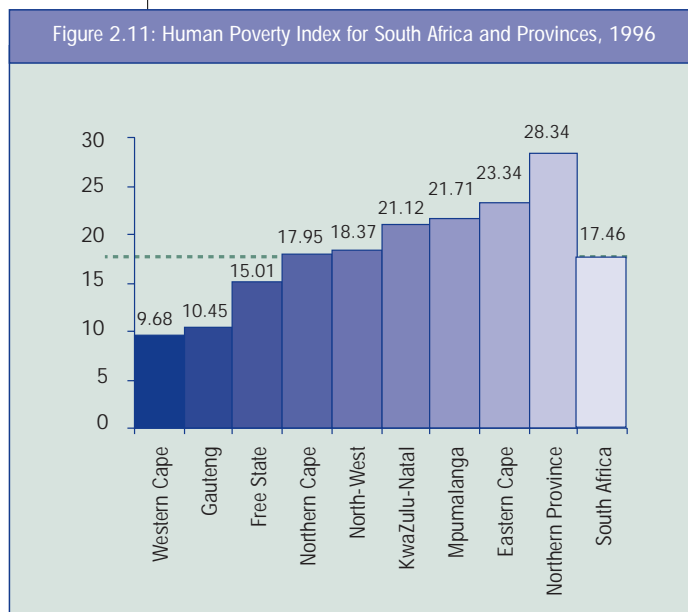
South Africa's HPI is estimated at 20.2<sup>32</sup> percent. This indicates that human poverty affects at least 20.2 percent of the population. Moreover, South Africa is lagging in terms of poverty alleviation. In 1998, HPI ranged from 3.9 percent in Uruguay to 64.7 percent in Niger. Several countries have an HPI value of less than 10 percent<sup>33</sup>.

Figure 2.10: Unemployment



	HDI	GDI	GEM	HPI-1
South Africa	0.628	0.625	0.573	17.46
Eastern Cape	0.596 (8)	0.586 (8)	0.618 (5)	23.34 (8)
Free State	0.650 (3)	0.646 (3)	0.567 (7)	15.01 (3)
Gauteng	0.712(1)	0.708 (1)	0.659 (1)	10.45 (2)
KwaZulu-Natal	0.602 (7)	0.596 (7)	0.634 (3)	21.12 (6)
Mpumalanga	0.628 (4)	0.619 (6)	0.549 (9)	21.71 (7)
Northern Cape	0.632 (5)	0.626 (4)	0.614 (6)	17.95 (4)
Northern Province	0.531 (9)	0.525 (9)	0.620 (4)	28.34 (9)
North-West	0.630 (6)	0.622 (5)	0.565 (8)	18.37 (5)
Western Cape	0.702 (2)	0.695 (2)	0.641(2)	9.68 (1)

\* The figures in brackets are provincial rankings



Country	Gini coefficient
Poland	0.272
Thailand	0.462
Mexico	0.503
Chile	0.565
South Africa	0.584
Brazil	0.634

	1975	1991	1996
African	0.47	0.62	0.66
White	0.36	0.46	0.50
Coloured	0.51	0.52	0.56
Asian	0.45	0.49	0.52
Total	0.68	0.68	0.69

Like HDI, HPI varies across provinces. Based on the 1996 Census, the Western Cape has an HPI of 9.68 percent; in other words, only 9.68

percent of the population in Western Cape are affected by human poverty. Northern Province has an HPI value of 28.34 percent, implying that more than 28 percent of the population are affected by human poverty. Only three provinces, Free State, Gauteng and Western Cape, have HPI values lower than the national average. The provincial HPI values also show that Northern Province, Eastern Cape, Mpumalanga and KwaZulu-Natal have relatively high HPI of more than 20 percent. In these provinces, more than 50 percent of the population reside in rural areas. This supports the argument that rural people are more affected by human poverty than urbanites and that there is more deprivation in rural areas than in urban areas.

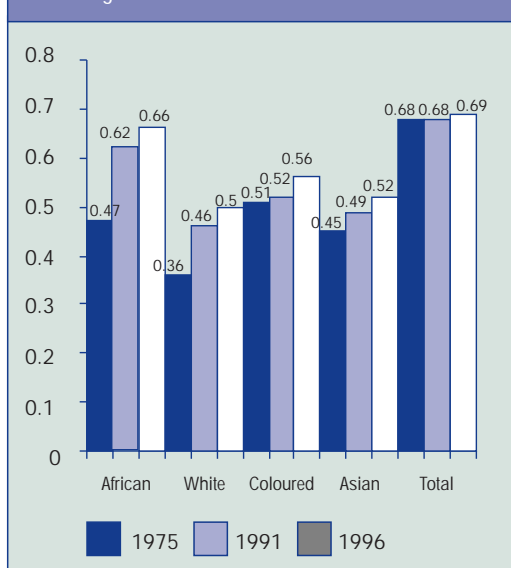
It must also be noted that a higher HDI ranking does not imply a higher HPI ranking. This is illustrated in Table 2.8. For example, Gauteng is ranked number one in terms of HDI but is ranked second behind Western Province in terms of HPI. Mpumalanga is also ranked fourth and seventh in terms of HDI and HPI respectively.

## Human Development and Inequality

Virtually every social indicator betrays the extreme inequalities that define South African society. Measured by Gini coefficient<sup>34</sup>, inequality in South Africa is among the highest in the world. South Africa is ranked as the third most unequal society, surpassed only by Brazil and Guatemala. The random selection of Gini coefficients of countries at similar levels of development in Table 2.9 is instructive.<sup>35</sup>

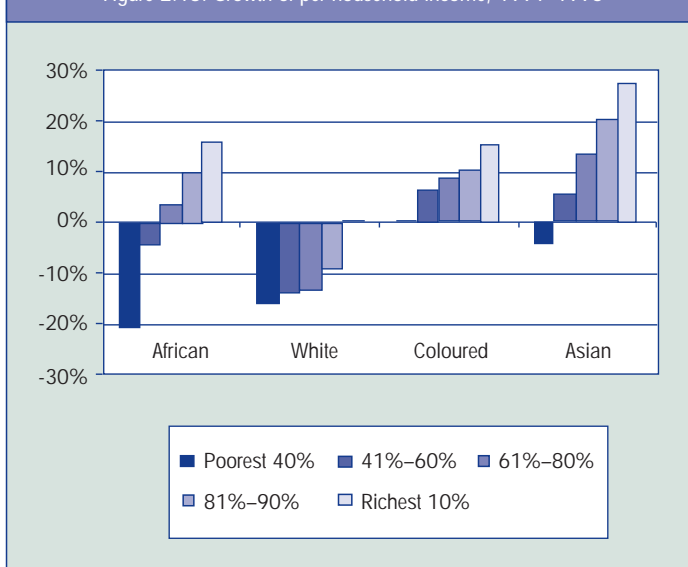
Comparisons of inequality between races in South Africa reveal that, measured by the Gini co-efficient, the gap between white and African is increasing. (See Table 2.10 and Figure 2.12).

Figure 2.12: Gini coefficient: 1975–1996



Source: Whiteford and van Seventer - 1999: p18

Figure 2.13: Growth of per household income, 1991–1996



Source: Whiteford and van Seventer - 1999: I

Table 2.11: Annual per household income of various income classes: 1991 and 1996

	African		White		Coloured		Asian		Total	
	1991	1996	1991	1996	1991	1996	1991	1996	1991	1996
Poorest 50%	3001	2383	35028	29549	8203	8214	18776	17878	4208	3572
41-60%	9519	9120	96444	83506	24392	25967	47155	49569	16956	15624
61-80%	18497	19183	155763	134821	42856	46463	71489	80882	39342	36797
81-90%	33843	37093	228018	207243	70765	77866	104838	125962	83693	78620
Richest 10%	93124	108568	407010	406091	144989	168005	201462	258244	233836	222734
Total	19500	21180	127955	116818	38306	42359	61869	71662	44698	42048

Source: Whiteford and van Seventer, 1999:20

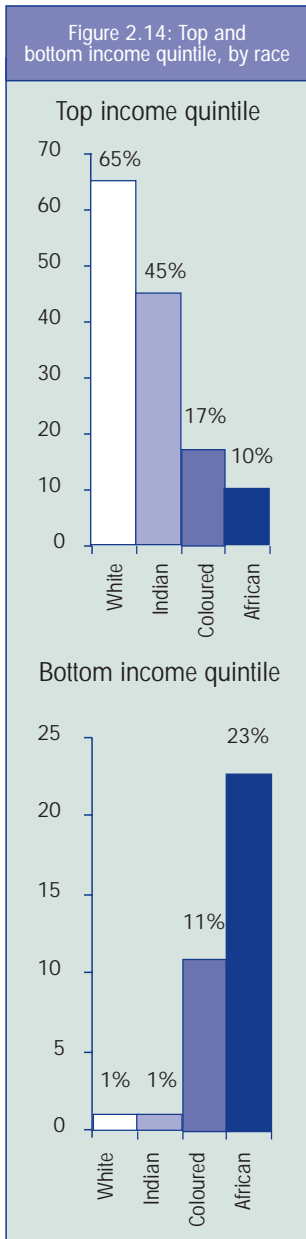
The final fifteen years of the apartheid era saw a massive transfer of wealth from the poor to the rich: between 1975 and 1991, the income of the poorest 60 percent of the population dropped by about 35 percent. By 1996, the gulf between rich and poor had grown even larger. The poorest quintile received 1.5 percent of total income, compared to the 65 percent received by the richest quintile and the 48 percent by the richest 10 percent. Also startling was the extent of poverty: in 1996, the poorest half of households earned a mere 11 percent of household income.<sup>36</sup> Figure 2.13 represents this graphically.

Indications are that 'within race' inequality is beginning to outstrip

'between' race inequality. Recent studies indicate that, at the upper income levels, racial boundaries of income inequality are falling away.<sup>37</sup>

### Race and income inequality

Inequality of income between race groups is considerable, and accounts for 37 percent of total income inequality. Most in the top income quintile are whites (65% of households) and Indians (45%). Only 17 percent of coloureds and 10 percent of Africans earn incomes sufficient to put them into that category. Viewed from the other end of the scale, one finds 23 percent of all African households in the poorest quintile, compared with 11 percent of coloureds and 1 percent of Indians and whites.

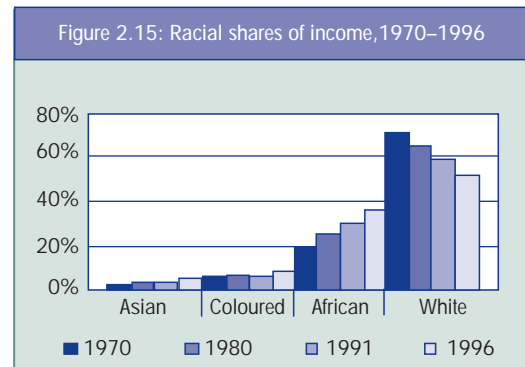


A closer look at measures of human development reveals more precise contours of inequality and poverty. The experience of extreme poverty is dramatically concentrated among Africans: 57.2 percent of Africans live below the poverty threshold, compared to 2.1 percent of whites. The poorest 40 percent of citizens remain overwhelmingly African, female and rural. According to Statistics SA, twice as many female-headed households are in the bottom quintile (26 percent compared to 13 percent). When race and gender are aggregated, the figure rises to 31 percent of African, female-headed households in the lowest quintile, compared to 19 percent of African, male-headed households.<sup>38</sup> Overall, the poverty rate among female headed households is 60 percent, compared with 31 per-

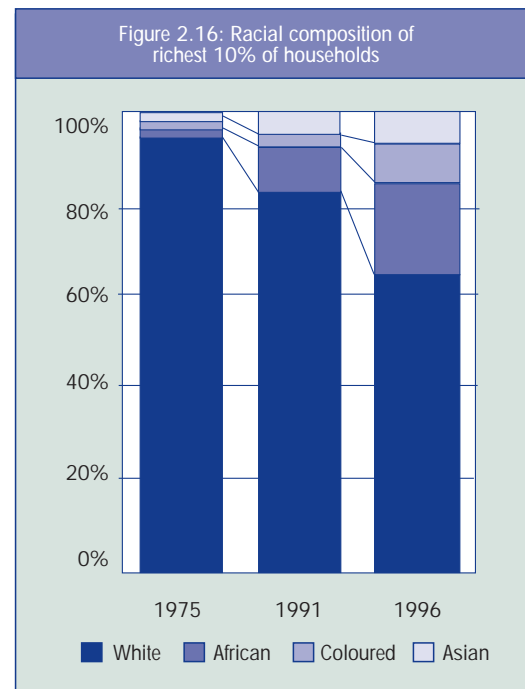
cent for male-headed households – underlining the need to prioritise African women in social welfare, job creation, training and small business development programmes.

Embedded in such statistics are the different ideological lenses through which inequality can be scanned in South Africa. In its official pronouncements, the ANC government highlights the racial contours of poverty and inequality. Reviewing these indicators in June 1998, Mbeki declared:

It helps nobody, except those who do not want change, to argue that the



Source: Whiteford and van Seventer - 1999



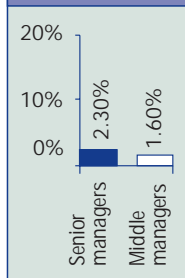
Source: Whiteford and van Seventer - 1999: ii

difference in income between a senior black manager and an unskilled black worker is as high as the difference in income between an equivalent senior white manager and an unskilled black worker and, therefore, that like many countries, we are now faced with the challenge of class differentiation rather than the racial differentiation that is the heritage of white minority rule.<sup>39</sup>

The perception of a ballooning black elite may, indeed, be exaggerated. Between 1995 and 1997, the number of black senior managers in the private sector rose by only 2.3 percent, while middle managers increased by only 1.6



Figure 2.17: Increase in numbers of black senior and middle managers in the private sector, 1995–1997



percent. In the public services in 1997, whites still held 62 percent of management positions, although they only comprised 21 percent of overall staff. A slightly better balance pertained in senior management, where

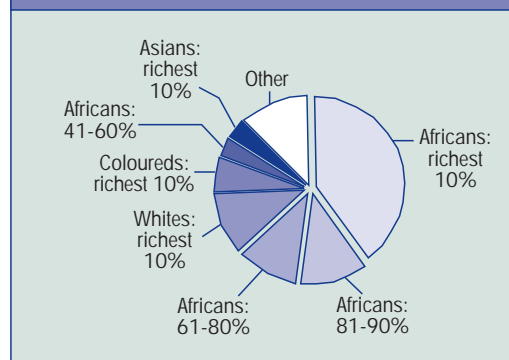
Africans held 47 percent of posts and whites 43 percent.<sup>40</sup>

Despite this, the 'deracialisation' of inequality is noteworthy. Although still accounting for a small share of the rich overall, the proportion of urban Africans in the richest quintile increased five-fold between 1990 and 1995 – from 2 percent to 10 percent. While overall levels of inequality are not decreasing, small but significant numbers of Africans are being elevated into the higher ranks of income earners. Although this is not strictly a post-1990 phenomenon, it has accelerated during this period. According to the ILO, inter-racial inequality constituted 65 percent of general earnings inequality in 1980; by 1993, it had dropped to 42 percent.<sup>41</sup>

There are several developments propelling this process. They include the 'deracialisation' of state institutions and (although at a slower pace) access to management positions in the private sector. Another factor is the improved employment and entrepreneurial prospects of sections of the previously suppressed and excluded middle classes; while the phenomenon of black economic empowerment is, increasingly, being levered to prominence with government support.

Black economic empowerment requirements are now prominent in

Figure 2.18: Gainers from redistribution: 1991–1996



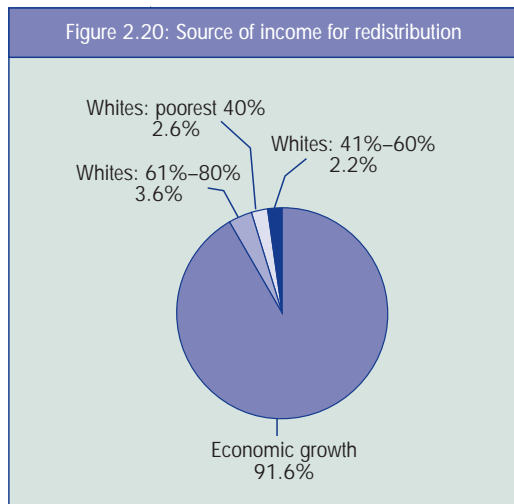
Source: Whiteford and van Seventer - 1999: iii

government tender, procurement and privatisation policies. One result is a growing number of multi-racial business partnerships that operate as empowerment ventures. Despite the setbacks suffered by such ventures since mid-1998, they are expected to snowball as several packages of large state-sponsored contracts and licenses are finalised. These will include infrastructure expansion, construction or overhaul of private prisons, defence contracts, new cellular telephone network licenses and casino licenses. The result could be:

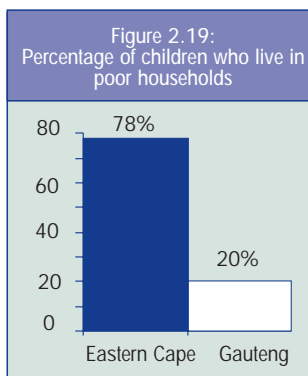
a much more intimate nexus between black-controlled firms and government, analogous to the Apartheid State's leveraging of the Afrikaner bourgeoisie. A culture of patronage is firmly taking root within the discursive ambit of black economic empowerment and Mbeki's 'African Renaissance' vision.<sup>42</sup>

Current statistics are inconclusive but, in a situation where the poorest 40 percent of citizens' share of income is not increasing (and is possibly decreasing), one must question whether the limited 'deracialisation' of top income groups reflects redistribution at the expense of the poor.

According to an income and spending survey, levels of income disparity among black households (measured by Gini coefficient) rose from 0.35 in 1990



Source: Whiteford and van Seventer - 1999: pp25



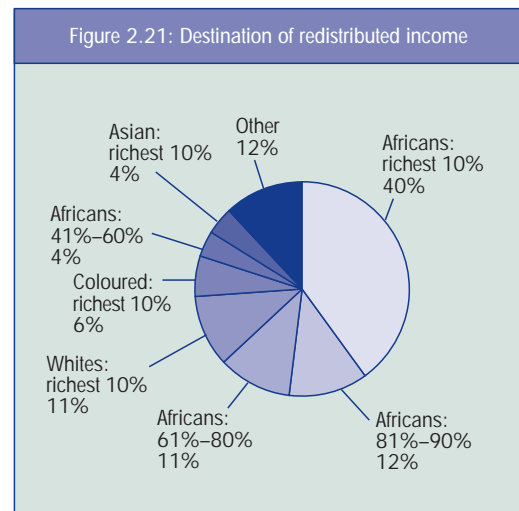
to 0.51 in 1995.<sup>43</sup> A 1998 report showed even greater levels of disparity – with a Gini coefficient of 0.54, almost as high as the national figure of 0.58.<sup>44</sup>

Such indicators may give rise to concerns that “the national struggle is stopped in its tracks and is satisfied with the co-option of a small black elite into the presently forbidden areas of economic and political power”.<sup>45</sup> As the statistics suggest, if:

left unchecked, the defining trends of the transition seem destined to shape a revised division of society, with the current order stabilised around, at best 30% of the population. For the rest (overwhelmingly young, female and African) the best hope would be some trickle-down from a ‘modernised’ and ‘normalised’ South Africa.<sup>46</sup>

Rural/urban inequality is significant, with African and coloured median incomes in rural areas about half that of their counterparts in urban areas.

In the mainly rural Northern Province, almost two-thirds of residents cook with wood fires, while only 17.8 percent have running water in their homes and 7.5 percent have telephones. More than one-fifth of residents



Source: Whiteford and van Seventer - 1999: pp25

have no toilet facilities. In the Eastern Cape, 78 percent of children live in poor households, compared with 20 percent in Gauteng.

## Human Development and Gender

There are inequalities in human development between men and women in many countries and South Africa is no exception. As discussed above, women are more likely to be unemployed than men, average incomes are lower for women, and women are not usually represented in political, administrative and managerial positions.

About 21 percent of the female population of twenty years and older have no schooling compared to 17 percent of the male population. The adult literacy rate for women is 79 percent compared to 83 percent for men. The combined gross education enrolment ratio for women is 81 percent, which is slightly higher than that of males (80%). However, the enrolment ratio for women at the tertiary education level is only 13 percent against 15 percent for men<sup>47</sup>. It is therefore important to examine the circumstances that result in a higher drop out rate for women at tertiary levels.

## Measuring gender inequality

The gender-related development index (GDI) and the Gender Empowerment Measure (GEM) are composite measures developed to capture gender inequalities in human development. The GDI is a measure of achievements in basic human development, adjusted for gender inequality. The GEM measures gender inequality in economic and political opportunities<sup>48</sup>.

## The Gender Development Index

The Gender Development Index (GDI) is computed with the same variables used in computing HDI, adjusted for gender inequalities. The 1996 GDI for South Africa is computed as 0.625. This is slightly lower than the HDI value of 0.628, indicating that the human development of women is lower than that of men. This is unsurprising, considering the fact that women are discriminated against in many spheres of society.

GDI does not, however, reveal the full extent of gender imbalances in South African society. This is evident from the fact that about 42 percent of economically active women are unemployed compared to 27 percent of men. Women also account for 56 percent of the unemployed overall. On average, women earn 76 percent of what their male counterparts earn. Furthermore, about 35 percent of economically active women earn R500 or less per month compared to 19 percent of the same category of men. African women are most affected: almost 48 percent earn R500 or less per month<sup>49</sup>.

The GDI estimate from Statistics South Africa (0.625), based on the 1996

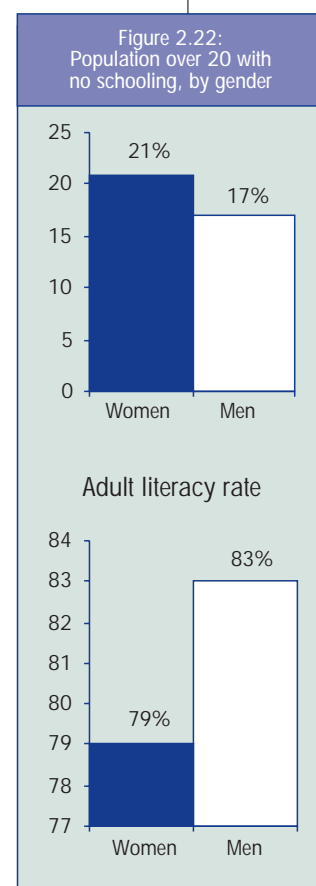
HDI rank	GDI value	Life expectancy		Adult literacy		Real GDP per capita (PPP\$)	
		Female	Male	Female	Male	Female	Male
South Africa	0.689	56.2	50.3	83.9	85.4	5 205	11,886
South Africa*	0.625*	58.1	51.5	81*	80*	2,436 <sup>f</sup>	4178 <sup>f</sup>
Swaziland	0.646	63	58.4	77.3	79.5	2 267	5,485
Namibia	0.624	50.6	49.5	79.7	81.9	3,513	6,852
Botswana	0.584	47.1	45.1	78.2	72.8	3,747	8,550
Lesotho	0.556	56.4	54.0	92.9	71.0	982	2,291
Zimbabwe	0.551	44.0	43.1	82.9	91.7	1,990	3,359
Congo, Democratic Republic of the	0.418	52.7	49.6	47.1	71.3	590	1,060
Zambia	0.413	41	39.9	69.1	84.0	540	903
Angola	"	48.6	45.4	"	"	"	"
Malawi	0.375	39.8	39.2	44.1	73.2	432	616
Mozambique	0.326	45.0	42.6	27	58.4	647	921

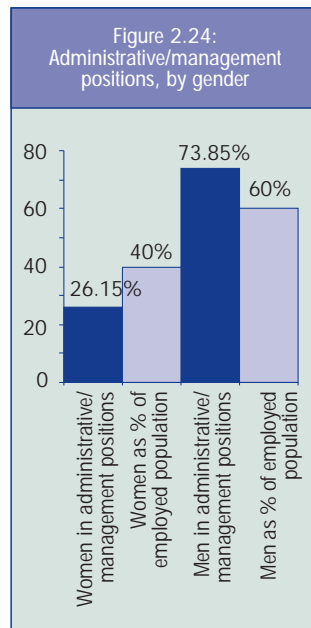
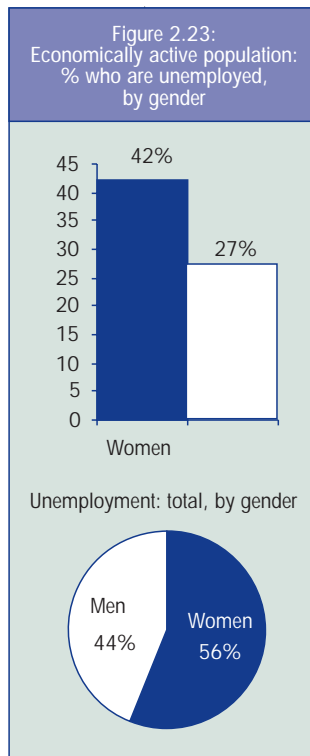
\* Estimates based on the 1996 Census.  
<sup>f</sup> Based on data obtained from the Reserve Bank of South Africa.  
<sup>h</sup> From the *Human Development Report 2000*.

census, is lower than that provided by the 2000 *Human Development Report*. This may be due to differences in sources of information and the year of estimation. GDI also varies across provinces. Gauteng has the highest GDI of 0.708 and Eastern Cape has the lowest of 0.586. It must also be noted that the HDI ranking of provinces does not correspond to the GDI rankings. For example, whereas Mpumalanga is ranked fourth in terms of HDI, it is ranked sixth in terms of GDI.

## Gender Empowerment Measure

The Gender Empowerment Measure (GEM) is a composite indicator of representation by females in political, administrative, managerial, professional





and technical positions and female income share.

In 1996, the proportion of female parliamentarians was 26.75 percent<sup>50</sup>. This is not high, considering that the female share of the population is 52 percent. It does, however, compare well with the rest of the world. In terms of this ratio, South Africa ranked eighth behind countries like Sweden,

Table 2.13: Comparison of GEM estimates with Southern African countries<sup>a</sup>

Countries	Value	Seats in Parliament held by women (as % of total)	Female administrators and managers (as % of total)	Female professional and technical workers (as % of total)
South Africa	"	28.4	"	"
South Africa*	0.573*	26.8*	26.1*	47.18*
Swaziland	0.381	6.3	24.1	61.2
Namibia	"	20.4	"	"
Botswana	0.521	17.0	25.7	52.8
Lesotho	"	10.7	"	"
Zimbabwe	"	14.0	"	"
Congo, Democratic Republic of the	"	"	"	"
Zambia	"	"	10.1	"
Angola	"	15.5	"	"
Malawi	"	8.3	"	"
Mozambique	"	30.0	"	"

\* Estimates based on the 1996 Census.  
<sup>h</sup> From the *Human Development Report 2000*.

Denmark, Norway, Finland, Netherlands, Germany and New Zealand. More women were elected to Parliament after the June 1999 elections, increasing the proportion of women parliamentarians to about 30 percent.

Women hold only 26.15 percent of administrative and management positions.<sup>51</sup> This is minimal in relation to the fact that 40 percent of the employed are women. This means that women have less power in society and lower incomes than men do. Women hold about 47.18 percent of professional and technical positions<sup>52</sup>. This is a significant shift and closer to the 50 percent share. This also compares well with the rest of the world.

Using the 1996 Census, the GEM is estimated at 0.574. This is slightly lower than the 1997 figure as reported in the *Human Development Report 1999*. It is, however, higher than the 1995 value. GEM also varies across provinces, ranging from 0.659 for Gauteng to 0.565 for North-West.

## HIV and the Declining Human Development Index

The estimated HDIs for South Africa and the nine provinces for the two scenarios of 'no HIV epidemic' and 'HIV epidemic', are presented in Appendix 1.

As illustrated in Figure 2.25 the HDIs for the situation of 'no HIV' are increasing marginally, whereas those estimates 'with HIV epidemic' are decreasing significantly. Based on certain assumptions, the HDI for South Africa is expected to increase slightly by 4 percent from 0.628 in 1996 to 0.654 in 2010. On the other hand, the estimated HDI for the scenario of 'HIV epidemic' shows a significant decrease from 0.626 in 1996 to 0.542 in 2010. This trend implies that the HIV epidemic will reverse the gains made through other policy initiatives

related to basic needs and governance. In human and development terms, the negative effects of the pandemic will have long-term consequences for the economy, demographic patterns, social structure and political stability. The estimates indicate that HDI will decrease by 11.4 percent over the next eleven years.

The effects of HIV on human development become clearer when one looks at the ratios between the HDI 'with HIV' and HDI 'without HIV'. Table 2.14 shows the HDI with HIV and without HIV for South Africa for selected years. The table also shows the ratios between the two estimated indices. This ratio has declined from 0.99 in 1996 to 0.84 in 2010.

Appendix 2 illustrates the expected impacts of HIV on human development in provinces. It shows the ratio of expected HDI 'with HIV' to that 'without HIV'. This ratio measures the expected loss of HDI as a result of the HIV epidemic. By 2010, the HDI values of almost all provinces will be reduced to below 85 percent of the expected value as a result of HIV.

The estimates also show that the HIV epidemic will affect provinces differently. The Northern province is the most affected by the HIV epidemic and Western Cape the least affected. The HDI for the Northern Province and the Western Cape for the year 2010 will be, respectively, 79 percent and 92 percent of their potential values. Beyond these indicators, HIV/AIDS has the potential

to wipe out recent gains in human development. The devastation wrought on the poorest has created more fragmentation, isolation and a change in social relations as evidenced by child-headed households and AIDS orphans.

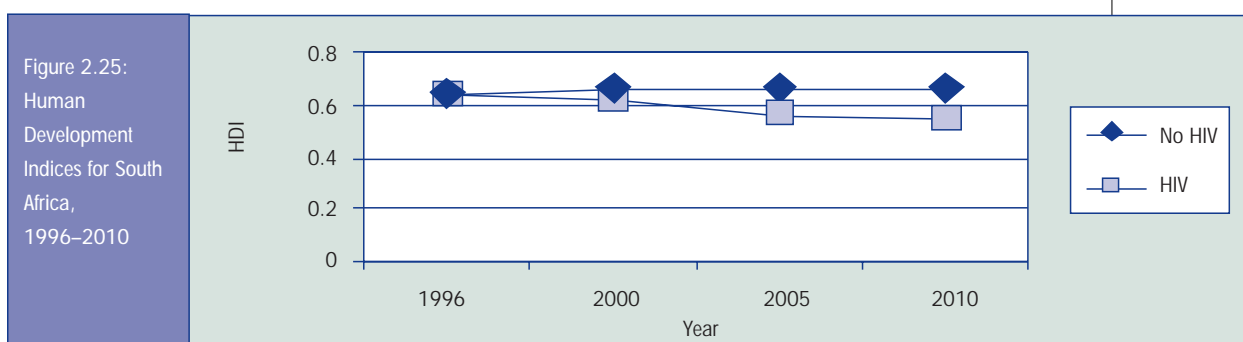
## Conclusion

Key indicators of human development and transformation show that, at an aggregate level, there have been marginal improvements in conditions for the poorest. However, the reality, as expressed by the poorest themselves, paints a very different picture. For many of them, poverty has increased, while social fragmentation and alienation has created new tensions and led to new forms of pathologies – including more violence within the household, trade in drugs and children and a pervasive sense of the devaluation of human life. Desperate poverty, perceived and actual inequality and a consumer culture that is individualistic and aimed at instant gratification are eroding the values that ensure social solidarity, social cohesion and promote the links between social, economic, cultural and political development.

This chapter has also highlighted the importance of comparing conventional

Table 2.14: Human Development Indices for South Africa for selected years

	1996	2000	2005	2010
HDI with HIV	0.626	0.605	0.565	0.542
HDI without HIV	0.628	0.646	0.650	0.654
Ratio	0.990	0.937	0.869	0.839



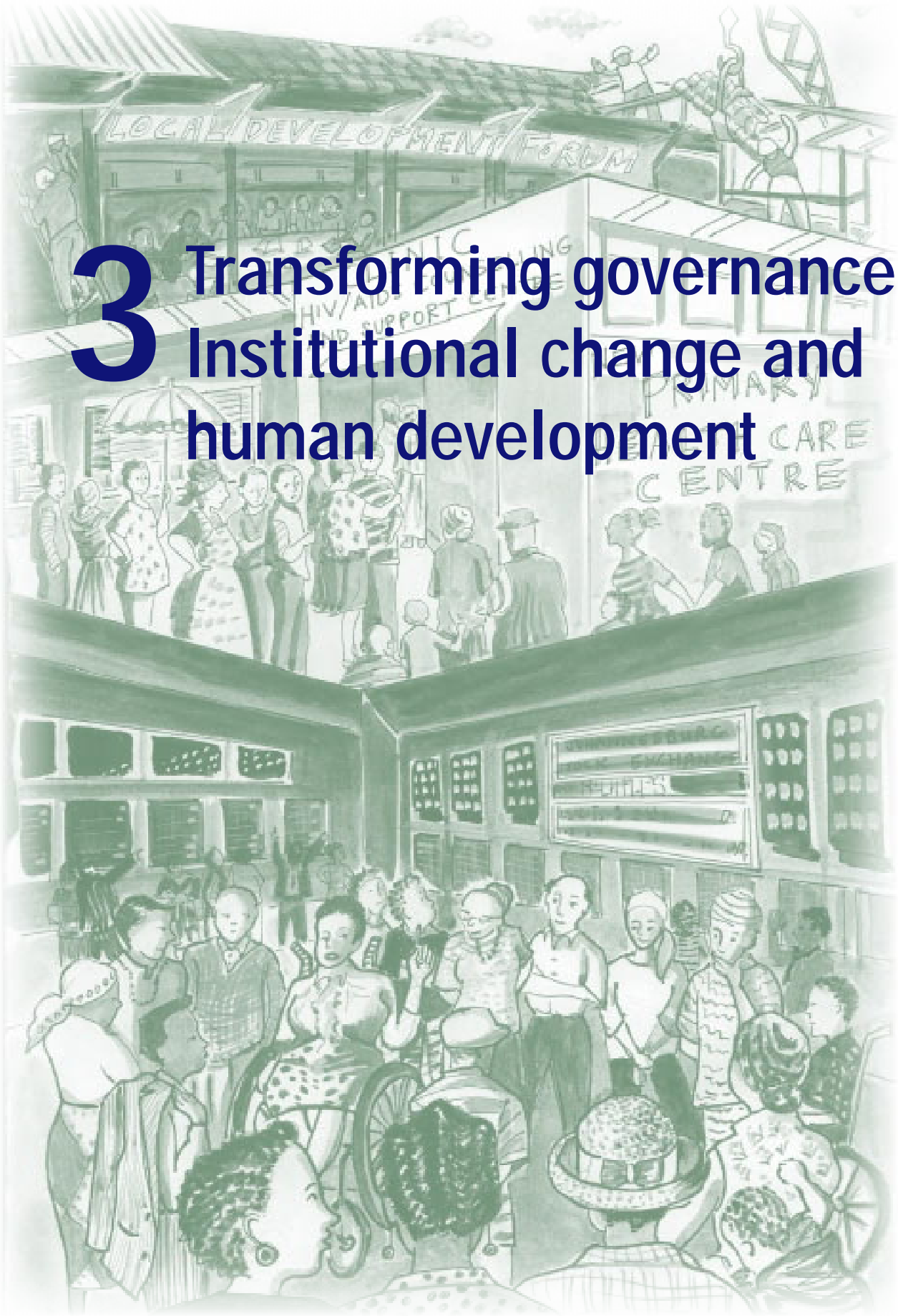
indicators of development against human development and people's experiences. It provides a more accurate reflection of the social development impulses that lead to and reinforce patterns of powerlessness and alienation from mainstream society. Remarkable though South Africa's road to transformation has been, all the indicators reveal the need for an acceleration of the pace of development for

the poorest if the gains achieved through political and institutional transformation are to transcend the legacy of apartheid. It is against this backdrop – of the indicators of human development, of persistent and growing poverty, of social inequality as reflected in race, income and gender imbalances and the lack of social capacity – that institutional transformation and governance are examined in the next chapter.

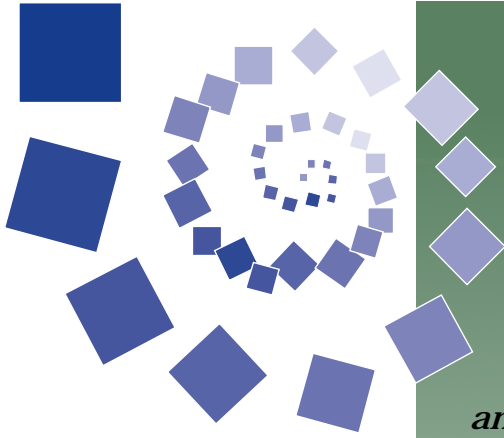
## Notes

- 1 UNDP [1997], 15
- 2 GDP is often used to rank nations in relation to one another, particularly for investment purposes.
- 3 Manuel [1998a], 4
- 4 Manuel [1999], 19. As suggested above, the authenticity of that claim is also controversial.
- 5 To avoid double counting, they aim to count only “final product”, excluding intermediate output. Final product is defined as goods and services that are purchased and not resold during the accounting period.
- 6 Clarke [1991], 23
- 7 UNDP [1997]
- 8 UNDP [1997], 26
- 9 Eisner [1989]
- 10 UNDP [1999]
- 11 UNDP [2000]
- 12 This assumes a GDP per capita growth rate of 2 percent per annum.
- 13 A measurement of the extent of absolute poverty
- 14 Whiteford and van Seventer [1999]
- 15 Poverty and Inequality Report (PIR)
- 16 Whiteford & van Seventer [1999]
- 17 Poverty and Inequality Report and Statistics South Africa 2000
- 18 Bundy [1992], 25
- 19 Sangoco, CGE & SAHRC [1998], 17
- 20 Statistics South Africa [1996]
- 21 Statistics South Africa [1998], The People of South Africa: Population Census 1996, Report No. 03-01-11
- 22 Unsafe water is defined as water drawn from dams, rivers, streams and spring
- 23 Tertiary education includes universities and technikons.
- 24 UNDP [2000]
- 25 Statistics South Africa [1997]
- 26 See further Chapter One.
- 27 The broad definition includes anyone who is unemployed and is available to start work within a week of being polled.
- 28 Statistics South Africa figures released in October 1998; see “Detailed picture of labour losses”, SouthScan Vol 13 No 23, 13 November 1998.
- 29 This is measured as the percentage of people not expected to survive at age 40.
- 30 This is estimated as an average of the percentage of severely and moderately underweight children under 5 years, percentage of people without access to safe water and percentage of people without access to health services as a measure.
- 31 This is measured as the percentage of adults who are illiterate.
- 32 UNDP [2000]
- 33 UNDP [2000]
- 34 The Gini coefficient is a number between 0 and 1 which indicates the level of income inequality within a population. A value of 0 indicates perfect equality (everyone has the same income), while a value of 1 indicates perfect inequality (one person or household has all the income). As the Gini coefficient becomes larger and closer to 1, the extent of inequality increases.
- 35 World Bank [1996]
- 36 ‘South Africa is still suffering inequalities from racial capitalism’, Parliamentary Bulletin, 14 April 1998, based on a paper by Professor Sampie Terreblanche of the University of Stellenbosch.
- 37 Whiteford and van Seventer [1999]
- 38 Statistics South Africa figures, using the 1995 Income and Expenditure Survey and cited in Mbeki [1998a], 2.
- 39 Mbeki [1998b], 5.
- 40 Figures cited by Mbeki [1998b]
- 41 ILO [1996], 21
- 42 ‘Ramaphosa’s departure raises key black empowerment issues’, South Scan Vol 14 No 5, 5 March 1999.
- 43 Figures cited in ‘Poor still no better off’, Financial Mail, 19 September 1997.
- 44 UNDP [1998], 5
- 45 Slovo [1976], 141
- 46 Marais [1998], 5
- 47 Statistics South Africa, 2000
- 48 UNDP [1999]
- 49 Statistics South Africa [1999]
- 50 Information on parliamentary representation was obtained from the Parliamentary Liaison Officer.
- 51 Statistics South Africa [1998]
- 52 Statistics South Africa [1998]
- 53 This is the average annual growth rate of population over the past several 25 years

# 3 Transforming governance: Institutional change and human development







*“Our people, with their aspirations and collective determination, are our most important resources. In linking democracy, development, human rights and a people-centred approach, we are paving the way for a new democratic order. The thorough-going democratisation of our society...that must transform both the state and civil society, is, therefore, an active process enabling everybody to contribute.”<sup>1</sup>*

# Introduction

There have been momentous institutional changes in South Africa over the past six years. Assisted by civil society, government has succeeded in overhauling Parliament and other institutions of governance, entrenching principles of accountability and promoting public participation. There has been significant progress towards making institutions representative and accountable. If the pattern of the past six years continues, these reforms will continue to take place in line with three carefully balanced objectives: the maintenance of stability and order, the promotion of the well-being of the least advantaged and conformity with a rights-based constitutional framework. All three are essential requirements for human development. The relationship between democratic governance and institutional change that is responsive to people and human development is critical.

This chapter assesses institutional transformation since 1994 and reviews some of the main challenges against government's objective of promoting a people-centred society. The first section covers the central institutions of democratic governance, with an emphasis on the transformation of the national Parliament. The second section describes and analyses the financing of governmental and institutional transformation. It considers the provincial delivery of social services, such as health, welfare and education, and reviews municipal service provision, focusing on water, electricity and roads. Each of these aspects is critical to the human development requirements of equity and the distribution of basic goods. There is also an overview of the effect of donor funding and government debt on social service delivery.

## Institutional Transformation

### The official understanding of institutional transformation

In an address to the African National Congress (ANC), former President Nelson Mandela emphasised the need to transform South African government and society:

The country we have inherited is essentially structured in a manner [that] denies us the possibility to achieve the goal of creating a new people-centred society. Accordingly, the realisation of this objective, from which we will not depart, requires that we work to transform our country, fundamentally.<sup>2</sup>

The basis for the reform of government institutions – in both its legislative and executive branches – is the Reconstruction and Development Programme (RDP). The RDP is explicit about the need to overhaul and democratise state institutions. As stated in one of its six principles:

The RDP requires fundamental changes in the way that policy is made and programmes are implemented. Above all, the people affected must participate in decision-making. Democratisation must begin to transform both the state and civil society. Democracy is not confined to periodic elections. It is, rather, an active process enabling everyone to contribute to reconstruction and development.<sup>3</sup>

Thus, transformation is defined as an active process of developing accountability, openness and public participation in government institutions and activity. Mandela underscored the urgency of transforming state institutions:

One of the first things that was very clear to us is that we cannot effectively use our access to political power to effect a fundamental transformation of

our society by relying on the old apartheid state machinery. One of the central tasks of the democratic revolution is the abolition of the apartheid state and its replacement by a democratic state. A complicating factor is that we must accomplish this task at the same time as we continue to use the existing state machinery to implement our programmes.<sup>4</sup>

That transformation is seen as an ongoing process is evident in government and ANC documents. According to the Speaker of the National Assembly, Frene Ginwala:

Transformation is not a static thing, not a technical thing that you pull out of a textbook. It is an organisational culture. It is the components, the ways in which you function, the objectives you serve, the degree of participation you have. These are all part of the process. It's democratising the institution itself.<sup>5</sup>

These statements clearly anchor government's vision of transformation within a human development perspective. Transformation is expressed as the process through which institutions of the apartheid government are transformed into accessible, open and inclusive institutions of a democratic state.

## Institutional Transformation at National Level

Central to transformation and human development are the conceptual links between institutional transformation and issues of equity, participation and the distribution of power and resources. Hence, an examination of the results of six years of political democracy requires a review of the extent of democratic consolidation by the legislative, executive, independent constitutional bodies and civil society arms of governance.

In countries where democracy is usually understood as the promotion of *plural* political relations, such consolidation may appear contradictory. However, in the context of South Africa's apartheid past, with its divide-and-rule

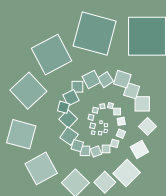
race-based politics, the task of consolidating various interest groups into coherent political forms and relations is essential. Transformation in South Africa must include the provision of channels of access, patterns of inclusion, resources for action and norms about decision-making that conform to the promotion of active citizenship<sup>6</sup>.

### The "People's Government": transforming structures, policies, rules and procedures

At the national level, the objectives of transformation have been and continue to be implemented in the legislative and executive branches of government. The transformation of Parliament is dealt with in detail below. At the executive level, an important instrument was the appointment of a Presidential commission to study the reform of the President's Office and the workings of the Cabinet. Some of its recommendations were considered in the reorganisation of the President's Office after the 1999 elections. Even before this, the Presidency housed a number of special initiatives focusing on poverty, disability, women and children.<sup>7</sup>

In this regard, the Constitution established a number of independent institutions to support constitutional democracy. These 'Chapter 9 Institutions'<sup>8</sup> are designed to protect, promote and monitor human rights, accountability and equality within their specific areas of remit. They are the Human Rights Commission<sup>9</sup>, the Public Protector<sup>10</sup> and the Commission for Gender Equality. In addition, the Office of the Auditor-General audits and reports on the financial statements and financial management of all national and provincial state departments and all municipalities. Clearly, these bodies have an essential role to play in achieving democracy and accountability. Their mandates explicitly include monitoring, investigating and reporting on govern-

*Transformation is defined as an active process of developing accountability, openness and public participation in government institutions and activity.*



ment activity, helping to ensure the openness and accountability of government processes and personnel.

Democratic oversight and institutional pluralism pose important challenges to the South African government. These include public expectations about performance, the accountability of oversight bodies and the balancing of market-oriented strategies with the interests of competing constituencies.

### **Parliamentary transformation – a new agenda to consolidate democracy**

The Parliament that sat in 1994 operated under guidelines established in the 1993 interim constitution. It included a National Assembly, a Senate and a system of parliamentary committees, open to the public for the first time. Between May 1994 and May 1996, the National Assembly and the Senate combined to form the Constitutional Assembly and devoted much of their energies to drawing up and finalising the Constitution.

Crafting a new constitution acceptable both to all political parties and to the country as a whole was a major achievement. It highlighted the calibre of political leadership that came out of the democratic movement and the commitment of the new government to promoting a representative plural democratic state. Passed at the end of 1996, the Constitution emphasised the obligation of national and provincial government to consult broadly with civil society. It also changed the structure of Parliament. In February 1997,

the National Council of Provinces (NCOP) replaced the Senate, with the aim of involving provincial interests more effectively at national level.

The two houses of Parliament have distinct functions. The role of the National Assembly is direct representation of the people. This is achieved through the national legislative process and by providing a national forum for raising issues and exercising oversight of the executive. The NCOP's role is limited to representing provincial interests at the national level. This it does by participating in the national legislative process and providing a national forum for public consideration of issues affecting the provinces.

A critical aspect of the transformation of Parliament has been the promotion of women within its structures. Both the Speaker and the Deputy Speaker of the National Assembly are women, as is the Chairperson of the NCOP. Just under one-third of committee chairs are women. As noted elsewhere, the ANC prescribes that one-third of its MPs must be women.

The transformation of the institutions of Parliament has also resulted in significant changes in its culture, symbols, customs and orientation. From being the seat of an illegitimate power, Parliament has become a vibrant, representative and people-friendly institution.

### **The parliamentary committee system – representing multiple publics**

Another significant change was the overhaul of a committee system that had, before 1994, simply endorsed the executive decisions of the apartheid regime. With the adoption of the final Constitution in 1997, the expanded role of committees was clearly articulated and established, and committees moved from the shadow of the executive to become what has been described as the 'engine room' of Parliament.<sup>11</sup>

Today, committees play a central role in the promotion of parliamentary

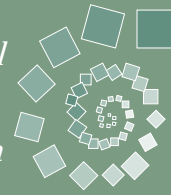
democracy, providing a forum for different interests and social forces. This is particularly important for South Africans who were formerly denied the political and economic power to make decisions affecting their lives. It also contributes to the effective participation of poor people as a critical element in the promotion of human development.

The Constitution gives parliamentary committees considerable powers. National Assembly committees may initiate and prepare legislation. They must also maintain political oversight of the national executive. This includes monitoring the implementation of legislation and ensuring that all executive organs of state are accountable to Parliament for their actions. The rules of the National Assembly provide additional powers for their committees. These include the ability to, “monitor, investigate, enquire into, and make recommendations relating to any aspect of the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, personnel, policy formulation or any other matter it may consider relevant, [to] government department or departments falling within the category of affairs consigned to the committee.”<sup>12</sup>

Although NCOP committees may initiate or prepare certain types of legislation affecting the provinces, the NCOP has no oversight function. However, committees of both houses have the power to summon people to give evidence or to produce documents. They may ask any person or institution to report to them on specific matters and receive petitions, representations or submissions from any interested people or institutions.

There are forty-four parliamentary committees, each with a membership of between fifteen and thirty. Twenty-six are portfolio (National Assembly) committees, one for each of the twenty-five government departments, and a com-

*Today, committees play a central role in the promotion of parliamentary democracy, providing a forum for different interests and social forces.*



mittee on private members' legislative proposals. Of the eleven select (NCOP) committees, nine broadly correspond to government departments, one deals with private members' legislative proposals and one with public accounts. There are also joint committees, comprising members from both houses, *ad hoc* and 'housekeeping' committees. Party political representation on the committees is proportional to the number of seats each party has in Parliament.

Changes in the executive, however, may require a review of the existing committee system. The executive no longer operates exclusively *within* the various departmental portfolios; its decision-making processes now tend to cut across portfolios. Joint interdepartmental committees are commonly established to consider policy of common concern, such as the treatment of juveniles in custody. Furthermore, under President Thabo Mbeki's direction, a system of cabinet clusters or committees brings ministries together according to their functional areas, with the aim of promoting better coordination between sectoral initiatives. If they are to maintain effective policy coherence and oversight of the executive, parliamentary committees will need to respond and adapt to these changes.

The transformed committee system has been instrumental in increasing the national Parliament's legislative productivity over the past six years. It has also helped reinforce the links between efficiency and democracy and has substantially improved the quality of

legislation. Much of the legislation passed during this period has been transformative in nature, bringing South Africa's old system of government into line with the new constitutional and political order. A significant number of Acts (87 of the 532) passed between 1994-1999 dealt with the realisation of the social and economic rights contained in the Constitution.<sup>13</sup> This creates an enabling legislative environment for human development.

There are, however, numerous constraints to the optimum functioning of committees. Inadequate budgets and staff limit the ability of many committees to play a sufficiently active role in the development of legislation. Party discipline influences the extent to which committee members are able to criticise or revise legislation or policy developed by a Minister from the same party. Members of Parliament (MPs) are constrained by the need to balance political oversight of the executive with the need to understand and take into account the fact that the executive is under immense pressure from very powerful vested interests. Indeed, MPs themselves may experience similar pressures. Despite these limitations, some committees have achieved significant success in playing the role envisioned for them.

### Public participation in the parliamentary process: attaining citizenship and rights

The importance of public participation is embodied in documents that define the goals of transformation. The objectives of the RDP state: "Democracy requires that all South Africans have access to power and the right to exercise power." This right goes beyond simply choosing representatives; it entails the right and ability to exercise influence on all government decisions. By engaging with the government at multiple levels, the public ensures that

government is accountable, open and transparent – not only during elections (when citizens typically have the most direct input into the character of their government), but also between them.

Both national and provincial legislatures have attempted to establish systems to facilitate public participation, as required by the Constitution.<sup>14</sup> While the committee system provides the prime platform for public participation, Parliament's Public Information Department seeks to inform, educate and facilitate interaction between the public, civil society organisations, and government agencies.<sup>15</sup> Yet, despite recognition that citizens need to understand their political and civil rights and responsibilities, a recent study has highlighted unevenness in how provincial legislatures achieve this.<sup>16</sup> If those who have been historically excluded are to claim the benefits of citizenship and meet their responsibilities, much more public education and capacity building of the poorest citizens will be needed. Providing the political space is not enough. Human development depends on the extent to which citizens are able to make use of that space.

### Civil society: reclaiming governance for human development

Public hearings are held on almost all pieces of legislation or policy that affect the socio-economic status of people. Civil society organisations, in this regard, have risen quickly to the challenge of meeting their obligations as active participants in South Africa's new democracy. Written and oral representations are made to Parliament by a broad range of interest groups, representing women, youth, workers, rural communities and people with disabilities.

As suggested above, however, the most disadvantaged sectors of the population are often unable to participate in the democratic process. Limited access to media, low education levels and geographic isolation from the

centres of government, not to mention constraints of time and money, preclude meaningful participation by much of society. However, although those with resources and expertise are often better able and more likely to participate in government activity, there are a number of notable examples where civil society has successfully impacted on the government process in a way that benefits its most disadvantaged members.

A specific example was the expression of public concern about the introduction of a Child Support Grant, introduced to replace the racially discriminatory State Maintenance Grant. Following an enquiry, government had announced the adoption of a R75 flat rate grant per month for each child younger than six years of age, targeting 30 percent of poor children (three million individuals).

Convinced that this was woefully inadequate, the Congress of South African Trade Unions (COSATU), the Black Sash, the Community Law Centre, the South African Non-Governmental Organisations Coalition, the Commission for Gender Equality, the Institute for Social Development and the Institute for Democratic Alternatives in South Africa (Idasa) decided to lobby the Portfolio Committee for a better deal. Through their submissions, they were also able to show that government figures and calculations were incorrect because the underlying assumptions about phasing in the new scheme were wrong.

As a consequence, the Portfolio Committee chose not to support the government's policy, but proposed an option that set the benefit at R135, targeting 80 percent of children between zero–nine years of age. The President's Office brokered a deal between the Ministers of Welfare, Population and Development and Finance and the grant was increased to R100 – 33 percent more than the government's original offer of R75.

This was an important achievement for civil society and demonstrates the strong role that public participation can play in the policy process. Because of the strength and persuasiveness of the evidence presented by civil society organisations, Parliament was able to overcome the constraints of inadequate resources, lack of experience and lack of expertise. It asserted the powerful oversight role that is envisioned for parliamentary committees by the Constitution and demonstrates both the relationship between democracy and the promotion of human development and the impact of institutional transformation in South Africa.

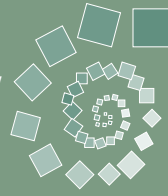
## Transformation at Provincial Level

The new democratic government has also sought to transform provincial structures of governance. The NCOP, which represents provincial interests at national level, and the provincial legislatures were created to bring government closer to the people. The NCOP is made up of 10-member delegations from each of the nine provincial legislatures.

Transformation at the provincial level is necessarily intertwined with issues of co-operative governance and intergovernmental relations. The basis for intergovernmental relations is established in Chapter 3 of the Constitution, entitled "Co-operative Government." Chapter 3 states that government is constituted as national, provincial and local spheres that are distinctive, interdependent and interrelated. Section 41(1) states that the different spheres of government co-operate by "... assisting and supporting one another; informing one another of, and consulting one another on matters of common interest," as well as by "co-ordinating their actions and legislation with one another."

The decentralisation of power and decision-making offers greater potential

*All those involved in co-operative governance should be committed to the eradication of poverty, building the capacity of poor people and actively promoting human development.*



for the representation of women and diverse interests. This is not, however, an automatic consequence. Participation in mainstream social, political and economic activity depends on the types of choices and access to opportunities that are made available to the poorest people. All those involved in co-operative governance should, therefore, be committed to the eradication of poverty, building the capacity of poor people and actively promoting human development. Only this will ensure that the transformation agenda does not become subjected to party political trade-offs.

### Intergovernmental relations: policy and legislative development

The drafting of the White Paper on Local Government illustrates the potential of intergovernmental cooperation. Generally, the development of policy papers is considered the prerogative of the executive and they enter the parliamentary process only in their final stages. In the case of the White Paper on Local Government, however, the Portfolio Committee on Constitutional Development took the unprecedented step of devising a policy formulation process that directly involved both the executive and legislative levels of all three spheres of government (national, provincial and local) throughout the entire process. The drafting team consisted of a political committee, consisting of national parliamentarians, a provincial Member of the Executive Council (MEC) and two local councillors, and a technical drafting

committee, consisting of representatives from local government, civil society organisations, majority party researchers and senior civil servants. A three-phase process (Green Paper, White Paper and Bill) was devised, with comment periods for each.

Section 76 legislation represents another important area for interaction and collaboration between national and provincial government. Section 76 of the Constitution describes legislation affecting competencies *shared* by national and provincial government. In terms of this provision, Bills that affect the provinces must be referred to the provincial legislatures (through the NCOP) for their input, and the amendments of the provinces must be considered. Each ten-person provincial delegation has one vote, for which a mandate is given by the provincial legislatures; hence the party that controls the province will almost certainly determine the mandate the delegation takes to the NCOP. The majorities that the ANC currently enjoys in seven of the nine provinces, combined with its strong second-place position in the remaining two provinces, ensure that the NCOP will virtually always reflect the ANC's provincial priorities when voting on Section 76 Bills.

Through the South African Local Government Association (SALGA), organised local government now also has a role in the national legislative process. In terms of the Organised Local Government Act, local government structures in each province may nominate six councillors to make up a pool of fifty-four who participate in the NCOP.<sup>17</sup> Although this delegation cannot vote, it has an important voice in the legislative process.

### Making co-operative governance a reality

Co-operative governance provides the means for different levels of government to supervise and monitor one another, providing a valuable tool for the trans-



formation of state institutions. Section 100(1) of the Constitution states that, when a province cannot or does not fulfil its obligations in terms of legislation or the Constitution, the national executive may intervene, taking whatever steps are appropriate to ensure the fulfilment of that obligation. The national government may also, to the extent necessary, assume responsibility for the unfulfilled obligation. It may act to ensure established minimum standards for the rendering of a service, to maintain national security or to prevent the province from taking unreasonable action that is prejudicial to the interests of another province or to the country. One example of this is the assistance given by the national government to the Free State Province when it had a serious problem of over-expenditure.

Provincial government is, in turn, required to monitor local government performance. This also involves capacitating municipalities and empowering them to fulfil their constitutional mandate. Formal monitoring takes place through the SALGA as well as through regular MINMEC (Ministers and MEC) forums. At these forums, the national Minister responsible for a portfolio meets with the nine MECs responsible for that portfolio at provincial level to discuss issues of national-to-provincial co-operation within their shared mandate. The rationale for MINMEC forums is effective service delivery.

Where effective service delivery does not take place within a municipality, either provincial or national government may intervene. For example, the Eastern Cape province took over the operation of the council of Butterworth when local political squabbles brought effective service delivery to a halt. Some interventions have been the result of a failure by national or provincial government to capacitate local governments effectively. These are known as 'unfunded mandates', where functions are

devolved to local authorities without the provision of the requisite resources for the discharge of responsibilities. It is obviously essential that the concomitant funds and the necessary training accompany mandates to local government.

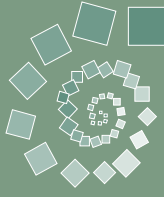
It has been argued that most provincial governments perform administrative functions already delivered either by local or national government and that their powers need, consequently, to be reviewed. Accusations of corruption and inefficiency have also contributed to the call to alter the status of the provinces through a constitutional amendment. In 1999, the Constitutional Review Committee in Parliament focused on the powers of the provinces, with the aim of determining their role in relation to other spheres of government and providing clarity on issues related to concurrent powers. Although the outcome of these discussions has not yet been released, it is by no means certain that the powers of the provinces will be cut back. Indeed, new legislation is currently being prepared to clarify and grant borrowing and taxation powers to the provinces, which will enhance their autonomy.

## Local Government Transformation

In line with the principles of decentralisation and the devolution of state power, South Africa adopted the principle of local government as a distinct sphere of government. The RDP argued, further, that local development is contingent on strong local government.

Local government structures have undergone extensive reforms over the past six years. The Local Government Transition Act (LGTA) of 1993 provided the framework for initial reform. Formerly segregated areas were integrated into transitional local councils with nominated councillors. Following countrywide elections during 1995 and 1996, nominated councillors were

*Local government structures have undergone extensive reforms over the past six years... The transitional process will be completed later this year (2000), when new councillors are elected in terms of the new legal framework for local government and the final Constitution.*



replaced with elected representatives. The transitional process will be completed later this year (2000), when new councillors are elected in terms of the new legal framework for local government and the final Constitution.

The functions of local government can be broadly categorised into two areas: legislative and administrative. Legislative responsibilities include making by-laws and interpreting existing local government legislation or ordinances. Administrative responsibilities include the provision and delivery of basic services.

The LGTA gives provinces the flexibility to decide on the form of local government structures. Most provinces have implemented a two-tier system. At the primary level are the elected local councils, either urban or rural, typically called Transitional Local Councils or Transitional Rural Councils. The secondary level covers larger geographic areas and is referred to in the different provinces either as District, Regional or Services Councils. This second tier is constituted from a number of sources: directly elected councillors, representatives from the first-tier councils and members of several interest groups – levy payers (farmers), women and traditional leaders, who are granted *ex officio* membership.

The Local Government White Paper (LGWP) emphasises a people-centred

approach to local government. This is reflected in the developmental role prescribed for local government and in its promotion of the participation of the poorest in development and decision-making structures. Municipalities are urged to “adopt inclusive approaches to foster community participation, including strategies aimed at removing obstacles to, and actively encouraging, the participation of marginalised groups in the local community.”<sup>18</sup> The challenge to government is to ensure participation by those who currently fall outside of mainstream society and have become alienated by inefficient or non-existent service-delivery. As the primary caregivers in the household, those most directly affected by issues of social delivery are women. They should, therefore, be a primary target in policy and planning changes at the local level.

### Transforming local government for human development

Local government faces a massive legacy of outdated, costly and inefficient managerial and organisational systems that disadvantage poor people and discriminate against women – in practice if not in intention. This implies that the present rules-driven culture must be changed to a culture that is service-driven and developmental.

Politically, local government leaders are often chosen from amongst those who failed to make it onto national or provincial lists and may not, consequently, be in touch with the issues of the poorest. Of particular concern in local government is lack of recognition of the many ways in which patriarchy, custom, religion and other social forces combine to oppress and exploit women. Issues of survival and safety within households, on the streets and in workplaces, where women are subjected to insidious forms of exploitation, are not taken into account during elections or after, even when their votes are being sought.

Another concern is the fact that almost 70 percent of the more than 800 municipalities are in financial trouble and almost a quarter of them are simply not viable. This means they have little or no capacity to address the many needs of the citizens they serve, especially the poor. In areas that amalgamated former homelands, local authorities are burdened with large salary bills and have almost no resources to spend on the community. Effectively, this means that no new infrastructure investment is possible in poor areas, despite the dramatic scale of poverty.

If these factors are not addressed, claims of community participation and developmental local government become meaningless. Recognising this, national government is working on a number of remedies. First, it aims to rationalise the number of municipalities to reduce the problem of financially unviable (without an adequate tax base) local government. Secondly, it seeks to encourage municipalities to engage in a systematic assessment of their core functions, strengths and weaknesses in service delivery and to develop appropriate and efficient ways of meeting needs. Thirdly, once municipalities have developed a sound understanding of the development needs and challenges, they are expected to formulate a coherent and holistic strategy to address these in the short, medium and long term within a clear financial plan. In doing so, they are expected to use a 'partnership approach'. A regulatory framework for both public-private and community-municipal partnerships is currently being finalised.

In order to achieve effective governance at the local level, organisations of poor women and people need to be strengthened through capacity building, resource mobilisation and development education. Significant infrastructural development should be accompanied by programmes to ensure that women

are able to access work, contracts and the necessary training. The role of women is central to effective local government. Not only do they understand the issues, they continue to be the force that generates social cohesion and supports human development against all odds. They should not, however, simply be used as vehicles for development; they must benefit directly and participate fully in all spheres of life.

Another essential to a people-centred process is making the rules for engagement and procurement of tenders and other resources simple, accessible and available in languages that people can understand.

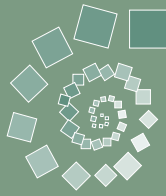
### Traditional leadership and governance

The transformation of local government and the *ex-officio* inclusion of *Amakhosi* (traditional leaders) in local government councils have resulted in a degree of conflict between traditional structures of power and the formal structures of local government.

At a fundamental level, systems of traditional leadership (characterised by inherited rather than elected leadership, deference to authority and emphasis on the good of the collective over that of the individual) seem inherently inconsistent with the principles of democratic governance. However, *Amakhosi* often provide a voice that represents the interests of rural and traditional communities that may not be heard through other means.

Section 211 of the Constitution recognises traditional leadership according to customary law, subject to the Bill of Rights and other constitutional protections. The Section states that legislation must provide for the role of traditional leadership at a local level on matters affecting local communities. In addition, legislation may provide for the establishment of national and provincial houses of traditional leaders. The White Paper on Local Government identifies the

*Of particular concern in local government is lack of recognition of the many ways in which patriarchy, custom, religion and other social forces combine to oppress and exploit women.*



responsibilities of *Amakhosi*. These include acting as head of the tribal authority, presiding over customary law courts, consulting with the community regarding their needs, providing the community with information and advising the government on issues of relevance through the national and provincial houses of traditional leaders. In areas of socio-economic development, *Amakhosi* are expected to make recommendations on land allocation and land disputes, lobby government for development of their areas and ensure community participation in decisions on development. Their responsibilities do not, however, include the actual implementation of development projects.

Tensions between local government and traditional leadership arise most often in areas of overlapping or shared functionality. Surveys and interviews with members of traditional communities indicate that what is most desired is the eventual realisation of a co-operative, function-sharing local leadership structure, in which *Amakhosi* and local councillors work together to achieve development goals. There is a perception that the two entities have different and complementary strengths. Local government is seen as the vehicle through which the community's needs are communicated to provincial and national government, while the *Amakhosi* are seen as having the knowledge and trust of the community needed for the protection of their

interests. It must be noted, however, that, when it comes to the promotion of gender equality and women's rights, traditional authorities and custom operate in a profoundly patriarchal system.

As noted above, the Constitution provides that legislation "may" be enacted to establish national and provincial houses of traditional leaders to advise national and provincial government. Traditional leaders complain that this wording allows for the possible future discontinuation of the provincial houses. Government is also not obliged to take the advice of the houses of traditional leaders, even on issues that directly affect traditional communities. There have been calls for a more formal role for the houses of traditional leaders on certain legislative and policy issues. In practice, however, the input of traditional leaders is taken into consideration when drafting policy that affects traditional communities. At public hearings on the draft White Paper for Safety and Security, held in KwaZulu-Natal in July 1998, almost one-third of the presentations were made by traditional leaders or traditional organisations and a number of the issues raised were incorporated in the final White Paper.

## Institutional Change and Transformation for Human Development: Recommendations

### Enhancing Parliament's capacity to exercise meaningful oversight over law and policy making

The oversight role of Parliament, and specifically that of the parliamentary committees, needs to be clarified and considerably strengthened. It is not presently clear how and when the executive can be called to report to Parliament, nor what the nature and content of that reporting should be.

Thus, regulations or even legislation to clarify procedures for parliamentary oversight are urgently required.

Furthermore, the capacity of parliamentary committees needs to be enhanced so that their members fully understand the links between the different spheres of government, particularly in relation to concurrent and separate powers. If parliamentary committees are to play an enduring role in the consolidation and enhancement of democracy by promoting human development in the interests of the poorest citizens, they must develop and use their limited resources carefully, nurturing expertise and policy specialisation among support staff and within committees and improving access to basic research and technical support.

### Creating space for greater involvement in budgetary processes

Presently legislatures and civil society have very limited opportunity for input into the formulation of the national budget. Reasons for this include a lack of parliamentary amendment powers for money bills, restricted time available for comment and insufficient supporting information. Parliament also has limited independent budgetary research capacity and the position of government-established monitoring commissions – the so-called Chapter 9 institutions – is somewhat compromised (see below).<sup>19</sup>

A number of attempts to build the capacity of legislatures and civil society are underway. Most derive from outside of Parliament and consist, on the one hand, of research projects that analyse budgetary trends and the social impact of government spending<sup>20</sup> and, on the other, of education and training projects aimed at improving budget literacy<sup>21</sup>.

Parliament needs to be given amendment powers in line with international best practice, which suggests, as a minimum, the power to decrease expenditure and increase tax.<sup>22</sup> In addition,

functional committees should be given the power to suggest amendments to the floor of the house.<sup>23</sup> Rescheduling the release of the draft budget would greatly enhance the capacity of Parliament and civil society to debate and critique budget recommendations:<sup>24</sup> a release date in December or January should provide sufficient time for these groups to voice their concerns and develop informed alternative proposals.<sup>25</sup> The release of the budget should be preceded by the release of the Medium Term Budget Policy Statement in November (as at present), but with more time allocated to the discussion of its macroeconomic implications than is presently allowed. In order to facilitate a greater role for functional committees, more time could be allocated for committee debate relative to that presently allocated for general debate on the floor of the house.

The research capacity of Parliament could be boosted, firstly, by drawing the Finance and Fiscal Commission (FFC) more closely into the process and, secondly, by collaborating with university departments. Chapter 9 institutions (such as the Human Rights Commission and the FFC) play a critical role in providing independent assessments of government policy and delivery performance.<sup>26</sup> Under the present arrangements, each of their budgets is located with the department to which they have the greatest affinity – the very bodies they are required to monitor with the greatest intensity. The obvious conflicts of interest in this arrangement should be eliminated.

### Strengthening public participation

The public participation system favours organised and well-resourced sectors of civil society. “The person we must all have in mind when we think of public participation is a black African, rural, illiterate woman. We must aspire to reach her,”<sup>27</sup> said Frene Ginwala in

1995. Three years later, she conceded that this ambition had not been achieved; thus far, only organised interest groups participate. Government must persist in its attempts to find ways to encourage public participation by both unorganised and organised sectors of society.

### Promoting links between traditional and constitutional forms of government

Significant issues need to be addressed regarding the co-existence of local government structures and traditional structures of power. The manner in which patriarchy, governance, class interests and human development intersect needs to be understood. Procedures, rules and an enabling environment must be developed to ensure that the promotion of equality and the inclusion of the most marginalised sectors of society into decision-making forums are not compromised.

## Public Financing: the Key to Institutional Change and Transformation

### What are the democratic dividends for the poorest citizens?

As noted, institutional change should result in significant, tangible gains for those who have been excluded from mainstream society. This demands a critical examination of the public financing of the distribution of goods and services.

The absence of accessible and uniformly detailed information makes it extremely difficult to examine the linkages between social need, public policy, resource allocations through the fiscus, actual expenditure and social impact across all sectors entailed in human development. Public institutions are still emerging from a highly fragmented past; information management

systems remain biased towards tracking input data and have yet to be given an output and outcome orientation; input data is commonly not formatted to allow for comparison, and analysis across spending agencies and actual expenditure figures are commonly not available.

Taking these information management constraints into account, this section focuses on provincial and local government – the two spheres most involved in service delivery – and examines what their location within the intergovernmental fiscal system means for delivery.

### Intergovernmental fiscal relations

The Constitution assigns both concurrent and exclusive powers to all spheres of government. In relation to shared powers, the national government is usually responsible for policy formulation, while sub-national<sup>28</sup> governments are responsible for implementation. This is the case in all the provincial services discussed in this section. In the local government sphere, national government is involved in implementation in the electricity sector (through the electricity public utility) and the water sector, although largely only in the rural areas.

According to section 146 of the Constitution, national legislation generally prevails over sub-national legislation. National government is empowered to prescribe uniform national norms and standards for delivery, provided the implementing sphere has adequate resources to meet such standards, raising the question of ‘unfunded mandates’ discussed above. Oversight functions between national and sub-national spheres and provincial and local spheres are also prescribed.

The most important factor determining the relationship between national and provincial government is the vast discrepancy between provincial expenditure responsibilities and the sources of revenue over which they

have power. Provinces generate only 5 percent of their revenue needs and receive the other 95 percent in the form of unconditional and conditional transfers from national government. The relationships between the different spheres of government are set out in the Constitution and given financial effect by the FFC, which determines the financial allocations for provinces in accordance with agreed formulas. When making provincial allocations for the delivery of services, the FFC and government take into account both demographic factors and the unequal revenue base of provinces.

Although local government has a broader range of revenue sources at its disposal, there is also an unequal distribution of wealth between municipalities. The erstwhile Department of Constitutional Development and Provincial Affairs<sup>29</sup> estimated that local government could generate over 90 percent of its revenue,<sup>30</sup> a calculation based on budgeted income and expenditure for 1996/97. However, since municipalities cannot budget for an operating deficit, this estimate must be seriously questioned. The aggregate also hides massive variations in the revenue bases of municipalities. The fact that 151 out of 843 municipalities are in deep financial crisis calls their financial viability into question.<sup>31</sup>

In order to facilitate a more equitable allocation of resources, all revenue collected by the national government goes into a common revenue pool from which each sphere has a right to an 'equitable share'. According to the Constitution, the equitable share should be large enough to permit each sphere to perform its functions.

Table 3.1 shows the relative shares of each sphere's allocation of the total national revenue pool. The "top slice" is the amount subtracted from the total pool before division. By far its largest components are debt and interest

R' 000 000	1998/9	1999/00	% of total	1998/9	1999/00
Nominal					
National Equitable share	81312	80833	37.7%	37.3%	
Provincial Equitable share	84069	84202	39.0%	38.8%	
Local Govt Equitable share	2316	1673	1.1%	0.8%	
"Top slice"	48000	50072	22.3%	23.1%	
Total Expenditure	215697	216780	100.0%	100.0%	

Source: Dept of Finance *Budget Review 1999/2000*

1998 Rands	1998/9	1999/00	2000/1	2001/2
Northern Cape	2520	2486	2510	2516
Eastern Cape	2374	2276	2265	2227
N. Province	2223	2142	2180	2166
Free State	2281	2181	2199	2169
Western Cape	2388	2285	2228	2162
KwaZulu-Natal	2029	1969	2019	2007
North-West	2132	2029	2023	1983
Mpumalanga	1946	1908	1950	1960
Gauteng	1899	1862	1866	1862
Total	2160	2086	2107	2086

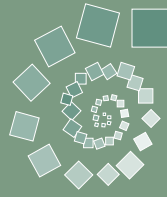
	1996/97	1997/98	1998/9	1999/00
Health	20.31%	21.59%	23.60%	24.32%
Welfare	17.71%	18.74%	20.12%	19.53%
Education	37.09%	36.48%	40.51%	40.79%
Other	24.88%	23.18%	15.77%	15.36%

Source: Provincial estimates of expenditure (own calculations)

repayments<sup>32</sup>. The relative share of each sphere is declining while the top slice is increasing. Provinces receive the largest share of the pool and local government a significantly smaller portion. The shares are based on historical patterns of expenditure. This allocation has been criticised by the FFC and other groupings, including the local government association, SALGA.<sup>33</sup>

Table 3.2 shows the real *per capita* transfers to provinces. The trend in *per capita* share for all provinces is down-

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ward over the medium term period, with some of the poorest provinces amongst the most severely hit (Eastern Cape, Northern Province and the North-West province)<sup>35</sup>. The lack of movement towards equality demonstrated by this table suggests that there are deficiencies in both the horizontal formula and the manner in which new demographic information flowing from the 1996 census is being phased into the formula.

Three provinces (Eastern Cape, KwaZulu-Natal and the Free State) have been 'bailed out' by national government since the discretionary provincial budgeting and equitable share system was introduced in 1997/98. While it is certain that poor financial management contributed to the shortfall, deficits were confined to particular sectors where expenditure did not match the sector specific grants in the horizontal formula. This suggests that the formula needs to be revised.

Table 3.3 shows that Health, Welfare and Education (HEW) are by far the most significant expenditure departments at provincial level. Their aggregate share has grown dramatically since 1996 and currently makes up almost 85 percent of provincial budgets. National government expenditure on HEW is relatively insignificant, except for tertiary education (excluded from the scope of the study).

The imperative is to match national transfers with expenditure obligations in a manner that reflects national government policy. Although national priority areas require the co-ordination of national government, this should not compromise the ability of sub-national governments to respond to regional and local needs.

### Provincial services: health, welfare and education

Health, welfare and education are the three delivery sectors that critically underpin human development<sup>36</sup>. This section focuses on the social effect of public delivery on two of the poorest social sectors, women and children.

There have been two broad objectives in social service delivery in the immediate post apartheid period: firstly, the redirection of resources to key social sectors from sectors previously aimed at bolstering apartheid and, secondly, the redistribution of resources within sectors to services geared to serving the poor. There has been some success in addressing the first objective. Fifty-five percent of the national budget (after interest and debt deductions) is spent on social services – a high proportion compared to social spending in similar middle-income developing countries.<sup>37</sup> When compared with these countries, however, outcomes are much weaker, implying that success in respect of the second objective has been limited.

There are substantial inherited inequalities between and within provinces<sup>38</sup>, implying that the second objective can also be expressed as the redressing of geographic inequalities. This section provides some evidence to suggest that the elimination of inter-provincial inequalities is not complete. Very little information exists regarding intra-provincial inequalities, although one example is given below.



## Health

The most important policy goal for health is to shift resources from tertiary and secondary health care to primary health care, increasing proportional expenditure on primary health care clinics in relation to provincial and academic hospitals. Primary health care is said to be more effective in achieving health outcomes, as it is more efficient and accessible to dispersed populations. Provinces have, accordingly, been instructed to make this shift in their budgets. The national importance of tertiary services and their 'spill-over' into other provinces has been accommodated through a 'health conditional grant', administered by the national Health Department and earmarked specifically for academic hospitals in four provinces. Recipient provinces explicitly budget for these grants.

Table 3.4 shows that, in practice, provinces have spent only marginally larger proportions of their budgets on primary health care facilities<sup>39</sup>, while the proportion allocated to academic hospitals has increased proportionately faster. Hence, cuts have occurred in secondary hospital and maintenance expenditures rather than in tertiary services. This is because provinces do not control the most important cost driver in health expenditure, salaries. For reasons discussed later<sup>40</sup>, provinces cannot adequately control staff numbers and wage levels. Staff redeployment within this sector is constrained by the non-substitutability of labour, arising from the specialised nature of health care personnel.

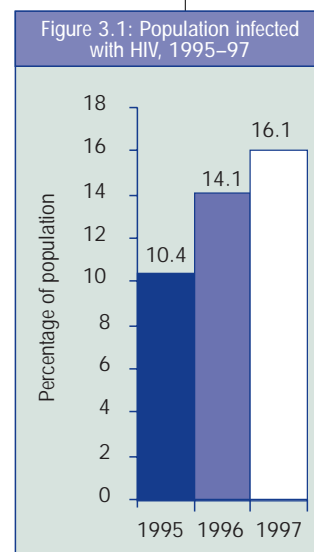
Childhood health and nutrition indicators point to the limited impact of redirection and redistribution to a district health system,<sup>41</sup> with the indicators reflecting the lingering effects of past discriminatory social policies. Poor children continue to suffer and die from diseases such as tuberculosis, measles, typhoid and diarrhoea. Childhood

	1996/97	1997/98	1998/9	1999/00
Administration	3.76%	3.34%	3.73%	3.37%
District Health Services	37.68%	39.15%	39.13%	38.44%
Provincial Hospital Services	29.64%	27.42%	28.64%	28.60%
Academic Health Services	20.35%	21.38%	21.27%	21.84%
Health Sciences	2.19%	1.82%	2.07%	2.03%
Health Care support services	2.87%	3.01%	1.89%	3.28%
Health Facilities Development and Maintenance	4.06%	4.12%	3.54%	2.66%

Source: Provincial estimates of expenditure (own calculations)

stunting is a major problem in the poorer provinces, pointing to severe child health and nutrition problems in these areas. Although the average infant mortality rate (IMR) for South Africa compares well to that for Latin America and East Asia, extreme provincial disparities mean that a child born in the Western Cape has a 37 percent better chance of survival past the age of one year than its counterpart in the Eastern Cape.

Children are particularly susceptible to the ravages of the HIV/AIDS epidemic. In 1994, 2.3 percent of all babies in South Africa were HIV-infected and 10.7 percent of all reported AIDS cases up to 1994 were children. There are also increasing numbers of AIDS orphans in South Africa. While data on the incidence of HIV/AIDS among children is not readily available, HIV prevalence data indicate that 16.1 percent of all South Africans were HIV infected in 1997 compared to 14.1 percent in 1996 and 10.4 percent in 1995.<sup>42</sup> This has serious implications for health care and financing. Existing levels of health provision are unable cope with such a rapid increase.



### Welfare

Welfare policy has two broad policy objectives: firstly, the extension of social security to all eligible citizens and, secondly, the shift away from expensive institution-based models of care towards community-based services and prevention strategies.

In practice, emphasis has been placed on achieving the first objective, with positive impacts in provinces where a large number of people were previously precluded from receiving race-based grants (such as the State Maintenance Grant). With the introduction of the non-racial Child Support Grant, provinces such as the Northern Province and Eastern Cape have had to spend more on social security, while provinces like the Western Cape, where the opposite is true, have been able to spend less. Social assistance, provided as non-contributory forms of social security, are means-tested and offer the most direct poverty reduction strategy. They include social old age pensions, disability grants, care dependency and foster care grants.

In general, provinces have spent a larger proportion of their budgets on social security as more people have entered the system. The result has been a decline in spending on social welfare and social assistance programmes. Policymakers have suggested that the ratio of social security to social welfare and social assistance programmes should be close to 80:20. However, this cannot be achieved without a substantial decrease in social security payments or a drastic increase in the resources

available to provincial welfare budgets – both of which seem unlikely. This dilemma is heightened by the increased demand for social security in the face of growing unemployment and joblessness.

The only available ‘outcome’ indicator for the welfare sector is the child poverty rate, which currently stands at 60 percent.<sup>43</sup> Again, there are stark provincial disparities: in the Eastern Cape, 78 percent of children live in poor households compared to 35 percent in the Western Cape. These figures suggest that more focused targeting is essential in welfare services if child poverty in South Africa is to be reduced.

### Education

Education policy has two broad objectives: firstly, the introduction of ten years free and compulsory education for all children and, secondly, a shift towards providing more non-formal education services – for example, adult education, early childhood development and special school education.

The key measure in meeting the first objective is the incremental removal of racial and geographic disparities in service provision. Although the original programme of redeployment and re-trenchment of teachers floundered, the current programme of intra-provincial equity in learner-educator ratios is nearing completion. Norms and standards that benefit the poor now guide the distribution of funds for books and stationery and the setting of school fees. The Schools Act (No. 84 of 1996) requires that policy on the distribution of public funds to primary and secondary schools must come on line this year (2000).<sup>44</sup>

Nevertheless, schools in poor areas remain significantly under-resourced relative to schools in wealthy areas. This is because attendance patterns based on income, and to some extent race, have remained unchanged. Each school continues to service a single income

Table 3.5: Provincial Welfare programmes as percentage of total welfare budget

	1996/97	1997/98	1998/99	1999/00
Social security	83.64%	83.17%	85.73%	85.68%
Social Welfare & Social assistance	8.64%	8.58%	7.05%	7.59%
Other	7.72%	8.24%	8.22%	6.74%

Source: Provincial estimates of expenditure (own calculations)

group and is located in the area where that group resides. Rich schools rely on parents and the private sector for the majority of their funds. Thus, although a disproportionate share of public funds is being channelled to poor schools, there is no clear reduction of inequality between schools in richer and poorer areas.

Table 3.6 shows that, although provinces have allocated progressively larger portions of their budgets to primary and secondary schools, there has been little systematic shift in expenditure to non-formal education.

Given these constraints, there is every reason to believe that intra-provincial inequalities in provinces formed from the core of old provinces<sup>45</sup> (in which there were pockets of high-level service delivery) have still not been addressed. This conclusion is supported by the finding of the Medium-Term Expenditure Framework Education Sectoral Review Team. While, on average, the Western Cape complies with suggested norms for the learner-teacher ratio of 35:1, there are rich areas with ratios as low as 26:1 and poor areas where ratios are as high as 70:1 (1998).

The most widely available education indicator is the matriculation pass rate, which shows a disturbing decline towards the 50 percent level.<sup>46</sup> Provincial disparities in matriculation pass rates are even more disconcerting. Better resourced provinces – Western Cape, Northern Cape and Gauteng – achieve the highest pass rates while pass rates in poorer provinces like the Northern Province and the Eastern Cape consistently fall below 50 percent.

### An assessment of provinces as delivery institutions

Before 1994, the public administration was extremely fragmented, with fourteen different race-based administrations. Homelands, although nominally

	1996/97	1997/98	1998/99	1999/00
Administration	5.95%	5.48%	6.22%	4.49%
Public Ordinary School Education	82.33%	81.58%	82.67%	84.50%
Private Ordinary School Education	0.76%	0.90%	0.65%	0.61%
Education in Specialised Schools	2.74%	2.97%	2.89%	2.94%
Teacher Training	2.40%	2.35%	2.08%	1.97%
Technical School Education	1.96%	2.18%	2.01%	1.98%
Non-formal Education	0.68%	0.95%	0.83%	0.89%
Other	3.18%	3.58%	2.63%	2.62%

Source: Provincial estimates of expenditure (own calculations)

autonomous, were highly dependent on transfers from the national government. Provinces were merely administrative extensions of national government, from which they received all policy instructions and sector-specific funding.

Since 1994, all provinces except the Western Cape and Gauteng have had to divert considerable resources into merging and rationalising disparate systems and administrations into single, coherent administrations. The historically uneven distribution of resources during the apartheid years has, however, resulted in provinces of vastly different economic and demographic profiles. These differences affect the demand for services, the ability to provide them and the skills-bases of provinces. Provinces incorporating former homelands have above-average population densities and largely rural populations. These factors result in a relatively higher demand for social services, a lower ability to pay user charges and higher service provision costs. A further feature of these provinces is the lack of basic social infrastructure to support government or private sector interventions.

At least four of the current provinces (Northern Province, North-West, KwaZulu-Natal, and Eastern Cape) were economically underdeveloped by previous governments<sup>47</sup>. The national gov-

ernment has introduced measures to address these disparities, including linking *per capita* funding of provinces inversely to the wealth of the province and initiating and driving 'spatial development initiatives' (SDIs) in those provinces. The outcome of these initiatives has yet to be assessed.

## Factors inhibiting reprioritisation

### *Staffing rigidities*

Provinces have little control over their wage bills. This is because wage levels are set through centralised national bargaining and the 'sunset clauses' agreed to by parties during the pre-1994 negotiation period (to protect public sector employees from unilateral retrenchment). The increase in personnel expenditure has squeezed out both newly identified spending priorities and spending on essential consumables, capital and maintenance. It also inhibits the retention and acquisition of skills within delivery programmes. Skilled personnel are often retained on short-term contracts, providing relatively easy opportunities for staff shedding in the face of personnel budgetary pressures. Another human resource rigidity is the relative non-transferability of skills. This is due both to the lack of a pool of specialised skills required for a number of services within provinces, as well as the unwillingness of employees to be relocated and the lack of incentives or sanction to impel them to accept relocation.

One of the results of the lack of a retrenchment tool and the non-transferability of skills is the high number of supernumerary workers who have spilled over from former administrations into new provinces. The estimated cost of supernumeraries is between R1.5 and R2 billion per year. The Eastern Cape spent R2 billion on supernumeraries over the four years before 1998.<sup>48</sup>

Another factor behind escalating personnel expenditure is the presence of 'ghost workers' – that is, 'workers' officially on the books of a province, but not providing labour services. Salaries are embezzled in this manner. 'Ghost workers' are confined to the Northern Province, the Eastern Cape and KwaZulu-Natal. In 1997, the government estimated that there were 47 000 ghost workers in the public service at an annual cost of approximately R5 billion.<sup>49</sup> Until this situation is addressed, much needed resources to address human development priorities will remain limited.

### *Lack of financial planning and management capacity*

Provinces are unable to cost policies accurately. They lack planning skills and sufficient information on the demand for services and the cost of delivery options. The lack of expenditure output and outcome data inhibits their ability to monitor the effect of existing policy and to steer implementation towards greater impact.

### *Intergovernmental relations*

Other inhibiting factors originate in the system of intergovernmental relations. These relate to the co-ordination of funding transfers with the devolution of responsibility and the co-ordination of public sector reform with budgetary reform.

'Unfunded mandates' squeeze out non-mandated expenditure and constrain broad reprioritisation across sectors. There are only two clear cases in which spending mandates have been issued to provinces: the levels of social welfare transfer entitlements and the salary scales of public servants. The upward trends in spending levels on social welfare and salaries, taken with the relative proportional decline in the provincial equitable share, suggest that these spending mandates are 'unfunded'.

The government has embarked on a far-reaching plan to reform budget processes and systems in South Africa. Despite the absence of a budget reform White Paper, the broad approach is identifiable in several budget policy documents, including the recent Public Finance Management Act (Act 1 of 1999) and the annual Medium Term Budget Policy Statements. These documents, among others, are closely related to the public finance reforms adopted first by New Zealand and Australia.<sup>50</sup> As is the case in several countries pursuing budget reform, the Finance Department has taken a lead in designing and facilitating the process. These reforms may promote transparency and civil society participation in the budget process.

There is a close relationship between budget reform and civil service reform. Unless reprioritisation of expenditure is matched with a transformed delivery structure, South Africa will not be able to improve the flow of resources towards poverty eradication.

## Municipal Services: Electricity, Water, Sanitation, Roads and Transport

As with provinces, the Constitution defines local government's exclusive and shared competencies in relation to the powers of other spheres. However, the vision for local government contained in the White Paper on Local Government appears to be widely used as a working definition, both internally and externally. "Local government is responsible for the services and infrastructure so essential to our people's well being, and is tasked with ensuring growth and development of communities in a manner that embraces community participation and accountability".<sup>51</sup>

It is difficult to assess whether local government is fulfilling its responsibili-

ties because of the large number of municipalities (843) involved, huge differences in capacity, the array of different types of communities they serve, as well as the ongoing restructuring of this sphere of government. These problems are aggravated by a paucity of information, both aggregated and disaggregated, on municipal objectives, outputs and outcomes. This section looks at four national and municipal policy goals (water, electricity, sanitation, and roads/transportation) and gauges the extent to which five municipalities of differing size and capacity are able to budget for and deliver them.<sup>52</sup> Each municipality has been labelled according to the type of settlement it serves. These are listed below:

- Rural municipality (a 'deep' rural area)
- Semi-urban municipality (a former-homeland capital consisting of a largely residential core surrounded by rural areas)
- Medium-sized town municipality
- Secondary city municipality
- Metropolitan (local) municipality (a region within a metropolitan area)

### Water and sanitation

National guidelines define a basic level of water service as the provision of a clean, safe water supply of 25 litres per capita per day within 200 metres of each household, and basic sanitation as the provision of an on-site service (ventilated improved pit latrine).

A study conducted in the Western Cape Province highlights key issues affecting the provision of basic services and equity. It shows that the three 'most urban' municipalities provide water to their communities at a profit. The metropolitan municipality increased its water budget by 300 percent in 1998/99, reflecting the large number of infrastructure projects completed in informal areas in the preceding four years.<sup>53</sup> The medium-sized town cross-subsidises a

basic level capital investment for water from within the water service, and showed similar budgetary growth.<sup>54</sup> Through a similar cross-subsidy mechanism (supplemented by international donor assistance), an upgrade scheme was extended to 6 351 households in the secondary city in the period 1994 to 1998.<sup>55</sup> There are still, however, 20 000 houses without metered water and basic levels of sanitation.

Due to negligible revenue bases, the two most rural municipalities in the study rely on transfers to fund both operating and capital expenditure. The rural municipality budgeted for an amount of R580 000 in 1997/98, with the aim of increasing water access for approximately 10 percent of its population. The required transfers were, however, delayed.<sup>56</sup> Water in the semi-urban area is provided by a water committee, which oversees a project funded and established by the provincial Department of Water Affairs.<sup>57</sup> With the exception of hospitals, clinics and schools, there is no formal sanitation provision in the rural municipality.<sup>58</sup> On the advice of the Department of Water Affairs, the council budgeted for a Department grant in 1998/99. Water Affairs has since reduced the grant offer to R600 000.

### Electricity

Eskom (the electricity generating and transmission public utility) and the National Electricity Regulator are currently promoting an ambitious electrification programme with some success. The aim of the programme was to electrify 450 000 households a year from 1996 to 1999.<sup>59</sup> While municipalities have first rights to distribute electricity in their areas, Eskom distributes to areas not covered by municipalities, such as former township and rural areas.

In the rural municipality, although no figures are available, electrification

is extremely low.<sup>60</sup> In the semi-urban area, the suburban residential part of the municipality is electrified and serviced directly by Eskom, while the rural part of the council is not electrified. Neither the district council (a regional local government body composed of both urban and rural local councils) nor the local councils have budgeted for electrification. Despite the subsidies at its disposal, Eskom does not appear to be extending electricity into the rural parts of these councils, probably because it has judged the investment non-viable.

In contrast, the three 'most urban' councils are able to provide electricity at a profit. In financial terms, electricity departments are the largest departments in these municipalities. The metropolitan municipality generates over 50 percent of its total operating budget from electricity, while electricity accounts for over 45 percent of the council's total operating expenditure.<sup>61</sup> The secondary city generates 46 percent of its total revenue from the trading service.<sup>62</sup> It also spent just under R7 million in 1997/98 on the extension and upgrading of electricity in informal areas, approximately 3 percent of its total capital budget.

### Roads and transportation

Because of the dispersed nature of South Africa's settlement system, the provision of good roads and public transport is critical to economic and social integration and performance. Informal townships and rural areas are especially inaccessible. Local government's responsibilities include the provision and maintenance of municipal roads (and associated storm water drainage), the provision of public transport and the management and regulation of traffic, including public transport. Yet, except in some of the larger urban areas, local government has reduced its provision of public transport. Municipalities with a revenue

base rely on tax revenues and any surplus on trading services for most of their funding of this service, although some subsidies are available from provinces for the maintenance of roads designated as provincial.

The policy of the metropolitan municipality is to “reconstruct roads, foot-ways and storm-water infrastructure in disadvantaged areas according to a programme based on local community needs, environmental upliftment and available funds”.<sup>63</sup> In 1998/99, R87 million, or 12 percent, of the metropolitan capital budget was spent on extending and upgrading roads.

Most roads in rural areas are gravel, which is more maintenance-intensive than tar. These roads are frequently not maintained and are commonly in very poor condition. Extending road infrastructure is extremely costly in rural areas. In the semi-urban area, the only recent road investment was in 1997/98, where a capital transfer of R6.3million was used to extend a gravel bus route by three kilometres.<sup>64</sup> In the rural municipality, a recent case concerns the allocation of a R8.2 million grant accessed by the District Council from the province across its area of jurisdiction.<sup>65</sup> The length and condition of existing roads and population per municipal area were used as allocation criteria. This effectively confined funding to district roads; local roads connecting villages to social facilities were not considered for upgrade, although these may be more beneficial to residents.

Institutional change has resulted in some gains for poor communities through the extension of basic social services. However, if democratic dividends are to be experienced by the majority in a more tangible way, better articulation between the different spheres of government is required. In addition the governance process must include a clear commitment to development goals and people.

## The Effect of Donor Funding on Social Service Delivery

This section examines the contribution made to government programmes in key social sectors by official development assistance (ODA).<sup>66</sup> A study on the impact of ODA in promoting gender equity is used to demonstrate issues of concern.<sup>67</sup> Despite efforts by the government to create formal channels for donor financing and control its flows, very little information on the source, destination and outcome of ODA funds has been released into the public domain. Compared with other developing countries, ODA in South Africa contributes a relatively small portion to the government’s budget (around 2 percent).<sup>68</sup> Given the budget rigidities described above, however, this could play a vital role in reprioritising delivery activities towards poverty eradication.

ODA takes three basic forms: technical assistance, concessional loans and outright financial grants. The international shift away from technical assistance has not affected South Africa. This may be because of the mix of donors, the need for managerial expertise during the transition, the relative availability of government funds for direct service delivery and the availability of contractible local expertise.<sup>69</sup> Another reason is the relative ease in providing technical assistance, given the RDP controls on financial transfers to government. Concessional loans amounted to about a third of the total amounts pledged for the period 1994-9. The government has generally discouraged loans in an effort to avoid the debt trap experienced by other developing countries.

Funds from the European Union (EU), USAID and Japan together account for 70 percent of the total.<sup>70</sup> South Africa receives a significant share of the pie from the EU, USAID, the United Kingdom, most Scandinavian countries,

Australia and New Zealand. For instance, the EU's assistance<sup>71</sup> represents its largest programme anywhere in the world.<sup>72</sup> In 1996, South Africa received 55 percent of the total of US\$500 million allocated by USAID to nine Southern African countries.<sup>73</sup> Japan and Germany, however, give below average amounts to South Africa.

After 1994, most donors shifted a large part of their funding from NGOs to government.<sup>74</sup> However, virtually all foreign government agencies (except Italy, Cuba and Japan which give exclusively to government) say they provide some assistance to both government and NGOs. Although South Africa would not normally qualify for aid because of its level of economic development, the international community remains committed to addressing some of the legacies of apartheid. Most donors indicate that they expect the assistance to be renegotiated beyond the end of the current period.<sup>75</sup> The only donors who are clear when aid will stop are Norad (in 2005), Denmark (in 2001) and Switzerland (2004).

With a few exceptions, donor allocations reveal a focus on poverty alleviation and are consistent with the government's funding patterns. All donor funds are required to go through a special RDP Fund, with oversight by the International Development Co-operation Directorate in the Department of

Finance.<sup>76</sup> This means that most ODA going to government should be 'on-budget'. The picture is, however, obscured by the fact that significant amounts of ODA-funded policy work and institutional transformation in government are carried out by NGOs. Hence, although the majority of donors claim to split their funds equally between

government and NGOs, the final destination of these funds is difficult to track.

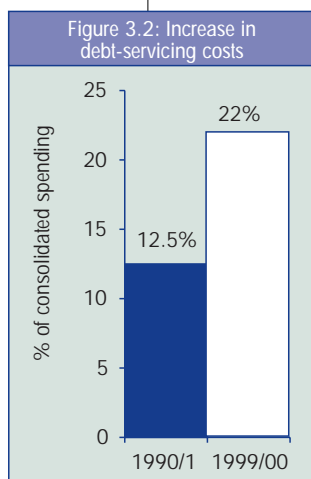
The use of the RDP Fund as a conduit for ODA allows government to regulate the flow of donor aid in accordance with its priorities.<sup>77</sup> This, together with South Africa's lesser dependency on aid, limits donors' influence on policy.<sup>78</sup> An example of this independence was the introduction of free health care for pregnant women and children, which ran counter to donor encouragement of user fees generally discouraged in other countries.

Most agencies have a stated commitment to gender equity and recognise the importance of gender issues in allocating aid,<sup>79</sup> although, when giving examples of gender funding, they often mention NGO rather than government activities. Almost all are committed to mainstreaming and integrating gender issues. For several, gender is a 'cross-cutting' issue to be considered in all projects. Yet, examples of funding specifically linked to gender or women, reflect assistance to national machinery more often than programmes or initiatives within 'mainline' programmes. At present, it seems that funders may be relying too heavily on gender machinery to achieve integration. A number of donors provide support to the Commission on Gender Equality, Women's Empowerment Unit, Office on the Status of Women and departmental gender units.<sup>80</sup>

Donor support for development raises a number of concerns. Most important is the issue of measures taken to ensure programme stability and sustainability, given the finite life span of funding.

## The Effect of Debt on Social Service Delivery

South Africa's total loan debt declined from a high 56,2 percent of gross domestic product (GDP) in March 1996 to an anticipated 55,6 percent at the end of 1998-9 fiscal year.<sup>81</sup> Government has





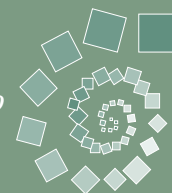
achieved stability after steep increases of the debt to GDP ratio in the first half of the 1990s.<sup>82</sup> Most of this debt was accumulated at national government level. However, R14.8 billion worth was incurred by the former homelands and R13.9 billion by the former regional authorities and was incorporated into national government's debt portfolio in 1994.<sup>83</sup> Based on the adjusted GDP, the average total national government debt as a percentage of GDP in 1998 was 47,3%.<sup>84</sup>

The overwhelming share of South Africa's debt is internal.<sup>85</sup> As at 31 March 1999, domestic debt totalled R347,9 billion and foreign debt amounted to R16 billion (at an exchange rate of R6,03:US\$ 1 prevailing at 29 January 1999). Total debt at that time stood at R377,4 billion (due to forward cover losses of R13,5 billion). Although foreign debt increased from 2,7 percent of loan debt at the end of March 1994, it reached a mere 4,4 percent at the end of March 1999.<sup>86</sup> This puts South Africa in a more favourable position than a number of African countries, many of which face substantial foreign debts while relying on unstable currencies for repayment.

Consolidated national and provincial expenditure figures indicate that debt-servicing costs consumed 22 percent of consolidated spending in the 1999/2000 fiscal year – up from 12.5 percent in 1990/91 – making interest payments the second largest item of consolidated government expenditure. By the beginning of 2000, government had spent about as much on debt servicing as it allocates to education, the largest expenditure item on the consolidated budget over the past years.<sup>87</sup>

Civil society organisations have called for the cancellation of government debt in order to free up money for social and developmental expenditure.<sup>88</sup> The Department of Finance has rejected this call. It argues that, because government has borrowed heavily from its own pension fund, most of this money

*The government has generally discouraged loans in an effort to avoid the debt trap experienced by other developing countries.*



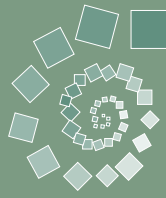
is *de facto* owed to individual South Africans. A task team established at the 1998 Job Summit was asked to investigate ways to restructure the Government Employees' Pension Fund as a means of freeing up resources.<sup>89</sup>

The Constitution prescribes that local and provincial governments may raise loans for capital expenditure and bridging purposes during a fiscal year, to be repaid within twelve months (section 230 of Act 108 of 1996). So far, the nine provincial governments have not engaged in formal borrowing and new legislation to regulate provinces' borrowing powers is currently being drafted. Although municipal debt amounted to R16 billion at the end of the third quarter of 1998,<sup>90</sup> a general constraint on local government borrowing is the fact that only 150 out of 843 municipalities in the country are considered credit-worthy.<sup>91</sup> A re-demarcation process, currently underway, may facilitate better access to the borrowing market. Carefully planned and monitored borrowing by provincial and local governments may be one way of boosting developmental expenditure.

## Concluding Comments

South Africa's debt burden has emerged as a substantial constraint in responding to poverty eradication and other development priorities. The debt burden prevents increases in social expenditure on health, welfare and education. While the national government has stabilised the debt to GDP ratio, it faces increasing debt-servicing costs in years to come. Thus, while substantial budget

*The ultimate test as to whether institutional change is transformative in content and outcomes is the extent to which such change is underpinned by national budget allocations that reflect redistribution to the poorest sectors of society.*



reprioritisation has been achieved since apartheid ended, mainly at the cost of shrinking defence expenditure, further shifts to developmental and social expenditure are not possible. This forces government to focus on efficiency gains within the current broad structure of spending priorities.

It has been argued that greater flexibility in macro-economic policy, linking deficit and inflation reduction to a broad band rather than an inflexible target, would enable government to fund social development priorities.<sup>92</sup> The motivation is that, while the economy is operating well under capacity, it makes sense to allow a modest boost to macro-economic growth by increasing government expenditure (allowing an increase in the deficit) or by reducing interest rates (a relaxation of the Reserve Bank's interest rate policy). Both options would support faster growth with a limited risk of an increase in inflation or rise in the interest rate applicable to government debt.

### Improving information systems and reporting

The allocation of resources and their benefits to specific target groups needs to be carefully tracked. The Public Finance Management Act provides guidelines for effective financial reporting and the information technology

systems for recording and processing output and outcome data already exist and are in use. The crucial missing element in the system is the design and implementation of effective output and outcome measures.

### Promoting policy co-ordination and coherence

Clear guidelines for policy and programme co-ordination of development priorities by the President's Office are urgently required.<sup>93</sup> A critical arena for policy co-ordination is between budgetary reform and the reform of the public sector. Simply maximising the resources available for poverty alleviation will not ensure success. The public sector itself needs to be orientated towards achieving this end. At present, individual ministries drive such activities and information is shared through specific Cabinet Clusters.

### Addressing inter- and intra-provincial inequalities

Neither inter- nor intra-provincial inequalities have been fully addressed. While the former may be addressed at the national level by making adjustments in the allocation formula, the latter lies within the control of provinces and is thus more difficult to address through national policy. The national norms and standards provision, designed to deal with intra-provincial inequalities, has not been implemented. Addressing staffing rigidities could provide more opportunities for defining national norms and standards.

### Strengthening intergovernmental financial relations

The use of the section 100 constitutional powers of oversight and supervision by the national government when allocating 'bailouts' to assist provinces with expenditure shortfalls points to uneven relationships between national and

provincial governments. Stringent conditions have been attached to these 'bailouts'. Asymmetry is acceptable and may even be required to build the capacity of provinces, provided the bounds of intervention are strictly defined and the mode supportive.

### Creating an enabling institutional environment for human development

The ultimate test as to whether institutional change is transformative in content and outcomes is the extent to which such change is underpinned by

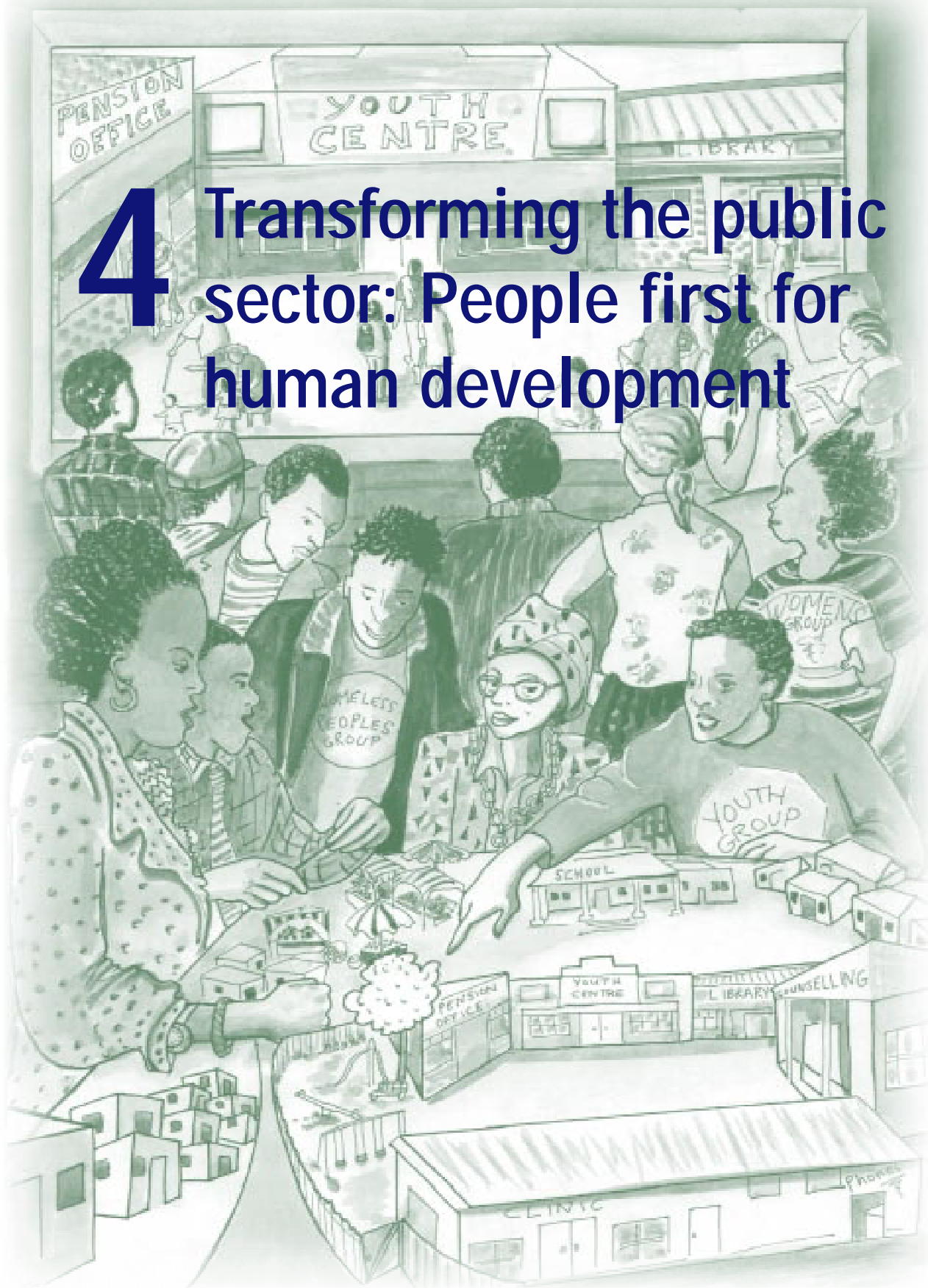
national budget allocations that reflect redistribution to the poorest sectors of society. This is also central to how government promotes a human or people-centred development approach. The power and influence of political representatives can also be measured by the manner in which they advance the cause of their constituencies through parliamentary processes. If it is to have meaning for the excluded, institutional transformation should be based both on the redirection of resources and on the redistribution of power to ensure equity.

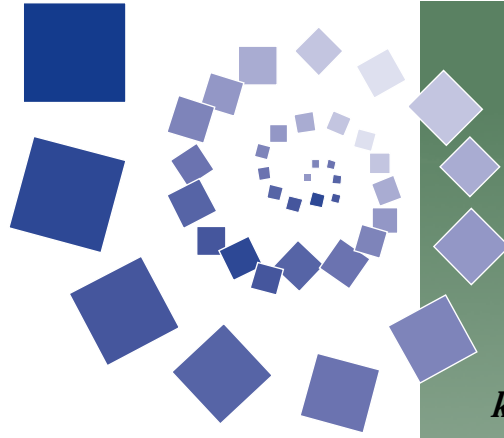
### Notes

- 1 The Reconstruction and Development Programme, 1994
- 2 Mandela [1997]
- 3 RDP [1994], Section 1.3
- 4 Mandela [1997]
- 5 *Parliamentary Whip*, 14 March 1997, 3
- 6 Schmitter [1998]
- 7 Calland R [1999a], 15
- 8 Named after the chapter in the Constitution in which they are established.
- 9 that must promote respect for and monitor the observance of human rights.
- 10 has the power to investigate any conduct in state affairs or public administration suspected to be improper.
- 11 Calland [1999b], 31
- 12 Rule 52(1), Standing Rules of the National Assembly.
- 13 Calland [1999], 14
- 14 Sections 57, 59 and 118.
- 15 Parliament [1996]
- 16 IDASA [1999b]
- 17 Only ten of these councillors can participate in the Council's business at any one moment and the chief executive officer of SALGA decides who attends to the business of the Council.
- 18 Ministry for Provincial Affairs and Constitutional Development [1998], Section B 1.3
- 19 IDASA [1998]
- 20 For example, the Women's Budget Initiative, a joint project of the Parliamentary Committee on the Quality of Life and Status of Women, the Community Agency of Social Enquiry, IDASA, examines the impact of fiscal policy on women. IDASA also runs a Children's Budget Project.
- 21 For example, SADEP (UCT) and Fair Share project on promoting budgetary literacy of community organisations.
- 22 Krafchik & Wehner [1998]
- 23 Krafchik & Wehner [1998]
- 24 Krafchik & Wehner [1998]
- 25 IDASA [1998]
- 26 IDASA [1998]
- 27 The Speaker of the National Assembly, Frene Ginwala, described the original objectives of public participation when launching the National Public Education Department in 1995.
- 28 This term is used to denote provincial and local government collectively, following conventional use. The hierarchical connotations of this term are not reflected in the South African Constitution, which explicitly avoids such terminology in favour of terms connoting horizontal equity.
- 29 Following the 1999 election, the constitutional development function has been incorporated under Justice and the Department renamed the Department of Provincial Affairs and Local Government.
- 30 Department of Constitutional Development [1998]
- 31 *Business Day*, 19 July 1999
- 32 The effect of debt and interest repayment on social delivery is discussed in the section entitled "The effect of debt on social service delivery".
- 33 Finance and Fiscal Commission [1998a]
- 34 These figures are taken from p.107 of the 1999 Budget Review. Local government conditional grants for 1998/9 and 1999/00 were excluded since they were phased out over this period. The figures were then adjusted for inflation based on figures from p.56 of the Budget Review. Population figures were projected from Census 96 with population growth rates from the Demographic Information Bureau.
- 35 The social-economic characteristics and delivery needs of each province are profiled in Appendix One.

- 36 The housing sector is also critical to human development; this report, however, focuses on the social services in which the highest public expenditure occurs. South Africa spends approximately 2 to 3 percent of the national budget (after debt servicing and redemption) on housing, 2 or 3 percent below what other middle income developing countries spend, suggesting that government could give more attention to this sector. Housing, together with job creation, crime fighting and education, is a top public priority for government action. See IDASA [1998]
- 37 Robinson & Sadan [1999]
- 38 The sources and patterns of inter- and intra-provincial inequalities are discussed in 'An assessment of provinces as delivery institutions'.
- 39 District Health Services
- 40 Refer to "Factors inhibiting reprioritisation".
- 41 Robinson & Sadan [1999]
- 42 United Nations Development Programme [1998]
- 43 Robinson & Sadan [1999]
- 44 A study conducted in 1996 by the FFC revealed that the share of the education budget spent on the poor and 'ultra-poor' is much lower than their share of the population. See Finance and Fiscal Commission [1998b]. While the poor comprise 53 percent of the population, they receive only 40 percent of the education budget. The 'ultra-poor' form around 29 percent of the population, but receive merely 20 percent of the education budget. These indicators may have shifted to some degree since provinces began to introduce the new schools funding policy informally.
- 45 The compositional relationship between post 1994 provinces and the old provinces and administrative entities is shown in Appendix Two.
- 46 Robinson & Sadan [1999]
- 47 Refer to Appendix One.
- 48 Msimango [1998]
- 49 *Business Day* 3 July 1997
- 50 Compos & Pradhan [1996]
- 51 Department of Constitutional Development [1998]
- 52 Budlender [1999]
- 53 Hewu [1999]
- 54 Ferreira [1999]
- 55 Moodliar [1999]
- 56 Coopoo [1999]
- 57 Holcomb [1999]
- 58 Coopoo [1999]
- 59 National Electricity Regulator [1997]
- 60 Coopoo [1999]
- 61 Hewu [1999]
- 62 Moodliar [1999]
- 63 Hewu [1999]
- 64 Holcomb [1999]
- 65 Coopoo [1999]
- 66 This excludes assistance provided by international and local trust funds, foundations, private sector initiatives, as well as church, labour and other groupings. It also excludes counter-trade deals.
- 67 Budlender Dube [1999]
- 68 Budlender & Dube [1999]
- 69 Schneider & Gilson [1997], 43
- 70 Bratton & Landsberg [1998]
- 71 officially termed the European Programme for Reconstruction and Development (EPRD)
- 72 Delegation of the European Commission [1997], 10
- 73 Schneider & Gilson [1997], 20
- 74 Bratton & Landsberg [1998]
- 75 Budlender & Dube [1999]
- 76 Budlender & Dube [1999]
- 77 Bratton & Landsberg [1998]
- 78 Schneider & Gilson [1997]
- 79 Budlender & Dube [1999]
- 80 Budlender & Dube [1999]
- 81 Department of Finance [1999], 79
- 82 Annett [1996]
- 83 Department of Finance [1999], 78
- 84 Own calculations based on data from South African Reserve Bank, Quarterly Bulletin, December 1999: S/59 and S/106
- 85 Department of Finance [1999], Table 3.17
- 86 Department of Finance [1999], 80
- 87 Department of Finance [1998], Table 3.11 and Department of Finance [1999], Table 5.8
- 88 *Business Day*, 18 December 1998.
- 89 Department of Finance [1999], 87
- 90 Department of Finance [1999], 109
- 91 *Business Day*, 14 September 1998
- 92 IDASA [1998]
- 93 IDASA [1998]

# 4 Transforming the public sector: People first for human development





*“Loskop has water, but not for us. It is only 10 km away, but the water passes us. It goes to Groblersdal and Marble Hall. They are 85 km away, but we have no access. The problems are caused by the lack of water. It is made for whites only. We want access to it. For irrigation. To look after our children through water. We do not want the water taken out of Loskop.”*

**Julia Kotelo**  
Poverty Hearings  
Mpumalanga

*“We find that many ladies have lost their limbs because of crocodiles while they are trying to fend for their children... When trying to fetch water, you have to put a string on the bucket and throw it there to avoid an attack from the crocodile.”*

**Jabu Ntuli**  
Self-Employed Women's Union  
Poverty Hearings  
KwaZulu-Natal

# Introduction

Beyond responding to global pressures for change, the South African government had pressing internal reasons for embarking on a radical and comprehensive process of administrative transformation and reform. Democratisation, nation-building and reconstruction and development depend on a fundamental restructuring of the post-apartheid bureaucracy. The key challenge, therefore, is to change the public sector from an instrument of discrimination, control and domination to an enabling service-oriented sector that empowers all the people in an accountable and transparent way.

South Africa has been able to draw on lessons of international best practice in the public sector to advance its reform process.

The government's White Paper on the Transformation of the Public Service (WPTPS)<sup>2</sup> provided the broad policy framework for reform. This was given added substance and momentum by many policy documents and legislative interventions. There have been some notable successes, particularly in the integration and unification of the public service, the devolution of power and decentralisation of managerial responsibility, and the increased representation of black people (Africans, coloureds and Indians) and women within senior management echelons. Some remaining concerns include the task of enhancing the efficiency and effectiveness of public sector performance, upgrading the quality of service delivery and achieving a professional and corruption-free service.

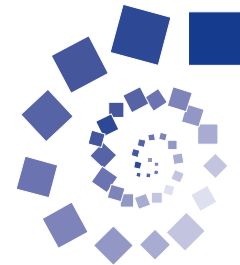
This chapter provides an overview of the main achievements of and challenges for public sector transformation

in South Africa. The South African public sector consists of three distinct but related elements: a public service that currently employs approximately 1.1 million people, local government that employs 230 000 and a parastatal sector that employs close to 200,000. Although all three sectors will be covered in this chapter, the main emphasis will be on the public service.

## Box 1

"International best practice in Public Sector Reform." These include:

- moving towards the state as facilitator rather than controller;
- trimming state expenditure and the size of the public service;
- contracting out services to the private sector and non-governmental agencies;
- increasing emphasis on quality, performance, efficiency and cost-effectiveness;
- devolving and decentralising managerial responsibility and accountability, together with the introduction of performance-related contracts for senior managers;
- introducing new and more participative organisational structures;
- developing new and less rule-bound organisational cultures;
- developing more effective and computerised management information systems;
- introducing more flexible staffing and recruitment practices;
- introducing improved and output-related budgeting and financial planning systems, and
- increasing emphasis on performance management and human resources development.<sup>1</sup>



## Transforming Policies

### The vision for public sector transformation

The Government began its transformation of the public sector with a radical overhaul of the policy framework. The public service inherited by the government in 1994 was designed to promote and defend the social and economic system of apartheid and geared to serving the material needs and interests of the white minority. Structured along mechanical, closed models of public and development administration, the principle features of the apartheid bureaucracy included rigid racial and ethnic segregation, a serious lack of representivity, fragmentation and duplication, corruption and mismanagement of resources. Other features were poor and outdated management practices, a rigid regulatory bureaucratic culture, lack of accountability and transparency, poorly paid and demotivated staff and conflictual labour relations.

After 1994, there was broad agreement on the need for a much more efficient, effective and equitable public service, capable of improving the quantity and quality of service provision and redressing the imbalances of the past. The Public Service Act of 1994 created the basis for integrating the fragmented system of state administrations inherited from the apartheid era into a unified public service that would operate at both national and provincial levels. At the same time, the White Paper on Reconstruction and Development identified institutional transformation and reform as one of the main programmes to drive the implementation of the Reconstruction and Development Programme (RDP).

The most comprehensive intervention, however, was the November 1995 White Paper on the Transformation of

the Public Service (WPTPS), which established a national policy framework for the introduction and implementation of new policies and legislation aimed at transforming the South African public service in line with the following vision:

The Government of National Unity is committed to continually improving the lives of the people of South Africa by a transformed public service that is representative, coherent, transparent, efficient, effective, accountable and responsive to the needs of all.

The White Paper identified eight priority areas for public service transformation. These were:

1. rationalisation and restructuring to ensure a unified, integrated and leaner public service;
2. institution building and management reforms to promote greater accountability and organisational and managerial effectiveness;
3. increased representivity through affirmative action;
4. improved service delivery to meet basic needs and redress past imbalances;
5. the promotion of internal democracy and external accountability;
6. human resource development and capacity building;
7. improved employment conditions and labour relations; and
8. the promotion of a professional service ethos.

Progress in relation to each of these eight priority areas is examined in subsequent sections of this chapter.

### Human development and public sector transformation

The vision, mission and goals of the White Paper on the Transformation of the Public Service (WPTPS) were premised on a fundamental redefinition of the role of the state and its relationship with civil society – emphasising



partnerships rather than the antagonistic relations of the past. They reflected a major shift from a mechanical model of public administration towards a more strategic, decentralised, developmental and adaptive model of governance, broadly in line with 'international best practice'.

Significantly, while 'international best practice' has frequently emphasised cost-cutting, commercialisation and privatisation to maximise the efficiency of service delivery, the WPTPS cautioned against the uncritical adoption of such an approach.<sup>3</sup> It recognised the adverse effects of cost-cutting and privatisation in a number of developing countries: declining service standards, worsening conditions of employment, rising unemployment and the increasing marginalisation of disadvantaged groups, particularly women and children. Thus, while acknowledging the need for cost-effectiveness and fiscal restraint, the WPTPS was firmly located within the broad developmental and people-driven paradigm established by the RDP.

The office of the Minister for Public Service and Administration was given a leading role in directing and shaping the transformation process. The powers and responsibilities of the national and provincial public service commissions established by the 1993 interim constitution were reviewed and clarified, with a view to removing much of the bureaucratic red tape associated with their work. Many of their executive personnel functions were transferred to the Ministry and individual line departments. In December 1995, a fully-fledged Department for Public Service and Administration (DPSA) was established. It has expanded rapidly and has taken over most of the policy and regulatory functions previously exercised by the national and provincial commissions.

### Independent monitoring of the public service

The South African Constitution did away with the Provincial Commissions entirely and limited the role of a restructured national Public Service Commission (PSC) to that of an independent monitoring body responsible for the promotion and maintenance of several key values and principles of public administration. These values and principles include the maintenance of a high standard of professional ethics, the provision of services on an impartial, fair, equitable and bias-free basis and the efficient and effective utilisation of resources. Other important principles and values include the need for responsiveness to peoples' needs, the encouragement of public participation in policy-making and the provision of public services in accountable, transparent and development-oriented ways. In addition, the Public Service Commission may, on request or of its own accord, conduct investigations into personnel practices and adherence to applicable procedures. The emphasis is on service to people rather than regulation and control.

The WPTPS applies specifically to those parts of the South African public sector, both national and provincial, that are regulated by the Public Service Act of 1994 (as subsequently amended). Government has also directed that the broad principles contained in the WPTPS should inform the processes of transformation in other parts of the public sector. These include local government, parastatals, the South African National Defence Force and the Intelligence Services, which are carrying out their own restructuring.

### Translating policy into implementation

Individual departments and provincial administrations must develop specific implementation strategies. In doing so, they may draw on a variety of policy

and legislative interventions designed to give the transformation process additional momentum. A substantial body of new policy and legislation has been developed since the promulgation of the WPTPS, including *inter alia*:

- An increasing number of DPSA public service policy documents, designed to give effect to many of the proposals contained in the WPTPS. These include the White Paper on Transforming Service Delivery, the White Paper on Human Resources Management in the Public Service, the White Paper on Affirmative Action in the Public Service and the White Paper on Public Service Training and Education.
- The introduction in 1997 of a new Code of Conduct for the public service, prepared by the PSC.
- The promulgation of a number of amendments to the Public Service Act (1997, 1998, 1999) and the introduction of new Public Service Regulations (1999), which have cut through much of the red-tape and laid the foundations for a more flexible and decentralised system of public administration.
- The Ministry for Provincial Affairs and Constitutional Development's White Paper on Local Government and associated legislation, which establishes the basis for a new integrated and developmental local government system, committed to working with citizens, groups and communities in order more effectively to meet their social, economic and material needs.
- The 1996 National Framework Agreement between government and organised labour to guide the restructuring of state assets and the parastatal sector.
- The introduction by the Department of Labour of a programme of legislation on industrial relations, condi-

tions of employment, and skills development.<sup>4</sup>

- The introduction from the 1998/99 financial year onwards of the Medium Term Expenditure Framework (MTEF). This replaces the previous system of annual budgeting with its rolling three-year budget cycle and is designed to enable departments and provinces to prioritise and plan their service delivery programmes more effectively.
- The publication of a variety of transformation documents by the various sectoral departments at both the national and provincial levels.

### The Presidential Review Commission

Another important influence in shaping the ongoing process of administrative transformation was the 1998 report of the Presidential Review Commission (PRC). Following the WPTPS, former President Mandela established the PRC in March 1996. In February 1998, it submitted its eight-volume report to the President.

Whilst acknowledging the magnitude of the task faced by the new government in transforming the public service, as well as some of its real achievements, the PRC report reached the following conclusion:

the machinery of government is in many ways not working as effectively as it could and should, even within the constraints now obtaining ... Too little progress has been made in remedying the inequalities and inefficiencies of the past. The delivery of public services, their costs and quality, leave much to be desired.<sup>5</sup>

The report provides a long list of recommendations. These include, amongst others, strengthening co-ordination and strategic direction at the apex of government (the offices of the President and Deputy President) and a more vigorous effort to 'right size' the public service.

## The Human Development Imperatives for Public Sector Transformation

Although classified as a middle-income country, the inequalities of apartheid have resulted in levels of poverty, unemployment and general social deprivation more characteristic of lower-income countries. High levels of poverty amongst the black majority have led to a lack of resources at the household level, seriously limiting access to adequate education, health care, nutrition, shelter and other basic needs. Poverty has placed great stress on families in general, and women, children and young people in particular. Together with landlessness, rapid population growth and urbanisation, poverty and inequality underpin a range of other serious social problems, from gangsterism and crime to high levels of domestic violence and the increasing spread of HIV/AIDS. These human development imperatives constitute a major challenge in the transformation of the public service.

High levels of poverty are reinforced by equally unacceptable levels of unemployment, attributable in the main to falling rates of growth in GDP and gross domestic fixed investment in the 1990s and the declining significance of traditionally labour-intensive industries such as mining, construction and agriculture.

Despite serious domestic, social and economic problems, the South African economy has a number of underlying strengths that have enabled it to cope with adverse international pressures more successfully than many other emerging markets. According to the Government's 1998 Medium Term Budget Policy Statement<sup>6</sup>, these strengths include lower debt obligations relative to GDP than most developing countries, a relatively well-developed

and well-regulated banking and financial services system, and financing requirements on the balance of payments that are currently less than 2 percent of GDP.

The debates and controversies surrounding the RDP and GEAR revolve around the issue of balancing domestic social justice with international competitiveness and macroeconomic stability. Many observers argue that GEAR represents a discernible shift in emphasis away from the developmental paradigm of the RDP and the White Paper on the Transformation of the Public Service towards a much more budget-driven approach, placing a number of serious limitations on institutional reform and consolidation.<sup>7</sup>

## Public Service Transformation: the Building Blocks for Human Development

### Creating a unified and integrated public service

The apartheid state established eleven distinct systems of government and administration: four provincial administrations within the former Republic of South Africa and eleven former 'independent states' and 'self-governing territories'. After 1994, these systems were rationalised into a single public service operating at national and provincial levels. The Public Service Act (1994) created twenty-seven national departments and nine provincial administrations. Rationalisation, justifiably described as "a metamorphosis of epic proportions"<sup>8</sup>, had to take place with minimal disruption to the delivery of services. Again, the need to break with the past had to be balanced with the contradictory imperative of ensuring continuity for existing civil servants.

Organisational rationalisation commenced with the proclamation of the Public Service Act on 3 June 1994 and

was completed in slightly less than two years. Staffing the rationalised posts took slightly longer, but was largely completed by early 1997. Given the technical complexity and sheer enormity of the task, the rationalisation process was, for the most part, handled efficiently. However, the integration of structures and personnel in some provinces proved cumbersome, particularly where it involved the integration of staff from the former 'homelands'. Infra-structural backlogs added to the difficulties of provinces such as the Eastern Cape, KwaZulu-Natal and the Northern Province, causing them to lag in the implementation of subsequent management reforms and national policy. As shown in Chapters Two and Three of this Report, the difficulties in effecting public sector reform in these provinces continue to have serious implications for human development.

### 'Rightsizing'

In 1994, more than 1.2 million officials were employed by the public service. According to the PSC, this was "a greater number ...than were realistically required to ensure effective administration under the new dispensation"<sup>9</sup>. Both the RDP White Paper and the White Paper on the Transformation of the Public Service (WPTPS) emphasised the need to reduce consumption expenditure as a proportion of total government spending. A central concern was the reduction of the wage bill as a proportion of consumption expenditure – from its relatively high level of 60 percent to a figure more in line with countries at a similar stage of development.

WPTPS strategies for creating a leaner service over time included 'rightsizing', efficiency savings and increased productivity; adjustments to remuneration structures; effective policies on retrenchment; early retirement and attrition, and redeployment and retraining. The WPTPS envisaged a

continuous review of programmes aimed at realigning personnel requirements more closely towards the delivery of services. This, it was envisaged, would result in 'downsizing' in some departments or sections and 'upsizing' in others, within the parameters of a gradual reduction in the overall size of the service.

In his budget speech to Parliament in March 1996, the Minister of Finance announced a reduction target of 100,000 employees a year for three years. Following negotiations with the unions, however, government froze employer-initiated retrenchments. Considering the existing retrenchment package too expensive, government introduced a more affordable voluntary severance package (VSP) as part of a three-year improvement package in pay and conditions. The VSP was intended to facilitate the abolition of funded posts. Although the award of a VSP was made subject to stringent conditions, many departments and provinces chose to ignore the guidelines. One result has been the serious loss of skilled and experienced personnel in a number of key areas such as education, health, finance and personnel. A prohibition on the re-appointment of voluntarily retired officials was often sidestepped by 'backdoor' re-hiring of consultants and advisers, often on lucrative contracts.

The VSP did not generate departures on the scale projected by Finance, as it appealed primarily to a relatively small number of public servants with long service and skills exportable to the private sector. Lower level workers had very little to gain from taking the package, especially in areas where employment opportunities were scarce. The most recent figures indicate that just under 50,000 public servants and 15,000 educators have taken the package. Government came under fire for permitting a 'brain drain' of the most skilled and experienced professionals in the

public service and eventually admitted that the VSP had been a failure.<sup>10, 11</sup>

Government's early experiments in 'rightsizing' also had a number of unintended and undesired effects. They impacted on staff morale, motivation and productivity (by fostering anxiety and uncertainty); on service delivery (through the loss of skilled personnel and the inability to redeploy staff to areas of greatest need); on affirmative action and representivity (by placing ceilings on the recruitment of new staff), and on public service transformation more generally (by providing an excuse for conservative forces within the service to delay or obstruct the change process).

In 1997, a task team, with support from an ILO expert, was established to develop a new and improved 'rightsizing' policy and redundancy framework. The expert's report made a number of recommendations, including the identification and removal of 'ghost workers'<sup>12</sup>, a product of the numerous and incompatible systems inherited by the new government. It also recommended the identification, redeployment or voluntary/forced redundancy of the many supernumeraries still on the payroll and surplus to current requirements (largely because of the integration of the former 'homeland' and Republic of South Africa civil services). Of the 40 000 'ghost' workers identified, many were located in the Northern Province and Eastern Cape. Most have now been removed from the PERSAL system. This, together with natural attrition and the freeze on new appointments, has resulted in a gradual reduction in public service employment from 1.27 million in September 1995 to 1.1 million in December 1998.<sup>13</sup>

Although the 'rightsizing' task team submitted its report on schedule in 1998, government has still not produced a coherent policy on 'rightsizing'. It has, however, taken a fresh ap-

proach, placing greater emphasis on service delivery needs. The unions agreed to the introduction of skills, service delivery and personnel audits, and pilot audits began in the Northern Province and the Eastern Cape in March 1998. Audits across all provinces were completed in early 2000 and are intended to assist in decision-making on service delivery needs, retraining and redeployment of personnel and 'rightsizing'.

### Co-operative government

As indicated in Chapter Three, the Constitution designates national, provincial and local government as separate and autonomous 'spheres' of government, rather than tiers or levels in a hierarchical system. All spheres of government are required to respect each others' powers and functions and work in close co-operation with each other. Schedules 4 and 5 of the Constitution specify those areas in which the three spheres have exclusive competency and those where they share concurrent powers.

Despite the recognition of distinctive spheres of government, national government has a duty of 'supervision' or oversight over the other spheres. Supervision entails the power to intervene, issue directives and even to take over responsibility under certain circumstances. The power of supervision is counterbalanced by a corresponding duty to assist in building the capacity of the provincial and local spheres of government. The National Council of Provinces (NCOP) has an important role to play in considering and approving national interventions into the provincial sphere and provincial interventions into the local government sphere.

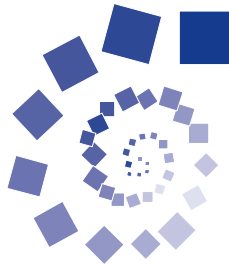
Provincial governments have also, on several occasions, intervened in the affairs of municipal councils – most often in cases where mismanagement and overspending have resulted in enormous debts.

Given the problems facing local government, including non-payment for services, mismanagement and corruption, it is likely that interventions will continue to take place to activate service delivery and improve administrative capacity in this sphere.

### Box 2

#### *National government intervenes in the Eastern Cape*

In December 1997, the Eastern Cape Provincial Government failed to pay out social security grants due to a lack of funds in the provincial Department of Welfare and the Premier requested the Minister for Public Service and Administration to investigate. The task team sent to the province reported that the shortfall should have been foreseen and recommended that disciplinary steps be taken against several senior officials. It also recommended that a comprehensive assistance programme be developed for the Department of Welfare. Shortly after the conclusion of the investigation, Premier Stofile fired the province's MEC for Welfare.<sup>14</sup> Intervention in this instance helped alleviate the suffering of the most vulnerable in the province.



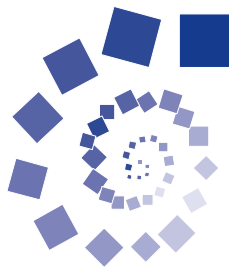
### Box 3

#### *Interventions in municipal affairs*

One of the first of these interventions was in Butterworth in the Eastern Cape, in response to allegations of corruption and mismanagement. Councillors responded by instituting a court action to demand their reinstatement and an out-of-court settlement was reached with the participation of the NCOP and the South African Local Government Association (SALGA).<sup>15</sup>

More recently, a complete collapse of services in Ogies, Mpumalanga, which owes R30 million to electricity and water suppliers and the Receiver of Revenue, led to NCOP intervention.

The North-West province is said to be contemplating taking over the Stilfontein municipality, which has a debt of R7 million.<sup>16</sup>



## Co-ordination and intergovernmental relations

Co-ordination at national level is the responsibility of Cabinet – through a cabinet secretariat and a number of cabinet committees or clusters. Intergovernmental relations are managed through the Intergovernmental Forum (IGF) and the Ministerial Forums (MINMECs). The IGF was established to provide an opportunity for consultation and joint decision-making between ministers and provincial premiers on all matters of mutual interest and to discuss multi-sectoral policy issues and finance, fiscal and constitutional matters. MINMECs comprise a national minister and the corresponding MECs from each of the provinces. They focus on the harmonisation of legislation and programmes within the sector, consultations on national norms and standards and the assignment of roles and responsibilities between the spheres of government. The work of the IGF and the MINMECs is supported by an array of technical committees.

In its detailed survey of intergovernmental relations (IGR), the 1998 Presidential Review Commission (PRC) report concluded that poor co-ordination within and between different departments and spheres of government had resulted in an incapacity to implement national programmes and a consequent failure to deliver basic services.<sup>17</sup> Decisions taken at the highest political level were not always effectively communicated to departments. The PRC argued that “a culture of IGR, based on technical capacity, has still to evolve,” and advocated a closer working relationship between the IGF and the MINMECs.<sup>18</sup>

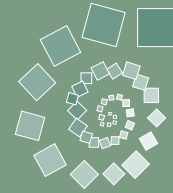
The PRC also highlighted a lack of co-ordination at the centre of government and suggested a “radical reappraisal of the functions, structures, personnel and management of the Office of the President”.<sup>19</sup> Its recommen-

dations led to the establishment of a Co-ordination and Implementation Unit (CIU), the Offices on the Status of Women and People with Disabilities and a new co-ordinating agency for Government Communication Information Management, Systems and Technology. The PRC argued that the location of these agencies in a new Office of the President would give them the necessary authority and influence to achieve more effective co-ordination and greater compliance with national policies, norms and standards. A separate ministry of local government was also recommended, to play a proactive role in the effective integration of local authorities (as a distinct sphere) into the broader system of government.<sup>20</sup>

During the 1999 pre- and post election period, the Offices of the President and Deputy President were substantially restructured and merged to form the Presidency, in line with the recommendations of the PRC. A Cabinet Secretariat was established, with a policy co-ordination branch whose role it is to scrutinise ministerial proposals against the backdrop of policy.<sup>21</sup> The CIU became the Co-ordination and Advisory Services Unit and five cabinet 'clusters' were created to bring together ministries with overlapping functions. The new Cabinet – appointed on 17 June 1999 – included a reconstituted portfolio for Justice and Constitutional Development, a separate portfolio for Provincial and Local Government Affairs and a full ministerial portfolio in the Office of the President.

Centralised co-ordination by government is demonstrated by a number of initiatives. The National Crime Prevention Strategy, for example, is an inter-departmental task team, established by Cabinet in 1996 to co-ordinate the efforts of departments involved in the administration of the criminal justice system (Justice, Welfare, Correctional

*Co-ordination at national level is the responsibility of Cabinet – through a cabinet secretariat and a number of cabinet committees or clusters.*



Services, Defence, Safety and Security and Intelligence). Outcomes of the strategy are a lifting of a moratorium on appointments to the police service and fast-tracking the establishment of a multi-disciplinary special investigation unit. The latter unit, dubbed the 'Scorpions', consists of officials from justice, the police and the intelligence services and was launched in August 1999.

## Transforming Service Delivery for Human Development

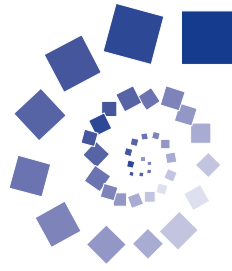
The White Paper on the Transformation of the Public Service (WPTPS) stressed the urgent need to redress past imbalances in service provision and recommended that service delivery priorities be based on principles of affirmative or corrective action. It required departments to identify a mission statement for service delivery and standards, targets and performance indicators; to redirect human and other resources from administrative tasks to service provision, and to develop partnerships with the private sector, NGOs and community organisations.

The 1997 White Paper on Transforming Public Service Delivery (subtitled '*Batho Pele*', the Sesotho expression for 'People First') provided a more detailed policy framework and a practical implementation strategy for service delivery improvement. *Batho Pele* gives effect to the human development perspective in the public sector, focusing on *how* service delivery should be improved rather than *what* services should be delivered. The White Paper identifies

#### Box 4 Piloting service delivery improvements

In 1997, the national departments of Home Affairs and Health and five departments of the North-West Province were selected for pilot projects in respect of service delivery improvement programmes. In May 1998, the DPSA reported that, whilst the *Batho Pele* policy had been well received by politicians and top management, the pilot departments had achieved only varying degrees of success and difficulties were being experienced in communicating the *Batho Pele* principles effectively throughout the service. The Department of Home Affairs was the first to announce its new service standards in June 1998; since then, seven out of the nine provinces have publicly launched their service standards.

A detailed study of service delivery in the Northern Cape<sup>23</sup> demonstrated some progress in relation to the *Batho Pele* principles, particularly in respect of improved consultation through the establishment of community and local development forums. Another encouraging sign was the setting up of 'one-stop' service centres in Kimberley's Black townships. However, many of the community members interviewed claimed they were far from satisfied with the accessibility of services, courtesy, information, transparency and redress<sup>24</sup>. The 1998 Presidential Review Commission report similarly highlighted a number of important constraints (structural, financial, process, and human resources) impeding the effective realisation of the *Batho Pele* principles.<sup>25</sup>



and elaborates eight principles of service delivery: consultation, service standards, access, courtesy, information, openness and transparency, redress and value for money. These principles are also intended to inform service delivery in other parts of the public sector, particularly in local government.

The successful implementation of the *Batho Pele* policy in the national, provincial and local spheres is central to the transformation of service delivery and government. Policies on human resources management, development and affirmative action and revamped legislative, regulatory and management frameworks are all designed to bring about a "management revolution"<sup>22</sup>,

aimed at supporting and enhancing service delivery.

#### Alternative forms of service delivery: partnerships for development

The development of alternative forms of service delivery – through outsourcing or the establishment of public-private or public-community partnerships – is one of government's key transformation priorities for 1999-2004.

Despite the fact that no clear or coherent policy has been developed to guide departments and provinces in this regard, a number of *ad hoc*, but fairly innovative, initiatives are beginning to emerge. One such example is the Boipatong-Bophalong integrated pilot project, a public-community partnership initiated by the Department of Public Works.

A number of local councils have outsourced their refuse-collection services to the private sector, and the Benoni Town Council has contracted out its fire and emergency services operation to a private company.

Across South Africa as a whole, business partnerships between municipalities and private concerns for the financing, operation and management of infrastructure attracted R1 billion in private sector investment during 1997.

An important objective of alternative service delivery strategies is to promote community empowerment in general, and the development of black-owned small, medium and micro enterprises (SMMEs) in particular.

The procurement reforms introduced by the Department of Public Works in 1997 were intended to support this objective, tilting the balance in favour of emerging contractors and SMMEs.

However, national and provincial governments need to provide SMMEs with much more advice and capacity building to enable them to tender more successfully for government contracts.<sup>26</sup>



## Representivity and Gender Equality

### Representivity and affirmative action

Before 1994, the public service was seriously unrepresentative of the population, especially at managerial levels. The new government believes that, if it is to improve the quality and equity of service delivery, the public service must draw on the skills and talents of all South Africans. A framework for the development of clear affirmative action strategies by departments and provinces was accordingly drawn up, with broad targets for the advancement of black people (50 percent of the management echelon, director level and above, by 1999), women (30 percent of new recruits to the management echelon between 1995 and 1999) and people with disabilities (2 percent of public servants by 2005).

The 1998 White Paper on Affirmative Action in the Public Service (WPAAPS) and the Employment Equity Act (1998) further promote the objectives of transforming the Public Service. The Employment Equity Act (1999) outlaws unfair discrimination in the workplace and requires employers (private and public) to prepare and implement employment equity plans and to report regularly to the Government on their progress.

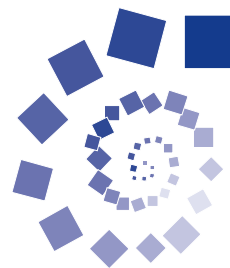
Legislative interventions to promote affirmative action in the public service include the amendment of section 11 of the Public Service Act, which deals with appointments and the filling of posts in the public service. The amendment removes a long-standing bias in favour of officials with formal qualifications and seniority, directing instead that evaluation be based on “training, skills, competence, knowledge and the need to redress the imbalances of the past”<sup>27</sup>

Table 4.1 provides details on the nature of changes regarding representivity within the management

#### Box 5

##### *Boipatong-Bophalong – partnership with the community*

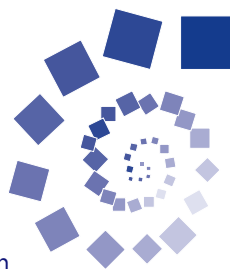
In Boipatong-Bophalong, physical assets – such as schools, clinics and roads – are created and maintained through the direct involvement and participation of the community. This R15 million project is administered by community project committees. Active community participation has ensured that the community actually receives the services it identifies and really needs.



#### Box 6

##### *Outsourcing in Benoni: worker participation*

The Benoni Council has put various mechanisms in place to ensure effective monitoring of service provision. These include worker participation performance standards, financial penalties where standards are not met and the presence of two city councillors on the company's board. The company took over all 178 people employed by the council to carry out the service, with no loss of benefits. The company's staff has since risen to 200, with staff owning 20 percent of the company's shares. This partnership arrangement has saved the Council R16 million over the first contract period of five years.



echelon of the public service by race and gender. A more detailed breakdown by provinces and selected national departments is provided in Table 4.2.

The figures in Tables 4.1 and 4.2 indicate that overall progress has been made in terms of race, with the proportion of black managers increasing from 5 percent in 1994 to 41.5 percent in 1998. However, less progress has been made in respect of gender, especially over the past two years. The rate of progress has also varied considerably between different departments and provinces. Some (particularly Home Affairs and the provinces of KwaZulu-Natal and the Northern Province) have

Table 4.1: Changing profile of management echelon in the public service by population group and gender, March 1994 to December 1998, in percentages

	Africans	Coloureds	Asians	Whites	Males	Females
31/03/94	2.0	1.0	3.0	94.0	95.0	5.0
31/01/96	30.0	3.0	4.0	63.0	90.0	10.0
30/11/96	33.0	3.0	3.0	61.0	90.0	10.0
31/12/97	33.2	3.8	4.5	58.5	87.0	13.0
31/12/98	34.9	4.3	5.2	55.6	85.8	14.2

Sources: PSC, 1995; PSC, 1996; DPSA 1997b; DPSA, 1998

performed below average in terms of gender; others (particularly Housing, Justice, Safety and Security, the South

African Revenue Services and the Free State province) have performed well below average in terms of both race and gender. These departments and provinces have proffered a number of reasons to explain their slow rate of progress. These include the lack of appropriately skilled and qualified black and female applicants for posts, financial constraints (in terms of establishing new positions) and fears about "lowering standards". These constraints do not, however, justify the disturbingly slow rates of progress towards representivity in a number of depart-

Table 4.2: Profile of management echelon in the public service by population group, 31.10.97 (selected Departments and all provinces) – in percentages

Department/Province	African		Coloured		Asian		White		Race		Gender	
	M	F	M	F	M	F	M	F	B	W	M	F
<b>Department</b>												
Education	28.0	8.0	8.0	4.0	8.0	4.0	36.0	4.0	60.0	40.0	80.0	20.0
Foreign Affairs	21.3	6.6	1.6	0.0	6.6	1.6	57.4	4.9	37.7	62.3	86.9	13.1
Health	23.1	23.1	0.0	7.7	0.0	0.0	38.5	7.7	53.8	46.2	61.5	38.5
Home Affairs	46.7	0.0	0.0	0.0	0.0	0.0	53.3	0.0	46.7	53.3	100	0.0
Housing	21.4	0.0	0.0	0.0	0.0	0.0	78.6	0.0	21.4	78.6	100	0.0
Justice	19.6	1.5	0.8	0.0	1.2	1.9	71.5	3.5	25.0	75.0	93.1	6.9
Labour	17.4	0.0	4.3	0.0	4.3	4.3	56.5	13.0	30.5	69.5	82.7	17.3
DPSA	38.5	15.4	0.0	0.0	0.0	7.7	15.4	23.1	61.5	38.5	61.5	38.5
Public Works	16.7	25.0	8.3	0.0	8.3	0.0	41.7	0.0	58.3	41.7	75.0	25.0
Safety and Security	16.4	0.0	2.5	0.3	2.3	0.3	75.6	2.8	21.2	78.8	96.6	3.4
Revenue Services	1.4	0.0	1.4	0.0	1.4	0.0	88.9	6.9	4.2	95.8	93.1	6.9
Welfare	11.2	22.2	0.0	22.2	0.0	0.0	22.2	22.2	55.6	44.4	33.4	66.6
<b>Provinces</b>												
Eastern Cape	74.1	12.1	0.0	0.0	0.0	0.0	12.1	1.7	86.2	13.8	86.2	13.8
Free State	18.0	4.0	0.0	0.0	0.0	0.0	76.0	2.0	22.0	78.0	94.0	6.0
Gauteng	17.4	5.8	2.2	1.4	3.6	1.4	63.0	5.1	31.9	68.1	86.3	13.7
KwaZulu-Natal	37.3	1.3	1.3	0.0	4.0	1.3	52.0	2.7	45.3	54.7	94.7	5.3
Mpumalanga	58.6	20.7	6.9	0.0	6.9	0.0	6.9	0.0	93.1	6.9	79.3	20.7
Northern Cape	20.0	10.0	25.0	0.0	5.0	0.0	40.0	0.0	60.0	40.0	90.0	10.0
Northern Province	84.9	7.5	0.0	0.0	1.9	0.0	5.7	0.0	94.3	5.7	92.5	7.5
North West	53.3	16.7	0.0	0.0	1.9	0.0	26.7	0.0	73.3	26.7	83.3	16.7
Western Cape	0.0	0.0	23.4	2.1	8.5	0.0	57.4	8.5	34.1	65.8	89.4	10.6
All Departments and Provinces	23.4	3.8	2.8	0.7	2.8	0.7	61.8	4.0	34.2	65.8	90.8	9.2

M = Male F = Female B = Black W = White Source: PRC, 1998:126.  
Source: PRC, 1998:126

ments. Nor do they justify non-compliance with affirmative action guidelines laid down in the WPTPS.<sup>28</sup>

Government's 1996 Integrated National Disability Strategy estimates that approximately 5 percent of South Africans have a disability. Yet, according to the White Paper on Affirmative Action in the Public Service (WPAAPS), people with disabilities constitute only about 0.02 percent of public servants. As no statistics on disability are available from government information sources beyond this estimated baseline figure, it is difficult to gauge whether there has been any progress in this respect over the past few years. The recommendations contained in Chapter 6 of the Disability Strategy outline the necessary steps – including norms and standards – government must take to promote greater representivity and barrier-free access for people with disabilities. They need to be implemented urgently.

Affirmative action strategies should not become a hiring policy or numbers game. Rather they should form part of a holistic approach aimed at empowering hitherto marginalised people and enabling them to participate in all spheres of life. Such strategies should be based not only on the eradication of racism, sexism and other forms of discrimination, but on the development of a uniquely South African corporate culture, aimed at entrenching a broader culture of inclusivity.

The 1997 White Paper on Human Resources Management in the Public Service (WPHRM) devotes a chapter to the management of diversity and the promotion of representivity as a means to achieving democratic legitimacy for the public service. The WPHRM requires public service departments to conduct a "diversity audit" to address race, gender, disability and also factors such as age.

Managing diversity is more than just a paper exercise. It needs to be absorbed into the management styles of public service managers and supervisors. Representivity and organisational diversity are constitutional obligations. Integration in terms of race, gender and disability in the Public Service will also contribute to integration in society at large.

### Women's empowerment and gender equality

Women in South Africa, especially black women, have historically been subordinated, marginalised and disadvantaged through a triple form of oppression based on race, class and gender. Since 1994, government and civil society organisations, especially women's groups, have demonstrated an increasing commitment to redressing this situation. This is illustrated in a variety of ways, including:

- the equality clause in the 1996 Constitution which specifically protects women's rights;
- government's adoption in 1995 of the Beijing Platform of Action;
- government's ratification in January 1996 of the international Convention on the Elimination of All Forms of Discrimination against Women (CEDAW);
- government's signing in September 1997 of the SADC declaration committing the governments and countries of southern Africa to the promotion of women's empowerment and gender equality;
- the establishment of the Commission for Gender Equality (CGE) as an independent constitutional body;
- the establishment of the Office on the Status of Women (OSW) in the Office of the President, with a mandate to promote and safeguard the rights of all women;
- the establishment of provincial OSWs;

- the establishment of Gender Desks (or Gender Focal Points) in national and provincial line departments;
- the introduction of measures and targets to increase the representivity of women in the public service, especially at senior management levels;
- the promulgation of legislation that promotes the rights of women and prohibits unfair discrimination (including the 1998 Employment Equity Act and the 1997 Termination of Pregnancy Act<sup>29</sup>).

Despite these developments, progress in translating policy commitments into effective plans and programmes for implementation has been slow, particularly in respect of service delivery. One of the main reasons for this has been government's inability to mainstream gender issues in the policies and plans of line departments at national, provincial and local levels.

In the Northern Cape, many of the women interviewed (including the head of the provincial OSW) expressed concern about, amongst other things, the lack of official service provision or support in respect of domestic violence and rape, teenage pregnancies, women's health issues, poverty alleviation, land tenure and housing<sup>30</sup>. Attention was drawn to the lack of effective opportunities for women's economic empowerment and the high levels of unemployment, poverty and deprivation in female-headed households (25 per cent of all households in the Northern Cape)<sup>31</sup>. Concern was also expressed about the continuing contradictions between customary law and practice and women's rights.

In those departments that have set up Gender Desks or Focal Points in line with national policy, responsibility is usually assigned to relatively junior officials whose views are rarely considered at the strategic management level. There is also little or no awareness raising or training

on gender issues taking place in government departments.<sup>32</sup>

## Democratising the State

### Democratising the workplace

In order to promote greater internal democracy, the White Paper on the Transformation of the Public Service (WTPPS) advocated the establishment of transformation units (TUs) in national and provincial departments. TUs provide a forum for employee participation in the development of programmes to implement transformation policies. The WTPPS further recommended that Transformation Co-ordinating Committees be established at both national and provincial levels to help co-ordinate the work of TUs and facilitate the sharing of best practices.

A review of twenty-seven out of thirty departments at national level found that twenty had set up TUs<sup>33</sup>, but that their success in democratising the workplace has varied significantly. In some departments, there was lack of support from political heads and top management, who regard transformation as an 'add-on' rather than integral to other management practices and processes. Hence, the establishment of TUs within departments is not a guarantee of a more democratic and participative approach to management.

### Promoting external involvement and accountability

The government is committed to transforming the state into an enabling agency that will serve and empower all the people of the country in an accountable way.<sup>34</sup> The aim of the Public Sector Transformation Forum (PSTF) is to involve civil society in the transformation process. Made up of representatives from civil society organisations, the PSTF is envisaged as playing a pivotal consultative and advisory role, specifi-

cally in the formulation, implementation and monitoring of public policy. Yet, despite the importance attached to the promotion of people-centred governance in both the RDP and the WPTPS, progress towards the setting up of the PSTF has been slow.

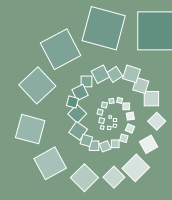
The WPTPS and the Constitution emphasise the importance of promoting public accountability and transparency in the national and provincial legislatures<sup>35</sup> and in the various independent statutory bodies (notably the Public Protector, the Auditor-General and the Public Service Commission) accountable to the National Assembly.

### *The Public Protector*

In terms of the Public Protector Act of 1994, the role of the Public Protector is to investigate and report on “any conduct in state affairs, or in the public administration in any sphere of government, that is alleged or suspected to be improper or to result in any impropriety or prejudice” and to take remedial action where appropriate. Although it has acted in a number of high profile cases involving senior government officials, the bulk of the Public Protector’s work has involved interventions in government departments on behalf of citizens.

In its first nine months, the Office of the Public Protector dealt with over 500 such cases and, according to its half-yearly reports to Parliament, has achieved a high success rate in this respect. Shortage of funds and staff has, however, resulted in quite a serious backlog, which the recent doubling of the office’s budget (from R7,4 million in 1998 to R15,4 million in 1999) should help reduce. There is no doubt that the work of the Public Protector represents an important advance in the promotion of the ordinary person’s access to government and ability to obtain redress. The enactment of the Open Democracy Act and Administrative

*The government is committed to transforming the state into an enabling agency that will serve and empower all the people of the country in an accountable way*



Justice Act broadens access to these important rights.

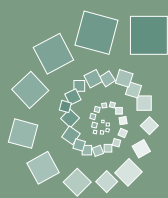
### *The Auditor-General*

The Auditor-General’s reports to Parliament have often highlighted financial mismanagement. These reports provide the basis for Parliament, and the Public Accounts Committee in particular, to summon and call to account the relevant heads of department and to recommend corrective action. On a number of occasions, the Committee has refused to condone unauthorised expenditure reported by the Auditor-General’s office. In addition to auditing and reporting on financial matters, the Auditor-General’s office has conducted a number of performance audits, such as one relating to absence due to illness in the public sector.

### *The Public Service Commission*

The Public Service Commission (PSC) is another important check against maladministration. The reconstituted PSC was formally established in July 1999, having been in transition since 1996. Under its new mandate, it provides a monitoring, advisory and standards-setting service in line with similar institutions in other countries (a role formally endorsed in the Constitution). Despite the uncertainty created by changes in functions and personnel, the PSC has been able to draw up a new Code of Conduct for the public service. It has also investigated and reported on a number of issues, including ethics, service delivery, human resource practices and appeals and grievances.<sup>36</sup>

*The powers of public service managers to lead and direct change in a creative and visionary way are constrained by the rule-bound and procedure-laden culture inherited from the past.*



## Building Organisational Capacity for Democratic Governance

Measures have been introduced to promote institution building and more effective management in the public service. Some of these relate particularly to human resources development, workplace democracy and the management of diversity. This section concentrates on two important issues raised in Chapter 9 of the White Paper on the Transformation of the Public Service (WPTPS). The first concerns the decentralisation of managerial responsibility and accountability; the second, the introduction of more effective systems of information management and technology.

### Decentralisation

The WPTPS observes that the powers of public service managers to lead and direct change in a creative and visionary way are constrained by the rule-bound and procedure-laden culture inherited from the past. The method selected to overcome this is to devolve and decentralise managerial responsibility and increase accountability for performance against specified objectives. To this end, the public service regulatory framework was scrutinised, incrementally dismantled in its entirety and replaced with a legislative and regulatory framework designed to enable rather than hinder change.

A 1997 amendment to the Public Service Act transferred the executive

powers allocated to the Public Service Commission (PSC) to “executing authorities” (the President, Deputy President, Ministers, Premiers and MECs) and gave regulatory and policy-making powers to the Minister for Public Service and Administration. “Executive powers” (with reference to executing authorities) means autonomy over personnel and organisational matters within their departments. The legislation also requires that all heads of department employed after the commencement of the Act be appointed on five-year (renewable) contracts and provides for performance agreements between executing authorities and their heads of department.

A 1998 amendment to the Act dealt with the anomaly at provincial level. Although each province consists of several departments, the 1994 Public Service Act treated the province *as a whole* as a ‘department’, with a provincial Director-General as its head and Deputy Directors-General heading individual departments. This meant that the powers of individual MECs were diminished by the Director-General’s control over administrative and financial matters. The amendment rectified the situation by including provincial heads of department in the new definition of ‘head of department’. The 1999 Public Finance Management Act also required that every head of department be the accounting officer in his or her department.

A new set of regulations, consistent with the Constitution and the above amendments to the Public Service Act, came into effect on 1 July 1999. The regulations lay down broad national norms and standards in respect of issues such as: delegations, authorisations and responsibilities; planning, work organisation and reporting; job evaluation; performance management and development; training and education, and labour relations.

Rewriting the rulebook has been an essential element of the transformation

process, but there are some inherent risks in the move towards decentralisation and deregulation. There is a possibility that conservative forces in some provinces may use their delegated powers to block rather than accelerate the transformation process. Of equal concern is the possibility that some national and provincial departments may not have the capacity to respond appropriately to the greater flexibility provided in the new legislative and regulatory frameworks. Successful implementation of the new regulatory frameworks consequently requires particularly careful monitoring.

### Information management, systems and technology

Administrative transformation depends on accurate and accessible information. Existing information (particularly computerised) systems must be redesigned and upgraded to increase the accessibility and accuracy of information and to improve communication between and within departments and between different agencies and levels of government. The effective distribution of information and knowledge is essential to human development, contributing to the dispersal of power to people at all levels.

In response to concerns expressed by Parliament's Public Accounts Committee and the Portfolio Committee on Public Service and Administration about the lack of an effective overarching framework for information management, systems and technology (IMST), the Ministry for Public Service and Administration established a State Information Technology Agency (SITA). SITA combines existing state IT resources in a state-owned company with a view to the more effective management of IT issues.

The 1998 SITA Act provided for the merging of three existing IT resources within the public sector. These are

Infoplan (a division of the armaments parastatal Denel), Central Computer Services (a component within the Department of State Expenditure) and the South African Police Services IT division. SITA provides IT services to national and provincial departments on request, although Cabinet has the power to make the service compulsory. In its new transformation priorities issued on 7 July 1999, the Ministry for Public Service and Administration emphasised its commitment to improving the quality of information used in planning and decision-making.

### Building Human Resources Capacity for Democratic Governance

The urgent need to develop South Africa's human resources in general, and those of the public service in particular, has been stressed in a variety of policy documents. These include the RDP White Paper (1994), the WPTPS (1995) and the Department of Labour's Green Paper on a Skills Development Strategy for Economic and Employment Growth in South Africa (1997). Underpinning this urgency is the fact that, in 1996, South Africa ranked last out of 46 countries (at a similar stage of development) in terms of its human resources development performance,<sup>37</sup> a fact attributable to the legacy of apartheid.

The effective mobilisation, development and utilisation of human resources are important transformation goals in their own right (in building individual and institutional capacity for democratic governance). They are also critical to the success of the transformation process more generally. Accordingly, a coherent and holistic strategy for human resources management and development needs to be developed at both national and provincial levels. A framework for this is sketched out in the

White Paper on the Transformation of the Public Service (WPTPS) and is developed in much greater detail in a number of subsequent policy documents, especially the White Papers on Human Resources Management in the Public Service (WPHRM 1997) and Public Service Training and Education (WPPSTE, 1998).

Collectively, these documents form the basis for human resources management and development towards building the capacity and career development opportunities of all public servants, particularly those from previously disadvantaged groups. Such a system needs to be effectively and strategically planned, prioritised, resourced and monitored in line with the individual needs of staff and the service delivery needs of individual departments. Moreover, the policy documents pay special attention to the development of flexible working patterns, a career public service with increased competition and lateral entry and the introduction of effective performance management and appraisal systems. Other aspects include the use of incentives to promote individual and team performance and recruitment, and promotion and career advancement based on performance and competence.

While some progress has been made by a number of national and provincial departments, overall progress has been generally slow, variable and limited.<sup>38</sup> Problems include a fragmented and uncoordinated approach to human resources management (HRM) and human resources development (HRD) across the public service, the lack of effective systems for strategic planning and budgeting of HRM/HRD and the inability to link HR plans to service. The lack of effective systems for performance management and appraisal, slow progress in multi-skilling, delays and blockages in the systems of recruitment and selection and persistent discrimination in the recruitment, promotion, staff develop-

ment and training process are critical factors that limit transformation.

A framework for a new and improved training system was set out in the 1998 White Paper on Public Service Training and Education (WPPSTE). The aim is to replace the *ad hoc*, over-centralised, supply-driven and poorly resourced system of public service training with a new system. The new system will be decentralised and flexible, strategically planned, well co-ordinated and effectively resourced, demand-led and competency- and outcomes-based. It will be linked to the Department of Labour's new national skills development strategy and the Department of Education's national qualifications framework.

The 1998 Report of the Parliamentary Portfolio Committee on Public Service and Administration shows where there is progress and where there is not. It acknowledges progress made in developing a consultative implementation programme for the WPPSTE and, in particular, the establishment of a Public Service Education and Training Authority (in line with the proposals in the national Skills Development Act). It also notes significant progress towards the development of the Capacity Development Standard (CDS).

The Report also expressed some concerns. One of these relates to the lack of a strategic, needs-based and outcomes-based approach to training and education in a number of national and provincial departments. Another concerns the quality and relevance of several of the training programmes provided by in-service and external providers. It also noted slow progress by the DPSA in producing the planned strategic guidelines for training and education and the fact that national departments spend less than the minimum 1 percent of payroll on training recommended in the Skills Development Act. A particular concern related to the role of the South African Management



and Development Institute (SAMDI): for example, 67 out of 102 of SAMDI's pre-planned courses for the first half of 1998 were withdrawn or cancelled.

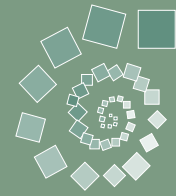
The DPSA's Provincial Review Report in 1997 revealed that some provinces had skills shortages of crisis proportions. This has created a greater sense of urgency in respect of training and capacity building. The decisive restructuring of SAMDI in 1998 and 1999 is expected to pay dividends in the near future. However, SAMDI and the EU-funded Public Service Management Development Programme are, for the most part, designed to meet the training needs of middle and senior managers. Below that level, departments are expected to take responsibility for their own training needs. There is, therefore, no direct pressure on departments to deliver in terms of the training needs of their workforces.

## Employment Policies and Industrial Relations

The Labour Relations Act (LRA) of 1995 established a new bargaining council for the public service – the Public Service Co-ordinating Bargaining Council (PSCBC) – together with sectoral councils (education, safety and security, general administration and health and welfare) and provincial and departmental bargaining councils. Up until then, the public service was regulated by its own labour relations legislation.

The 1996 three-year service agreement package included a new salary grading system with six broad bands and sixteen salary ranges. It raised the minimum wage to R17,000 per annum from R10,800 in 1994 and reduced the employer contribution to the pension fund from 18 percent to 17 percent of salary<sup>39</sup>. It imposed a freeze on employer-initiated retrenchments and introduced the voluntary severance package scheme.

*The DPSA's Provincial Review Report in 1997 revealed that some provinces had skills shortages of crisis proportions.*



Annual salary increases for the three financial years were to be funded by budgeted amounts, supplemented in the second and third years by savings from 'rightsizing'.<sup>40</sup> In 1998, differentiated increases from 10,5 percent at the lowest levels to 0 percent at the highest were agreed upon and increments of 5 percent for senior management (directors and chief directors) were made conditional on the signing of a performance agreement. One result of these measures has been a reduction in the wage gap (between the highest and lowest paid employees) from 25:1 in 1994 to 16:1 in 1999. This does not, however, meet the 12:1 target for 1999 set in the White Paper on the Transformation of the Public Service (WPTPS).

Three main issues emerged from the 1999 negotiations. First, the COSATU-aligned unions pointed out that, although they support government's efforts to transform the public service, they regard remuneration as a separate issue. Second, they called for pre-budget negotiations on improvements in conditions of service, so that agreements reached can be effectively reflected in the budget. Third, they threatened rolling mass action (with obvious implications for the disruption of services) if government failed to meet their demands for a 10 percent pay increase.

Despite union resistance, the government has resolved to review personnel costs. This entails a review of current benefits and allowances relative to wages and an investigation of pay progression to replace the current rank

and leg promotions. Other aspects to be reviewed include the restructuring of the pension fund (to permit greater mobility), current bargaining processes (to ensure the increased utilisation of a sectoral approach) and the narrowing of the wage gap. At the same time, strategies to retain professionals and senior staff are being developed.

## Developing a Professional Service Ethos: Serving People

The introduction of improved pay and conditions, effective career paths for all public servants, greater opportunities for staff development and training and more participatory forms of management are designed to promote a more professional ethos amongst staff at all levels. The goal is the achievement of greater honesty, integrity and efficiency in the public service as a whole. However, for human development to be given impetus, a number of additional measures are necessary. These include the introduction of a code of conduct for public servants and measures to eliminate corruption.

### Codes of conduct and discipline

The Constitution gives the Public Service Commission a major responsibility to promote and maintain a professional service ethos in the public sector. In 1997, the Commission developed a new Code of Conduct. The Code is framed in positive terms and conveys the spirit in which employees should perform their duties and conduct relationships with the legislature and the executive, the public and their colleagues. There is also a section on personal conduct and private interests.

Many public service managers saw the disciplinary procedures in place before July 1999 as an obstacle to the maintenance of effective conduct and discipline. There was, furthermore, a

shortage of qualified staff in departments and provinces to prosecute and adjudicate disciplinary inquiries. Following an investigation<sup>41</sup>, the DPSC repealed these outdated procedures and drafted a new disciplinary code and procedures in line with the Labour Relations Act. These were made a Resolution of the Public Service Coordinating Bargaining Council in January 1999. The new streamlined code provides for progressive discipline and corrective action, a significant improvement since the perceived need for a formal inquiry in every case had often inhibited managers from exercising proper discipline under the old system.

### Combating corruption

The introduction of a Code of Conduct and a Disciplinary Code has laid a solid foundation for a professional service ethos in the public sector. Their successful implementation, in conjunction with performance management systems, should play a positive role in combating the current high levels of corruption in the service. Corruption seriously jeopardises the capacity of the public service to deliver improved services and undermines public credibility and trust in institutions entrusted with delivery. Transparency International ranked South Africa 23<sup>rd</sup> out of 54 countries in terms of corruption in 1996, and 33<sup>rd</sup> out of 52 countries surveyed in 1997 – an indication either that the problem is getting worse or that corruption is receiving greater exposure. President Thabo Mbeki has, on several occasions, committed government to fighting and preventing corruption as part of a broader South African national integrity strategy and has been the driving force behind key initiatives.

A positive step by government in the fight against corruption was the establishment of the Special Investigating

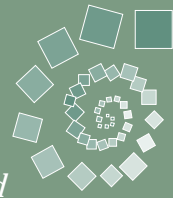
Unit and Tribunal<sup>42</sup> to investigate serious malpractice and maladministration. The Special Tribunal adjudicates on matters referred to it by the Unit (led by Judge Willem Heath) and uses civil proceedings to recover state assets and public money and prevent further misappropriation. By November 1998, according to its unaudited accounts, the Special Investigating Unit had recovered, saved or prevented the loss of state assets worth R848 million and an estimated R46 million in cash. Other anti-corruption units include the Investigating Directorate: Serious Economic Offences (IDSEO)<sup>43</sup>, a component of the Office of the National Director of Public Prosecutions, which concentrates on the prosecution of 'white collar' criminals, and the Independent Complaints Directorate, which investigates allegations made against the police.

The work of such agencies will be facilitated by the Public Finance Management Act of 1999, which regulates financial management for all public sector institutions. This should ensure that more effective systems and controls are put in place to prevent and detect corruption.

## Effective Resourcing for Good Governance and Human Development

Sound financial planning, management and budgeting is crucial to all societies, because it is concerned with the allocation of scarce public resources towards the realisation of human development priorities. In South Africa, this is especially so. The major challenge is to balance the need for a major investment in social reconstruction, redistribution and poverty alleviation against the pressures of globalisation and the

*Corruption seriously jeopardises the capacity of the public service to deliver improved services and undermines public credibility and trust in institutions entrusted with delivery.*



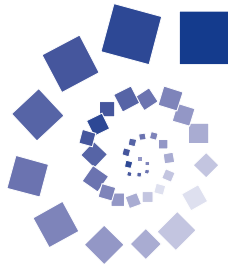
associated requirements of macro-economic stability and fiscal austerity.

Since 1994, a number of strides have been made in this regard. From 1997/8<sup>45</sup>, provincial allocations received from central government have been largely unconsolidated, giving provinces discretion over the way in which their allocations are prioritised and divided between the different sectors. The provincial budgets for 1997/98 were also the first to be allocated under the formula devised and recommended by the Financial and Fiscal Commission to redress previous provincial imbalances and to ensure a more equitable provincial distribution of government revenue in the future.

Another important aspect of budgetary reform has been the introduction, from the 1998/99 financial year, of the medium term expenditure framework (MTEF). This rolling three-year budget cycle replaces the previous system of annual incremental budgeting, with its attendant problems of rollovers and end of financial year spending sprees. The MTEF at least potentially provides a framework for the more effective prioritisation and planning of projects and programmes.

These measures have led to a number of positive achievements, particularly in reprioritising budgets in line with national developmental goals. Although the total national budget has fallen, in real terms, by R8.3 billion since 1995/96, spending on key areas

*Box 7*  
*The National Anti-Corruption Summit: steps towards public service integrity*



As part of its ongoing efforts to address the problem of corruption, the government convened a National Anti-Corruption Summit in April 1999.

The Summit was preceded by conferences at the sectoral level. These included the Public Sector Anti-Corruption Conference, held in Parliament in November 1998 and attended by Ministers, Premiers, MECs, senior government officials, chief executives of parastatals, trade unions and a wide range of institutions engaged in anti-corruption initiatives. Conference resolutions were submitted to Cabinet and forwarded to the National Summit.<sup>44</sup>

Delegates to the National Summit included representatives from business, organised labour, religious bodies, NGOs and community-based organisations (CBOs), financial institutions, academic, professional and sports bodies, the media, organised labour and the public sector.

The Summit resolved, amongst other things, that urgent action should be taken to:

- review and revise current anti-corruption legislation;
- develop and implement 'whistle-blowing' mechanisms;
- support the speedy enactment of the Open Democracy Bill;
- establish special courts to prosecute corruption;
- establish sectoral co-ordinating structures and a national co-ordinating structure to lead, co-ordinate, monitor and manage the anti-corruption campaign;
- publicise and promote the blacklisting of businesses, organisations and individuals proved to be involved in corruption and unethical conduct;
- establish national and sectoral anti-corruption hotlines, and
- develop, support and enforce codes of good conduct and disciplinary codes in the public and private spheres.

The resolutions of the Summit were discussed at the 9<sup>th</sup> International Anti-Corruption Conference, hosted by South Africa in Durban in October 1999.

such as education, health, housing and water has increased. At the same time, tighter financial discipline has overcome serious problems associated with provincial over-spending during the 1997/98 financial year. Yet, despite these achievements, there are still a number of major financial problems and many departments and provinces complain that financial constraints are seriously impeding their efforts to improve service delivery and achieve the government's transformation goals.

The lack of effective financial planning and prioritisation is a continuing problem. Most provinces do not prioritise their budgets in accordance with their policy objectives, nor do they link them sufficiently with their activities. Hence, when cuts are made, they are often carried out in an arbitrary manner without real consideration for the effects on service delivery.<sup>46</sup>

## Parastatals: The Private Provision of Public Services

In July 1995, the Minister for Public Enterprises released the Discussion Document on the Consultative and Implementation Framework for the Restructuring of State Assets. The main objectives of restructuring are:

- to facilitate economic growth;
- to fund the Reconstruction and Development Programme;
- to create wider ownership in the South African economy;
- to mobilise private sector capital;
- to reduce state debt;
- to enhance the competitiveness of state enterprises;
- to promote fair competition, and
- to finance growth and the requirements for competitiveness.

The Discussion Document divided parastatals into three categories, in relation to the broad transformational goals and thrust of the RDP. The first

category consists of state-owned enterprises (SOEs) whose explicit role it is to provide basic services. The document argued that a change in the controlling ownership of these SOEs from public to private without effective regulatory protection could emasculate the ability of the state to realise RDP targets. SOEs in this category included Transnet, Telkom and Eskom. The second category consists of SOEs that have a public policy or public interest dimension but are more strategic, such as Denel, Armscor, Mossgas and Petronet. The third are SOEs with no public policy role in meeting basic needs. These enterprises were divided into profitable and unprofitable.<sup>47</sup>

The National Framework Agreement (NFA) on the restructuring of state assets was concluded between the unions and government on 25 January 1996. The NFA proposes a number of restructuring options. These include: outright disinvestment of unprofitable state-owned companies or parastatals through private sales to the public; strategic equity partnerships (SEPs); outsourcing services to reduce expenditure and enhance efficiency; the redeployment of state assets for growth and development, and granting concessions to the private sector. The government subsequently established the National Empowerment Fund (NEF) to encourage wider ownership of the South African economy, boost the SMME sector and facilitate genuine black economic empowerment. Modelled on Malaysia's successful, ethnically exclusive *Bumiputra* national unit trust scheme, up to 10 percent of each parastatal is sold into the NEF, offering historically disadvantaged communities the opportunity to buy units in the fund at considerable discounts.

The NFA sets out the objectives of the restructuring programme and guidelines for its implementation. It

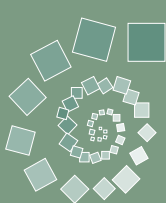
also creates substructures to take the process forward, including a 'six-a-side' forum (government and labour) for the mediation of conflicts and sectoral forums. The NFA's approach is that public enterprises have a key role to play in transformation and development, particularly in extending service provision to the previously disadvantaged.

The political imperatives of transformation and service delivery call for a "measured approach" towards restructuring, reaffirmed by President Mbeki in his speech at the opening of Parliament on 25 June 1999. The restructuring programme has been slowed down by a number of factors. These include the substantial debts accumulated by a number of parastatals as government subsidies have declined; the transport parastatal, Transnet, for example, has a debt of R22 billion<sup>48</sup>. Such debts must often be renegotiated before restructuring can take place. Another factor has been strong union resistance to the retrenchments (and consequent job losses) frequently required to streamline state companies in ways that make them more profitable and attractive to private interests. The recent government back down on the proposed retrenchments in Spoornet, the rail arm of Transnet, is a case in point.

### Transnational interests in public provision

Despite these obstacles, a number of assets have been sold to strategic equity partners during the past six years. These include the sale of a 30 percent stake in Telkom (for R5.6 billion) to the US-based SBC International and Telekom Malaysia in 1997 and the recent award of a 20 percent stake in South African Airways to Swissair at a price of R1,4 billion. The Minister of Water Affairs and Forestry announced in March 1999

*A number of assets have been sold to strategic equity partners during the past six years.*



that Safcol, the forestry parastatal with assets of R1-1,5 billion, would be privatised. Seventy-five percent has been offered to the private sector, 10 percent allocated to the National Economic Empowerment Fund and the remaining 15 percent will be divided between government and employee share ownership schemes.<sup>49</sup>

In his speech at the 1999 opening of Parliament, President Mbeki<sup>50</sup> promised further developments in the telecommunications sector and liquid fuels and petro-chemical industry, including the finalisation of negotiations with Mozambique for the construction of a gas pipeline. Jeff Radebe, the new Minister for Public Enterprises, also promised to accelerate the restructuring of state assets. New Zealand Post International and the UK's Royal Mail have been appointed as the state's preferred bidder for the Post Office's strategic management partnership, while British Aerospace is said to be finalising the acquisition of a 20 percent stake in Denel, the armaments parastatal.

The first six years of restructuring have clearly provided a learning curve for government. Although the pace of restructuring and privatisation seems likely to increase in the next eighteen months, the fundamental position of the NFA remains unchanged. Government stresses that it will continue to assess all restructuring and privatisation proposals against the promotion of development, the provision of basic services to previously disadvantaged communities and the impact on unemployment in the country.

## Conclusions: Reclaiming Government for Human Development

### Achievements and successes in public sector transformation

At the policy level, government's commitment to institutional transformation has been demonstrated through a set of wide-ranging policy documents (Green and White Papers) and legislative interventions. These are designed to transform the public sector into an agency that is coherent, transparent, representative and capable of achieving the crucial goals set for it by the people and government of South Africa. Many of these policy initiatives have been in line with, and have sometimes exceeded, international best practice. They have also been guided by the requirements of the 1996 Constitution (including the Bill of Rights), widely acclaimed as one of the most liberal and progressive examples of its kind. New labour legislation conforms to ILO standards.

The promotion of women's empowerment and gender equality have pushed South Africa from 141st to 7th in the world in terms of the representation of female MPs. This is a significant milestone.

The government's commitment to transparent and accountable government has been demonstrated by its willingness to submit itself to scrutiny – through a free press, critical investigations and the enactment of the Open Democracy and Administrative Justice Acts.

Translating the new policy framework into effective forms of implementation has led to significant achievements. These include the integration of the previously fragmented public service into an integrated whole, the increasing representation of black people

at the senior management levels and the reprioritisation of national budget priorities.

In respect of service delivery, there has been considerable progress in the areas of education and health and in the provision of subsidised housing and basic services such as water and electricity.

### Weaknesses and limitations

Impressive though some of these achievements have been, the surface of the many socio-economic problems and imbalances bequeathed by apartheid has barely been scratched. Serious problems of unemployment, poverty and inequality continue to exist and, as the government itself has acknowledged, much more needs to be done to address them.

Some of the constraints faced by the new democratic regime in tackling the apartheid legacy include satisfying popular expectations raised by the transition to democratic rule; mediating the wide range of competing political, social and economic pressures that continue to be advanced by different social forces in the country; reconciling the almost universal tension between the internal needs of bureaucracy and the needs of citizens; negotiating the difficult path between political democratisation and economic liberalisation, and confronting the many challenges posed by the increasing globalisation of the economy.

These constraints, together with the political compromises built into the 1994 democratic settlement (including the 'sunset clauses' in the interim constitution designed to protect the beneficiaries of the old order) have clearly limited the government's ability to execute its ambitious programme of socio-economic reform as effectively as it would have liked. Another limiting factor has been the disappointing

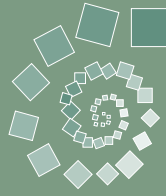
record to date in fully transforming the public sector into the efficient and effective instrument for policy implementation envisaged in the White Paper on Public Service Transformation (WPTPS). Progress has been particularly slow in relation to 'rightsizing' (rather than 'downsizing'); the representation of women and people with disabilities; public involvement and participation; the development of a professional service ethos, and the effective implementation of the *Batho Pele* principles for improving service delivery.

A number of problems underpin the relatively slow progress in public sector transformation, many of which have been discussed above. They include lack of vision and strategic direction, ineffective strategic planning and prioritisation (with too much time being devoted to fire-fighting and crisis management) and a lack of alignment between strategic planning and the budgetary process (with many departments and provinces failing to prioritise their budgets in accordance with their policy objectives, with the result that reprioritisation has often resulted in severe cutbacks to health, welfare and education sector spending). The persistent culture is still rule-bound and a wide range of procedural bottlenecks continues to hamper prompt and efficient levels of service delivery. Further problems include a relatively low level of skills and capacity, poor staff morale and continuing corruption and mismanagement in a number of national departments, provinces and local authorities.

### Towards a government for human development

The persistence of these problems and constraints highlights the need for a more determined approach towards transformation and human development. Evidence of such an approach

*Strategies will be required to address the tendency to privilege the consolidation of bureaucratic power and prestige over comprehensive reform (not only amongst the 'old guard', but also amongst some new incumbents).*



was demonstrated by President Thabo Mbeki in his address at the opening of the new Parliament on 25 June 1999<sup>51</sup>, when he pledged the new government to accelerating the process of service delivery.

Shortly afterwards, on 7 July 1999, the new Minister for Public Service and Administration, Geraldine Fraser-Moleketi, announced a number of new initiatives for accelerating the process of public sector transformation. These include: (i) comprehensive review of the current conditions of service in the public service and the development of a new wage policy; (ii) improvements in the quality of information used in planning and decision-making; (iii) accelerating the implementation of the new public service management framework, the skills audit and the *Batho Pele* programme; (iv) the development of strategies for managing personnel costs and containing personnel expenditure; (v) the development of policy and guidelines for alternative service delivery mechanisms; (vi) fast-tracking capacity building programmes for all public servants; (vii) the improvement of information technology and information management systems, and (viii) the development of the DPSA's capacity to investigate and advise on the efficiency of the public service in the short and medium term.

In speeding up the process of transformation, the new government will be able to draw on the wide-ranging recommen-

dations contained in the report of the Presidential Review Commission, a number of which have been referred to in earlier sections of this report. Greater political will and decisiveness is necessary to implement the goals of the WPTPS more effectively. If it is to resolve the disjuncture between policy objectives and outcomes, government will need to distinguish between ineffective implementation (resulting rather from a lack of capacity, particularly funds, than from lack of commitment to the implementation of government policy) and non-implementation (resulting from a lack of compliance with policy). Appropriate and differentiated strategies must be devised to address these two issues. While more effective forms of support for departmental, provincial and local government capacity building will help address the issue of ineffective implementation, it is also necessary to introduce a more rigorous system to tackle the issue of non-compliance.

The kinds of structural reforms recommended in the Presidential Review Commission report will need to be accompanied by a more thorough-going cultural reorientation of the underlying values, attitudes and behaviour that have, in many cases, frustrated the process of transformation. Strategies will be required to address the tendency to privilege the consolidation of bureaucratic power and prestige over comprehensive reform (not only amongst the 'old guard', but also amongst some new incumbents). The effective implementation of several new conduct and performance-related measures (the Code of Conduct, the Disciplinary Code and Procedures and departmental performance management systems) will be crucial in bringing about this reorientation.

Greater energy needs to be devoted to forging the kinds of creative partnerships between the state and civil society envisaged in the RDP and the WPTPS. Since



1994, there has been discernible movement from the inclusive civil society forums that characterised the early phases of the transition towards a more social corporatist approach (particularly through the NEDLAC framework) that has privileged business and labour over other civil society organisations. The WPTPS recommendation of a transformation forum, through which civil society organisations may participate in public sector transformation, has yet to be realised.

The need for more effective forms of partnership between the state and civil society has been bolstered by recent research<sup>52</sup>, which has demonstrated that

the increased capacity of the state is positively, rather than inversely, correlated with the increased vitality of civil society. As civil society grows more robust, the capacity of the state to govern is increased. This research challenges the hitherto dominant neo-liberal policy prescription that democratic governance depends on the 'insulation' of the state from society. In his opening address in Parliament, President Mbeki committed the government to working in close partnership with the people, "to ensure that we draw on the energy and genius of the nation to give birth to something that will surely be new, good and beautiful".<sup>53</sup>

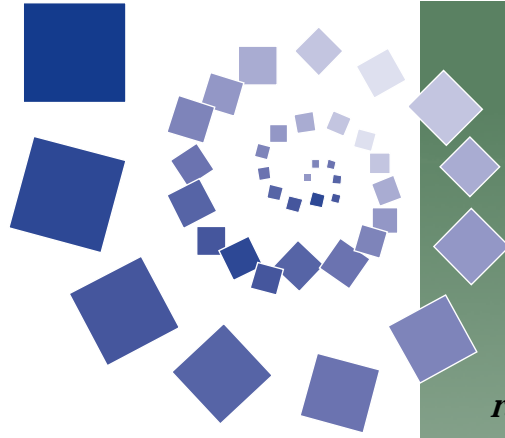
## Notes

- 1 Kaul [1995]
- 2 References on all policy documents referred to are listed at the end of the chapter.
- 3 Evans [1996], 6; Rodrik [1996]
- 4 These include the Labour Relations Act (1995), the Conditions of Employment Act (1997), the Employment Equity Act (1998) and the National Skills Development Act (1998).
- 5 Presidential Review Commission [1998], 17
- 6 Ministry of Finance [1998]
- 7 NIEP [1996]; Marais [1997]
- 8 Public Service Commission [1996b], 9.
- 9 Public Service Commission [1996b], 7-8.
- 10 *Business Day*, 18 February 1999; Department for Public Service and Administration [1997b]
- 11 Presidential Review Commission [1998]
- 12 Listed on the PERSAL salary system and receiving a pay cheque but either non-existent or receiving a salary elsewhere on the system.
- 13 Public Service Commission [1995]; Department for Public Service and Administration [1998]
- 14 *Sunday Times*, 1 February 1998.
- 15 *Siyaya*, Autumn 1999:9
- 16 *Business Day*, 14 July 1999
- 17 Presidential Review Commission [1998], 35
- 18 Presidential Review Commission [1998], 37-8
- 19 Presidential Review Commission [1998], 29
- 20 Presidential Review Commission [1998], 41
- 21 *Business Day*, 15 July 1999
- 22 Department for Public Service and Administration [1997c]
- 23 School of Government [1998]
- 24 School of Government [1998]
- 25 Presidential Review Commission [1998], 109-110
- 26 School of Government [1998], 103
- 27 Public Service Laws Amendment Act, 1997.
- 28 Presidential Review Commission [1998], 125-127
- 29 which has transformed women's reproductive rights by providing women with choice of termination over pregnancy.
- 30 Women face particular difficulties in relation to tenure, a precondition for the housing subsidy.
- 31 School of Government [1998]
- 32 School of Government [1998], 133-135
- 33 Department for Public Service and Administration [1998]
- 34 Ministry for Public Service and Administration [1995], 15
- 35 See Chapter 2 of this Report.
- 36 See, for example, Public Service Commission [1998]
- 37 *World Competitiveness Yearbook*, 1996
- 38 Department for Public Service and Administration [1997b]; Presidential Review Commission [1998]
- 39 Subsequently, employers' contribution to the pension fund was further reduced from 17 percent to 15 percent of salary.
- 40 Disputes arose during the second year (savings did match the projections) and in the third year (government budgeted only two-thirds of the amount previously agreed upon). Consequently, increases that should have been implemented from 1 July in both 1997 and 1998 were only approved much later in those years.

- 41 by the Portfolio Committee on Public  
Service and Administration in 1998
- 42 In terms of the Special Investigating Units  
and Special Tribunals Act, 1996.
- 43 formerly known as the Office for Serious  
Economic Offences
- 44 Sangweni & Balia [1999]
- 45 This innovation was the result of the 1996  
Constitution.
- 46 Department for Public Service and Admin-  
istration [1997a], 42
- 47 Department of Public Enterprises [1995]
- 48 Transnet (which controls South African  
Airways, Spoornet, Metrorail, Portnet,  
Petronet, Autonet and Fast Forward)
- 49 declared a loss of R426 million for 1998/  
1999 after making a R278 million profit in  
1997/1998. It subsequently announced that  
companies making a loss, such as Autonet  
and Fast Forward, would be privatised  
(*Sunday Times*, 18 July 1999)
- 50 *Business Day*, 5 March 1999.
- 51 In his speech at the opening of Parliament  
on June 1999
- 52 In his inaugural address at the opening of  
the new Parliament on 25 June 1999.
- 53 Rodrik[1996]; Evans [1996]; World Bank  
[1997]
- 54 Mbeki [1999], 3



# 5 Transforming processes for human development: Some sites, instruments & modes of empowerment



*“Deepening democracy in our society is not only about various governmental and non-governmental institutions. Effective democracy implies and requires empowered citizens. Formal rights must be given real substance. All of the social and economic issues (like job creation, housing, and education) addressed in ... the RDP are directly related to empowering our people as citizens.”<sup>4</sup>*

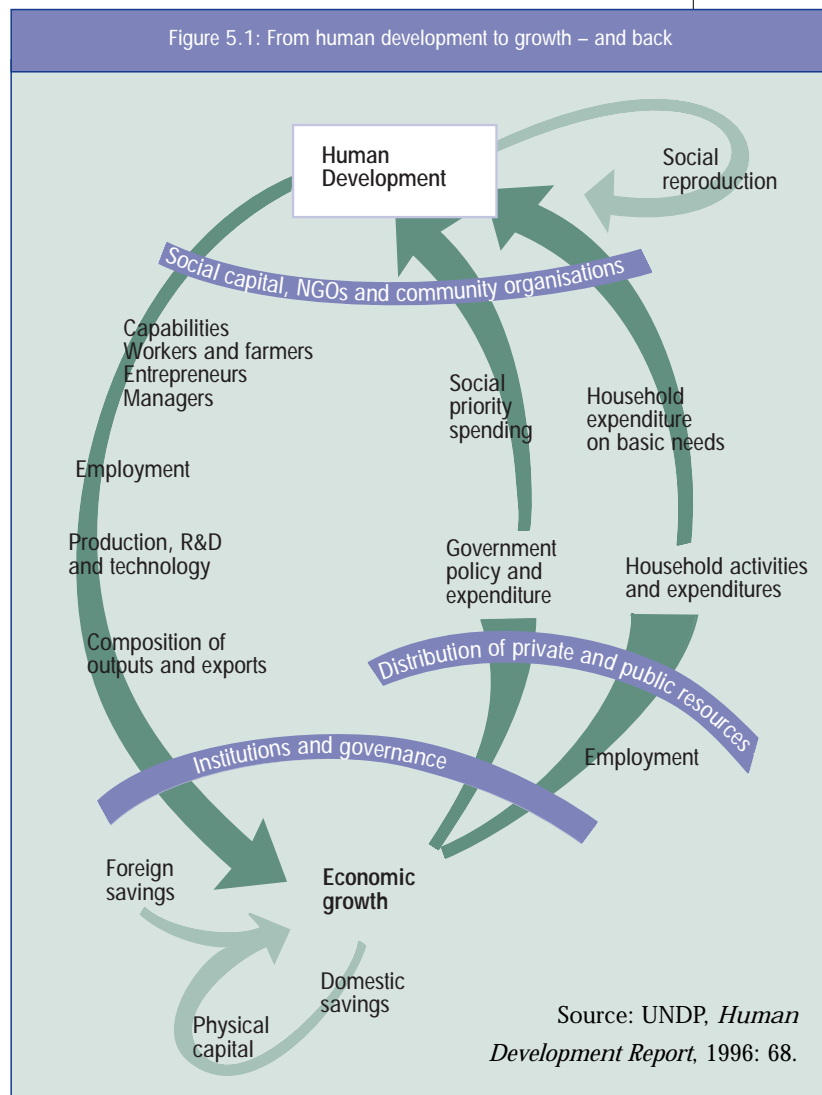
# Introduction

In an era of globalisation, the subjection of humanity to narrow market-driven considerations constitutes one of the biggest threats to the realisation of full human potential. Measurement of progress is now being subjected to economic categories and descriptions that are devoid of human and social content and considerations. Economics is spoken about as if it is comprised only of 'things' – such as fundamentals, factors of production, resources, rates and investment – rather than of people. In the light of this growing global discourse that threatens to undermine whole countries and regions of the world, it has become more important than ever to focus on human development and people's participation in changing their own conditions. It is against this context that transforming processes for human development become critical. Such processes are integral to some sites and instruments of development and transformation, such as education, the economy, the household sphere and new modes of engagement.

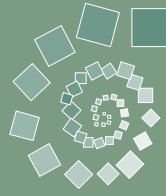
Considering the short time frame since the 1994 elections, great strides have been made in transforming South African society, especially political society. These are, as shown in the preceding chapters, formal governing institutions, state structures and 'action spaces' between the state and civil society. Less transformation has occurred at the household level (manifested in pro-

foundly unequal gender relations and gender-based violence) and in the private sector sphere (the market).

The challenge is to sustain the momentum in political society and to extend it to the household sphere and market sector. This will, in many ways, prove the most difficult aspect of the transformation process. What are the possibilities and ways of doing this? How can processes of development in these spheres become transformative? Figure 5.1 highlights the significance of the relationship between human development, economic growth, the



*To use democratised governing institutions for the broader purpose of social transformation requires a critical understanding of the processes that shape these institutions.*



household sphere and government/civil society interventions in this regard. Critical to this relationship are the processes involved in moving from human development to growth and back; and the types of interventions required to modify relations within the household and market spheres since these are mutually reinforcing.

The links between economic growth and human development are not automatic, as is evident from South Africa's apartheid past. What policy interventions, therefore, are needed to ensure such linkages? That human development requires investments in education, welfare, health and basic infrastructure is unarguable. While countries differ in how they translate growth in income into human development (human development efficiency) or human development into economic development, evidence<sup>2</sup> indicates that the absence of the one undermines the other.

As discussed in earlier chapters, other elements that are critical to human development and economic growth include political freedom within the framework of plural democracy and human rights, environmental sustainability and institutional change to ensure citizen participation. To use democratised governing institutions for the broader purpose of social transformation requires a critical understanding of the processes that shape these institutions. It is in this context that an

examination of participation opportunities that privilege organised civil society sectors also acquires importance.

A central concern is how to ensure that the very processes, sites and modes of engagement are transformed as part of the structural changes underway. A key site and instrument for democratisation, both in terms of process and outcome, is education. As a critical element in human development, education is important in addressing poverty in terms of improving capabilities and expanding access to opportunities as well as achieving economic outcomes. In the South African context, education also forms the basis for reversing the entrenched culture of apartheid and its social engineering. This chapter, therefore, also provides an overview of education for democratisation, empowerment and transformation.

Key among the challenges facing South Africa is the need to build its young democracy, while simultaneously transforming the economy away from its apartheid legacy. Recent estimates show that over 45 percent of the population live in poverty. Yet the country is not poor. A large part of the problem is the extent of inequality, placing South Africa amongst the most unequal countries in the world<sup>3</sup>. Indeed, it is increasingly recognised by all constituencies that a sustainable political democracy in South Africa depends on reducing the high levels of inequality and poverty<sup>4</sup>.

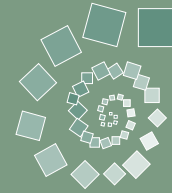
The structure of the economy cannot, however, be transformed by current decisions alone. For example, while new labour-intensive investments can help shift the economy away from its historical capital-intensive bias, this must be seen as a gradual, long-term process. This chapter also provides an overview of some key elements, sites and processes that shape economic empowerment, democratisation and deracialisation.

Transforming South Africa's social and economic relations also requires forms of institutional engagement, instruments and processes that can deliver over the long-term. To further this goal, the Reconstruction and Development Programme (RDP) called for a fundamental change to the way in which policies are made and implemented. New modes of institutional engagement are designed to ensure that all people are involved in decision-making, and not only during periodic elections<sup>5</sup>. As a result, recent years have seen the rise of a host of extra-parliamentary institutions established to promote citizens' involvement. These include the national policy-body, the National Economic Development and Labour Council (NEDLAC)<sup>6</sup>, and regional, sectoral and workplace forums in labour law.

Extra-parliamentary institutions are expected to work alongside the new parliamentary democracy. A wider and deeper democratisation may be achieved by decentralising power to civil society. Such a process could meet the more stringent definitions of democracy such as "enhancing the capacity of people to take control of their life's conditions."<sup>7</sup> For some, however, the achievement of parliamentary democracy is seen as sufficient. In this view, democracy means only political competition between different political parties. Indeed, such observers see the involvement of extra-parliamentary structures in policy-making as "undemocratic". After all, they ask, is it not the job of an elected Parliament to make laws?<sup>8</sup>

There are other challenges to the role of extra-parliamentary institutions. Is it feasible to determine macroeconomic policy through consensus? Are the main constituencies actually committed to such extra-parliamentary processes? Do such processes offer longer-term gains or are they delaying implementation of change? To better understand these issues, NEDLAC is

*A wider and deeper democratisation may be achieved by decentralising power to civil society.*



examined as a particular mode of engagement in the process of both democratising and deracialising the economy.

One of the key dilemmas in any project of societal transformation as massive as the transition from apartheid to democracy is the relationship between change and transformation. Any society can undergo significant changes. However, these may not necessarily lead to any substantive reshaping of power relations. Changes in government and policies may not necessarily lead to equality, democracy and the eradication of the apartheid legacy. In order to bring about transformation, the outcome of those changes must be the creation of an equal society. Therefore, the household sphere of activity and its contribution to human development is analysed as a key site for transformation.

In the section that follows, education is reviewed as an essential process of improving human capabilities and of providing opportunities to push, simultaneously, the concept of human development efficiency and that of attaining redress. Educational input has the greatest potential to promote human development and economic growth<sup>9</sup>.

## Education as a Site and Instrument of Transformation and Human Development

Transcending the legacy of apartheid in South Africa means increasing the range of human capabilities available to the poorest people. This means moving away from education viewed narrowly as a means for the development of

resources – as though people are merely resources for economies to harness and use. Education should be viewed as a human and social process to be promoted for human development. Access to education, therefore, is an important means towards human development, rather than simply a tool to produce human resources for the labour market.

In the South African context – with its huge legacy of inequalities – education becomes even more fundamental in the realisation of a non-racial, non-sexist and equitable society. In a country where denying access to education and literacy was one of the principal means for reproducing apartheid, full access to quality education is a critical component in transforming the apartheid society to a full democracy. The structural changes that have taken place in education are thus located within the framework of the broader political imperatives and struggles shaping South Africa's transition to democracy.

Apartheid was essentially a particular – and vicious – form of racial oppression and discrimination. Its principal feature was the national oppression of black people, particularly Africans, in all spheres of life. The economic foundations of apartheid rested on the exploitation of the African majority through the creation of a cheap labour system. Within this context, apartheid was characterised by acute gender inequalities, which were reproduced on the terrain of racial and class oppression. Apartheid effectively harnessed, reproduced and extended the gender inequalities already embedded throughout all levels of South African society.

Thus it is clear that apartheid combined racial, gender and class oppression and exploitation. Ultimately, apartheid could not function or reproduce itself without the intricate and interdependent relationship between these three social contradictions. The transfor-

mation of South African society, therefore, requires that the race, class and gender contradictions be tackled simultaneously and not sequentially, despite the fact that the racial contradiction was always the dominant one. Focusing principally on one aspect – no matter what progress can be made – is likely to lead to the exacerbation of the others, thereby undermining the entire transformation effort. The education system provides one of the most strategic points of intervention for addressing these contradictions at a systemic level.

Black people, Africans in particular, were denied the opportunity of education; where they received it, it was of a poor quality with severe limitations for progression even within that system. This was the racial character of apartheid education. Black people were, by and large, given only the education they required to provide unskilled, and at best semi-skilled, labour in the economy, limiting for the majority the opportunities for upward advancement beyond certain forms of manual labour. This was the class character of apartheid education. Within this system, women, particularly African women, had the least access to education and the least opportunity to advance within the system.

Education in South Africa has always been part of intense struggles for change. While these contestations were fought on a terrain with its own specificities, they also reflected the broader struggles between the democratic forces and the apartheid order. Taylor draws attention to the significance of the education struggles in the broader anti-apartheid struggle:

Education has always been a site of struggle during the different phases of mass mobilisation. In the 1970s mass resistance against the education system was an outcome of both the economic and political crises that resulted from



continued repression and which led to mass student resistance in 1976. In the 1980s, under the broad umbrella of the UDF and the student movement, the schools once again became a site of resistance... In retrospect, while the education campaigns of the 1950s and 1980s did not result in significant changes to the education system, they did create a platform from which education needs could be addressed.<sup>10</sup>

Education has thus become both a site and an instrument for transformation. It is a *site* in that educational transformation must be measured against the goals of the RDP. That is, the extent to which education is transformed reflects the extent to which the transformation of South African society is progressing. Education is an *instrument* for transformation and implementation of the RDP in that educational transformation will enable realisation of the RDP.

However, the struggles for the transformation of education also reflect broader tensions and dilemmas in the transformation of society as a whole. The key challenge facing South Africa's emerging democracy is how to use existing and inherited state structures while simultaneously seeking to transform them. Thus, government has had to manage the turbulence of change while at the same time maintaining the existing education system. This is clearly evident in the schooling, higher education and adult basic education and training spheres of the system. A considerable portion of the government's budget is spent on education.<sup>11</sup> As such, it is necessary to review the various levels of education and the manner in which resource allocations are related to issues of redress and transformation of the system as a whole.

### Schooling

The state of schooling represents the central challenge of educational trans-

formation. Without significant structural transformation of schooling, there can be no transformation of education in South Africa and limited change at societal level. Based on what is perhaps the most comprehensive survey ever undertaken on South African schooling, the *School Register of Needs Survey*, a fuller picture of the state of schooling in South Africa emerges.<sup>12</sup> This is reflected in the box on the following page, which highlights just some features of the schooling system. A central feature captured by the statistics is that the most disadvantaged provinces are those that had to incorporate the former Bantustans, where population concentrations were high. For instance, 70 percent of all African children are schooled in the former Bantustans and rural areas. In addition, 24 percent of African schooling takes place in under-resourced farm schools.<sup>15</sup>

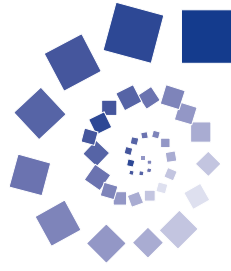
### Literacy and an integrated system of education and training

South Africa has one of the highest rates of illiteracy in the world. The 29 percent of the adult population that is functionally illiterate consists of about 7,5 million adults.<sup>16</sup> In some provinces, nearly half of the adult population is illiterate. Further, 53 percent of the population living on less than R350 per month receives only 40 percent of the money allocated to education. Women, particularly those in rural areas, are affected more than males – 20 percent of African women older than twenty years have no formal schooling. Of significance also is the fact that 27,000 learners with disabilities are outside the formal school system.<sup>17</sup> A prerequisite for an informed and active citizenry is a literate population. The ability to access information and communicate appropriately is key to economic and social empowerment in all spheres of society.

Illiteracy remains one of the most disempowering factors faced by a large

### *Apartheid backlogs in schooling*

No water is available in 24 percent of the schools in the country, and less than half of schools (43%) have an electrical power supply. The lack of power supply is most prominent in the Northern Province (79%), the Eastern Cape (77%) and KwaZulu-Natal (61%).



A maximum of 37 percent of schools have telephones, except in the Northern Cape (77%), Western Cape (88%) and Gauteng (85%). Most striking from this survey is the identification of toilet facilities as one of the most neglected areas of provision. Provinces with the most severe shortage of toilets were KwaZulu-Natal (a shortage of 66,921 toilets), Northern Province (a shortage of 51,324 toilets) and the Eastern Cape (a shortage of 46,785 toilets). Where toilets were provided, 47 percent were pit latrines and 34 percent had flush systems. At 13 percent of schools, no toilets of any kind were provided for learners.

The provision of media equipment, media collections, learning equipment and materials was almost non-existent: 82 percent of schools had no media equipment at all. There is also an extremely poor provision of media centres (including libraries) in most of the schools. For instance, only 2 percent of primary schools in the Northern Province, Free State and Eastern Cape had media centres. In addition, between 44 percent and 47 percent of schools in KwaZulu-Natal, Free State, Eastern Cape, Northern Province and Western Cape were without sports facilities

With regard to classroom shortages, based on a learner-classroom ratio of 40:1, it was estimated that in 1996, 57,499 classrooms were needed nationally. Classroom shortages are extremely high in the Eastern Cape (15,538), KwaZulu-Natal (14,534) and the Northern Province (13,670).

The gender inequalities within the education sector are striking and reflect the inequalities in the wider South African society. While 64 percent of all teachers are women, male teachers hold 58 percent of principal posts, 69 percent of deputy principal posts and 50 percent of heads of department posts. Until very recently, women teachers did not qualify for the government's 'home owner' scheme, and gender-based differentiation in salaries was only eliminated in 1992.<sup>13</sup> Only 33 percent of women/girls participate in school sports as opposed to 77 percent of men/boys.<sup>14</sup>

Girls are also susceptible to other pressures and realities. For instance, South Africa has a teenage pregnancy rate of 33 percent, affecting the education of girls quite severely. Girls are usually expelled as a result, but boys who impregnate girls are allowed to continue with their education.

majority of the people of the country. It affects democratic participation, and consequently hinders human development. The most positive development in this regard is the importance the new Minister of Education, Kader Asmal, places on this particular issue.<sup>18</sup> Indeed, key priorities in *Tirisano*<sup>19</sup> (Ministry of Education's Ten Point Plan) will help to guide resources to where they are most needed.

For Adult Basic Education and Training (ABET) to have meaningful results, it needs to be part of an integrated implementation plan for all spheres of activity, especially the workplace and household. The difficulty is that two separate government departments, education and labour, have historically performed these two functions independently of each other. Despite efforts at co-ordination, their joint efforts have proved far from adequate. The challenge, therefore, is the extent to which the private sector can be mobilised to be truly part of the education and training effort. This will require strong state leadership. The Skills Development Act (1998) is a further major step towards enhancing training and skills development, particularly given the fact that South Africa spends far less on training than countries at similar levels of development.<sup>20</sup>

### **Higher education**

Educational institutions and policy makers in South Africa need to recognise the significant relationship between research and development and technology for industrial production and communication. Because of the link between human development and technological advances, education and research that is geared to a globalising economy must begin to focus on the manner in which trade patterns change. These are the linkages that provide countries with an alternative form of comparative advantage.

In addition, the extent to which all South Africans are a part of the educational process is the extent to which this comparative advantage will be meaningful. The participation of African students in higher education more than doubled between 1986 and 1992, but still represented only one-sixth of that of whites. While in 1993, women's enrolment at university was 49 percent; in the technikon sector it was only 30 percent. However, this apparent equity at universities masks the fact that only 21 percent of registered women students were in the natural science programmes.<sup>21</sup>

Academic staff and senior management in institutions of higher education also remain predominantly white and male. For instance, studies showed that 87 per cent of staff at universities and technikons was white and 68 percent of all staff at these institutions was male.<sup>22</sup> Another critical problem facing higher education is the amount of student and institutional debt carried over from the apartheid years, but which in many institutions has continued to grow after 1994. By mid-February 1999, student debt stood at R500 million. This is against a background of falling enrolments, particularly in crisis-ridden historically-black institutions.<sup>23</sup>

## Transforming Education for Human Development

Transforming education for human development involves five central objectives and principles – non-racialism, non-sexism, a unified system, democracy and redress.<sup>24</sup> In the context of the anti-apartheid struggles, these principles are a response to the particular race, class and gender features of South Africa's education system and their interrelated articulation. The relationship between education and broader transformation is captured under the rubric of 'people's education for people's power', as expressed by Mashamba:

People's education is education for the 'people'... people who aspire to non-racialism and democracy, and who are predominantly black and working class. Accordingly, this education is non-racial and democratic, and primarily informed by the aspirations of the nationally oppressed blacks and the exploited working class.<sup>25</sup>

### Transformation of education policy as an instrument for human development

Between April 1994 and June 1999, the biggest shift in education policy in the history of South Africa took place. These changes were based on the education clause in the Constitution as reflected in the box on the following page.

The White Paper on Education and Training succinctly captured the values and principles that underlie the new education policy. It re-affirms the Constitution by stating that education and training are basic human rights. Therefore the state "has an obligation to protect and advance these rights, so that all citizens irrespective of race, class, gender, creed, or age have the opportunity to develop their capacities and potential, and make their full contribution to the society".<sup>27</sup>

#### *Education as a democratic process*

The White Paper also firmly entrenched the right of parents or guardians to be consulted by the state with respect to the form of education best suited to their children. It stated that the overarching goal of policy must be to enable all individuals to have access to and succeed in lifelong education and training of good quality. Underpinning this new policy was an acknowledgment of the responsibility of the state to ensure redress of past inequalities.

#### *Education for empowerment*

The new educational policy framework also located educational transformation firmly within an economic development programme in which human resource

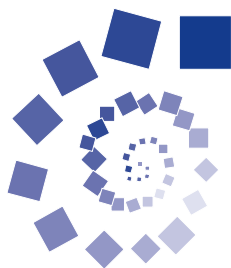
### Education as a Basic Human Right

Everyone has the right –

- a. to a basic education, including adult basic education; and
- b. to further education, which the state, through reasonable measures, must make progressively available and accessible

Everyone has the right to receive education in the official language or languages of their choice in public educational institutions where that education is reasonably practicable. In order to ensure the effective access to, and implementation of, this right, the state must consider all reasonable educational alternatives, including single-medium institutions, taking into account –

- a. equity
- b. practicability; and
- c. the need to redress the results of past racially discriminatory laws and practices.<sup>26</sup>



development features prominently. Particularly important is the fact that the White Paper combines, both conceptually and programmatically, human resource development and the development of multi-skilled citizens able to participate in the processes of democracy.

The main theme of the RDP's human resource development programme is the empowerment of people, through education and training, including specific forms of capacity-building within organisations and communities, to participate effectively in all the processes of democratic society, economic activity, cultural expression and community life.<sup>28</sup>

In line with the RDP, education is not seen simply as educating for economic needs and the labour market, but also in terms of human, social, intellectual and cultural development. However, translating this into practical reality, within the context of global pressures on South Africa as a developing country, poses some serious dilemmas and tensions.

## Implementing Educational Processes for Human Development

Significant as they are, policy frameworks do not automatically translate into structural changes in the system. Instead, their implementation becomes an intense site of struggle. Structural transformation also needs to be assessed to determine the extent to which policy shifts have been translated into opportunities for the majority. In addition, the implementation process must focus on the extent to which educational changes in South Africa have dealt with the race, class and gender contradictions – not in isolation but in relationship to each other. In other words, one needs to examine the extent to which government has intervened in the cycle of causality of poverty and inequality to improve the supply and demand for human capital and to build social cohesion.

### Finance and redress as key processes

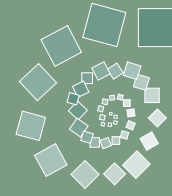
Through its RDP Presidential Lead Projects, government set aside an amount of R1,2 bn to build classrooms in 1994. By the end of the term of the first democratic government, almost 10,000 classrooms had either been built or repaired and more than 80 percent of the allocated money spent.<sup>29</sup> This amounts to classroom space for about 350,000 students, taking an average 1:35 classroom size. Most, if not all, of these classrooms have been built in black schools, particularly in the rural areas. This accounts for about one-fifth of estimated classroom shortages in 1997. Despite these achievements, it should be noted that school enrolment increased by 1,5 million between 1994 and 1999.<sup>30</sup> This is a significant development, but puts further strain on the system.

At the same time, redeployment and anticipated retrenchments have led to a drop in enrolments in teacher education colleges and faculties of education at universities. If demand should again rise, this could pose a serious threat to teacher education in the future. There is a danger of severely running down the capacity of many higher education institutions to provide teacher training. Effective training of adequate numbers of teachers to respond to the growth and transformation of the education system is critical to the change and management of South Africa's education system.

An even bigger (political) dilemma is that, as the better-off communities are required to pay more to fund the schooling of their children, the middle class – both black and white – may begin leaving the public school system in large numbers. The more difficulties government experiences in funding public education, the more the middle classes may consider taking their children to prestigious private schools with smaller classes and good facilities, with negative effects on the quality of education and governance expertise required in the schools they leave. Already the tendency is for the black middle class to send their children to better-off public schools, leaving rural and township schools further impoverished of both money and parental expertise.<sup>31</sup> In this situation, it becomes essential for government to consider the conscious use of social priority ratios in allocating funds.

In higher education, funds have been allocated to cover physical backlogs in historically black institutions. Between 1994 and 1999, about R1,2 bn was spent to support poor but academically deserving students with loans and bursaries in higher education.<sup>32</sup> This accounts for about 80,000 black students who would not otherwise

*Between 1994 and 1999, about R1,2 bn was spent to support poor but academically deserving students with loans and bursaries in higher education... about 80,000 black students would not otherwise have been able to study in higher education institutions.*



have been able to study in higher education institutions. Significantly, all legislative, policy and implementation measures have incorporated either a redress fund or redress mechanisms. This ensures that the issue of redress acquires a specific focus and is not merely subsumed in educational spending.

### Using social allocation ratios<sup>33</sup> and social priority ratios<sup>34</sup>

The issue of redress runs the risk of being ghettoised and not integrated into the very transformation of education itself. For instance, the question of redress in many institutions is treated as something set aside to assist black students, while the balance of the funds is used to continue with 'normal' educational activities and is not used to reprioritise educational needs. For example, while the government's National Student Financial Aid Scheme supports thousands of black students each year, there has been little curriculum transformation in institutions of higher education to cater for changing social and political realities in the country. This means that funds used for academic activities are still largely reinforcing the old curricula and ways of teaching. This tendency can be reversed through the use of social priority ratios. Such ratios can provide

clear links between government's political priorities (such as curriculum transformation) and the need for social allocations that simultaneously respond to issues of redress and other problems.

The higher education sector is also crippled by the amount of student and institutional debt inherited from apartheid. Without a national strategy and mechanisms to deal with this debt, the very transformation of higher education will be undermined. One of the negative effects of this debt, particularly student debt, is that an increasing number of black students is being excluded from institutions of higher education.

Additional funds are needed to tackle the enormous backlogs in education, so as to lay a firmer basis for provision of quality education to the poor. This might well mean a revision of government's own budget deficit targets or the reprioritising of the budget to release more funds for education. The release of earmarked funding to target backlogs in specified key areas of provision might well be the only path to creating better educational opportunities for the majority of the people of the country.

### The process of redistribution and professional development of teachers

Redistribution and the professional development of teachers are closely related to the redistribution of funding as personnel costs consume a national average of about 91 percent of South Africa's schools budget.<sup>35</sup>

A large percentage of South African teachers are under-qualified or poorly trained.<sup>36</sup> In order to turn around the education system and implement new curricula, teacher development is of strategic importance. Recognising this, the current government has placed new emphasis on this question.<sup>37</sup>

### The process of centralisation and decentralisation of education as instruments of transformation

One of the key structural issues in the South African education sector is that of the relationship between the centralisation and decentralisation of education. There is general consensus that both are needed to ensure the transformation and smooth running of the education system. At the centre of the disputes around this question is the extent to which each should occur, and in which spheres of control and administration.

### Civil Society, Government and the Business Sector – *Tirisano*

Communities, the private sector and the labour movement need to play a leading role in literacy provision and skills training. Such mobilisation can become an important lever to access the financial and human resources needed to ensure educational transformation for human development.

### Democratic participation in the transformation of education

Not only was the role of democratic mass organisations important in the defeat of apartheid, but the very transformation of education in the current period is premised on strong mass participation, as captured in the RDP's notion of people-centred and people-driven change. Mass organisations are more than just players in the struggle for state power; they are about changing class and power relations in the spheres in which they operate, one of which is education. Indeed, the capacity of the state to transform education is dependent on the strength of mass participation. It is for this reason that the role of mass organisation in mobilising communities for educational change is a critical dimension in the structural transformation of education.

The weaknesses in mass organisations in the education sphere arise from the strategic dilemmas facing these organisations in the new period. On the one hand, they must decide how to support and be an active part of government without sacrificing their autonomy or compromising the interests of their constituencies. Conversely, how do they advance the interests of their constituencies – which are still largely poor and disadvantaged – without at the same time undermining government and the emerging democratic order?

While transformation of the education system is essential to address deprivation in human capabilities, its potential is limited if it does not lead to opportunities for economic empowerment and democratisation.

## Economic Empowerment Processes for Human Development

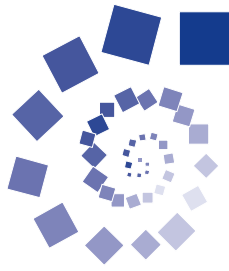
This section examines the relationship between government policies intended to empower people economically and human development. The term ‘empowerment’ is used to denote people’s demands to be recognised, consulted and valued. In a narrow sense, it is used to describe a wide range of efforts to enhance the power of individuals, groups and organisations in society. In South Africa, where the term is used in a specific context, it is often seen as a way of promoting the role of unions in industry, the participation of emerging investors in capital markets and the role of disadvantaged communities in the economy. Fundamentally, it is the process of changing the balance of power in favour of those who were kept out of the mainstream of economic and social activity as a result of apartheid.

In organisation and management, empowerment has an external and internal dimension. The external dimension refers to the involvement of clients and customers in the decision-making of the organisation.<sup>38</sup> In internal management processes, therefore, the term ‘empowerment’ may be used to refer to the delegation of power in order to create an enabling environment. In this sense, ‘empowerment’ is “a process of enhancing feelings of self-efficacy among organisational members through the identification of conditions that foster powerlessness and through their removal by both formal organisational practices and informal techniques of providing efficacy information”.<sup>39</sup>

Government policies intended to empower are aimed at improving the participation of citizens, especially the previously disadvantaged, in government and business. In this sense, democratisation and empowerment are closely related in that empowerment aims to broaden participation while democratisation aims to follow inclusive plural processes. In economic empowerment, job creation and negotiating effective links between economic growth and human development are critical. Other important related aspects include participation in the economy through Employee Share Ownership Programmes (ESOPs), and the development of Small, Medium and Micro Enterprises (SMMEs) discussed in Chapter One.

As outlined earlier, efforts to build a consensual basis for post-apartheid rule and transformation endeavours were central to both the ‘negotiations’ period and the ANC government’s first term in office. Institutionally, these attempts were most marked in the realm of labour relations and economic policy, with various mediation and arbitration structures and NEDLAC – discussed later in this chapter – constituting the flagships of these endeavours.

### *An Economic Bill of Rights to Promote Economic Growth and Human Development*



- a right to a basic income and access to a minimal level of economic resources
- a right to participate in the productive and reproductive work of society
- a right to non-discrimination – on the basis of gender, race, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth – in the distribution of income, productive output, and economic resources
- a right to non-exploitation in all work – in the labour market, in the household, and in the informal economy
- a right to a just share of the production of the economy
- a right to an equitable distribution of the powers and privileges associated with the ownership of productive assets<sup>40</sup>

### **Government interventions for economic empowerment**

The objective of government, as reflected in previous chapters, is to provide a better life for all in South Africa. The Constitution provides the framework for the development of strategies that are inclusive, participatory, transparent and accountable in order to ensure value in all delivery initiatives, especially in the area of basic needs. Based on this, a core “economic bill of rights” has been developed to promote economic empowerment (see box).

This Bill of Rights must be seen in the context of the strong correlation between unemployment and poverty. It is estimated<sup>41</sup> that the unemployment rate among the 20 percent poorest households is 53 percent, compared to 4 percent in the 20 percent richest households.<sup>42</sup> According to 1997 statistics, African workers earned 63 percent

less than white earners. The unemployment rate in South Africa is extremely high compared to that of other medium income countries. Wage disparities are also high by international standards. This reflects the apartheid legacy of white workers who are relatively better educated compared to black workers.

These inequalities mean that Africans are disadvantaged in terms of income generating resources. They are not sufficiently well trained to command decent wages; they do not own enterprises from which they could generate profits; they do not own land from which they can collect rent or farm; nor do they have investments from which to earn interest and dividends. It follows, therefore, that transforming economic processes for human development requires specific policy and programme interventions to reverse these racist patterns and chain of causality from marginalisation to social integration.

### **Government initiatives to promote economic empowerment**

The government has put in place infrastructural and special employment programmes intended to enable job creation, particularly for the people at the lowest end of the labour market. As part of the Job Summit outcomes (discussed in Chapter One), government will consolidate current job creation programmes through improved coordination, paying greater attention to the financing of these programmes, capacity building through training and financial contributions to the development of local economic activity. Approximately R5 billion has been allocated to job creation, particularly for use in labour intensive projects. These projects include those in Working for Water, the Land Care Campaign, rural water supply, community-based public works programmes, the Consolidated Municipal Infrastructure Programme and housing and select welfare programmes.<sup>43</sup>



## Worker participation or co-option

Empowerment programmes constitute government's main pillars to change stock ownership plans, expand opportunities for broader South African participation and ensure that SMMEs have equitable opportunities. In addition to participation in union-driven empowerment projects, another type of economic opportunity being explored are the Employee Share Ownership Programmes (ESOPs). ESOPs are not a new concept and other countries have tried them with varying degrees of success. These include Sweden, the United States of America, the United Kingdom and Japan. ESOPs allow for individual share ownership rather than ownership by groups, such as unions and other consortia. Unions do not favour ESOPs because they are seen as a means of co-opting workers.<sup>44</sup> Government has also, at times, sent ambiguous messages regarding ESOPs; for instance it has not given ESOPs recognition in the fishing industry, where it is practised.<sup>45</sup>

There have been political motives associated with all ESOPs plans in South Africa. When the Ford motor company divested in 1987, it donated 24 percent (R100 million) equity to a workers' trust fund, including R2 million to a community trust. However, the deal was seen as self-serving. One researcher commented thus:

It is hoped by giving black workers a stake in the free enterprise system, however small, their ideological allegiance will shift towards support for the system. Ford saw its step as introducing an "economic citizenship" for workers, but that certainly did not meet the demands for "political citizenship" for workers. The company also hoped by donating shares to workers it could maintain a profitable relationship with SA in the future.<sup>46</sup>

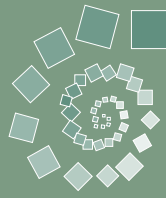
Evidence<sup>47</sup> indicates that such schemes usually become policy at a time when industry is going through

changes or restructuring. ESOPs are seen as an alternative way of paying workers, as an attempt to discourage workers from demanding higher wages. Further, workers participating in such schemes pose no threat to ownership as the number of shares issued depends entirely on the business concerned. Another criticism of ESOPs is that such schemes normally favour those who are already better off in terms of wages, salaries and fringe benefits. This can be divisive. There is little or no general evidence that ESOPs or similar schemes enhance economic performance, except where accompanied by genuine participation of workers in management and decision-making, a factor that can be introduced independently of ESOPs<sup>48</sup>. In Sweden, where a genuine attempt was made to increase workers' control, the scheme failed due to opposition from business.

Further, ESOPs are seen by their detractors as an attempt to undermine the unions. This suspicion is clearly evident in South Africa. ESOPs pose a very serious problem for the unions. First, they are government policy and remain in operation until changes are approved. Secondly, unions will become part of the restructuring taking place in industry. Thirdly, as a form of wages offered by employers to employees, ESOPs are divisive in that they offer differential benefits to the workers depending on their status in the company. ESOPs are also seen as diversionary, drawing unions away from fighting for wages and conditions of work to more general issues of the economy.

In this regard, several issues arise. First, as the government privatises, share issues may increasingly be made available to workers. Secondly, unions must take into account the fact that they have share issues in the form of pension funds. Thirdly, big corporations are unbundling and more opportunities may arise for worker participation. Fourthly,

*Economic empowerment must lead to sustainable livelihoods and access to income earning opportunities.*



empowerment is being equated with the development of SMMEs. More people are forming groups to participate in initiatives that include privatisation, corporate restructuring and unbundling. All of these issues, however, need to be examined against the need to ensure that economic empowerment is more than having a stake in business. It is also about ensuring that those people who are outside the formal economy are integrated into the system in a meaningful way. Economic empowerment must lead to sustainable livelihoods and access to income earning opportunities.

### Current views on empowerment

Equity ownership was made available to some groups of blacks and, in this way, large deals have been completed, involving both listed and unlisted companies. For its part, government determined that these deals should be broad-based and set criteria to make sure this happened, particularly in the area of procurement. The criteria attracted a larger number of participants to the tender process, especially for government business. It required that entities tendering for government business demonstrate that they are broadly representative and inclusive. Most of the tendering took place in the IT and telecommunication industries, where government is a big spender. Print, publishing and broadcasting were also areas for economic participation.<sup>49</sup>

Unions were successful in their tenders for business because they brought in added value as black-owned consortiums and represent people from

previously disadvantaged areas. Consequently, companies in which unions have invested through empowerment have made deals of over R1.1bn.<sup>50</sup> These deals have been criticised on various grounds, predominantly on grounds of conflict of interest. Critics have questioned whether the unions are not 'in bed' with the capitalists and have asked whether, as investors, they will be able to represent the interests of the workers. Will they be able to advocate empowerment and affirmative action from inside corporate structures? Or will they pursue profits at the expense of broader issues of worker rights? It is still too early to assess this. COSATU-aligned trade unions such as the National Union of Mine Workers (NUM) and the South African Clothing and Textile Workers Union (SACTWU) were amongst the first to participate in empowerment programmes.

The viability of these deals is also being questioned because of the manner in which they were introduced. Most black empowerment deals were said to be risk-free, enabling these companies to exercise less discretion regarding the investments they were making. The deals were made through the special purpose vehicle (SPV) funding mechanism. Financiers are now taking a second look at this type of funding strategy and only a few deals will pass the new conditions to be implemented. Already, some empowerment groups are failing to complete deals due to stricter requirements. For example, Kopano ke Matla recently failed to raise cash to purchase a 100 percent stake (R93 million) in Aventura, and NuIntegrated Communications could not raise 40 percent (or R8 million) to purchase equity in Saatchi and Saatchi. Business Map notes that an average of six empowerment deals per month were completed in 1999 against a 1998 average of twelve for the same period.

Economic empowerment deals raise certain tensions and contradictions for organised labour's involvement in the market. However, such tensions must be resolved if the economy is to be deracialised and democratised to promote economic growth and human development. Fine<sup>51</sup> makes the following suggestions:

- Black empowerment should be clearly understood at the plant, enterprise, sector or economy level as, first and foremost, the negotiation through centralised bargaining, for as broad a section of the workforce as possible, of secure employment, with decent wages and conditions.
- ESOPs as the profit-share scheme introduced into the gold mining industry in 1993 has the effect of creating wage disparities and effectively undermines centralised collective bargaining for common wages and conditions. Where schemes such as ESOPs are negotiated, they should be pegged as far as possible to as broad a collective participation in the bonuses shared.
- More generally, priority in economic policy must be directed towards the meeting of basic needs. Much more important than the weight of shares owned by the workers in the form of pensions is the economic and financial system in which they are owned.

### Public-private partnerships

The privatisation of state assets is generating intense debate in South Africa. The debates centre on whether there is a need to privatise or restructure state assets; whether restructuring will lead to job losses; and the extent to which key utilities will become inaccessible to poorer sections of the community because of increases in user fees. In a generic sense, most countries privatise because they argue that public enterprises suffer from poor investment decisions, inappropriate pricing policies, overstaffing and political interference. Other reasons might include excessive centralisation, lack of capital,

elaborate procedures and unclear objectives.

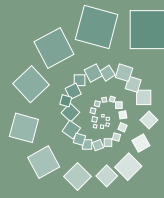
Privatisation is seen as part of a broader strategy of structural reform and is expected to provide opportunities for economic empowerment. Government argues that privatisation is necessary in order to leverage more capital, infuse new technology and develop new markets. The dilemma that privatisation presents for government is that it inevitably results in employment reduction. It is for this reason that privatisation deals are negotiated with labour, usually on the basis of a Social Pact. As a result, government has opted for partnerships rather than outright privatisation.

Public-private partnerships take different forms. Among the most standard are service contracts, management contracts, lease contracts and concessions and what are normally referred to as 'acronymic' partnership forms.<sup>52</sup> Building Own Operate (BOO), Build Operate Transfer (BOT) and Rehabilitate Operate Transfer (ROT) are all modified forms of concession contracts.<sup>53</sup> The government will explore the practicality of these models as it implements the privatisation programme. A clear indication of government's approach to public-private partnerships and their potential for economic empowerment is contained in the statement below.

the principal question SA faces today is not whether but how to introduce greater private ... participation in meeting the demand for infrastructure services. In answering this question we are not guided by an ideological fixation on one or other ... approach. We must search for the best service for local residents, and the maximum boost to jobs, and working conditions.<sup>54</sup>

The Municipal Investment Infrastructure Framework, as a case in point, estimates that redressing infrastructure backlogs would require at least R170bn over ten years and that government would be able to contribute R60bn over

*Most potential investors are less interested in broadening service coverage than they are in buying into parastatals in order to remain in lucrative markets and realise high profits.*



the same period. The statement goes further:

Many local governments have begun to explore alternative means of delivering services. More and more ... have come to realize that they can and should, work in partnership with the private sector with a view to getting private investment and delivery of a service. Perhaps even in the management of a service utility that the public sector owns, private financing of public infrastructure investment, or ... other combinations.<sup>55</sup>

The public-private partnership approach could be seen as one government strategy to democratise the economy. The strategy is designed to ensure that the role of government remains one of policy making, systems development, monitoring and evaluation while the private sector is expected to focus on delivery. This type of role for government is strongly contested, particularly in the context of massive inequalities and the economic logic within which the private sector operates. The rise in service charges and the inability of low and unwaged workers to pay for basic services has a negative impact on human development.

Government is, therefore, faced with the challenge of having to democratise a highly centralised and monopolised parastatal sector. The centralised nature of this sector is said to make it behave in a manner that is typical to monopolies – that is supplying to a limited market at high prices. While government's objectives in wanting to privatise

the parastatal sector are to broaden coverage, most potential investors are less interested in broadening service coverage than they are in buying into parastatals in order to remain in lucrative markets and realise high profits. Labour argues that the state ought not to stand back and reduce its involvement in favour of the private sector. Rather there should be strategic nationalisation of some industries and the introduction of strong regulatory bodies together with the development of creative forms of worker and community control and ownership.<sup>56</sup>

### The small and medium business sector

The Department of Trade and Industry is responsible for promoting small business in the country. The Department has established a policy framework, the White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa. The key objectives of the national small business strategy are to:

- Create an enabling environment for small enterprises;
- Facilitate greater equalisation of income, wealth and earning opportunities;
- Address the legacy of apartheid-based disempowerment of black business;
- Support the advancement of women in all business sectors;
- Create long-term jobs;
- Stimulate sector-focused economic growth;
- Strengthen cohesion between small enterprises;
- Level the playing fields between bigger and small business as well as between rural and urban business; and
- Prepare small business to comply with the challenges of an internationally competitive economy.

Two agencies have been established to provide financial and expert support

to SMMEs: Khula and Ntsika. It is estimated that there are more than 800,000 small, medium and micro enterprises in South Africa that provide jobs for approximately 3,5 million people<sup>57</sup>. Building the capabilities and assets of this sector is therefore critical to the process of deracialising and democratising the economy. Such an approach must be based on a twin strategy of moving from human development to growth and back as represented in figure 5.1. In addition strategic government intervention in both the economic and social sphere will have to ensure that policy choices relate to income measures, capability measures and asset development.

## New Modes of Engagement

Empowerment processes within the economy and the household are central to the twin strategy of economic growth through human development. However, to be effective, such a strategy must be mediated within democratic spaces and through legitimate, credible formations representing labour, government, business and community interests. Building social capital through the involvement of NGOs, community organisations and households in order to mobilise resources for effective engagement in the political economy requires appropriate institutions and processes. The establishment of NEDLAC and its role demonstrates the issues and challenges of using democratic space to transform modes of engagement within the state and the business sector.

In the latter years of the apartheid state, the government was neither able nor allowed to govern on its own; nor were progressive forces able to do so. Out of this political stalemate developed a negotiated process,<sup>58</sup> bringing together different political forces to create a political democracy. A similar transformation was needed in the

economy, which had stagnated due to the accumulated weight of apartheid economics – exhibited mainly in declining net investment, high interest rates, skill shortages and a general loss of business confidence.

In short, South Africa was, and still remains, in the midst of a ‘double transition’ – a simultaneous movement towards political democracy and economic restructuring. Under conditions of economic globalisation, however, capital has a stronger exit option and thus stronger bargaining power. This could be interpreted as meaning that growth for the new political democracy depends on adopting policies that will attract investment. Indeed it is often argued that South Africa’s political democracy came at the price of accepting neo-liberal policies.

How can society manage such a ‘double’, and potentially contradictory, transition? Should democracy be abandoned in favour of implementing unpopular economic restructuring? Or is there a path more advantageous to both democracy and economic growth? It is in this context that extra-parliamentary institutions such as NEDLAC are important.

Some<sup>59</sup> see this transition as a tension between the dual imperatives of competitive forces and social cohesion. The competitive imperative is central to market-driven economies but is reinforced by globalisation, trade liberalisation and privatisation. Social cohesion is needed, in this view, to ensure that the ‘management of change’ is ‘legitimised’. According to Douwes-Dekker,<sup>60</sup> these tensions between competitive and social imperatives can be “resolved” through the social ‘pacting’ occurring at NEDLAC and other forms of engagement.<sup>61</sup>

A second view is that such efforts to resolve tensions are “lofty and naïve”.<sup>62</sup> It is argued that there are moves to steer tripartite structures away from formative policy-making and towards the imple-

mentation of policies decided elsewhere in the system. The central dilemma for COSATU, then, is whether the “labour movement is willing to become an active party to a neo-liberal economic strategy in exchange for concessions for a section of the working class?” And, if the answer is ‘yes’, will this entail an abdication of the labour movement’s role in breaking the insider/outsider divide in society?<sup>63</sup>

Webster and Adler, however, state that: “Claims about the inevitability of a conservative pact exaggerate the power of globalisation, by presenting it as an omnipotent force depriving states of manoeuvring room in the choice of development policy”.<sup>64</sup> They argue that such positions ignore the power of movements and institutions to influence the strategic direction of policy and change the rules of the game to ensure favourable outcomes for the excluded.

### Institutionalising participation and decision-making

NEDLAC is indeed a site of class struggle and a potential instrument for transformation. It is a forum through which the representatives of the most powerful employer and worker organisations and the democratic government interact to seek agreement on important policies. Although progressive forces enter such terrain with considerable uncertainty, institutionalised participation in decision-making does increase the influence of the working class.<sup>65</sup> Nor can engagement through such institutions be equated with becoming an active party to neo-liberalism. Rather, “the struggle to make democracy work, and to extend it, is linked to our idea of socialism”<sup>66</sup>. As such, institutional engagement has the potential to open up spaces for further advances by different constituencies. It is, therefore, a site through which constituencies will gain according to their respective commitment, strategy and bargaining power.

### The establishment of NEDLAC

NEDLAC arose as a result of worker struggles driven by the major progressive union federations such as COSATU and the National Council of Trade Unions (NACTU) in the late 1980s. These worker struggles were the result of the 1988 attempt by the Nationalist government, with the support of employers, to amend the Labour Relations Act (LRA) in order to curb union power. In 1990, after two years of intense struggle, an agreement was reached between unions, employers and government. Known as the ‘Laboria Minute’, the agreement accepted that all future labour law would be considered by employer bodies and the major union federations *before* being sent to Parliament.

As part of the agreement, unions would participate in the National Manpower Commission (NMC), a body set up years before but boycotted as a ‘toothless’ advisory structure. Under the new agreement, the NMC would be reconstructed to have more power, a condition for union participation.

The second impetus was the apartheid government’s attempt, in late 1991, to impose Value-Added Taxation (VAT). Unions resisted this, both because VAT was regarded as a regressive taxation hurting the poor, and because it could also become a way to prevent the apartheid regime from unilaterally restructuring the economy on the eve of a new democratic order. Labour demanded a role in the formulation of macroeconomic policy, a demand that gave rise to the establishment of the National Economic Forum (NEF) in 1992. There were, however, tensions around the role of the forum. Labour wanted a negotiating body; business wanted an advisory body, but something that could make the South African economy ‘governable’.

These were the events and processes that led to NEDLAC’s creation by an Act

of Parliament in September 1994 (Act 35 of 1994) and its launch on 18 February 1995. NEDLAC's new statutory status made it more powerful and stable than the NEF and NMC, whose roles it incorporated.<sup>67</sup>

Democratisation must reach beyond the narrow governmental domain. The National Economic, Development and Labour Council is a key step along the way. It represents the broadening and deepening of our democracy, by directly engaging sectors of society in formulating policies and in managing institutions governing their lives.<sup>68</sup>

Much of the current debate around the role of NEDLAC is a continuation of this tension. That NEDLAC was granted real negotiating power was due to the strength and political importance given to unions by the new government. This balance of forces, which underpinned NEDLAC's creation, still remains crucial to its future.

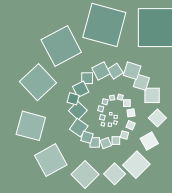
## Transforming the process of engagement: expectations of NEDLAC

### *Labour's expectation of NEDLAC*

The late 1980s was a watershed period for unions in South Africa, with the fall of Eastern European communism impacting on their political perspectives. As old style socialism lost esteem, unions began to search more openly for fresh approaches, and to shift towards a socialism that was "democratic, pluralist and participatory".<sup>69</sup>

COSATU was urged to look at "strategic unionism", towards developing a more corporatist approach.<sup>70</sup> As part of this trend, COSATU developed the Reconstruction Accord in 1992, later to inform and become the basis of the RDP. This Accord was criticised by some in the unions for being "reformist".<sup>71</sup>, but among unions it was seen as a necessary step that had to be taken to reposition worker, business and gov-

*NEDLAC is a forum through which the representatives of the most powerful employer and worker organisations and the democratic government interact to seek agreement on important policies.*



ernment from "resistance to reconstruction".<sup>72</sup>

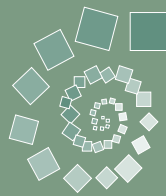
The formation of NEDLAC gave labour an avenue to influence economic decision-making at a crucial time in South Africa's history. However, labour sought to influence policy both through NEDLAC and the Tripartite Alliance<sup>73</sup> – a pattern it consistently maintained.<sup>74</sup> Thus, while the labour movement has been NEDLAC's strongest support base, its support for NEDLAC is part of a multi-pronged approach to engagement.

### *Business' expectation of NEDLAC*

Business was supportive of the establishment of NEDLAC as a way to "get inside the system"<sup>75</sup>. Business wished to increase its influence on policy and saw NEDLAC as providing an opportunity to do so. There was concern that labour, in alliance with the new government, would weaken business' relationship with and position in relation to the new government.

A number of initiatives affecting the economy were open to influence. First, the Department of Labour's five-year plan (transforming labour markets) had been announced and was tabled at NEDLAC. Second, there was an expectation in 1995 that government's economic policy might go through NEDLAC. Third, there were many in business with thoughts of an Accord being reached in the coming years, essentially negotiated through NEDLAC.<sup>76</sup>

*That NEDLAC was granted real negotiating power was due to the strength and political importance given to unions by the new government.*



There were other reasons for business' support of NEDLAC. Some senior business leaders<sup>77</sup> were committed to the principle of social dialogue and were influential in getting business to 'buy-into' NEDLAC. Importantly, there were indications that government was going to resist lobbying,<sup>78</sup> particularly in respect of trade and industrial policy. South African industrial 'policy' had evolved historically through government being lobbied by business interests, a practice that left the country with a rather incoherent and ultimately non-optimal industrial structure.<sup>79</sup>

Based on these expectations, there was a strong motivation for business to back NEDLAC. This did not mean, however, that all senior business leaders were in favour of it.

#### *Government's expectation of NEDLAC*

The ANC government, on the eve of democratic elections and governance, was initially ambivalent about NEDLAC, particularly with regard to the extent to which both labour and business could constrain government's ability to transform the economy. In particular, it was felt that trade unions might focus on narrow, membership interests and would be unable to develop the wider societal interests necessary for macro-economic policy formulation. However, labour, through COSATU leaders who became ANC parliamentarians, gained political support for NEDLAC and extra-parliamentary institutions in general and there was final agreement that NEDLAC could serve to accommodate labour

concerns and make the economy more governable.<sup>80</sup> In the final result, regardless of some ambivalence about NEDLAC, the institution was granted significant powers (see box).

#### **NEDLAC processes - linking economic and social objectives**

NEDLAC is a representative body where parties seek agreement primarily through negotiation and discussion based on mandates. NEDLAC modelled its approach on international experience in tripartite decision-making, as well as on the experience of its predecessors, the NEF and NMC. However, it also has "unique features aimed at meeting the particular needs of the South African situation": it goes beyond traditional partners – government, business and labour – and includes organisations that represent broader community interests in the country.<sup>81</sup>

#### **Using democratic space for transformation**

While NEDLAC has the power to consider and agree on policies before they go to Parliament, Parliament is still sovereign and must accept any NEDLAC agreement before it becomes law. Parliament is thus able to change any agreement reached at NEDLAC although, having been reached between key constituencies, such an agreement would carry considerable weight.

Besides reaching agreements, NEDLAC has a role in building a culture of democratic participation and social dialogue in society.<sup>82</sup> This includes information sharing, research, workshops and seminars and dispute resolution.<sup>83</sup>

NEDLAC was structured to address issues clustered into four 'Chambers': labour market, public finance and monetary policy, trade and industry and development. These Chambers feed their agreements to the management committee, which in turn reports to the



Executive Council (the highest decision-making structure). At an annual Summit, there is feedback and input on progress made by NEDLAC.

Each constituency decides on its own representatives and how they are allocated to the Chambers and other NEDLAC structures. In the labour constituency, the six labour seats in each of the Chambers have been divided as follows: four to COSATU, one to FEDUSA and one to NACTU. This is more or less in line with their relative membership numbers. In the business constituency, seats are divided between Business South Africa and the National Federation of Chambers of Commerce (mainly black business) on a four-to-two split. The community constituency (represented in the Development Chamber), however, presented a challenge: who represents the 'community'? The formula adopted was for several large organised groups (women, disabled, rural, youth and civics) to play that role. Government is represented in the NEDLAC structures according to the nature of the Chamber, so that the Department of Labour is most central in the Labour Market Chamber, the Department of Finance in the Public Finance Chamber and so on.

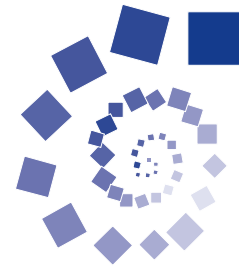
According to the NEDLAC Secretariat report, the institution "made an impact on the transformation of the labour market, trade and industry policies, development policies and the building of important new institutions in society." More specifically, NEDLAC was considered to have been very influential regarding labour market policies and, to a lesser extent, in trade and industry matters. Influence on economic policy has lagged, however.<sup>84</sup>

NEDLAC's impact is also felt in other ways, such as through improving transparency of decision-making and limiting the scope for self-serving lobbying by narrow interests. Further,

### *NEDLAC powers, purpose and structure*

The NEDLAC Act requires NEDLAC to:

- Strive to promote the goals of economic growth, participation in economic decision-making, and social equity;
- Seek to reach consensus and conclude agreements pertaining to social and economic policy;
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- Consider all significant changes to social and economic policy before they are implemented or introduced in Parliament; and
- Encourage and promote the formulation of coordinated policy on social and economic matters.



co-operative governance means that new policies and changes are considered, carefully balanced and more durable in the longer-term.<sup>85</sup> One example of this is the recent Competition Bill. The secretariat coordinator of the Trade and Industry chamber remarked that, "The insights and information provided by labour and business filled the gaps in the government plan, making the final legislation more appropriate and relevant. It is a clear example of where NEDLAC has added value to government policy."<sup>86</sup>

### **Impact on strategic vision**

Creating a common vision for action has been a challenge. This has been generally acknowledged by all constituencies, and explicitly mentioned as a weak point at the 1998 Annual Summit.<sup>87</sup>

A discussion document, *Discussion on framework for social partnership and agreement-making in NEDLAC*, was developed by the NEDLAC secretariat. It raised the need for a strategic framework and argued that there needed to be "an explicit recognition by the con-

stituencies of the need to work towards a longer-term vision, and consider the need, where necessary for shorter-term trade-offs to achieve this vision". This framework must "assist in identifying specific issues for negotiating in the chambers" and provide "common assumptions and a common terminology".<sup>88</sup> Further, the document raised a number of possible areas for such a framework: wages and incomes; investment and jobs; reprioritising government expenditure, and trade and industrial development.

This initiative did not get far, however. A central reason was the lack of common ground between business and labour on the objectives of such a strategic vision. In 1996, for example, an important block within organised business – the South Africa Foundation, which represented the largest companies – introduced its own vision document called *Growth for All*. The document took a hard line, calling for the introduction of a 'two-tier' labour market, essentially proposing low wages and lower minimum standards to create jobs.<sup>89</sup>

Labour developed its own economic alternative in early 1996. This document, *Job Creation and Social Equity*, was endorsed by all three labour federations at NEDLAC and attacked all of the business document's underpinnings.

In mid-1996 government, under pressure from a sudden downturn in financial markets, announced the 'non-negotiable' Growth, Employment and Redistribution strategy (GEAR) discussed in preceding chapters. This strategy, designed, some argue, to placate financial markets, had many of the ingredients of a standard structural adjustment programme.<sup>90</sup>

The community constituency attacked Business South Africa's *Growth for All* framework and government's GEAR strategy, which it said did not "fall in line with the RDP" and was a reason for

limited success against poverty. Its presentation to the subsequent NEDLAC Summit called for a "return to the RDP".<sup>91</sup>

Such strong, opposing perspectives and approaches of its constituencies are a major obstacle to the facilitation of a common vision at NEDLAC. Indeed, its initial attempt to do so may have been greatly over-optimistic.

### Impact on details

It is worthwhile to examine two processes in order to assess the opportunities and constraints NEDLAC has faced in reaching agreements. The first is the process of seeking agreement on the Basic Conditions of Employment Act (BCEA). This process, arguably, had the greatest negative impact on NEDLAC as an institution promoting transformation processes.

### Constraints regarding capacity, legitimacy and credibility in transforming processes in NEDLAC

Seven constraints are discussed below. The first three are general constituency/maturity matters; the last four deal with matters of principle and relationships.

#### Constituency/maturity constraints

##### 1. Flexibility, unpredictability and the role of personalities

NEDLAC – and social dialogue – is still in its infancy in South Africa. As such, one can expect that the system will change and adjust itself over time, the better to meet the needs of managing South Africa's transition. However, the 'newness' of NEDLAC brings with it several weaknesses. First, processes are relatively flexible as rules and protocols are still evolving. The extent to which different constituencies abide by these protocols may also differ from constituency to constituency and from time to time. A negative aspect of this flexibility is the unpredictability that may result.

Another weakness is that flexibility may result in a vacuum in which the role of strong personalities is enhanced. This may be exacerbated by weaknesses in constituency capacity and loose mandating procedures. This applies equally to all constituencies represented at NEDLAC.

## 2. Capacity of constituencies

All NEDLAC constituencies lack capacity, including the technical capacity to develop, analyse or respond to proposals. A study of the labour constituency revealed that, despite efforts to develop research and training facilities, the impact of the rapid loss of experienced senior leaders to government has resulted in extensive loss of capacity at NEDLAC. Capacity constraints also include the inability of senior negotiators to devote more time to NEDLAC activities, with some already spending about 40 percent of their time at NEDLAC.<sup>105</sup>

NEDLAC is focusing on building capacity<sup>106</sup> and now has a capacity building fund for constituencies. Despite these efforts, the problems remain considerable. In part, this reflects the fact that resources alone may not be the problem. In the case of the labour capacity building fund, the majority of the funds remains unused, indicating that the constituency has been unable to manage available resources effectively. Second, constituencies tend to use “tight leadership” styles<sup>107</sup> that may undermine the process of building new leadership.

## 3. Loose mandating and grassroots linkages

Agreements have often been driven by a small group of leadership from constituencies.<sup>108</sup> Information on agreements or progress achieved does not reach the membership as widely as it should. Confirming this, a NALEDI survey found that the majority of organised workers did not know about NEDLAC or had not attended a report-

back meeting.<sup>109</sup> This, however, reveals more about the weaknesses in internal democracy and the communication system within the labour constituency than about NEDLAC itself. Similar weaknesses probably exist in all constituencies, including between Ministers and bureaucrats and between business representatives and employers.

Weaknesses in mandating and communication clearly impact on the strength of a bargaining position, but also on the extent to which negotiators can be held accountable for their actions. The ability of a constituency negotiator, then, to put forward a position contradicting earlier agreements or the broader interests of his or her constituency is increased. This weakness also enhances the importance of personalities in negotiations.

## Principle/relationship issues

### 4. Distance from economic policy formulation

As seen earlier, there are those who have always felt that economic policy should not be discussed within the forum. They hold the view that globalisation requires rapid and unpopular decisions and that such processes cannot take place within NEDLAC. They argue, further, that ‘credible’ economic policy requires certainty and cannot, therefore, be opened up to change. As a result, NEDLAC’s impact on macroeconomic policy has trailed its impact on labour market and trade and industry issues.<sup>110</sup>

This technocratic view of economic policy-making holds that “experts, shielded from political pressures, are most capable of formulating effective policy. They reject the claim that technocratic processes are undemocratic by noting that the government is ultimately accountable to the public through electoral competition”.<sup>111</sup>

Such a technocratic approach to economic policy formulation, while clearly expedient, is flawed. In reality,

The introduction of a new BCEA was central to the five-year plan of the Department of Labour. The BCEA process was preceded by the LRA negotiations. In that process, also negotiated through NEDLAC, constituencies reached agreement on the Act 'line by line' and completed their task within ten weeks. Thus, government was relatively optimistic about getting an agreement on the BCEA.<sup>92</sup>

By mid-1997, after a year and eleven tripartite meetings, the negotiations on the BCEA had reached a deadlock. At issue was labour's demand for lower hours of work and paid maternity leave, together with unhappiness that the new Act was trying to undermine standards, especially regarding the clauses dealing with 'variation' of minimum standards.

Labour threatened a national strike to break the deadlock. In the past – as during the 1995 LRA negotiations – such a strategy did not prevent eventual agreement. But the new LRA required that, before embarking on 'socio-economic protests', unions had to follow a clear process through NEDLAC – notifying NEDLAC<sup>93</sup> and requiring that it attempt to resolve the dispute before protest went ahead. Labour's oversight of the new requirement allowed organised business to seek a Supreme Court interdict, successfully stopping the labour protest on the grounds that it had not complied with the new LRA.

The negotiations turned from difficult to poisonous. Labour 'postponed' its protest action and followed the NEDLAC S77 process. The impact of the now procedurally-correct work stoppage was uneven though considerable; between 25 percent – 70 percent of the workforce across the country responded. This use of mass action by the trade unions was later to become a subject of debate: after all, does going to the streets to protest not undermine the integrity of the negotiating forum?

Both sides now engaged in hard-line positions and there was little movement. COSATU claimed that, "business have no desire to see a new Statute" and "that no amount of discussion *in this body* [NEDLAC] would reach an agreement". It threatened to break off negotiations, taking the matter straight to Parliament,<sup>94</sup> believing that Parliament, with an ANC majority (many of whom were former COSATU leaders) would vote in its favour.

The implications of this approach were far-reaching. This was the first time that NEDLAC had failed to reach agreement and that Parliament had

been asked to vote on the issue. Further, bypassing NEDLAC appeared to undermine the credibility of the institution. After all, some would ask, if it cannot reach an agreement, "what do we have NEDLAC for?" The conservative media immediately claimed that "COSATU's withdrawal" from NEDLAC may "signal the end of NEDLAC", as the institution appeared unable to deliver "satisfactory outcomes".<sup>95</sup>

Under strong pressure to avoid a vote in Parliament, the Minister of Labour threatened to withdraw the draft Bill and implement an interim piece of legislation that would simply cover all workers under the old Act. Further, Cabinet announced that a Presidential Job Summit would be held in October 1997. The timing of this announcement (based on a June 1996 proposal of the Labour Market Commission) was tactical. It created an opening for employers to ask that the deadlocked BCEA negotiations continue after the Job Summit, when a better understanding of job creation could be achieved.<sup>96</sup>

Rather than "give in to face-to-face confrontation with business and government", COSATU prepared to take the matter to a vote in Parliament and, if the democratic Parliament voted against them, to "lose with dignity".<sup>97</sup> By now, all serious hope of continuing negotiations was dead, with COSATU describing the dispute as an "ideological war".<sup>98</sup>

The task then became one of finding a suitable compromise to ensure that a NEDLAC agreement, and not a Parliamentary vote, was arrived at. To this end, government agreed to some concessions for labour,<sup>99</sup> while refusing many of labour's core demands.

In reviewing the process, the Minister of Labour stated that, "we assumed that there was increased maturity among NEDLAC social partners after the LRA negotiations. Therefore we felt that the Basic Conditions of Employment could also find agreement. But instead we found deadlocks all over the place." The Minister also said that, "government is determined not to repeat this experiment until the relationship between the three partners has matured sufficiently."<sup>100</sup>

If NEDLAC was so thoroughly undermined, though, where could the Presidential Job Summit be held? The answer, ironically, was NEDLAC. This apparent about-face may reflect the view that conflict over policies would have taken place anyway and that, without NEDLAC, they would have been harder to resolve. It also reflects that the BCEA problems may have had more to do with the complexities of the issues than with the maturity of NEDLAC constituencies.

Table 5.1: What determines investment? (Company responses)

Variable	Not important	Somewhat important	Important	Critically important
Interest Rates	0%	20%	10%	70%
Inflation Rates	0%	20%	40%	40%
Exchange Rates	0%	20%	30%	50%
Economic Growth	0%	0%	40%	60%
Consumer Spending	0%	10%	40%	50%
Average Wages	10%	20%	40%	40%
Good Labour Relations	20%	20%	30%	30%
Overall Stability	0%	0%	30%	70%

Source: NALEDI Survey of Large Firms, 1998

Table 5.1 demonstrates that companies saw the most important variables influencing investment behaviour and consequently job creation as interest rates, economic growth and the overall stability of the economy. Average wage levels and maintaining good labour relations were seen as the least important of the variables.

It is unlikely that the large corporations, under current economic conditions, will substantially increase employment in the short to medium term. In fact, further job losses in these large firms can probably be expected in the next several years. Further, restrictive economic policies (including high interest rates) undermine economic growth and job creation.

There were several broad options facing the NEDLAC constituencies.

First, if the private sector is unlikely to create jobs, jobs can be created within the public sector and through fiscal policies. Such an approach could use a combination of different policies, including public works programmes (which could also be linked to infrastructure delivery); maintaining a sustainable level of employment within the public service, and pursuing redistributive fiscal policies to produce and deliver public goods and services. The critical element of such an approach would be to link such programmes to an overall goal of economic growth and human development.

Second, if private firms are to create more jobs, the profit share is important. But this may contradict

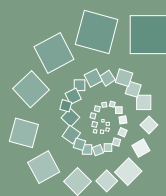
the desire to create a more equal society. Even if government and business preferred such an approach, it would face fierce resistance from unions, as it would undermine the conditions of the already working poor.

Third, if asset ownership is redistributed (as indicated in the ESOPs), a broad segment of society can derive the benefits of redistribution from remuneration towards profit share, which would have a lesser impact on inequalities. Therefore, asset redistribution should become a core element of a strategy to create jobs.

Fourth, there may be possibilities to develop a job creation strategy through small, medium and micro-enterprises (SMMEs). In the event that SMMEs are proved to be net job creators<sup>101</sup>, this route may be vital. Major problems of SMMEs include access to cheap credit and skills. However, in policy debate, labour regulations are also raised as a problem.<sup>102</sup> Other aspects include linking SMMEs to an asset distributive strategy, including land.<sup>103</sup>

Finally, research<sup>104</sup> indicated that labour shedding trends in large South African firms seem to be a reaction to the need to become competitive in the international marketplace. There is, therefore, a need to tackle the terms under which South Africa enters the global economy. Addressing such a broad challenge is one of the potential strengths of a NEDLAC structure. This remains an area of great potential, and, in view of massive job losses, an urgent one.

*NEDLAC's new processes are relatively flexible as rules and protocols are still evolving.*



this “non-negotiable” macroeconomic strategy is an “illusion of central determination”.<sup>112</sup> Macroeconomic strategies such as GEAR only “influence” wages, investment and prices; they do not “determine” them. Therefore “even the best laid plans of our macroeconomic managers can be sand-bagged by recalcitrant public sector workers or angry welfare recipients. So macroeconomic policy will enter the public arena. And holding the line will depend not only on determination, but on popular support.”<sup>113</sup>

#### 5. No strategic vision for common action

NEDLAC, despite its efforts, has not succeeded in developing a strategic vision for common action. This is explained by the very divergent class perspectives of the different constituencies and partly, perhaps, by the relative newness of the process of social dialogue at national tripartite level.

Clearly, the goal of achieving a common vision does not appear possible because of differences in perspective. However, a goal of developing a common strategy, or perhaps even only a common policy agenda, may be more realistic and realisable.

#### 6. New modes and former alliances

The Tripartite Alliance, if it works well, can play an important transformational role. As a structure comprising the central progressive forces, it can develop strategy and influence important interventions. With this in mind, Alliance partners have used this structure to bypass the ‘old guard’ (essentially white business and opposition parties)

on matters pertaining to the apartheid legacy.

However, several problems arise from labour and government’s use of the Alliance.

First, “the Alliance is generally not working”.<sup>114</sup> Central among many problems is the fact that broad agreements reached at Alliance level need to be implemented by government bureaucrats and can be interpreted in many ways, often in ways that some alliance partners do not support.

Second, the use of the Alliance does not stop at ‘apartheid legacy’ issues. The Alliance is used to intervene and make deals on matters on the NEDLAC agenda, resulting in dual processes.

The Alliance must, therefore, be carefully used. If it undermines NEDLAC and the Alliance agreements fail to ‘hold water’, NEDLAC may well lose its power as a site and instrument for transformation. The result could be a reversal of the process of democratising and transforming key aspects of South African society.

#### 7. Relationship between Parliament and NEDLAC

There has been criticism from some that NEDLAC undermines the sovereignty of Parliament. However, the existence of NEDLAC does not mean that Parliament is unable to act; simply that extra-parliamentary processes serve to decentralise decision-making to civil society, thereby deepening democracy. It is still the duty of government to govern, accepting or rejecting any recommendation from NEDLAC. Attacks on the principle of extra-parliamentary democracy, therefore, reflect a resistance to the decentralisation of power to constituencies such as labour and the community. Further, NEDLAC and Parliament could mutually reinforce each other.<sup>115</sup>

#### *Representation of community interests*

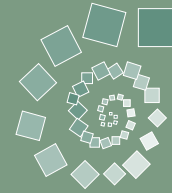
The participation of the community constituency is a sign that NEDLAC goes

beyond any form of 'elite pacting'. However, this constituency participates only in the Development Chamber, one of the least effective chambers. Central to the problems of this Chamber is the difficult question of the composition of the 'community'. The constituency is also embroiled in an internal dispute over its composition, especially in regard to whether civics should be allocated a greater share.<sup>116</sup>

Another problem appears to be the fact that the Chamber is an omnibus. With many different government departments involved in 'development', it is difficult to find one to become the champion of the Chamber, taking up its issues at the NEDLAC Management Committee level. Problems in this Chamber are, therefore, ignored, and energies are focused on chambers where Management Committee members have more direct interests.<sup>117</sup> Better coordination could be effected through one government department (or perhaps the Deputy-President's Office) which could act as the government anchor.

Recent discussions have also raised the need for community representatives to be part of all four of NEDLAC's chambers. As yet, other constituencies have not agreed to this. Business has already raised an objection, possibly due to the fact that the community constituency will join labour, thereby exploiting the myth of a 'labour aristocracy'. Other constituencies, equally, may want the current internal disputes within the community constituency to be resolved before their extended participation can be considered. However, if South Africa is to move "from human development to growth – and back" as a strategy, then the role of the community sector, particularly where it represents the perspectives of women and civic movements, could become vital.

*"Even the best laid plans of our macroeconomic managers can be sand-bagged by recalcitrant public sector workers or angry welfare recipients."*



## The Space for and Limits to Engagement: the Informal Sector as a Site for Household Survival

The informal sector in South Africa is largely made up of survivalist initiatives but can include micro-enterprises.<sup>118</sup> It has emerged out of growing unemployment and the inability of the economy to generate more jobs, lack of access to assets such as land and credit and other factors impacting negatively on households. Poorer provinces, such as the Eastern Cape and the Northern Cape, have a larger percentage of the informal sector. It is estimated that, countrywide, 70 per cent of those in the informal sector are women, who operate mainly within the survivalist sphere (refer to Table 5.2).

Table 5.2. The Informal Sector

Informal workers as % of employed population	Informal sector	Self-employed women as % of total self-employed
Gauteng	14%	58%
Western Cape	12%	67%
Free State	21%	90%
Northern Cape	14%	88%
Eastern Cape	23%	76%
Northern Province	25%	65%
Mpumalanga	17%	78%
North-West Province	18%	67%
KwaZulu/Natal	18%	67%
SOUTH AFRICA	17%	70%

Source: 1995 October Household Survey. November 1996

The imperatives that drive women's involvement in the informal sector arise from the issues they have to deal with in the household sphere and their continued marginalisation from mainstream activity.

### Household<sup>119</sup> sphere as a site and instrument for transformation

Although household activities contribute to human development, they are unpaid and are still invisible in national accounts. It is in these activities that women contribute the most in terms of their labour, time and resources. This sphere of activity is also alluded to as the social reproduction sphere and includes managing households, raising children, caring for the sick and elderly and contributing to social capital formation on which economic production processes depend. In more direct ways, women's labour and contribution, especially through voluntary community organisations in the poorest rural communities in South Africa, contributes to health, educare, and nutrition of children and the elderly. Globally, the value of this work has been estimated in 1996 at \$11 trillion, and is a large part of the non-monetised global output from unpaid work.<sup>120</sup>

Another important aspect in the chain of causality between household activity, economic growth and human development are the spending or consumption patterns attributed especially to women. Increasing women's earning capacity and capabilities has a more direct impact on increasing expenditure on food, medicine, school books and other essentials related to the care of human beings. While women's development is essential to their ability to experience the benefits of full social citizenship, studies have shown that expanding their opportunities and choices leads to gains for other members of households and the community at large.

A critical question in South Africa is how to ensure that those households without any source of income from waged work or forms of state social assistance are able to survive. There is no doubt that South Africa is sitting on a time bomb of poverty and inequality. While survival strategies in poor communities depend on state nutrition and school feeding schemes, these do not create opportunities for long-term, sustainable development.

In certain countries (Brazil), a 10 percent increase in income is associated with 5-8 percent improvement in educational attainment. Increasing household incomes (as shown in Brazil, Chile, Côte d'Ivoire and Nicaragua) are also associated with improvements in health indicators (height-for-age ratios, survival rates and life expectancy at birth, reduced illness among children). Power relations in the household and women's access to control over income play a significant role in human development. Studies reveal that, where women earn a higher share of income, there is a greater consumption of calories and protein since they use their income for basic needs.<sup>121</sup> A strategic policy option for South Africa in responding to the needs of the poorest households could be to extend the State Social Assistance Coverage to include a Basic Income Grant as reflected in the box on the previous page.

### Land reform and redistribution to transform women's position within households

The critical issue for economic and social empowerment of informal sector workers is the participation of women, together with the type of government strategies required to promote their development within the household and in the economy as a whole. Using land reform, restitution and redistribution as a key asset and intervention to build the



economic and social capacity of households headed by particularly black, rural women, government can intervene to transform the process of women's economic and social marginalisation.

The October Household Survey estimated that there were about 3,6 million black rural households and that this figure might increase to 4,2 million by 2006. The land reform research programme found that 67,7 percent of rural households need access to farmland<sup>123</sup> in order to survive and maintain adequate levels of development.

Access to and control over land means much more than just the ability of women to meet their basic needs and secure their physical survival from one day to the next. Land as an asset can define women's power (and place) within the social, political, and economic structures in which they live out their daily lives.<sup>124</sup> This argument is borne out by the history of racialised land ownership and control in South Africa and the particular ways in which such ownership concentrated social, economic and political power in white South Africans.

By the same logic, lack of access to and control over land by women limits their economic and social power vis-à-vis men, undermining their position in relation to male partners, husbands, traditional authorities and the like. It also underpins (rural) women's dependence on and subordination to male authority. The failure of the South African land reform policy to facilitate women's independent access to land, and to structure women's eligibility in relation to that of a male partner/husband and/or dependent(s), deepens male power and authority over women and advances patriarchal power. It also retards human development within the household.

Advancing women's independent rights to and meaningful control over land is an essential intervention in the process of transforming unequal power

relations. However, it "means admitting new contenders for a share in a scarce and highly valuable resource which determines economic well being and shapes power relations in the countryside; and it means extending the conflict over land that has existed largely between men, to men and women, thus bringing it into the family's inner courtyard."<sup>125</sup> Drawing the relationship between land and social, economic and political power in this way foregrounds the political nature of land reform and the different spheres on which land reform will impact – the household, the local community and nationally. It also sheds light on what/who might constitute the potential sources of resistance to land reform, and thus opens the way for more strategic thinking on how to advance women's independent rights to land.<sup>126</sup>

Investigations into how rural households and communities ensure their survival show that women in rural areas value land as a resource in gender-specific ways.<sup>127</sup> Studies highlight a number of different ways through which women sustain themselves – including agriculture (for consumption mostly), wage labour, small and micro enterprises and claiming (for example, social pensions) from the state, as well as claiming migrant remittances from other family members.<sup>128</sup> For most rural women, waged labour markets are relatively closed and difficult to break into. Land assumes greater value, therefore, as a social rather than economic resource: A study of Cornfields in KwaZulu-Natal<sup>129</sup> found that women were more interested than men in maintaining an agricultural subsistence base and valued land because it also provides access to resources like wood and water, amongst other things. For them, land for agricultural production formed part of a "package of strategies" by which to ensure survival for themselves and their children.

### *Gearing social security to address structural poverty*

The provision of cash benefits to South Africa's elderly population has been internationally acclaimed as a success story in alleviating poverty. Despite their relatively low level, state old age pensions have tangible developmental impacts on people's lives. Having a reliable source of regular income provides essential security, especially in poor rural households. It is widely acknowledged that, while the needs of poor people differ, by far the majority budget carefully and spend their money for the good and development of the whole family.

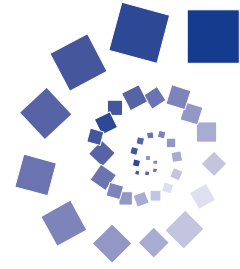
However, over 13 million people in South Africa living below the poverty line have no access to social assistance and are left in harsh poverty with little means of escape. Even if one assumes that all intended beneficiaries of the current social security system are reached, 30 percent of the 'ultra-poor' and 40 percent of the 'poor' live in households where nobody receives any social assistance. Economic growth on its own will take decades to alleviate this structural poverty. South Africa's already highly unequal society cannot afford to leave behind well over 50 percent of its people for decades until economic growth addresses this structural problem effectively.

Research by COSATU identified this glaring gap and initiated a lively debate by suggesting a Basic Income Grant. Building on the experience of a broadly-based cash transfer system, all South Africans would

receive a low-level Basic Income Grant per person per month. The suggestion envisages a process of claiming back the money from higher income groups through tax, or alternatively using a simple means test to exclude the wealthy. Final estimated costs amount to about 1.5-3 percent of gross domestic product (GDP), depending on the level of benefit and the system decided upon. The total amount spent could be fixed as a percentage of GDP, which would ensure that the grants grow with the economy, but not faster than the economy can afford.

This suggestion has found support across the board as it channels money directly to the poor but avoids 'poverty traps' – often inherent in other social security schemes – as well as expensive structures, which only indirectly benefit the poor. The Basic Income Grant could, therefore, prove an integral part of South Africa's developmental strategy, giving resources and thereby choices to the people. While it is clear that a Basic Income Grant will not solve the massive poverty problem overnight, it could provide a net for destitute people and a trigger for self-employment.

The system would, furthermore, link cash to every person, favouring extended household structures and thereby encouraging social cohesion. With increasing pressure on households – due to HIV/AIDS-related changes in family structures – this could be a strategic policy option.<sup>122</sup>



African women have long outnumbered men in rural South Africa, mainly as a consequence of labour migration, by men, to the cities. In recent years, more men have moved back to rural areas as retrenchments in the cities, and particularly on the mines, have reduced employment opportunities. The struggle over land between men and women is thus bound to have intensified. In this context, arguments about African 'tradition' and 'custom' have been trotted out with greater regularity to justify men's (particularly husbands' and chiefs') stranglehold over land. The shortage of land in relation to demand has, there-

fore, increased most rural women's insecurity.

#### *Women's economic empowerment*

The redistributive thrust of land reform is intended to turn around the long history of racialised land ownership, with the majority of disadvantaged rural households either having no access to productive land or subject to insecure tenure arrangements. The main policy mechanism offered by government is an allocation of R16,000 to help rural households to acquire land as part of a Land Acquisition/Settlement Grant scheme. Some of the communities that

have so far benefited from land distribution feel that the acquisition of land has unlocked their development potential and will create a climate conducive to their socio-economic upliftment.<sup>130</sup> But for many, the acquisition of land has also become a poverty trap, with communities and households unable to tap the full potential of the land due to the lack of services and infrastructure to support agricultural development.

One of the principles that inform the land reform programme is poverty reduction. Land reform cannot stop with the transfer of land to previously disadvantaged communities, but must include strategies that facilitate rural households' ability to participate fully in the rural economy. To this end, the Department of Land Affairs launched a land reform credit facility to support new farmers and land reform participants beyond the point of land acquisition. The Land Bank, in turn, runs its own initiatives to facilitate access to productive credit.

The extent to which women have been able to benefit from land redistribution has been constrained by lack of capacity within the Department of Land Affairs, by powerful traditional structures and the lack of a powerful lobby campaigning for women's rights in land. The lack of capacity within the Department is exemplified by its inability to spend the money allocated for acquisitions of land. Furthermore, bureaucrats are unable to question unequal social relations within communities involved in the land reform process, mainly because of the passing nature of their relationship and the limits within which they operate.

Similar conclusions were reached following a study on share equity schemes in which farm workers in the Western Cape participated. The study sought to understand whether these schemes met the expectations of farm workers, and to assess whether the

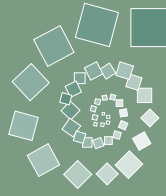
objectives of the land reform programme, especially gender equity and redistribution, were being achieved. It found that many of these schemes practised a narrow interpretation of the objective to promote and protect women's interests – regarding it as simply a question of women's representation in the legal sphere and neglecting opportunities for women's economic empowerment. Shares were frequently registered in the husband's name with the woman as "co-applicant." Department of Land Affairs planners confirm and reinforce these gender stereotypes by failing to check discrimination in the business plans of share equity schemes, especially where they fail to meet, for example, the equity objectives set out in the Employment Equity Act.<sup>131</sup>

Notwithstanding possible hostilities to government intervention in social (and specifically, gender) relations, as well as serious tensions between government's commitment to gender equality and hostility from traditional power structures, there are no detailed guidelines on how land reform officials can ensure that women are not marginalised in the land reform processes. Additionally, because most rural women see land as a social resource (to guarantee security rather than an income), a strong lobby for rural women's right to access and control land is also lacking. The extent to which black rural women will benefit from land reform is further constrained by their lack of information on the formal structures and opportunities that have been established. For all these reasons, gender equality in land reform may remain stronger at the level of principle than practice.<sup>132</sup>

## Conclusions

The picture that emerges from the analysis in this chapter is that significant strides have been made in educational transformation in South Africa, though

*For many, the acquisition of land has also become a poverty trap, with communities and households unable to tap the full potential of the land due to the lack of services and infrastructure to support agricultural development.*



this has largely been in the area of developing new non-racial, non-sexist and equitable policy frameworks. The major challenge in the next period is the implementation of these policies in a manner that improves access to quality education and skills for the majority of the population. South Africa's transformation is threatened and burdened by the very things it seeks to resolve – poverty, disease, underdevelopment and racial and gender inequalities in the economic and household spheres.

Government needs to act decisively to reverse aspects in the education system that substitute class distinctions for racial privilege. Though the system is still very far from achieving racial equality, black working-class families and communities have far fewer opportunities in the education system. This is becoming more accentuated as further opportunities open up for middle-class blacks.

New policy frameworks have opened up spaces for new modes of engagement and have led to transformation of processes for human development. Whereas transformation in the first five years of post-apartheid South Africa has been dominated – indeed, defined – by government-initiated and -managed

changes, there are strong signs that the next few years will be shaped more decisively by struggles mounted from within civil society. In a very real sense, this marks the *normalisation* of the South African transition to democracy.

Centre-stage already are the dominant forces in civil society: the organisations of capital and labour. The power of the former can scarcely be exaggerated – all the more so when bolstered by the punitive capacities of financial and other markets. Meanwhile, civil society and labour remain the most vibrant components of 'the popular sector': community- and mass-based organisations (along with the service organisations supporting them). They broadly share the desire to transform social relations and material conditions in line with the rights-based ideals of distributing resources, opportunities and power more equitably in society.

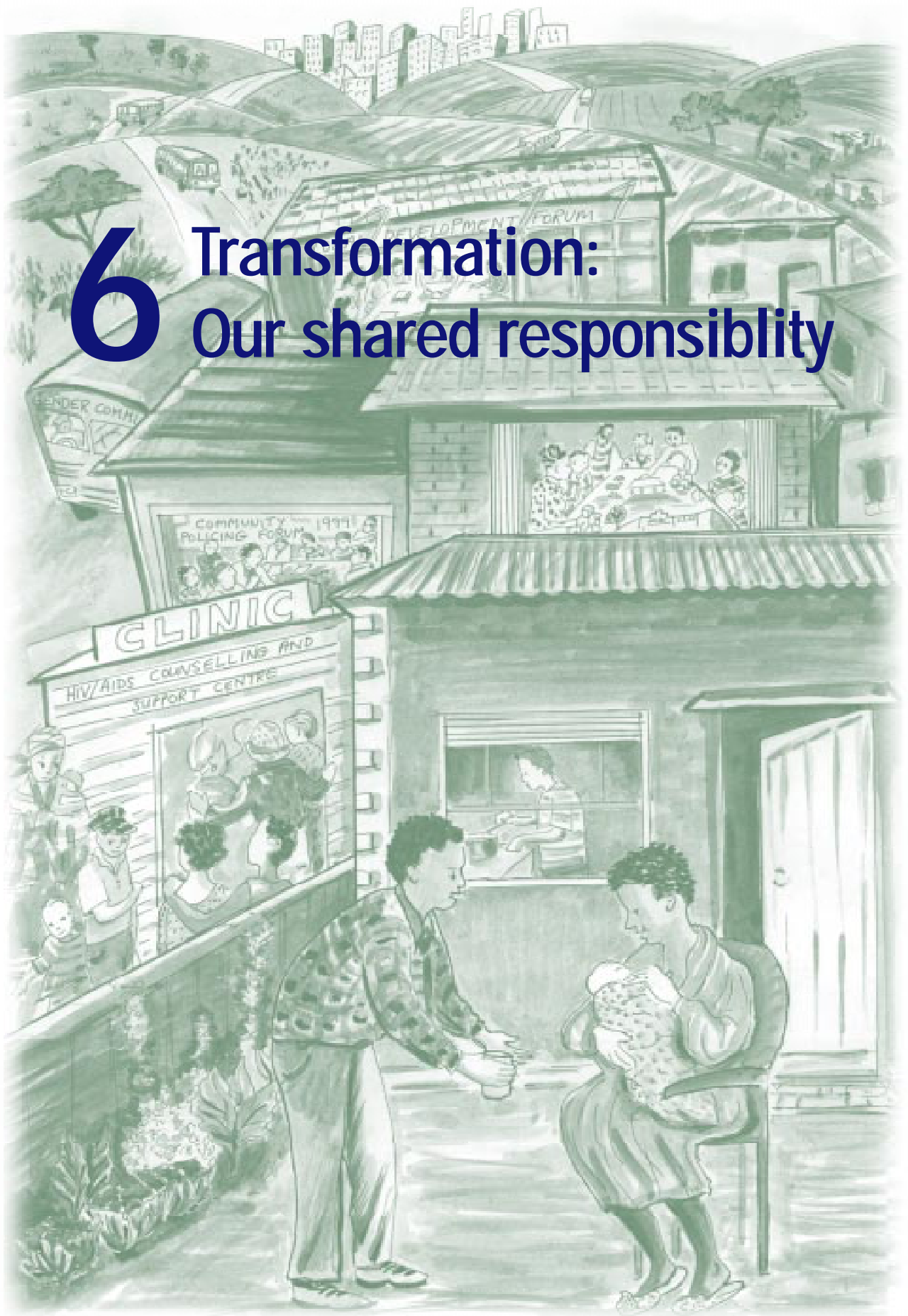
The struggles waged by these various forces are, at the very least, refracted through the state which helps create the conditions that trigger those struggles, the terms on which they are fought and even their outcomes. The plethora of negotiating fora set up during the early 1990s theoretically provided the institutional basis for these engagements. Practically no policy area was excluded from contestation, debate and consensus-reaching outcomes. South Africa's challenge in the Twenty-First Century is to sustain such broad participation in new spaces and in ways that will lead to a people-driven process of human development. Galvanising such an outlook must be a process that marshals the intellectual and organisational vibrancy of popular forces into designing the architecture of a post-apartheid transformation project.

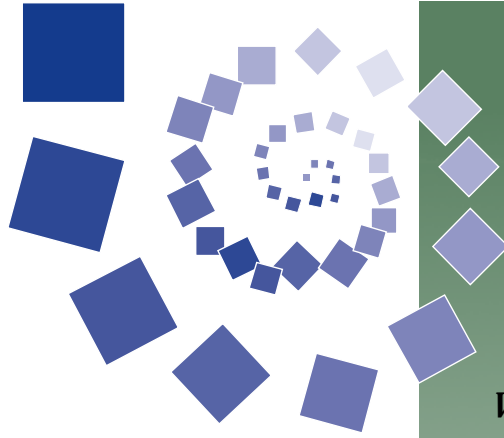
## Notes

- 1 ANC [1994], 121
- 2 UNDP [1996]
- 3 Heintz and Jardine [1998], 5-6
- 4 Minister of Finance [1998]
- 5 ANC [1994], 1.3.7
- 6 NEDLAC includes government, business, labour and the community sector as key constituents in the policy negotiating body.
- 7 Sitas & Jarvis [1998], 3
- 8 Douglas [1997]
- 9 UNDP [1996]
- 10 Taylor [1997], 177-178
- 11 In the 1995/96 budget, R31,089 billion went to education, of which 86,4 percent went to provinces, largely for schooling: Vally [1998]. In the 1997/8 budget, 82 percent of provincial education budgets went to public schools: Edusource [1998]
- 12 Department of Education [1997] Unless otherwise indicated, all the data on schooling in this section is taken from this survey.
- 13 Gender Equity Task Team [1997]
- 14 Gender Equity Task Team [1997]
- 15 Hofmeyr & Buckland [1997]
- 16 South African Communication Service [1997]
- 17 National Speak Out on Poverty [1998]
- 18 The Star, 27 July 1999
- 19 Tirisano means 'working together'.
- 20 Department of Labour/International Labour Organisation [1999]
- 21 National Commission on Higher Education [1996]
- 22 National Commission on Higher Education [1996]
- 23 It was estimated, for instance, that enrolments at the University of Fort Hare dropped from 5 000 to 2 000; University of the North from 9 000 to 2 000; North West from 11 203 to 6 011. Wits Educational Policy Unit [1999]
- 24 These principles are best captured and articulated in the report of the National Education Co-ordinating Committee [1992]
- 25 Mashamba [1992], 39
- 26 Government of South Africa [1996]
- 27 Department of Education [1995], 21
- 28 Department of Education [1995], 25
- 29 Minister of Education [1999]
- 30 Minister of Education [1999]
- 31 For example, from the beginning of 1991, the National Party government began to allow African, Indian and coloured learners to attend white and other racially categorised schools. By 1993, there were 60,000 black learners at white schools and about 40,000 African learners at Indian schools. By the end of 1995, this figure had risen to about 200,000. Naidoo [1996]
- 32 Minister of Education [1999]
- 33 Social allocation ratio means 'earmarking' funds for social sectors such as education, health and welfare.
- 34 Social priority ratio is a way of ensuring that an equitable percentage of social expenditure is devoted to basic education, health, nutrition, housing etc according to government's political objectives.
- 35 Centre for Education Policy Development [1997]
- 36 In May 1998, there were 443, 000 teachers in South Africa, 28 percent of whom were under-qualified. In the North-West province a whopping 53 percent of teachers were under-qualified, followed by KwaZulu-Natal with 34 percent and Eastern Cape and the Free State at 31 percent. Edusource [1998]
- 37 The Star, 29 July 1999
- 38 Conger & Kanungu [1988], 114
- 39 Conger & Kanungu [1998], 114
- 40 Heintz & Jardine [1998], 6
- 41 Klasen & Woolard [1998]
- 42 Klasen & Woolard [1998], 7, Stander, Sender & Weeks [1996]
- 43 Department of Labour [1998], 8
- 44 'Esops look interesting again', Business Map 113/BEE/AB/98, June 3, 1998, 1
- 45 'Esops look interesting again', Business Map, 113/BEE/AB/98, June 3 1998
- 46 Fine [1997], 5
- 47 Fine [1997], 15
- 48 Fine [1997], 15
- 49 Africa Update [1999], 1
- 50 'Union Investment Activities' Business Map 77/BEE/AB/98, July 8 1997, 1
- 51 Fine [1997], 17
- 52 Stacy [1996], 12
- 53 Stacy [1996], 38
- 54 Quoted in Solomon [1997], 15
- 55 Ministry of the Office of the President & Department of Housing [1995], 218 in Stacy [1996], 16
- 56 Business Map 89/DF/DS/AB/97
- 57 Department of Trade and Industry [1996] and Statistics South Africa [1999]
- 58 The first institutional engagement in this process was through the Convention for a Democratic South Africa (CODESA).
- 59 Douwes-Dekker [1998], 5
- 60 Douwes-Dekker [1998], 10
- 61 The resolution in this sense is given to mean "promoting effectiveness in allocation of resources to achieve a degree of stability and ensure legitimacy of outcomes that are less than expected but an improvement on what was before." Douwes-Dekker [1998], 10
- 62 Marais [1998], 229
- 63 Marais [1998], 232
- 64 "Claims about the inevitability of a conservative pact exaggerate the power of globalisation, by presenting it as an omnipotent force depriving states of manoeuvring room in the choice of development policy. Above all, these positions ignore the power of movements and organisations, the importance of institutions, the strategic choices that collective actors can make. Movements

- resisting economic liberalisation may be able to create new institutions through which they can process their demands. In turn these institutions may be able to create new rules of the game...in which prominent groups renegotiate the terms on which a country engages with the global economy." Webster and Adler [1999], 1
- 65 COSATU [1997], 26
- 66 COSATU [1997], 35
- 67 Webster & Gostner [1997], 3
- 68 Mandela [1995]
- 69 Sitas & Jarvis [1998], 5
- 70 Sitas & Jarvis [1998], 5
- 71 Sitas & Jarvis [1998], 5
- 72 Von Holdt [1991]
- 73 Tripartite alliance in this context includes government, COSATU and the South African Communist Party.
- 74 Personal interview with Jayendra Naidoo (former Director of NEDLAC), Johannesburg, 1999.
- 75 Personal interview with Jayendra Naidoo (former Director of NEDLAC), Johannesburg, 1999.
- 76 Personal interview with Wendy Dobson, Johannesburg, 1999.
- 77 such as Bobby Godsell
- 78 Personal interview with Wendy Dobson, Johannesburg, 1999.
- 79 NEDLAC [1996]
- 80 Personal interview with Jayendra Naidoo (former Director of NEDLAC), Johannesburg 1999
- 81 NEDLAC [1998a]
- 82 NEDLAC [1998a], 3
- 83 NEDLAC [1998a], 2
- 84 Alence [1997]
- 85 NEDLAC [1996]
- 86 Personal interview conducted with Shan Ramburuth, Johannesburg, 1999.
- 87 NEDLAC [1998b]
- 88 NEDLAC [1995], 1
- 89 Standing [1996], 487
- 90 Some of these include a lower deficit to GDP ratio, privatisation of state assets and a move towards increased labour market flexibility.
- 91 Community constituency presentations at the NEDLAC Summit [1997], 5
- 92 Manga [1997]
- 93 Section 77 (1)
- 94 The Citizen, 1997
- 95 Business Report, 2 October 1997
- 96 Business Day, 19 June 1997
- 97 Sunday Times, 1997
- 98 Cape Times, 1997
- 99 This was mainly a time schedule for reviewing the progress on reductions in working hours.
- 100 Manga [1997]
- 101 There is considerable doubt among researchers as to whether SMMs are creating jobs, or are growing as a result of displaced employment and retrenchment by larger firms.
- 102 Ntsika [1998]
- 103 COSATU [1997], 84
- 104 NALEDI
- 105 Gostner & Joffe [1997], 12
- 106 NEDLAC [1998b]
- 107 Gostner & Joffe [1997], 14
- 108 Gostner & Joffe [1997], 14
- 109 A long lag time between agreements reached and membership awareness is somewhat expected, however. Knowledge of any new programme or institution takes time to work its way through a constituency. For example, union membership knowledge about the RDP increased from 24 percent in 1994 to 80 percent in 1998. Satgar & Jardine [1999]
- 110 Alence [1997]
- 111 Alence [1997], 2
- 112 Lewis [1997]
- 113 Lewis [1997]
- 114 COSATU [1997], 30
- 115 COSATU [1997]
- 116 Personal interview conducted with Wendy Dobson, Johannesburg, 1999.
- 117 Personal interview conducted with Wendy Dobson, Johannesburg, 1999.
- 118 The definition of survivalist micro, small and medium enterprises can be found in Department of Trade and Industry [1995].
- 119 Statistics South Africa [1999], xvii. Household is defined as a dwelling, consisting of a single person or group of people who live together for at least four nights a week, eat together and share resources.
- 120 UNDP [1996], 68
- 121 UNDP [1996]
- 122 Haarman & Haarman [1999]
- 123 Department of Land Affairs [1998], 14-15
- 124 Sunde [1996]
- 125 Agarwal [1996], 3
- 126 Meer [1999], 76
- 127 Walker concluded in her study of Cornfields in KwaZulu-Natal that: "Land represents an opportunity for women to meet a variety of needs, including those which are socially defined as primarily their responsibility, such as running the household and childcare. What emerges ... is that Cornfields women were straddling different economic options and working with a package of strategies for the survival of themselves and their children. Land for agricultural purposes was one element of this package. It was not, however, one which women regarded as the most rewarding in terms of income generation, nor did farming define their interest in land." Walker [1997], 71
- 128 Carter & May [1997], 8
- 129 See Walker [1998]
- 130 Department of Land Affairs [1999a], 24-25
- 131 Department of Land Affairs [1999b], 26
- 132 Walker [1997]

# 6 Transformation: Our shared responsibility





*“So much hurt for  
truth  
so much destruction  
so little left for survival  
where does one go from  
here?”*

*Voices slung*

*In anger*

*Over the cold length of our  
past*

*How long does it take  
for a voice to reach another  
in this country held bleeding  
between us”<sup>1</sup>*



# Introduction

The preceding chapters examined democratic state formation in South Africa over the past six years. They did so against the African National Congress (ANC) government's stated objectives and vision for transformation and development. In the political realm, significant and fundamental change has taken place. The consolidation and deepening of democracy, however, rests on the ability of the state to perform its core functions as it responds to popular expectations and the social experience of inequality within an environment of economic and political globalisation. As it heads into the new millennium, South Africa confronts multiple challenges in the quest for human development and transformation within a fluid regional, continental and global geo-political landscape. The challenge of transformation and human development is a challenge to all South Africans to become committed to a shared vision that can transcend the legacy of apartheid. Given that South Africa represents a hybrid social formation – a 'two nations' context – the transformation project poses complex and contradictory trends against a constantly shifting and contested terrain.

This chapter, therefore, reinforces the need for shared responsibility in promoting transformation within this terrain. Moreover, it presents some priorities for collective action as attempts are made to deliver on the promises embedded in the Reconstruction and Development Programme (RDP), which remains the nationally agreed framework for human development and transformation.

## Asserting a Shared South African Vision for Human Development

In post-apartheid South Africa, 'transformation' has come to mean the adaptation and reformation of institutions, in both the public and private sectors, to accommodate the change in political culture and ethos following the first universal franchise election of 1994. From universities to public corporations, from government departments to private companies, organisations across the country have reviewed their mandates, spelt out *mission and vision statements*, examined the content of their production and distribution and re-oriented the composition of their workforce and client bases.

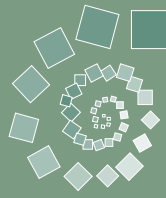
However, the general rhetoric of transformation masks the increasing internal fragmentation and segmentation of competing interests and demands. A better future for the country, one that translates vision into reality, is dependent on developing national consensus on the goals and objectives of human development. It also demands a common understanding of how these goals are to be translated into action at every level of governance (local, provincial, national and international).

### Processes in translating vision into reality

#### Governance

Implementing a significant transformation agenda that will result in human development requires a stable political environment promoted by a responsive and responsible government. A prerequisite for this is a common understanding by all social partners – business, the community, social movements, labour and other social formations – that a

*As it heads into the new millennium, South Africa confronts multiple challenges in the quest for human development and transformation within a fluid regional, continental and global geopolitical landscape.*



shared vision can be built only on consensual social values of equity and equality. Government, civil society organisations and the full range of democratic institutions, including NEDLAC, must actively promote and allow effective participation in order that consensus can be reached on how to implement a shared vision. The process of mainstreaming a vision of transformation into every sphere of governance is both an objective of and a means for human development.

The past six years have been marked by rapid and often contradictory attempts to alter structures of ownership and control, patterns of employment and budgetary allocation, of managerial style and of corporate culture and ethos – ranging from learning curricula to media content. At every level of society, it seems, there is an attempt to change the way things were done, and to introduce a new and better, more democratic, more demographically equitable, more politically and gender sensitive way of doing things.

These are the general characteristics that define South Africa's transition. Against these, however, the realities of mass-based structural poverty, unemployment and social inequality (gender, race, spatial) remain. People's social experiences of inequality and alienation influence their relations with the state and forces of power in multiple ways. It is for this reason that government and

the full range of organisations need to place emphasis on action to address poverty.

### *Prioritising collective responsibility for poverty eradication*

The scale and depth of poverty and its related problems calls for shared action within an integrated strategy that is responsive to the needs of the most vulnerable and excluded people. Such a response must include the following features:

- **Addressing income poverty**

Measures to ensure that there is adequate social protection for all, including the working poor and those not in paid work, are critical interventions required of government, business and citizens. Such measures should combine employer/employee-based contributions, as well as social assistance or transfers provided by the state where paid work is not available.

- **Generating sustainable livelihoods**

There must be concerted attempts to ensure that the majority of the poor in South Africa gain access to remunerative employment. Central to such attempts is the need to ensure economic access and productive returns for those who have been outside mainstream economic activity. Livelihood generation must involve sustained and creative ways of securing both income and meaningful work roles that build on the capacity and ingenuity of poor people themselves.

- **Asset development and effective redistribution**

Income measures and sustainable livelihoods depend on the asset base of households and communities. One of the critical aspects to be addressed in this regard is the need for access to land, credit, training and education. Furthermore, effective redistribution of assets requires that poor women are able to acquire assets as well as have

control over them. Building the asset base of households and communities also involves providing tenure (land, housing) and the capacity for household and community self-management. Such measures are key to both economic empowerment and food security. In this regard, government needs to accelerate its land redistribution initiative.

- **Promoting capability measures**

Access to education (both formal and non-formal), health care, basic social services and social infrastructure are essential requirements for human development and effective participation by people in all spheres of activity. National agreement on minimum requirements in respect of social service provision is urgently required.

- **Facilitating social and economic integration**

High levels of violence, crime and social alienation are the result of the wanton breakdown of black family and community life during apartheid. They remain a feature of South African society. Growing and persistent inequalities and joblessness have eroded the moral and social values of communities. Crushing poverty, fuelled by anger that the benefits of democracy have not resulted in tangible gains for the poorest, perpetuates an environment of fear and increases social marginalisation.

Government, business and civil society organisations need to come together to negotiate policy and programme shifts to ensure that economic growth strategies within a market economy do not lead to a market-driven society. In its desire to promote a competitive environment in which the 'survival of the fittest' is assured, such a society will simply reinforce and reproduce the inequalities of apartheid. Consequently, the promotion of social integration needs to be understood as a

national imperative and to become a shared responsibility that spans all sectors of society.

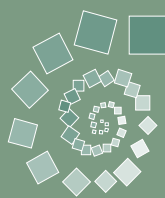
### *Shared monitoring of institutional transformation and social delivery*

The rapid overhaul of the *superstructure* of the democratic order – the Constitution, legislation, state structures, civil service, management systems and so on – has been and continues to be a priority. Successes have been registered here and there is every indication that they will continue to accumulate. However, these successes need to be monitored against the objective of building a people-driven and people-centred society. All sectors – the state, civil society organisations and business – will need to evaluate and monitor, in an ongoing way, the extent to which the constitutional, legal and institutional framework promotes the active and informed participation of citizens.

Importantly, independent constitutional bodies like the Human Rights Commission are responsible for monitoring the implementation of socio-economic rights. The capacity of such bodies needs to be strengthened so that they can play an effective monitoring role. Alternatively, consideration could be given to the establishment of a Commission for Human Development that is accountable to Parliament for the promotion of human development strategies and outcomes, as is the case in Argentina<sup>2</sup>.

Serious problems plague social delivery initiatives, many relating to the quality and sustainability of interventions and improvements. As discussed in earlier chapters, the causes are manifold. They include problems within state structures, shortages of skilled personnel and resources, a lack of intersectoral strategies, tensions between the different tiers of government, the woeful state of local government, difficulties in harnessing civil society resources around initiatives and much more. Delivering the

*If South Africa is to break out of this impasse, there must be a shared commitment to the twin strategy of growth and human development.*



promise of human development requires that the obstacles and constraints to development be addressed in every sphere of society. That this is a shared responsibility is unarguable.

## Breaking the Impasse: Moving from Human Development to Growth and Back

Many of the problems encountered are rooted in the economic growth path pursued by government, a path that predicates growth and development on an orthodox and rigid set of adjustments.<sup>3</sup> At the same time, the economy's failure to 'respond' to these adjustments suggests that the key principles of South Africa's growth path – as codified in its macroeconomic strategy – require further assessment and revision. Volatility is an inherent feature of the current '25 year plus' cyclical crisis in the global economic system. There are no signs of an early emergence from this cycle, the worst effects of which are typically visited upon the various peripheries, which is where South Africa, as a semi-industrialised, emerging market, is located.

The disintegration of the 'Washington Consensus', and the growing realisation world-wide that many of the prescriptions associated with it are either inappropriate or even counter-productive to the developmental needs of societies, have created new space for people-centred initiatives, space that seemed unavailable six years ago. As James K

Galbraith concludes, two decades of orthodox economic adjustment in the South has wrought not success but the opposite:

Where are the continuing success stories of liberalisation, privatisation, deregulation, sound money and balanced budgets? Where are the emerging markets that have emerged, the developing countries that have developed, the transition economies that have truly completed a successful and happy transition? Look closely. Look hard. They do not exist.<sup>4</sup>

If South Africa is to break out of this impasse and address income inequalities and deprivation, the need for sustainable livelihoods, asset development and redistribution and the building of human capabilities, there must be a shared commitment to the twin strategy of growth and human development. The terms on which such a path may be constructed cannot occur exclusively on the national front, nor should they wait for a post-Washington consensus which will, in all likelihood, privilege the dominant centres in the global system.

## Critical Elements in a Development Framework to Promote Growth and Equity:

### New advocacy agenda to respond to old problems

The possibility of marshalling new South-South (and even South-North) alliances in pursuit of a more equitable global economic order exists and should be pursued with vigour. Simultaneously, practicable revisions are possible at the national level. This entails a review of the assumptions that underpin current economic policy. These assumptions range from the truism that the economy is 'savings constrained' (as opposed to 'investment constrained') to the utility of current monetary policy, the relaxation

of capital controls, the role of foreign investment in the economy and the envisaged revisions to the labour regime. South Africa's economic potential – and importance – within the African context, its low levels of foreign debt and the organised, popular support that can be harnessed behind a quest for alternatives constitute a sound basis for such an endeavour.

Work on a development path that relates more explicitly and directly to South Africa's Constitution and human rights framework – a path that integrates growth with equity – is a critical responsibility. Work towards a path that privileges human development has been and continues to be conducted by academics, research institutes, the trade union movement and the development sector. This work must be converted into a call for urgent shared action to reverse the economy's job-shedding character, a structural feature that predates the introduction of the Growth, Employment and Reconstruction macroeconomic framework (GEAR) and the advent of the democratic order.

Along with the HIV/AIDS pandemic, unemployment poses the gravest threat to South Africa's developmental achievements and goals. Successfully addressing these crises requires urgent action that extends beyond the labour market to macroeconomic policy, industrial strategy, investment frameworks, poverty eradication, an integrated HIV/AIDS strategy and a rural development strategy. In all these respects, there seems to be a substantial need and latitude for more directive state intervention, supported by civil society and business, which must share responsibility for such interventions.

For all the euphoria surrounding the South African 'miracle' of 1994, *the ongoing haemorrhaging of jobs constitutes a human security crisis of national emergency proportions*. This

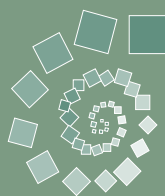
situation is exacerbated by the high degree of social polarisation, the socio-economic backlogs inherited from the apartheid era and the general degradation of the social fabric of black communities resulting from their struggle against racial domination.

Related to this is a growing tendency to counter-pose the formal sector against the so-called informal sector. There is ample evidence that this dichotomy is, in many respects, false and obscures the extent to which informal economic activities are being integrated into most levels of formal economic production and service provision. If exempted from minimum standards of employee protection, working conditions and wage levels, the informal sector is likely to serve, not as an antidote to, but as the terrain for reproducing poverty and social inequalities.

At the same time, the socio-economic hardships and disruption that radiate through households, families and communities when jobs are lost make the protection of existing formal employment a priority for government. The protection and promotion of work opportunities as an effective measure to address income poverty must be supported by agreements between labour, business and the community sectors.

Government's ability to come up with coherent consensus-based strategies and to manage its responsibilities is a crucial variable in any development path. This ability appears to be enhanced by the restructuring of executive power. Persuasive arguments buttress such moves. Yet they should be accompanied by equally determined efforts to prevent the incremental emergence of what, in the Latin American context, has been described as a delegative democracy that becomes "characterised both by the existence of formal representative structures and the concentration of power in the executive".<sup>4</sup>

*Along with the HIV/AIDS pandemic, unemployment poses the gravest threat to South Africa's developmental achievements and goals.*



## Extending Political Achievements to the Economic and Social Spheres

The transformation achieved in the political sphere can be extended to the economic and social spheres, provided that government, business and civil society organisations, including labour, share the responsibility for negotiating changes. The ANC government can find support in devising and defending revisions to its current development path, not only amongst its most intimate allies, but also widely across civil society.

The latter points to the ongoing, important role of popular citizens' formations in deepening and accelerating transformation. Inevitably, this involves social struggles that can shift the balance of forces in favour of more resolute transformation. Such shifts could lead to sporadic instability that will test the consensual features of the post-apartheid order, and it will be important to anticipate any risks arising from the revision of the development path so that they can be managed politically. Yet, unless key blockages in the transformation project are removed, the stability that accompanies the current path is certain to prove short-lived.

### Strategies available for sustained economic growth and human development

A variety of proposals and strategies have been drafted by organisations and

institutions committed to the thoroughgoing transformation of South African society. Among them are proposals<sup>5</sup> aimed at addressing systemic constraints on economic growth, job creation and redistribution in the economy. These hinge on a set of integrated (short- and long-term) policies that seek to link macroeconomic policy and industrial strategy with human development. Prominent in them are recommendations that

- the fiscal deficit be allowed to fluctuate within a band – depending on the size of the social deficit and the level of unemployment – rather than observe the rigid target of 3 percent currently pursued by government;
- a “solidarity tax” be levied on wealthier South Africans as a short-term measure to deal with the financing of apartheid backlogs;
- a prescribed asset requirement be imposed on the financial sector, including worker provident/pension funds, to raise capital for social investment.

These proposals require a “blend of demand management and appropriate supply-side initiatives”, with the former aimed at boosting demand for domestically produced goods and services. This includes lower interest rates, a more flexible but still responsible fiscal policy that is redistributive in character, and a trade policy that provides some protection against imports for the domestic market (by reviewing tariff reductions that have been decreased below, or faster than, the required World Trade Organisation rates). The supply side measures would seek to lower cost, improve quality and promote product and process innovation in local goods and services.

### A strong developmental state is central to human development and economic growth

The role of the state in employment creation, economic activity and service

delivery needs to be strengthened and expanded. This role extends beyond public works programmes and includes the alignment of privatisation ventures to “the explicit goal of retaining and, where possible, expansion of jobs”. Central to this are “active labour market policies to create and save jobs, including the introduction of “social plans in every industry to manage the economic restructuring process in a manner that is sensitive to job creation”.<sup>6</sup>

## Revisiting Macroeconomic Policy Management

Sustained job creation can, at best, occur only fitfully and tentatively in the absence of sustained, higher GDP growth in the region of 5-6 percent per annum. Such growth requires considerably higher levels of investment. Faced with its apparent inability to stimulate higher levels of investment by the domestic private sector and by its own limited ability to invest, government increasingly seeks to encourage large inflows of foreign investment.

It is very unlikely that these inflows will be realised. Research by economist Chris Edwards has shown that, in ideal circumstances, South Africa can hope for foreign financing of 5 percent of its GDP. (FDI flows to Malaysia and Singapore between 1967 and 1986 averaged 4.6 percent and 6.8 percent respectively, despite the fact that they ranked among the top recipients of FDI among semi-industrialised countries). Thus, Edwards argues that, “investment equivalent to about 25% of GDP will have to be found from domestic sources if a rate of growth of 6% a year is to be sustained”.<sup>7</sup> The question is, can this be achieved?

Answers based on Keynesian thinking are typically met with incredulity. Thus Natrass<sup>8</sup> would detect “something anachronistic” in proposals which

[hark] back to the hey days of developmental state intervention. Yes, such policies worked in the 1960s. But that was then and this is now. It is unclear what kinds of state intervention are needed to support economic growth in the 1990s.

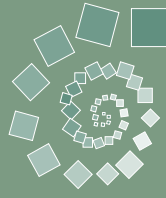
Such perspectives view tight fiscal policy as essential since, if investors feared the country was heading into a debt trap, capital would flow elsewhere. But, as Edwards has shown, even optimum levels of FDI flows into South Africa would not account for more than one-fifth of the investment required to hoist the economy onto a strong growth track. The benefits of short-term capital inflows are, meanwhile, limited, ephemeral and outweighed by their drawbacks. They may periodically stabilise the balance of payments (BOP) but, in the absence of adequate regulation, the economy becomes hostage to their capricious movements. Moreover, economists have failed to demonstrate a positive correlation between short-term capital flows and FDI; indeed, since 1997, South Africa’s experience suggests that an inverse relationship may apply.

The primary challenge for government is to devise ways to lever higher levels of *domestic* private investment and to harmonise them with an overarching development path that is geared to reducing inequality and poverty. Realistically, how can it do this?

### Monetary policy

Progressive adjustments to monetary policy are part of a realistic route. During 1998, a broad consensus developed around the need to revise monetary policy. In late 1998, an economist blamed the current policy for “high and rising real interest rates that are throttling economic growth; an appreciating and unstable real effective exchange rate; and an economy on the brink of recession.”<sup>9</sup> The advantages of lower

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interest rates are patent. According to Edwards they would

reduce the interest burden of the government's debt, would allow ... greater public sector investment in infrastructure and basic needs and would therefore boost the level of effective demand in the economy<sup>10</sup>.

Thus, rather than setting interest rates as a precondition for a bigger savings pool and, therefore, stronger investment, savings could be a function of income and investment. Low interest rates cheapen the cost of capital needed for investment, thereby stimulating greater levels of investment that, through multiplier effects, generate higher aggregate income. In other words, more investment generates employment opportunities, increases income and swells savings. Economic and job creation growth become investment – and *not* savings – led.

Lower interest rates would also discourage high levels of short-term capital inflows, thereby lessening the economy's vulnerability to the instability they engender. Since high real interest rates function as one of the prime incentives for such inflows, the Reserve Bank's monetarist policies are, together with the relaxation of capital controls, partially responsible for the substantial rise in these flows. When they reverse, as happened in mid-1998, the Bank is forced to raise interest rates even higher in a bid to counter ensuing exchange

rate volatility. This creates a vicious circle: short-term inflows resume, setting the stage for another bout of instability. Lower real interest rates can help break this cycle, particularly if capital controls are also judiciously tightened.

A common argument against this approach is that it risks higher inflation. Certainly, sustained inflation rates in the 20 percent plus range should be avoided if possible. But the trade-off between a growing economy and increased employment and income levels, on the one hand, and moderate inflation levels, on the other, cannot be summarily dismissed.

On this front, the call for ultra-low inflation needs to be demystified. Economists disagree on the exact threshold, but there is strong evidence that, once inflation breaks into single digits, minor shifts do not automatically translate into an extra burden on poor households. Moreover, according to a 1994 World Bank study on South African policy options,

disinflation to low inflation rates implies a significant cost to output ... Our work also shows that attempts to get inflation further below the 10% mark would imply a trade-off between income redistribution, growth and inflation rates.<sup>11</sup>

Studies have indicated that the average annual cost of the Reserve Bank's monetarist stance was "foregone gross domestic product growth (of) between R9-billion and R13-billion" in 1990-1995.<sup>12</sup> However, trade-offs of that nature are of considerable importance to finance capital, since they affect the value of investments. Likewise, high interest rates (which are used to drive inflation lower) primarily benefit financial networks that are net lenders – not borrowers – of capital. Thus the benefits of a 'high interest rate/low inflation regime' accrue mainly to a specific, powerful branch of the business sector, with the negative effects off-loaded onto



other branches and the broader public (through lower economic and employment growth and the higher cost of credit). In this situation, the hardest hit are the middle-income earners, especially the emerging black middle class, who are no longer able to repay bank mortgages and other loans. The bottom falls out of the middle class, widening inequalities and raising the potential for social and political unrest.

There is, however, a constitutional issue at stake. The 1996 Constitution prohibits government “interference” in the Reserve Bank’s operations by guaranteeing the institution’s “independence”. This means that one of the most powerful institutions in the country has been insulated from parliamentary oversight. It is required to appear (“from time to time”) before the parliamentary standing committee on finance and to have regular discussions with the finance ministry. Neither of these entities, however, has any institutional leverage on the decisions of the Bank.

The Constitution also declares that the “primary object” of the Bank “is to protect the value of the currency in the interest of balanced and sustainable economic growth”.<sup>13</sup> This suggests that, if the pursuit of fuller employment requires measures that compromise price stability, the Bank is constitutionally required to prioritise stability. Hence the primary task of the Bank, as defined by the Constitution, enables it to pursue a monetary policy that, potentially, stands in conflict with measures aimed at economic growth, job creation and income redistribution. (In the United States, for example, the Federal Reserve Bank is legislatively required to pursue the joint objectives of full employment and price stability.)<sup>14</sup>

According to Reserve Bank deputy governor, Tim Thahane, the institution’s independence is misunderstood:

It’s the wrong word. You can’t have utter independence. What you have is autonomy. The government is responsible for managing the overall economy, and we are autonomous in the area assigned to us. This doesn’t mean we can be an island unto ourselves. We are responsible for a set of decisions that must be consistent with the overall economic development strategy.<sup>15</sup>

While there are signs of greater co-operation between the Bank and government, this could be expanded to include the country’s elected political representatives. Such co-operation could be achieved by building a closer working relationship between the Bank and the parliamentary Portfolio Committee on Finance. Mere ‘reports-back’ are insufficient. A triangular process of consultation – between the Committee, the Bank and the National Treasury (formerly Finance Ministry) – seems a necessary route. In isolation, though, such measures would inadequately protect the economy against disruptions generated by short-term capital flows.

### Capital controls

At the moment, government remains committed to the gradual but eventual complete lifting of capital controls. There is a pressing case for a revision of this stance.

Three, mutually compatible arguments have been advanced for the relaxation of capital controls in South Africa:

- The more relaxed the controls, the more likely capital inflows (long- and short-term) become and these can ease BOP difficulties by boosting the capital account.
- A highly monopolised local economy (with conglomerates straddling sectors) has left little entry space for foreign investors and black economic empowerment ventures. Firms wishing to go offshore would, in most cases, have to sell non-core assets to finance the move, creating space for

newcomers, including foreign investors. By relaxing controls, these processes could be encouraged.

- Most importantly, the removal of capital controls has come to be seen as a prerequisite for increased foreign direct investment.

South Africa has gradually relaxed its controls and government remains officially committed to phasing them out completely. Yet, the anticipated local benefits appear not to have accrued. As noted, more than half of the FDI entering South Africa since 1994 has gone towards mergers and acquisitions, not new, productive investments. Moreover, relaxed capital controls led to short-term capital inflows outstripping FDI from 1997 onwards. In 1998, FDI accounted for a minor share of overall inflows.

A 1998 study by Daniel Rodrick shows that short-term flows had no effect on either economic growth or FDI. According to World Bank chief economist, Joseph Stiglitz, “one should not be surprised at the empirical findings that short-term capital flows do not support higher economic growth”.<sup>16</sup> According to Abedian,

it is obvious, yet seldom acknowledged, that there is a trade-off between attracting portfolio investment and foreign direct investment. The latter requires low domestic real interest rates so as to make investment projects viable ... It is thus ironic that the Bank often cites the balance of payments deficit as a reason to maintain high real interest rates. Yet, its monetary policy attracts relatively large inflows of foreign portfolio investment that are reversible in a flash.<sup>17</sup>

South Africa has already experienced the vagaries of increasingly unfettered capital flows at first-hand. In the third quarter of 1998, it suffered a massive outflow as international financial investors abandoned emerging markets in a so-called “flight towards quality”. The BOP situation grew radically volatile,

with the Reserve Bank resorting to punitive interest rates hikes in a bid to encourage stability. The ‘corrective’ action helped drag the economy to the brink of negative growth, with poor and middle-class households bearing the brunt.

The relaxation of capital controls is not stimulating higher growth and FDI. It is, furthermore, said to exacerbate the likelihood and impact of instability in the economy. Importantly, by increasingly freeing foreign and domestic investors to transfer capital out of the country at will, government’s ability to align corporate activities to a (revised) development path that can reverse inequality and poverty is further reduced.

Several countries have successfully maintained or applied controls, amongst them Chile, China, Malaysia, Singapore and India. Indeed, in the cases of China and India, the controls are now generally acknowledged to have shielded those economies against the so-called ‘Asian meltdown’. Also gaining favour internationally is the so-called Tobin Tax (first proposed in the 1970s) in terms of which a 0.25 percent tax is levied on short-term capital flows. The revenue generated by this type of tax could be used to address apartheid-created backlogs and promote a more balanced and sustainable development path.

The tightening of capital controls should be accompanied by steps to reduce transfer pricing, double-invoicing and other furtive means of exporting capital used by South African firms, even in periods when controls did apply. As argued, lower real interest rates are a crucial element in any bid to protect the economy against capital flow volatility.

Finally, by relaxing its budget deficit targets within a broad band set at reasonable and internationally acceptable levels, government can release substantial funds for investment in public

infrastructure and for the improvement and expansion of social services. In both cases, the cascade effects are considerable and call for greater attention to

the role that public productive expenditures on infrastructure (such as investment in roads, transportation and housing) and social services (such as education, healthcare and welfare) play in promoting not only a country's economic well-being and growth, but also in encouraging private investment.<sup>18</sup>

Rather than being rigidly and narrowly fixed, a realistic approach would see more flexible budget deficit targets linked to different stages of the business cycle, to levels of private sector investment and GDP growth. Informing such an approach is the recognition that public expenditure along the lines described above 'crowds-in' private investment. As former President Nelson Mandela told Parliament in February 1998,

In addressing the question of the national budget and public finances in general, we cannot behave like fools who cut off their noses to spite their faces: to throw policy out of the window in search of fractions of percentages in deficit targets.<sup>19</sup>

### Industrial policy

Industrial policy needs to be synchronised more closely with macroeconomic adjustments. The current broad framework already offers several opportunities for more directive steps. Incentives built into investment promotion and industrial development programmes (particularly Spatial Development Initiatives) should explicitly and strongly favour job creation. Regular employment audits are needed to monitor the performance of the benefiting firms and the programmes themselves. (The supply-side driven Motor Industry Development Programme is a

case in point; superficially successful, it has abetted the dramatic 'rationalisation' of the local components sector which has shed nearly 10 percent of its workforce since 1995).<sup>20</sup> Conversely, the substitution of capital over labour, where this is not essential, should incur disincentives or even penalties.

Rather than serve as a mechanism to enhance competitiveness by attrition, tariff reductions need to be made to fit into a more coherent and properly sequenced package of measures, including skills development, the enforcement of anti-dumping regulations and improved customs control (government is already taking steps towards the latter).

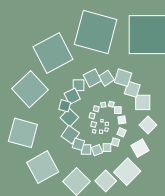
Tax policy has an important role to play in this area – not only on the concessionary side but also as a method of redirecting surpluses into productive investment. The feasibility of a capital gains tax and prescribed asset ratios for pension funds and assurance companies also warrants examination.

As noted earlier, another critical area that requires shared commitment is that of labour market policies. A piecemeal dismantling of the post-apartheid labour regime must be prevented. The guiding principle must be the recognition that the "transformation of the apartheid labour market, characterised by segmentation, inequality and exploitative relationships, is an important aspect of broader social transformation".<sup>21</sup>

### National budget

Another essential element of macro policy management is the national budget. The budget has the potential to become one of the most effective redistributive policy instruments. However, while government actively promotes budget reprioritisation in favour of critical social and political imperatives, the budget process itself needs to be transformed in order to promote greater transparency, accountability and negotiation on priorities between gov-

*Regular employment audits are needed to monitor the performance of the benefiting firms and the programmes themselves.*



ernment, Parliament and civil society. The present arrangement is based on a 'competitive' budgeting system that enables the most technically proficient to gain the advantage in securing allocations for their programmes, rather than allocations being made on the basis of need and the competence to deliver. There are certain fundamental human needs that cannot be subjected to such competitive bidding for budget allocations. In this regard, the National Budget Framework and the priorities that must be addressed need to be opened up to broader political and civil society processes.

In terms of section 77 of the Constitution, moreover, government is obliged to submit the budget for scrutiny by Parliament.<sup>22</sup> There are concerns that a Budget Reform White Paper should be produced to address this need, with the hope of greater parliamentary oversight in the budget drafting process. Enabling "a clear strategic and dynamic role for the alliance and ANC constitutional structures" in finance decision-making is important in promoting shared responsibility for the more tangible outcomes related to transformation.<sup>23</sup> As articulated by a senior representative of the labour movement:

the slogan 'the people shall govern' means that parliament, as the elected representative of the people, should now and in future be empowered to play an effective oversight role with regards to the budget ... The RDP calls on a democratic government to 'end unnecessary secrecy in the formulation of the budget'. The RDP goes further to

call for the establishment of a 'parliamentary budget office with sufficient resources and personnel to ensure efficient democratic oversight of the budget' (section 6.5.8).<sup>24</sup>

## Strengthening Relationships between the State and Civil Society Organisations

During both the period of negotiations and the government's first term in office, efforts were made to build a consensual basis for post-apartheid rule and transformation endeavours. Institutionally, these attempts were most marked in the realm of labour relations and economic policy, with various mediation and arbitration structures and the National Economic, Development and Labour Council (NEDLAC) constituting the flagships of those efforts.

### Shifting sites and contested terrain mitigate against shared responsibility

Attempts to shore up a platform of stability have encountered the enduring reality that post-apartheid society is shaped not only by the activities of a benign state committed to fulfilling the aspirations of the majority, but also by the activated interests and demands of conflicting social forces. Business, however, has no illusions about the fact that the contests over the character of South Africa's labour market and economic policies are grounded in struggles between the two most powerful social forces in society: capital and labour. According to businessman Thami Mazwai:

Cosatu argues that South Africa's labour costs are competitive. It produces data to prove it ... Unless I am missing something, it is the buyers, the investors, who must say that our labour costs are competitive and not Cosatu, the sellers ... Regretfully, if our priority is jobs, we have to accept the going wage. This is the wage workers in other parts of the world will accept. What

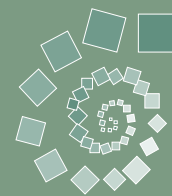
directors and CEOs earn is for another forum and cannot be part of the debate about what workers earn. Overseas, labour has learnt this the hard way; time we also swallowed the pill.<sup>25</sup>

Although less stridently expressed, similar thinking pervades a private sector that government hopes to convert into a “patriotic entrepreneur class”, showing greater social responsibility and commitment to transformation. Yet it is in the crucible of labour relations that the enigmatic dynamics of class, gender and race in South Africa become manifest.

While the devotion of African business to the deracialisation of society is indisputable, its commitment to a more equitable labour market (and, by extension, distribution of economic opportunity) seems less pronounced. Real Africa’s Don Ncube, for instance, decried government’s alleged lack of commitment to the GEAR macroeconomic strategy and attacked the country’s new labour laws. SA Breweries’ acting chairman, former ANC secretary-general and National Union of Mine-workers’ leader, Cyril Ramaphosa, has described aspects of the new labour legislation as “unduly prescriptive, let alone cost-burdensome”.<sup>26</sup> These statements reflect the extent to which emerging business has become incorporated into an exclusive economic sector. It also reflects a growing depoliticisation of development in South Africa. Business has to engage in a more committed way with the issues of poverty, unemployment and social alienation.

On the labour front, the convergence of interests between white and black business is increasingly evident, while the ruling party finds itself in a political alliance with the most powerful formation in the organised workers’ movement. In theory, this tension could be resolved if “the working class together with the democratic state and

*“Transformation of the apartheid labour market, characterised by segmentation, inequality and exploitative relationships, is an important aspect of broader social transformation.”*

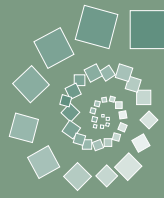


capital complete the proverbial golden triangle necessary for the development and transformation of society”<sup>27</sup> – in other words, by activating a corporatist formula in which the state acts as a manager of stability. There are multiple indications of such an endeavour: for example, the packages of progressive labour legislation passed since 1994 and the GEAR strategy seem, at one level, to reflect a quest for such equilibrium.

Such a corporatist formula means the state must be able to facilitate the re-allocation of resources and opportunities within a broadly consensual setting. In the context of a low growth economy, high unemployment and structural job shedding, this is becoming increasingly difficult. The economy’s current inability to generate the surpluses necessary to underwrite such class, race and gender compromises generates contradictions and tensions between class-based interests.

Thus, the state finds itself straddling a path between the adjustments required, by global institutions of economic governance, for integration into the global economy and, internally, the need to address poverty and human development imperatives. South Africa’s transformation will, therefore, be influenced to a much greater extent than in the past six years by the outcomes of engagements between the main, contending social forces; with government increasingly required to become more interventionist in the interest of translat-

*“The working class together with the democratic state and capital [should] complete the proverbial golden triangle necessary for the development and transformation of society.”*



ing its vision of transformation into reality. The 1998 Job Summit represented an attempt to resurrect a ‘social accord’ around job creation, broadly in line with the GEAR document’s call for a “national social agreement”. For, even in GEAR’s formulation, “a broad national agreement” has “to create an environment for rapid growth, a brisk investment trend and accelerated delivery of public services based on equity and universal access”.<sup>28</sup>

### Mobilising civil society for human development

Although transformation in the first six years of post-apartheid South Africa has been dominated – indeed, defined – by government-initiated and -managed changes, there are strong signs that the next few years will be shaped more decisively by struggles mounted from within civil society. This would mark the *normalisation* of the South African transition. Experiences of countries going through democratic transitions indicate that, soon after national liberation is attained and a representative democracy emerges, progressive social movements and formations tend to become demobilised and depoliticised. This became manifest in South Africa in the early 1990s when there was an effective demobilisation of relatively autonomous internal popular organisations. This was caused to some extent by the absorption of some structures into the ANC, the dismantling of others,

and the transfer of the main ‘site of struggle’ from the popular realm to the comparatively discreet zones in which political negotiations occurred.

The relationship of these social formations with the ANC came to resemble that of satellites, with their earlier, catalytic role shifting to a kind of ‘reserve army’ that could be deployed to break deadlocks. There was also a growing sense that the new order would be best launched from a platform of stability. This required judicious restraint on the part of social movements and other civil society organisations.

Such restraint has led to a withdrawal in key spheres. Instead of greater and consistent popular involvement, the labour movement has observed that “we have reduced mass involvement to appeals for payment of rents and services”. This “lack of a people-driven transformation,” it claims, “has led to demobilisation and demoralisation, particularly of activists”.<sup>29</sup>

This demobilisation was demonstrated in the course of the *Masakhane* campaign, a high-profile bid by government to catalyse popular involvement in reconstruction and development. The campaign was a call for “a social partnership”, entailing a duty by government to encourage independent organisation where it does not exist (as in rural areas) to provide services and support to all sectors, especially organised labour, the civics, business, women’s groups and the religious sector. The South African National Civic Organisation (SANCO) requested R20m in support from the local government ministry (headed at the time by former National Party secretary-general Roelf Meyer) in order to boost its support of government’s *Masakhane* campaign. The appeal was rejected. A similar amount, though, was paid to a multinational public relations corporation to launch an advertising campaign for *Masakhane*.

Rather than activating popular initia-

tive, the campaign became an appeal by the state to residents to fulfil certain financial obligations. According to one assessment, the response from residents in some Gauteng townships was a 15 percent drop in rate payments.

Although often affirmed, government's commitment to civil society participation in transformation processes needs to be more fully expressed in practice. According to a 1997 report by an advisory committee established by (then deputy president) Mbeki,

organs of civil society seek to fuel the development agenda of South Africa through participation in the RDP, but have often found themselves frustrated by the lack of clear policy and connecting points with Government in general.<sup>30</sup>

### Building effective partnerships means strengthening civil society organisations

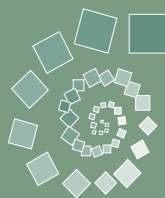
While it might be an exaggeration to suggest that "the masses of our people have withdrawn from the public space and have pulled back from popular involvement"<sup>31</sup>, it is difficult to dispute the fact that the 1990s have been marked by considerable demobilisation of popular organisations. As indicated, this is not unusual in societies undergoing democratic transitions; as the political system becomes democratised, extra-institutional mobilising and organising tends to flag. In South Africa's case, a number of additional factors influenced this situation:

- The ANC, as an umbrella organisation, had so much political credibility and power that many community-based (anti-apartheid) groups that emerged inside the country in the 1970s and 1980s chose either to disband or to fold into ANC structures in the early 1990s. Although many were active allies of the exiled ANC, most had evolved, not as internal adjuncts of the 'government-in-waiting', but out of grassroots,

interest-based struggles waged by women, youth, students, teachers, black professionals, peasants and petit-bourgeois groupings. Hardest-hit, arguably, were women's organisations, most of which converted their community-based structures into branches of the ANC Women's League. Although actively 'encouraged' by the ANC, the processes were largely consensual. Civics and trade unions escaped complete assimilation.

- Conducted by political elites, the political negotiations offered few entry or marshalling points for grassroots-based organising (as opposed to mobilising). Members' enthusiasm dwindled, only to be sporadically revived when deadlocks in the negotiations prompted calls for mass action. The result was a steady depletion of creative energy and organisational capacity at grassroots level.
- After 1994, there was a pervasive mood of expectancy, as citizens looked to the democratic state to deliver on the demands that had catalysed the anti-apartheid struggle. Since most activity had previously involved resistance, there was deep confusion about the role of popular organisations, particularly in relation to the new state. The mainly oppositional idiom of organising during the anti-apartheid era had become inappropriate in this period. Most organisations struggled to adapt to new forms of engagement.
- This disorientation was exacerbated as thousands of key activists and figures in progressive civil society organisations left to participate in Parliament and in the democratisation and transformation of state structures. A great deal of institutional memory and experience departed with them. Especially pronounced was the exodus of key

*There are strong signs that the next few years will be shaped more decisively by struggles mounted from within civil society.*



figures in the women's and trade union movements. The rewards, though, have been mixed, "it has been easier to get women and worker leaders onto structures than to get women's and workers' interests onto decision-making agendas".<sup>32</sup> Part of the reason lay in the fact that the departures weakened the capacity of grassroots organisations to sustain and develop effective advocacy agendas.

- The advent of democracy saw most foreign donors shifting large portions of their funding from civil society organisations to the new government. Hundreds of organisations experienced funding crises and many did not survive. Those that did had to weather the difficulties amid high staff turnovers and strenuous organisational restructuring exercises.<sup>33</sup> Indeed, a 1999 study by the Centre for Policy Studies found that "the prospects for the financial sustainability of small to medium-sized civil society organisations are poor, and that many smaller organisations particularly are likely to gradually disappear from the sector".<sup>34</sup>

These developments may, on the one hand, be read as an index of the popular legitimacy of the new system and of the hope and trust vested in the new ruling party. On the other, they are at odds with the professed role of the popular sector in the transformation endeavours. According to a government-commissioned report on relations between government and civil society organisations, the latter have

experienced immense turbulence and change ... Weakened by losses and by the difficulties involved in managing a large and diverse sector, they have struggled to develop strategies and a coherent voice to assert their role in development. Frequently they have found themselves frustrated by *the lack of clear connecting points* with government, and by ambiguous and differing government responses to their work and plight.<sup>35</sup>

The participation of community representatives and organisations in new partnerships with government and business may be said to depend on the following factors:

#### *Financial assistance*

The first is essentially material and relates to government's ability to assist in the funding of community-based organisations (CBOs) and non-governmental organisations (NGOs). Although slow, progress has been made on this front. A National Development Agency (NDA), falling under the finance ministry, has been set up to manage funding disbursements to NGO and CBO applicants. A projected budget for NDA disbursements stands at R165-million (1999/2000) and R265-million (2000/2001). Supplementary donor funding and revenue from the national lottery is expected to double these figures. The NDA's main objectives are to:

- grant funds to and strengthen the capacity of non-profit organisations involved in meeting the development needs of poor communities;
- promote consultations, dialogue, debate and sharing of development experience between the voluntary sector and the state;
- undertake development policy research.<sup>36</sup>

#### *Identifying 'connecting points'*

The second factor relates to difficulties in identifying and utilising what are called 'connecting points' between civil



society and the state. Experiences in this regard have been erratic. On the one hand, legislative drafting processes include several junctures at which civil society organisations' proposals and critiques are invited. The response to this type of engagement varies from department to department, as does the survival rate of civil society proposals as the piece of legislation approaches maturity.

Civil society organisations have successfully used a combination of approaches: popularising proposals and critiques in the public realm (including protests) and more formal routes of engagement with policy makers, where specific proposals are presented and debated. Regarding the latter, parliamentary portfolio committees have proved increasingly useful entry points for such engagements, while more *ad hoc* deliberations with legislators and bureaucrats have sometimes resulted in positive outcomes.

Civil society engagement with the state and business sector may be characterised by two approaches: that of 'permitted participation', where the masses are invited to respond within certain prescribed limits to decisions and policies, and that of 'mobilised participation', where processes are facilitated to generate mass political support and action for change in the interests of broader society.<sup>37</sup>

The factors that hinder the ability of mass- and community-based organisations to help determine the trajectory of transformation need to be urgently addressed. If this is not done, their efforts to change social and economic relations may be compromised. The NGO, CBO and voluntary sectors contain invaluable elements that can help challenge the social relations that confine the poor to the margins of society. These elements include an ethos of development that is 'people-centred' in practice, consultative, in-

volves participatory processes and promotes capacity-building, experimentation, transfer of skills and experiences, independent analysis and critiques.

### Substituting the state's role with a technocratic NGO and voluntary sector is not the answer

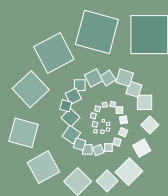
Another aspect that requires examination is the emergence of a technocratic network based on new forms of managerialism and marketisation within the voluntary sector<sup>38</sup>. The rise of "technicism as a new, core trait of NGO endeavours" threatens to substitute the "political nature of development", with technical responses based on efficiency and not on human need.<sup>39</sup> It is driven by the efforts of NGOs to compete against private sector firms for government contracts where the imperative is quick, quantified output in a market environment.

This approach is part of a broader paradigm that privileges the technical over the social. It is also an increasing trend in government, where efforts towards technical efficiency are traded off against issues of distribution and equity. At its hub,

lies the belief that the primary, if not the only, goal of human labour and thought is efficiency; that technical calculation is in all respects superior to human judgement; that human judgement cannot be trusted because it is plagued by laxity, ambiguity and unnecessary complexity; that subjectivity is an obstacle to clear thinking; that what cannot be measured either does not exist or is of no value; and that the affairs of citizens are best guided and conducted by experts.<sup>40</sup>

The tendency to substitute issues of distribution (power and resources) with the need for efficient management is cause for concern. In developing a shared responsibility for transformation, it is important for all partners to understand that different sectors bring different but critical qualities to the process.

*The tendency to substitute issues of distribution (power and resources) with the need for efficient management is cause for concern.*



Similar concerns were raised in Parliament, with claims that technical efficiency was being substituted for issues of transformation – where “lots of numbers are thrown around, yet social relations are talked about in the abstract as broad statements”<sup>41</sup>. Far from being ‘neutral’, the ascendancy of the *technical* disguises the *politics* of development.

As Carlos Vilas has reminded us, such a tendency leads to policies that isolate “poverty from the process of capital accumulation and economic development” and reduce “the solution to designing specific social policies” that target the “poorest of the poor”, while urging economic policies that structurally reproduce highly unequal social relations. Policies like these, Vilas observed, “(don’t) help these people get out of the hole of poverty; it simply tries to prevent them from sinking further into it”.<sup>42</sup> This is the framework desired by business. According to the SA Chamber of Business, government should not “interfere” in the market but, instead, “put in place poverty safety nets to assist those that are in dire straits until the economy improves to the point where the majority of citizens benefit from growth”.<sup>43</sup>

Working in complementary ways does not mean that large parts of the voluntary sector should become a shadow welfare/development arm of the state, helping absorb the worst aspects of poverty. Nor does it mean that the market, on its own, will eventually correct the exclusion of the black

majority from a mainstream, cash-based economy. For,

this could bring with it a shift from development (altering social relations and enhancing capacities for economic survival) to “welfarism” (a makeshift social safety net aimed only at containing the spread of absolute poverty). The voluntary sector’s role would then harmonise with standard neo-liberal logic – in the sense that its activities become functional to an economic growth path that reinforces the patterns of inequality and deprivation in society.<sup>44</sup>

Government frequently stresses the fact that transformation efforts require widespread popular initiatives in tandem with state activities. This emphasis is constrained by ambivalence towards autonomous activities that involve criticism or contestation of government policies. Officially, however,

government insists that popular organisations should function not as mere agents of state-defined and state-led development initiatives but as autonomous participants in a grand reconstruction effort. Emphasised is the need to build “dynamic partnerships” between the state and civil society, a formula that confirms rather than resolves the dilemma ... [For] what are the appropriate divisions of labour in such a relationship and where lie the boundaries of dissent?<sup>45</sup>

At the same time, government has sought to involve citizens’ groupings in local level development projects. Hundreds of local development forums have been set up to participate in the design and implementation of projects. Their effectiveness, though, has been highly uneven. Common factors responsible for low levels of participation by residents include difficulties in resolving conflicting demands and the domination of civics and other groups by local elites. In addition, people do not understand the highly bureaucratic approach adopted by government, especially where it concerns the implementation of development projects.

Government's temptation to govern what some commentators are calling "South Africa Ltd" along technocratic and managerial lines is still being mediated by an ethos of democratic participation and broad-ranging development which continues to hold sway in civil society.

The relationship with popular organisations also has deeper, historical roots. Not surprisingly, the ANC exhibits several important features that characterised the so-called 'Bandung'<sup>46</sup> era of post-liberation projects. One was the unequal relationship established between the victorious liberation organisation and (relatively) autonomous popular organisations, with the energies and resources of the latter harnessed and directed by the former. In short, the liberation movement, ensconced in the new state, assumed a leading and directive role in relation to the popular sector, guided by the notion that the transformation process "does not involve popular initiative as a starting point but simply popular support for state actions".<sup>47</sup>

The terms, both for inclusion into the arena of governance and for the acceptance of differences, are being established within this context. But these terms remain flexible and do not mark an inexorable shift away from accommodation. However benignly managed this disciplinary discourse might turn out to be, the effects resonate profoundly across civil society. Most vulnerable and likely to respond with self-disciplining postures will be those voluntary sector organisations that draw financial assistance from government (through NDA disbursements, tenders, contracts and other relations). The result could be a paradox: a greater political/ideological *intimacy* between citizens' formations and government, but also a potentially uncritical relationship lacking the necessary dynamism of difference and contestation to give rise

to the kinds of innovations and plurality of endeavours a successful transformation project requires.

## Information and Communication in Transformation

Technological advances have made possible the exchange of information at a speed and range never before experienced. They have created the space for new forms of engagement between citizen's movements and states on the one hand and the private sector and governments on the other. The extent to which the communication processes and information technology have been used to expand democratic spaces and promote development in South Africa are dependent, to a large degree, on the historic and emerging patterns of ownership and control over the media. They depend, additionally, on how the media interprets its roles and responsibilities in the emerging democracy and how it locates itself as a relevant force for change and transformation in pursuing national interests.<sup>48</sup>

### Nation building and the media

The socio-political imperatives of the 'new South Africa' have been compounded by trends within an international media environment characterised by globalisation. Nowhere is this more evident than in the field of media and telecommunications, where the digital revolution and the impact of satellites and globalisation changed the communication landscape completely. From 1994 onwards, international capital began to acquire interests in local media companies on an unprecedented scale. Domestic black 'empowerment' consortia also made major purchases in previously white-owned media corporations.<sup>49</sup>

Alongside the shifts in patterns of ownership and control, attempts have been made to transform the programme

content and approach of mainstream media to fit in with the values and vision of a plural democracy. In line with the social, economic and political changes taking place within the country as a whole, the South African Broadcasting Corporation (SABC) was in the vanguard of visible change. It negotiated the statement of a new 'Vision and Values' framework that provides the ethical core in the task of transforming a former *state* broadcaster into a fully-fledged *public* broadcaster. Summarised briefly, this vision is:

a commitment to deliver full-spectrum services to all South Africans, in all parts of the country, and in each of the eleven official languages. Their programme content is aimed at protecting and nurturing South African culture and creativity, and reflecting the reality of South Africa to itself, and to the world, South Africa from a distinctly South African perspective<sup>50</sup>.

The most visible evidence of the SABC's new approach has been the reconfiguration of radio and television channels from 1995 onwards. Prior to this repositioning, television in South Africa generally served the interests of the middle-classes only: predominantly, white, 'coloured' and Indian, with an increasingly large percentage of black<sup>51</sup> people falling into this category. In order to put such an ambitious plan into effect, the mandate of the SABC was expanded considerably. Among other projects, the following targets were set:

- extension of airtime for all official languages (other than English) on television;
- increase in local content programming;
- extension of television footprint to reach all potential viewers;
- introduction of regional television slots in all provinces;
- equity and universal access to religious programming;

- provision of curriculum-based education on both radio and television; and
- upgrading of the African language radio services.<sup>52</sup>

There are visible signs of change on the broadcasting front, although change in the print media has been less significant. The importance of the media in promoting and reflecting the diversity that is South Africa, while at the same time creating the space for a new 'South Africanism', cannot be underestimated. With a heavy emphasis on nation building, there is always the danger that unbridled nationalism may disintegrate into unashamed apologias for sectarian interests. In this regard, public service broadcasters and other media have looked to legislation to enable them to maintain a degree of independence from the government of the day.

### The nation – 'a powerful means of social unity'<sup>53</sup>

Benedict Anderson<sup>54</sup> reminds us that 'the nation' is an abstraction, a construct of the imagination. The nation, with its promise of identification with history, enables people to surpass the finality of death and eradication. The need to create a view of the nation arises most profoundly in periods of distinct social stress. When new developments within, or pressures from outside, undermine a sense of continuity, then most strikingly, is there a "need for 'ethnic revival'"<sup>55</sup>.

The need for the consolidation of national identity is keenly felt both in South Africa and in developing countries; and, rightly, the role of the mass media has been central in this debate. Media provides the self-image of a society. Television has been likened to the role of the medieval bard,

since the bardic mediator occupies the *centre* of its culture: television is one of the most highly centralised institutions in modern society. This is not only the result of commercial monopoly or

government control; it is also a response to the culture's felt need for a common centre, to which the television message always refers. Its centralisation speaks to all members of a highly fragmented society.<sup>56</sup>

Nations are created in the historical and sociological imagination through identification with generalised communal heroes set in equally generalised, but dramatised, locations and times. Eric Hobsbawm<sup>57</sup> states "that [as a] comparative recent historical innovation, the 'nation' with its associated phenomena: nationalism, the nation-state, national symbols, histories and the rest" [are] closely bound up with "invented traditions" which are "exercises in social engineering, [...] often deliberate and always innovative". The media plays a critical role in reinforcing the images, symbols and cultural codes of society in ways that could lead either to social fragmentation or to social cohesion. In this regard, the South African media could have a special role in forging a national identity that crosses class, race, language, religious, ethnic and spatial divides.

Social solidarity is reinforced when audiences share the same cultural and informational environment. John Reith, the first Director General of the BBC, and the 'father of public service broadcasting', opined in 1925 that "public service broadcasting should act as a national service. It should act as a powerful means of social unity, binding together groups, regions and classes through the live relaying of national events".<sup>58</sup> He argued that this is best achieved when audiences share common programming and are subjected to a monopoly provider of a single service. Although the ideal of a universal single-channel is now an anachronism, nation building continues to be an overriding consideration of many media corporations, both public and private, across the electronic and print media.

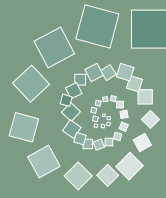
## Creating space for an increased public voice and dissent

The newspapers, television and radio provide an impression of a definite swing within media content towards a repositioning of sectoral interests along both socio-economic and ethnically plural lines. South African media seems to have followed the international trend of creating a stronger commercial ethos, conceptualising their audiences as consumers and voters rather than primarily as citizens. There is, at the same time a countervailing tendency – evidenced in significant investment in supplements on literacy, formal and non-formal education, health, civic development, socio-economic upliftment, amongst other things, by all sectors of the print and electronic media.

The print and electronic media have created spaces for the interrogation of topics central to the notion of the South African identity. Issues such as freedom of speech, who is an African, what constitutes 'local communities' and the African Renaissance are debated within the national arena. They are no longer confined to previously constrained areas of racially-defined 'identity' politics. This has, to some extent, led to a re-invigorated public sphere. The increased level of discussion, which is of an inclusive rather than exclusive nature, continues to have discursive impact on the project of nation building.

Studies<sup>59</sup> indicate that information and communication processes are changing in South Africa and cracks are emerging in the ownership and control of related industries. The challenge from a human development perspective is the extent to which such changes result in an enabling environment for the poorest to participate in society. For while information is a source of power, communication for human development must be about the dispersal of that power in ways that have meaning for excluded people.<sup>60</sup>

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Multiple forces, internal and external to the country and the region, shape the configuration of power blocs and interests in South Africa and the impact these have on human development. This poses particular challenges for South Africa's transformation and, indeed, the notion of the 'African Renaissance'.

### South Africa: A 'Pivotal State' in a 'Uni-Multipolar' World

The conception of a South Africa proactively positioning itself in an increasingly "globalised world with unipolar characteristics" seems to typify the Department of Foreign Affairs' approach in the region and globally. Also evident is the recognition that the level of complexity in the type of relationships required at a bilateral and multilateral level demands a better understanding of the country's strategic challenges.<sup>61</sup>

Central amongst these is how to locate South Africa in a world that has undergone a shift from a *bipolar* East-West Cold War dichotomy (or *tripolar* configuration, if the third world is included), to one in which there seems to be only one global hegemonic power. Further, such a unipolar system would be premised on the dominance of "one superpower, no significant major powers, and many minor powers". This effectively results in a situation in which "the superpower could effectively resolve important interna-

tional issues alone, and no combination of other states would have the power to prevent it from doing so".<sup>62</sup> The strategic challenge is, of course, how to find critical spaces to engage in the regional and global arena in ways that would promote both national interests, while also consolidating a relationship within the global economic South.

The use of a hybrid model of a *uni-multipolar* system, "with one superpower and several major powers", including "major regional powers that are pre-eminent in areas of the world without being able to extend their interests and capabilities as globally as the United States"<sup>63</sup>, seems to be an option. Such an arrangement, it is argued, could include "such semi-industrializing or semi-developed regional 'middle powers' as India in South Asia, Brazil in Latin America, and Nigeria and South Africa in Africa". This type of hybrid model would also include a third level of "secondary regional powers whose interests [may] often conflict with the more powerful regional states".<sup>64</sup>

The relative or strategic importance of states is also a factor in the realignments that shape emerging power blocs<sup>65</sup>. As Africa's pre-eminent economic power (with a GDP three times that of Nigeria and Egypt), South Africa, by some definitions, is also considered a '*pivotal state*'.<sup>66</sup> On the other hand, South Africa and Brazil are considered much less 'pivotal' in their respective regions than a state such as India, which can pivot "from side to side" between more influential big powers in a manner that can "change the pattern of geopolitics" through a shift in alignments.<sup>67</sup> "Nothing so geopolitically pattern-changing is likely to emerge from Brazil or Mexico, tucked away in the Americas, or from South Africa – down there at the bottom of its own continent."<sup>68</sup>

This type of arrangement does not allow for the potential shifts in geopolitical patterns that might result from such states acting in coalition. A coalition of pivotal states, forged out of economic and/or political and security concerns, is not beyond the realms of possibility. Hence, South Africa's strategic challenge as a 'pivotal state' on a marginal continent, and within a uni-multipolar world, is key to addressing the options available to it in recasting its role within the regional, continental and global context.

## Regionalisation and the African Renaissance

Overlaying South Africa's status as a regional power is the reality of globalisation – the worldwide spread of industrial production and new technologies, accompanied and promoted by the rapid and unimpeded mobility of capital, unfettered free trade, the global reach and authority of transnational corporations and the digitalisation of money. This process – concentrated in an essentially Euro-American (except for Japan) condominium of post-industrial economies – forms the core of the global system.<sup>69</sup> The extent to which these processes and their contradictory consequences shape regionalisation in southern Africa – and thus impact upon human development – is dependent on a number of factors.

### Developing a regional agenda to address poverty and HIV/AIDS is an imperative

First, South Africa's relationships with its neighbours should be based on more than the need for regional economic integration and growth. Second, they should be guided by the desire to attain peace and security as well as an active regional agenda to address poverty and HIV/AIDS. Third, they require effective

co-ordination of pro-poor growth and development strategies. Fourth, capacity building and effective use of development aid to address common problems in the region can enhance the South African Development Community (SADC) as an institution. Fifth, a regionally integrated human development strategy calls for shared responsibility with the broad range of civil society organisations and the private sector.

### Consolidating regional relations within a human rights framework

Post-apartheid South Africa's national identity is still in its formative stages. Also in a formative stage is its relationship with southern Africa, the continent as a whole and the global South. South Africa, under the banner of the 'African Renaissance', has to recast its role in the region and globally in ways that will build and promote social, cultural and economic regeneration. A particular challenge for the region is ensuring that a progressive agenda of internal and external renewal will be located within a human rights framework. Moreover, the 'African Renaissance' could chart the way for the prospect of pan-Africanism revisited as South Africa accelerates its integration into Africa and the world. Key to these issues is whether South Africa proceeds along a path of *competitive regionalism* or *co-operative regionalism*, especially within the geopolitical 'Cape to Cairo' axis of eastern and southern Africa. This will depend on the extent to which the region prioritises an agenda for human development alongside the need for regional economic growth.

Furthermore, the African Renaissance strategy includes the development of a national and sub-regional programme. As an initiative, it provides scope for networking and exchanges with African researchers and professionals through-

out the Continent. It is a programme that also embraces an outreach to the African diaspora; a dimension that could co-ordinate an African Renaissance agenda with South-South co-operation strategies. Other important linkages that could create an environment for the assertion of Africa include those that can be promoted through African non-governmental exchanges, a range of policy and development research and professional networks.

In recasting its role in the region and integrating into the global system, South Africa faces the complex task of negotiating both spaces and agendas that will ensure its political credibility, moral legitimacy and a people-centred development path that is sustainable.

## Conclusion

At key moments in a nation's history, there are points of juncture and fragmentation. The possibility of charting new paths could advance the cause of those who have suffered the worst effects of poverty and other violations.

South Africa has the opportunity, through the construction of a shared vision of social justice, to reclaim governance for humane development. For:

Without thoroughgoing democratisation, the whole effort to reconstruct and develop will lose momentum. Reconstruction and development require a population that is empowered through expanded rights, meaningful information and education, and an institutional network fostering representative, participatory and direct democracy<sup>70</sup>.



## Notes

- 1 Quote taken from Antjie Krog [1999], 431  
 2 As reported by the National Human Development Report Network on the Argentine Commission of Human Development located within Parliament [2000]  
 3 Galbraith [1999], 2  
 4 See Habib [1996], 14  
 5 These can be found at <http://www.cosatu.org.za>  
 6 Quotes are drawn from 'Summit must not die in sterile debate', Business Day, 10 July 1998.  
 7 Edwards [1998], 56  
 8 Natrass [1996], 38  
 9 The diagnosis of economist Iraj Abedian (who helped draft the GEAR plan) is instructive and was drawn from 'Monetary Policy Costing Us Dearly', Business Day, 27 November 1998.  
 10 Edwards [1998], 62  
 11 Cited in Adelzadeh 'Quest for Monetary Options', Mail & Guardian, 30 May 1997.  
 12 National Institute for Economic Policy figures cited in Adelzadeh 'Quest for Monetary Options', Mail & Guardian, 30 May 1997.  
 13 Constitution of the Republic of South Africa [1996], par. 224,1  
 14 See Edwards [1998], 65  
 15 Quoted in Marais, 'Banking on Change', Siyaya! Magazine, Autumn 1999, 37.  
 16 Quoted in 'Globalisation must be managed carefully', Business Day, 22 June 1998.  
 17 Abedian, I., 'Monetary policy costing us dearly', Business Day, 27 November 1998.  
 18 National Institute for Economic Policy [1996], 8  
 19 Hansard [1998] South African Parliamentary Debates, Cape Town  
 20 See Nicolaou [1999], 19-20  
 21 Creamer [1998], 4  
 22 Cosatu [1998] 5  
 23 Vavi [1998], 3  
 24 Vavi [1998], 3  
 25 'Labour faces wages of unemployment', Business Day, 3 July 1998  
 26 Quoted in 'Ramaphosa's departure raises key black empowerment issues', SouthScan Vol 14 No 5, 5 March 1999.  
 27 According to ANC [1997]  
 28 Department of Finance [1996], 20  
 29 Cosatu [1996], 3  
 30 Advisory Committee [1997] 1  
 31 Sangoco [1996], 9  
 32 Meer [1999]  
 33 This cursory overview does not capture all the dynamics at play nor the often perplexing ways in which they intersect. For more, see INTERFUND [1997], 112-129; Marais [1988], 206-217 & 241-253 and Meer [1999]  
 34 Kihato & Rapoo [1999] 3  
 35 Advisory Committee [1997], 10. Emphasis in original.  
 36 INTERFUND [1999], 156  
 37 Chan Heng Chee [1976]  
 38 Taylor [2000]  
 39 Meer [1999]  
 40 Postman [1992] cited in Marais, H., 'Walking the Tightrope', Siyaya! magazine (autumn 1999) 2.  
 41 Statement made by Pregs Govender, Member of Parliament and quoted in Marais [1998], 211  
 42 Vilas [1996], 16.  
 43 Quoted in 'Relations sour between government and business', SouthScan Vol 12 No 42, 14 November 1997.  
 44 INTERFUND [1997], 99  
 45 Quoted in Marais [1998], 211  
 46 A conference was convened by the governments of Burma, Sri Lanka (then Ceylon), India, Indonesia and Pakistan in Bandung, Indonesia (post the 1947 Asian Relations Conference called by Nehru). It marked the beginning of the Non-Aligned Movement and Third World demands within international organisations around issues of political independence and development. Most of the demands were contained in ten principles and were taken up by the UN. Represented at Bandung were mainly Asian countries, including the People's Republic of China and a sprinkling of African countries. See for instance Rist [1997]  
 47 Amin [1990], 113  
 48 Taylor [1999] contained in paper on the Conceptual Framework for the Human Development Report, Cape Town.  
 49 IBA 1995 as reflected in Teer-Tomaselli [1999].  
 50 Teer-Tomaselli [1999]  
 51 Racial categories are used not to imply any pejorative distinctions, but to indicate the manner in which the broadcast sector was segmented historically.  
 53 Anderson [1983]  
 54 Anderson [1983], 47  
 55 Anderson [1983]  
 56 Fiske & Hartley [1978], 86  
 57 Hobshawm [1983], 13-14,  
 58 Cited in Keane [1996], 8  
 59 See for instance Teer-Tomaselli & Tomaselli, KG [1996]  
 60 Taylor [1999]  
 61 Department of Foreign Affairs [1999], 3  
 62 Huntington [1999], 35  
 63 Huntington [1999], 36  
 64 Huntington [1999], 36  
 65 See for instance Taylor [2000]  
 66 Chace, Hill, Kennedy [1999] *Economist*, April 10 1999, 9  
 67 Chace, Hill, Kennedy [1999] *Economist*, April 10 1999, 9

- 68 Chace, Hill, Kennedy [1999] *Economist*, April 10 1999, 9
- 69 This definition builds on Hein Marais' discussion of 'The Battleground of the Economy' in Marais [1998], 100-145.
- 70 African National Congress [1994], 119. The RDP was formulated through a widespread process of consultation with civil society organisations and the national liberation movement in the run up to the first democratic elections in 1994.

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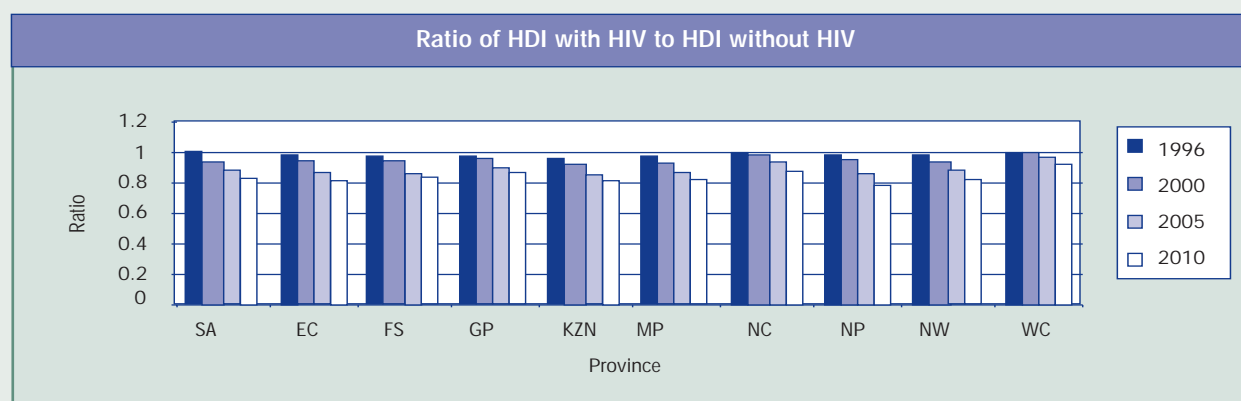
# Appendices

## Chapter 2

### Appendix 1

Estimates of HDI with and without HIV for South Africa and the Nine Provinces																				
	South Africa		Eastern Cape		Free State		Gauteng		Kwazulu-Natal		Mpumalanga		Northern Cape		Northern Province		North West		Western Cape	
	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV	No HIV	HIV
1996	0.628	0.626	0.596	0.585	0.65	0.631	0.712	0.691	0.602	0.571	0.628	0.612	0.632	0.629	0.531	0.522	0.63	0.619	0.702	0.702
1997	0.628	0.624	0.597	0.582	0.651	0.629	0.713	0.692	0.603	0.571	0.629	0.607	0.634	0.629	0.532	0.52	0.631	0.614	0.703	0.702
1998	0.644	0.619	0.597	0.577	0.652	0.627	0.714	0.693	0.603	0.57	0.629	0.603	0.634	0.628	0.533	0.518	0.631	0.611	0.703	0.702
1999	0.645	0.612	0.598	0.571	0.653	0.62	0.714	0.687	0.604	0.562	0.63	0.595	0.635	0.626	0.534	0.513	0.632	0.605	0.704	0.702
2000	0.646	0.605	0.599	0.563	0.654	0.612	0.715	0.681	0.605	0.554	0.631	0.587	0.636	0.623	0.535	0.506	0.633	0.598	0.705	0.701
2001	0.647	0.597	0.6	0.555	0.655	0.604	0.716	0.674	0.606	0.546	0.632	0.579	0.637	0.619	0.536	0.499	0.634	0.589	0.706	0.699
2002	0.648	0.589	0.601	0.547	0.656	0.595	0.717	0.666	0.607	0.537	0.633	0.57	0.638	0.614	0.537	0.49	0.635	0.581	0.707	0.697
2003	0.648	0.58	0.602	0.538	0.657	0.587	0.718	0.658	0.608	0.529	0.634	0.561	0.639	0.609	0.538	0.482	0.636	0.572	0.708	0.694
2004	0.649	0.572	0.603	0.529	0.658	0.579	0.718	0.651	0.609	0.522	0.635	0.553	0.64	0.603	0.539	0.472	0.637	0.563	0.709	0.691
2005	0.65	0.565	0.603	0.521	0.658	0.571	0.719	0.644	0.609	0.516	0.635	0.545	0.64	0.597	0.54	0.463	0.638	0.555	0.71	0.686
2006	0.651	0.559	0.604	0.513	0.659	0.565	0.72	0.638	0.61	0.511	0.636	0.539	0.641	0.591	0.541	0.455	0.638	0.547	0.711	0.681
2007	0.651	0.554	0.605	0.507	0.66	0.559	0.72	0.632	0.611	0.506	0.637	0.534	0.642	0.584	0.542	0.447	0.639	0.541	0.712	0.676
2008	0.652	0.549	0.606	0.501	0.661	0.555	0.721	0.628	0.612	0.503	0.638	0.529	0.643	0.578	0.542	0.441	0.64	0.535	0.713	0.67
2009	0.653	0.545	0.607	0.497	0.662	0.551	0.722	0.624	0.613	0.5	0.639	0.526	0.644	0.573	0.543	0.435	0.641	0.531	0.713	0.664
2010	0.654	0.542	0.608	0.493	0.662	0.548	0.722	0.621	0.614	0.498	0.64	0.522	0.644	0.567	0.544	0.431	0.642	0.527	0.714	0.659

### Appendix 2



## Chapter 3

### Appendix 1

Social and economic characteristics and service delivery load by province (Idasa 1999)							
Provinces	Population	Population growth rate	Rural	Service delivery load	Per capita income	Relative number of poor people in province	HDI 1991
Eastern Cape	High	High	Rural	Relatively high	Low	High	Low
Free State	Moderate	Low	Urban		Moderate	High	Moderate
Gauteng	High	Low	Very urban	Relatively high	High	Low	High
KwaZulu Natal	High	High	Rural	Relatively high	Low	Moderate	Low
Mpumalanga	Low	High	Rural		Moderate	Moderate	Moderate
Northern Cape	Low	Low	Urban		Moderate	High	Moderate
Northern Province	High	High	Rural	Relatively high	Very Low	High	Low
North West	Moderate	High	Rural		Low	High	Low
Western Cape	Moderate	Low	Urban		High	Low	High

Key	= poor province	= medium income province	= rich province
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### Appendix 2

Composition of new provincial administrations in terms of old provinces and homeland administrations (Welsh 1994)		
Province	Ex-homeland administration	Old province
Eastern Cape	Transkei (large); Ciskei (large)	Cape
Free State	Qwa-qwa (small); part of Bophuthatswana	Orange Free State
Gauteng	KwaNdebele (small)	Transvaal
KwaZulu Natal	KwaZulu (large)	Natal
Mpumalanga	Kangwane and small section of Lebowa	Transvaal
Northern Cape		Cape
Northern Province	Venda, Gazankula, Lebowa	Transvaal
North West	Four blocks of Bophuthatswana	Transvaal
Western Cape		Cape

# Technical notes

## Technical note 1

### The concept and measurement of human development

#### The Concept of Human Development

The first Human Development Report (HDR), published by the United Nations Development Programme (UNDP) in 1990, defined Human Development (HD) as: “a process of enlarging people’s choices”. Enlarging people’s choices implies empowering them to achieve their potential to lead fuller and more productive lives. The report stated that, “at all levels of development, the three essential ones [choices] are for people to lead a long and healthy life, to acquire knowledge, and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible”.

Starting from this definition, the challenge of development becomes one of creating a healthy and educated society in which people participate freely in social, political and economic decision-making. No longer are income and economic growth the sole measures of human welfare.

HD recognises: “that there is no automatic link between income, growth and human progress. As the 1992 HDR sums up: “The objective of development is that people can enjoy long, healthy and productive lives - a simple truth but one often forgotten in the rush to accumulate more possessions and greater wealth”.

This paradigm shift in the development dialogue has several major implications. First and foremost, it

suggests that governments, donor organisations and development institutions which adopt and embrace the concept must re-think their objectives, strategies and priorities for development. At the national level, government budgets must be reoriented away from wasteful expenditures such as military spending, towards more productive allocations to the health and education sectors; while the private sector must be unleashed to provide employment opportunities and generate income. At the international level, the donor community should support those nations and governments that focus on human development. Leaders and elites who regularly divert national resources to further their own private interests prevent the majority from participating in the decision-making process of human development and should experience the unequivocal condemnation of the international community.

The human development paradigm also implies that using per capita income as a measure of human development is inadequate and prone to give misleading results. Therefore, UNDP created a new composite Human Development Index (HDI) for the measurement of development, incorporating proxy indicators for health, education and income. Health and education indicators are taken as proxy variables for a long and knowledgeable life, while income is seen as a means to achieve other goals and not as an end in itself.



There is a new understanding that the well-being of society depends not on the level of income but on the uses to which it is put. The experience of several countries shows that a high level of human development can be attained at relatively low levels of per capita income by means of well structured social expenditure, as in the case of Botswana, Costa Rica, Malaysia, Sri Lanka and South Korea. At the other end of the spectrum, countries such as Brazil, Nigeria, Saudi Arabia and Namibia demonstrate that, even with a high level of per capita income or a rapidly growing economy, the discrepancy between economic and social performance can be vast.

### Alternative Development Concepts and Theories

Although the concept of human development as defined above may seem self explanatory today, this was not always the case. Originally, economists interested in development saw the problem purely in terms of increasing the incomes of people in developing countries. Countries were ranked according to how rich they were. It was assumed that all that was needed to improve human welfare was a rise in gross domestic product (GDP) per capita. It took almost half a century for development theory to move gradually away from this view towards a more comprehensive view of human development. The following section briefly reviews the major themes that have characterised the development debate over the past fifty years. The section is not intended to be a comprehensive account of the evolution of development theory over the past five decades and many important contributions are thus omitted; rather, it is intended to provide the reader with a broad overview of the evolution of the development debate.

### Economic Growth

Early development economists focused on economic growth as the main determinant and defining characteristic of

development. During the 1950s, development economics was concerned with transforming traditional subsistence economies into modern industrial economies. A key determinant of the growth rate, within this paradigm, is the investment rate, which is in turn governed by national savings. Therefore, economic growth required saving and investment which, in turn, required the emergence of a capitalist class, concentrating as large a share of the national income as possible. The idea was that rich people would save more than poor people and that they would provide the engine of growth, the benefits of which would then trickle down to eliminate or alleviate human deprivation. This paradigm had widespread influence during the 1950s and 1960s. In fact, the underlying economic growth model, based on accumulated savings and investment rates as the key determinants of economic growth, continues to be used to this day by institutions such as the World Bank. This approach, especially the focus on the entrepreneurial class and trickle-down economics, returned to fashion in the 1980s and formed the basis of domestic policies for much of the industrial world during that decade.

### Redistribution with Growth

In the late 1960s and 1970s, the realisation that the fruits of development had been unevenly distributed led to the widespread appeal of neo-Marxist analyses of development. The first statistical signs were emerging that the rich, far from saving a higher proportion of their income, may in fact have begun to question the trade-off between growth and equity. Some argued that development should be reinterpreted to take account of trends not only in economic growth but also in respect of poverty, income inequality and employment. Redistribution and growth became the leading paradigm. However, most theorists confined themselves to studying which types of redistribution would have the least effect on the growth-equity trade-off which they

regarded as inevitable. Focusing on distribution rather than production, they saw human beings as the beneficiaries of an external process of development rather than as the main participants in and initiators of the process.

### Basic Needs

In the late 1970s and early 1980s, there emerged a growing concern that the policies of redistribution with growth might not be sufficient to guarantee an increase in welfare for the poorest in developing countries. The idea of poverty alleviation began to receive increasing attention. In 1976, the World Employment Conference endorsed a proposal by the International Labour Organisation (ILO) that all countries should give priority to meeting the basic needs of all members of their populations by the year 2000. Such basic human needs include minimum nutritional requirements, clothing, shelter, health care, education, transport, communication, employment opportunities and participation in the decisions that were likely to affect their livelihoods.

In addition to a wider concern for poverty elimination and raising the incomes of the poor, evidence that there was no clear trade-off between growth and equity was increasing. In fact, proponents of this paradigm claimed that a basic needs strategy could lay a far more effective foundation for sustained economic growth. Spreading the wealth would ensure greater purchasing power among the majority of the population and promote the growth of a larger domestic market, which would in turn encourage the local production of intermediate goods. Directing greater resources towards the most disadvantaged would ensure a healthier, better educated work force which was therefore productive. This view of development emphasised people as consumers, but it focused on the provision of goods and services rather than the issue of human choices.

### Human Development

The human development paradigm that developed at the beginning of the 1990s has evolved from these earlier approaches, while building on them in several ways. Human development emphasises poverty alleviation and its continued centrality to the development dialogue. The challenge of development at the most fundamental level will always revolve around the alleviation of human misery caused by desperate poverty and lack of the most basic human necessities. However, HD is broader than this, being concerned not only with basic needs. It therefore applies both to developing and developed countries. In high income countries, indicators of shortfalls in human development should be looked for in homelessness, drug addiction, crime, unemployment, urban squalor environmental degradation, personal insecurity and social disintegration.

Since its inception and popularisation through the medium of the UNDP Human Development Report 1990, HD has moved to the centre of the global development debate. Each year, the human development paradigm has been revisited and redefined, with new suggestions for improving the concept and its measurement. HD does not focus solely on the distribution of wealth and services such as education and health care. Such interventions are seen as investment in 'human capital' rather than as the consumption of scarce resources: they emphasise that the ultimate source of wealth of any country is its people. Investing in people plays a crucial, catalytic role in the growth of the economy. Without such investment, there would be limited economic growth and, more importantly, no human development.

Investing in people is vital, but it is only one part of the picture. Human development is not limited to the social sectors nor to the economic sphere. HD stresses the need to develop human capabilities and empower people to use those capabilities in order to participate

in the development process. Human development covers all human needs - from production processes, to political freedoms, to methods of government. Therefore, human development is concerned with the creation and distribution of wealth, with all socio-economic sectors, with political life, with basic needs and non-basic needs and with human choices in developing as well as developed countries. "Human development as a concept is broad and comprehensive. But it is guided by a simple idea - people always come first".

### Sustainable Human Development

The evolution of the Human Development Report paradigm came at a time when global environment concerns were also experiencing a revival. As the Cold War came to a sudden end, and the former Soviet Union unravelled, a new atmosphere of trust and co-operation emerged that would allow world leaders to focus on questions of common concern. Foremost on the development agenda was environmental protection, the need for which confronts both developing and developed countries. It was clear that, whatever the earth's carrying capacity, we were, and still are, severely undermining sustainable development, utilising non-renewable resources at an increasing rate and failing to develop renewable resources effectively. It was also clear that environmental problems did not respect international boundaries. Potentially serious problems such as damage to the ozone layer, the greenhouse effect, acid rain and global deforestation would affect all the peoples of the world, regardless of gender, race or nationality. Furthermore, such problems could not be solved by an individual country, no matter how powerful. The world had entered a new era of interdependency.

In 1992, a UN Conference on Environment and Development, commonly known as the Rio Earth Summit, took up the challenge as did the United

Nations HDR 1992 and the World Bank. Together they defined the problems and suggested solutions that would lead to sustainable human development (SHD). The HDR 1992 has the following to say about sustainable development and economic growth, "...sustainable development implies a new concept of economic growth - one that provides fairness and opportunity for all the world's people, not just the privileged few, without further destroying the world's finite natural resources and without compromising the world's carrying capacity". Now, along with healthier, well-educated citizens participating in a decentralised government, came new minimum requirements for SHD which included the elimination of poverty, a reduction in the population growth rate, and an improved understanding of the diversity of ecosystems and the environmental impact of development activities. SHD puts the human development paradigm within the context of our finite environment and ensures future sustainability of the ecosystem.

### Measurement of Human Development

#### *The Human Development Index*

Having adopted such a broad concept of development, the problem that arises is how to measure what might at first appear an indeterminate notion. It is clear that a precise measurement of HD is impossible. Common sense dictates that it is not possible to capture such a broad, and in some senses subjective, concept within a single digit - into which an enormous number of indicators could be chosen for incorporation. Then comes the question of the respective weights to be attached to each indicator. Some factors that are central to HD are not easily quantifiable, for example, access to the decision-making process or freedom of the press. In Namibia's case, it is precisely in the area of human freedom that so much progress has been made since independence. Major achievements, such as the abolition of apartheid, introduction

of universal suffrage and freedom of speech and association, are not reflected in the HDI, although they represent tremendous advances in human development.

Within this context, however, the proponents of the human development paradigm further postulate that there are some relevant quantifiable factors that would permit an approximate index by which HD can be measured. The essential elements of HD are three: longevity (health), knowledge (education) and acceptable living standards (income). These indicators allow the construction of a human development index which permits inter-country comparisons. Clearly, we are restricted to using those proxy indicators for these key elements which are freely available in all UN member states.

The 1990 HDR proposed that for longevity, life expectancy at birth would be the appropriate indicator. A long life is not only intrinsically valuable but also serves as a rough indicator for other relevant elements in the HDI approach, such as good health and adequate nutrition. As for education, it was decided to use national literacy rates as proxy for all associated educational values such as access and equality of education. This was later improved by the addition of educational attainment (see below)

The final key component of HD is an acceptable standard of living. This is perhaps the most difficult to quantify. The simplest measure of per capita income is readily available, but its use is made problematic by access to non-monetary resources and the presence of non-tradable goods and those working outside the formal economy, as well as distortions arising from exchange rates, tariffs and taxes. In an attempt to correct some of these distortions, per capita income is adjusted to account for the cost of living in each country. Finally, HDR 1990 suggested that the income indicator should reflect the diminishing marginal value of income. By this, the report suggested

that the more money a person has, the less benefit he/she would receive from an additional dollar. In other words, a single dollar is worth more to a pauper than to a millionaire. In order to reflect this, any income above the average income level (already adjusted for the cost of living) is discounted. It should be noted, however, that in spite of these adjustments to per capita income, being a national aggregate, this statistical measure will remain inaccurate as an indicator of human welfare in countries where the income distribution is extremely skewed, as is the case in South Africa.

#### *Refinement of the HDI*

At a later stage, the original index was improved by the addition of mean years of schooling to reflect knowledge more accurately. This was changed again in the 1995 HDR to a combined primary, secondary and tertiary enrolment ratio as well as highest educational attainment, rather than literacy rates, thus reducing the data required. For each factor, a scale of the highest and lowest levels of development is constructed and each country's level of development in relation to the scale is measured. For instance, the highest and lowest levels of life expectancy are set at 85 years and 25 years respectively, giving a difference of 60 years between the maximum and minimum levels. If life expectancy at birth in a country is 65 years, then on average, citizens are exceeding the minimum value (25 years) by 40 years - i.e. two-thirds of the maximum 60 years - and therefore the life expectancy index for that country would be 0.667. The HDI gives a relative indication of human development rather than an absolute value. Each year, as countries progress/regress in each respective field, the distance travelled to reach the best value (i.e. the richest countries or the most well educated population) will also change. Therefore, the HDI cannot be successfully used to track human development over a long

time period, unless static goals are defined for such an exercise.

The UN received several suggestions to include broader indicators that covered other aspects of progress such as culture or human freedom. It was decided that, although these were

important aspects of development, they should be measured independently of the original HDI rather than trying to ask too much of one index. UNDP is, however, committed to the systematic improvement of the concept and its measurement.

# Technical note 2

## Estimation of the South African Human Development Index

The technical notes are based on the new methodologies as presented in the *Human Development Report 1999*.

### 1. Human Development Index (HDI)

Human Development Index (HDI) was calculated as an average of four indices:

- Life Expectancy Index (LEI)
- Adult Literacy Index (ALI)
- Combined Gross Enrolment Index (CGEI)
- Adjusted real GDP per capita (PPPS) Index

#### A: Life Expectancy Index (LEI)

Life expectancy index was calculated using life expectancy at birth and the minimum and maximum values set. It was calculated according to the formula by UNDP technical notes:

$$\text{Life Expectancy Index (LEI)} = (\text{Life Expectancy at Birth} - \text{minimum value}) / (\text{Maximum value} - \text{minimum value})$$

The maximum and minimum values are 85 years and 25 years respectively.

#### B: Adult Literacy Index (ALI)

This was calculated using adult literacy rate and the minimum and maximum values specified with the following formula

$$\text{Adult Literacy Index (ALI)} = (\text{Adult literacy Rate} - \text{minimum value}) / (\text{maximum value} - \text{minimum value})$$

Where the maximum value is 100 and the minimum value is 0

We cannot obtain information from the 1996 Census that will help to estimate adult literacy, so we have used the 1995 October household information where adult literacy is defined as the number of people of 15 years and over who can read and write.

#### C: Combined Gross Enrolment Index (CGEI)

This was calculated from enrolment ratios for primary, secondary and tertiary education.

Enrolment ratios were obtained by dividing the number of people enrolled in each education category by the number of people within the required age group. The required age group for primary education is 6-12 years, for secondary, 13-17 years and for tertiary, 18-22 years.

For example, enrolment ratio for primary school was obtained by dividing the number of pupils in primary school by the population of children in the age category of 6-12.

Combined Gross Enrolment Ratio was calculated as a weighted-average of the enrolment ratio of primary, secondary and tertiary education. Weights of 7/17, 5/17

and 5/17 were attached to primary, secondary, and tertiary enrolments respectively. In this case the numerator of the weight represents the number of years for the educational category and the denominator represents the total number of years from primary to tertiary. Information on enrolment was obtained from the 1996 Census

Combined Gross enrolment index is calculated as follows:

Combined Gross Enrolment Index (CGEI) = (Combined Gross Enrolment ratio - Minimum value) / (maximum value - minimum value)

Where the maximum value is 100 and the minimum value is 0

#### D: Adjusted Real GDP per capita (PPP\$) Index (APPPI)

This was calculated by using the following UNDP formula:

Adjusted GDP per Capita Index (APPPI) = [Log(Real GDP per Capita) - Log (Minimum value)] / [(Log (maximum value) - (minimum value))]

Where:

minimum value is \$100 and maximum value is \$40,000.

Real GDP = GDP in 1995 prices

Real GDP per Capita = Real GDP/Population

GDP = Gross Domestic Product

#### Human Development Index (HDI)

This was calculated as an average of Life Expectancy Index, Educational Attainment Index and Adjusted real GDP per capita Index.

$HDI = (LEI + EAI + APPI) / 3$

Where:

Educational attainment index (EAI) = [(2\*ALI) + CGEI] / 3

## 2. The Gender- Related Development Index

In calculating this index we used the same variables as discussed above for women's share.

#### A: Equality Distributed Life Expectancy Index (EDLEI)

In computing the gender-related life expectancy index, we used different maximums and minimums for male and female as specified in the UNDP report.

The maximum and minimum values for women are 87.5 and 27.5 respectively and those for men are 82.5 and 22.5 respectively.

Using the UNDP formula, the equally distributed life expectancy index is calculated as follows:

Equality Distributed Life Expectancy Index (EDLEI) =  $1 / [(Female\ Population\ share / female\ life\ expectancy\ index) + (Male\ population\ share / male\ life\ expectancy\ index)]$

#### B. Equally Distributed Educational Attainment Index (EDEAI)

This is computed using the UNDP formula:

Equally Distributed Life Expectancy Index (EDEAI) =  $1 / [(female\ population\ share / female\ educational\ attainment\ index) + (male\ population\ share / male\ educational\ attainment\ index)]$

### C: Equally Distributed Income Index (EDII)

This was calculated as follows:

Equally Distributed Income Index =  $1 \left[ \frac{\text{Female population share/adjusted income for women}}{\text{male population share/adjusted income for males}} \right]$

Where:

Adjusted Income for Women =  $\frac{[\text{Log (GDP per capita for women)} - \text{Log (minimum GDP per capita)}]}{[\text{Log (GDP per capita maximum)} - \text{Log (GDP per capita minimum)}]}$

Adjusted Income for men =  $\frac{[\text{Log (GDP per capita for men)} - \text{Log (minimum GDP per capita)}]}{[\text{Log (GDP per capita maximum)} - \text{Log (GDP per capita minimum)}]}$

GDP per capita for women =  $\frac{\text{female share of the wage bill} * \text{Total GDP}}{\text{Number of females}}$

GDP per capita for men =  $\frac{[\text{Total GDP} - (\text{female share of the wage bill} * \text{Total GDP})]}{\text{Number of men}}$

Female share of the wage bill =  $\frac{(Rf * Ef)}{\{(Rf * Ef) + Em\}}$

Where:

Rf = Ratio of female income to male income

Ef = Female share of the economically active population

Em = Male share of the economically active population

### 3. Gender Empowerment Measure

This involved three indices;

Index of parliamentary representation by females

Index of administrative and managerial positions by females

Index of professional and technical positions by females

Index of male and female incomes

#### A: Index of Parliamentary Representation by females (IPR)

This was calculated as follows:

Index of Parliamentary Representation by Females (IPR) =  $\left[ \frac{Sf}{Pf} + \frac{(Sm/Pm) - \pi}{50} \right]$

Where:

Sf = Female share of population

Sm = Male share of population

Pf = Percentage share of parliamentary representation by females

Pm = Percentage share of parliamentary representation by males

#### B: Index of administrative and managerial positions (IAMP)

Index of Administrative and managerial positions (IAMP) =  $\left[ \frac{(Sf / Af) + (Sm / Am) - \pi}{50} \right]$



Where:

Af = Females' percentage share of administrative and managerial positions

Am = Males' percentage share of administrative and managerial positions

**C: Index of Professional and Technical Positions (IPTP)**

Index of Professional and Technical Positions (IPTP) =  $[Sf / Tf] + [Sm / Tm] - \pi/50$

Where:

Tf = Females' percentage share of professional and technical positions

Tm = Males' percentage share of professional and technical positions

**D: Combined Index for administrative and managerial, and professional and technical positions (CIAPP)**

This was calculated as the average of B and C above.

$$CIAPP = (IPTP + IAMP)/2$$

**E: Equally Distributed Income Index (EDI)**

This was calculated the same way as 2C above

Gender Empowerment Measure (GEM)

The Gender Empowerment Measure (GEM) was computed as follows

$$GEM = (IFMI + CIAPP + IPR)/3$$

**4. Human Poverty Index (HPI-I)**

This was computed with the following variables;

Percentage of people not expected to survive at age 40 (PNS)

Percentage of adults who are illiterate (PAI)

Percentage of people without access to safe water (PSW)

Percentage of people without access to health services (PHS)

Percentage of severely and moderately underweight children under 5 years (PUC)

Percentage of people not expected to survived at age 40:

This is a calculated ratio of the number of people 0-10 years old in 1956 to the number of people 40-50 years old in 1996. The number of people not expected to survive at age 40 has been estimated by subtracting the number of people 0-4 years old in 1956 from the number of people 40-44 years old in 1996. The number of people 40-44 years old has been obtained from the 1996 Census. The number of people 0-4 years old in 1956 has been estimated using a compound growth rate of 2.4%.<sup>1</sup>

PSW, PHS and PUC were averaged to obtain one variable, LS representing living standards

$$LS = (PSW + PHS + PUC)/3$$

$$\text{Human Poverty Index (HPI-I)} = [(PNS_{\geq} + PAI_{\geq} + LS_{\geq})/3]\pi_{\geq}$$

## Sources of Information

1. Life expectancy at birth for South Africa and the 9 provinces and by gender were obtained from the Department of Health, Pretoria.
2. Information on educational levels of the population was obtained from *Census in Brief, Report No. 1:03-01-11 (1996)*, published by Statistics SA for South Africa and the 9 provinces and by gender.
3. Enrolment figures were obtained from Information Systems Directorate, Department of Education, Pretoria (Contact: Christo Lombard @ 012-312-5242). These included gender and provincial breakdowns. Tertiary enrolment was not, however, broken down into provinces but by tertiary institutions. On allocating enrolment of tertiary education to provinces, we have allocated numbers on the basis of the proportion of provincial population to total population of that age category.
4. GDP information was obtained from the Quarterly Bulletin of the South African Reserve Bank.
5. Population information was obtained from *Census in Brief, Report No. 1:03-01-11 (1996)*, published by Statistics SA for South Africa and the 9 provinces and by gender. Projections were made for the 1997 and 1998 population figures using a compound growth rate of 2.4%.
6. Information on the economically active population was obtained from *Census in Brief, Report No. 1:03-01-11 (1996)*, published by Statistics SA for South Africa and the 9 provinces and by gender.
7. Information on administrative, managerial and professional and technical positions by gender was obtained from Statistics South Africa, *Census in brief*.
8. Information on parliamentary representation was obtained from the Parliamentary Liaison Officer in Cape Town.
9. Information on people with access to tap water was obtained from *Census in Brief, Report No. 1:03-01-11 (1996)*, published by Statistics SA for South Africa and the 9 provinces.
10. Information on people with access to health care was obtained from the October Household Surveys.
11. Information on underweight children under 5 was obtained from Department of Health.

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## Notes

- 1 This is the average annual growth rate of population over the past several 25 years

# Acronyms

ABET	Adult Basic Education and Training	GDP	Gross Domestic Product
ANC	African National Congress	GEAR	Growth Employment and Reconstruction
ATICS	AIDS Training and Information Centres	GEM	Gender Empowerment Measure
BCEA	Basic Conditions of Employment Act	GNP	Gross national product
BLA	Black Local Authority	HDI	Human Development Index
BOO	Building Own Operate	HEW	Health, Welfare and Education
BOT	Build Operate Transfer	HPI	Human Poverty Index
BWI	Bretton Woods Institutions	HRD	Human resources development
CDS	Capacity Development Standard	HRM	Human resources management
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women	IBA	Independent Broadcasting Authority (now ICASA)
CGE	Commission for Gender Equality	ICASA	Independent Communications Authority of South Africa
CIU	Coordination and Implementation Unit	IDASA	Institute for Democratic Alternatives in South Africa
COB	Community-based organisation	IDSEO	Investigating Directorate: Serious Economic Offences
COSATU	Congress of South African Trade Unions	IFP	Inkatha Freedom Party
DCD	Department of Constitutional Development and Provincial Affairs	IGF	Intergovernmental Forum
DPSA	Department of Public Service and Administration	ILO	International Labour Organisation
EPRD	European Programme for Reconstruction and Development	IMF	International Monetary Fund
ESOP	Employee share ownership scheme	IMR	Infant mortality rate
EU	European Union	IMST	Information Management, Systems and Technology
FEDUSA	Federation of Unions of South Africa	IT	Information technology
FFC	Finance and Fiscal Commission	LGTA	Local Government Transition Act
GDI	Gender Development Index	LGWP	Local Government White Paper
		LRA	Labour Relations Act
		MAI	Multilateral Agreement on Investment
		MEC	Member of the Executive Council (provincial 'minister' in charge of a portfolio)

MERG	Macro-Economic Research Group	RDP	Reconstruction and Development Programme
MINMEC	Ministers and MEC's meetings	ROT	Rehabilitate Operate Transfer
MP	Member of Parliament	SABC	South African Broadcasting Corporation
MTEF	Medium term expenditure framework	SACP	South African Communist Party
NACOSA	National Aids Co-ordinating Committee of South Africa	SACTWU	South African Clothing and Textile Workers Union
NACTU	National Council of Trade Unions	SADC	South African Development Community
NALEDI	National Labour and Economic Development Institute	SAF	South Africa Foundation
NCOP	National Council of Provinces	SALDRU	South African Labour and Development Research Unit
NDA	National Development Agency	SALGA	South African Local Government Association
NEDLAC	National Economic Development and Labour Council	SAMDI	South African Management and Development Institute
NEF	National Economic Forum	SANCO	South African National Civic Organisation
NEF	National Empowerment Fund	SDI	Spatial Development Initiative
NFA	National Framework Agreement	SEP	Strategic equity partnership
NGO	Non-governmental organisation	SHD	Sustainable human development
NHDR	National Human Development Report	SITA	State Information Technology Agency
NLC	National Land Committee	SLL	Supplemental Living Level
NMC	National Manpower Commission	SMG	State Maintenance Grant
NP	National Party	SMME	Small, medium and micro enterprises
NUM	National Union of Mine Workers	SOE	State-owned enterprise
OAU	Organisation of African Unity	SPV	Special purpose vehicle
ODA	Official development assistance	STD	Sexually transmitted diseases
OSEO	Office for Serious Economic Offences (now IDSEO)	TU	Transformation unit
OSW	Office on the Status of Women	UDF	United Democratic Front
PRC	Presidential Review Commission	VAT	Value-Added Taxation
PSC	Public Service Commission	VSP	Voluntary severance package
PSCBC	Public Service Co-ordinating Bargaining Council	WPAAPS	White Paper on Affirmative Action in the Public Service
PSTF	Public Sector Transformation Forum	WPHRM	White Paper on Human Resources Management in the Public Service
		WPPSTE	White Paper on Public Service Training and Education
		WPTPS	White Paper on the Transformation of the Public Service

# Glossary of key terms

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## AIDS

Acquired Immune Deficiency Syndrome is a physiological or medical condition whereby the body's immune system is weakened by a deadly virus (HIV) to the extent that it is no longer able to defend itself against attacks by ordinary (and other) ailments. There is no cure for it and, once it is full-blown, may lead to death.

## Batho Pele (South Sotho)

People first.

## Black

While the categorisation along racial lines is not preferred because of the links to apartheid, in this report black usually refers to all people of colour and is sometimes used to refer to people who are of African origin.

## Commission on Gender Equality

The Commission was constituted in terms of chapter 9 of the South African Constitution to deal with the very profound instances or cases of gender inequality.

## Employment Equity Bill (now an Act)

A statute in South Africa that has elevated principles of affirmative action to a law. It is one of the most progressive laws passed to address the racial inequalities in employment bedevilling the South African society.

## Equitable development

This refers to a strategy of development that is based on principles of equity. This kind of approach accepts that the poorer areas should be allocated more resources. Calls for more investment in the rural areas are based on the need for equitable development.

## Gender empowerment measure

The gender empowerment measure indicates whether women are able to participate actively in economic and political life. It focuses on participation, measuring gender equality in key areas of economic and political participation and decision-making. It thus differs from the GDI, an indicator of gender inequality, in basic capabilities.

## Gender-related development index

The gender-related development index measures achievements in the same dimensions and variables as the HDI does, but takes account of inequality in achievement between women and men. The greater the gender disparity in basic human development, the lower a country's GDI compared with its HDI. The GDI is simply the HDI discounted, or adjusted downwards, for gender equality.

## Gini coefficient

A Gini coefficient involves a convenient short-hand way of indicating the relative degree of income inequality, based on the Lorenz curve. It can vary from the value of zero, indicative of absolute equality in income distribution, to the value of one, indicative of absolute inequality. It is essentially a ratio. (As indicated in *Central Statistics – Earning and spending in South Africa Selected findings of the 1995 income and expenditure survey, 1997* – CSS Pretoria.)

## HIV

Human immuno-deficiency virus is the virus that attacks the immune system, leading to the development of AIDS, which may cause death through a related disease such as tuberculosis.

### HIV/AIDS and migration

The migrant labour system in South Africa led to oscillatory (frequent movement to and from an area) migration. Adult men migrated to urban areas and were prohibited by law from living with their families in the flats or compounds, leading to a 'culture' of urban and rural wives and prostitution. This has been regarded as a major factor in the spread of HIV/AIDS and other sexually transmitted diseases in South Africa.

### HIV/AIDS impact

The social, economic, political and other consequences arising from the spread of the virus. One of the salient features of this is the impact the disease will have on the national economy in South Africa. Among the economic consequences of the spread of the disease are the following factors: a sick and depleted workforce; increased health care delivery costs as a result of large numbers of AIDS patients, and expensive child care services to take care of large numbers of orphans. HIV/AIDS infections, distribution of

national surveys (e.g. by the CSS on women attending antenatal clinics) demonstrate a gradient of HIV infection across the country: from high levels in the North Eastern Provinces, to lower levels in the south-western parts of the country. The trend seems to follow patterns of areas predominantly inhabited by poor communities. While the HIV/AIDS epidemic is more advanced in some provinces such as Mpumalanga, Gauteng and KwaZulu-Natal, it is well established and growing in intensity in all provinces, and the rate of infections does not seem to be abating.

### Household

A household refers to a unit of people living, working and sharing resources in a sustained manner and especially living within a designated geographic boundary (for example, a nuclear family of husband, wife and children living together in an urban slum or shack).

### Human Development

The process of widening people's choices and the levels of well-being they achieve are at the core of the notion of human development. Such choices are neither finite nor static. But, regardless of the level of development, the three essential choices for people are to lead a long and healthy life, to acquire knowledge and to have access to the resources needed for a decent standard of living. Human development does not end there, however. Other choices, highly valued by many people, range from political, economic and social freedom to opportunities for being creative and productive and enjoying self-respect and guaranteed human rights. Income clearly is only one option that people would like to have, though an important one. But it is not the sum total of their lives. Income is a means to human development.

### Human Development Index (HDI)

The human development index measures the average achievements in a country in three basic dimensions of human development—longevity, knowledge and a decent standard of living. A composite index, the HDI thus contains three variables: life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and real GDP per capita (in PPP\$).

### Human Poverty Index

The human poverty index measures deprivation in basic human development in the same dimensions as the HDI. The variables used are the percentage of people expected to die before age 40, the percentage of adults who are illiterate, and overall economic provisioning in terms of the percentage of people without access to health services and safe water and the percentage of underweight children under five.

### Human rights

This generally refers to those rights that have been recognised as basic and inherent in a human being, such as the

right to dignity. Human rights have been accepted universally by the United Nations and form an important part of the constitutions of most states.

#### Masakhane (Zulu)

Let us build together.

#### Poverty

Poverty refers to the denial of choices and opportunities for a tolerable life, and often encompasses a lack of basics for survival - such as food, clothing, shelter, medical care, education and employment. The emphasis in recent reports has been more on human poverty than on income poverty. The latter refers to deprivations in certain essential aspects of human life and is multi-dimensional. The former is mainly a single-factor determinant.

#### Poverty, absolute and relative

Absolute poverty refers to some absolute standards of minimum requirement, while relative poverty refers to falling behind most others in the community. With respect to income, a person is absolutely poor if her income is less than the defined income poverty line (the absolute poverty datum line when last calculated varied between R950 to R1200 per month for a household of six); while she is relatively poor if she belongs to a bottom income group (such as the poorest 10%).

#### Poverty, depth of

The depth of poverty can be measured as the average distance below the poverty line, expressed as a proportion of that line. This average is formed over the entire population, poor and non-poor. Because this measure - also called the poverty gap - shows the average distance of the poor from the poverty line, it is able to capture a worsening of their conditions.

#### Poverty Hearings

Poverty Hearings were conducted by the South African National Non-Governmental Organisation with the Human Rights Commission and the Commission on Gender Equality

throughout South Africa from March to June 1998 to gain a picture of the poverty situation from the point of view of poor people themselves. The hearings were organised in a way that allowed people living in poverty the opportunity to speak about their circumstances and make direct input into the policy making process.

#### Poverty, incidence of

The incidence of poverty, expressed as a headcount ratio, is simply an estimate of the percentage of people below the poverty line. It does not indicate anything about the depth or severity of poverty and thus does not capture any worsening of the conditions of those already in poverty.

#### Poverty, National Poverty Line

The national poverty line generally indicates a lack of economic resources to meet basic minimum food needs. The line is often used to delineate a level beyond which minimum conditions for a tolerable human life cannot be maintained.

A poverty line set at \$1 (1985 PPP\$) a day per person is used by the World Bank for international comparison. This poverty line is based on consumption. A poverty line of \$2(PPP\$) a day is suggested for Latin America and the Caribbean. For Eastern Europe and the CIS countries, a poverty line of \$4 (1990 PPP\$) has been used. For comparison among industrial countries, a poverty line corresponding to the US poverty line of \$14.40 (1985 PPP\$) a day per person has been used.

Developing countries that have set national poverty lines have generally used the food poverty method. These lines indicate the insufficiency of economic resources to meet basic minimum needs in foods.

There are three approaches to measuring food poverty.

- *Cost-of-basic-needs method.* This approach sets the poverty line at the cost of a basic diet for the mean age, gender and activity groups, plus a few essential non-food items; a



survey then establishes the proportion of people living in households with consumption (or sometimes income) below this line. The basic diet may consist of the staple foods needed to meet basic nutritional requirements, the typical adult diet in the lowest consumption quintile or the investigator's notion of a minimal but decent diet. The choice of both the food and the non-food components included is necessarily arbitrary.

- *Food energy method.* This method focuses on the consumption expenditure at which a person's typical food energy intake is just sufficient to meet a predetermined food energy requirement. Dietary energy intake, as the dependent variable, is regressed against household consumption per adult equivalent. The poverty line is then set at the level of total consumption per person at which the statistical expectation of dietary energy intake exactly meets average dietary energy requirements. The problem with this method is the caviar caveat: groups that choose a costly bundle of foods are rewarded with a higher poverty line than that for more frugal eaters.

All three approaches are sensitive to the price level used to determine the cost of the bundle. And all three concentrate mainly on calories or dietary energy, because protein deficiency due to inadequate economic resources is perceived to be rare in most societies. In industrial countries, too, national poverty lines are used to measure relative poverty. The European Commission has suggested a poverty line for these countries of half the median adjusted disposable personal income.

#### Poverty-related disease

An illness associated with or directly linked to a lack of basic needs such as food, shelter, housing, etc. Common poverty-related illnesses include TB, cholera and scabies.

#### Poverty, severity of

The severity of poverty can be measured as a weighted average of the squared distance below the poverty line, expressed as a proportion of that line. The weights are given by each individual gap. Again, the average is formed over the entire population. Since the weights increase with poverty, this measure is sensitive to inequality among the poor.

#### Poverty, transient and chronic

Transient poverty refers to short-term, temporary or seasonal poverty, and chronic poverty to long-term or structural poverty.

#### Poverty, Ultra-poverty

Ultra-poverty is said to occur when a household cannot meet 80% of the FAO-WHO minimum calorie requirements, even when using 80% of its income to buy food.

#### Rural communities

Refers to non-urbanised, peri-urban areas. These are often poor places in which the lifestyle of the community depends mainly on agriculture and livestock farming. Poverty and unemployment levels are often very high in such places, and infrastructure development and services provision poor.

#### Social cohesion

The extent to which a group of people share certain fundamental values around which they mobilise each other and strengthen the group.

#### Tirisano (Tswana)

Working together.

#### White

Refers generally to people of European descent or origin and excludes people of Indian descent or mixed race, classified as Coloured.

#### Youth

The term normally refers to people aged between 15-35, but the limit constantly changes.

## BALANCE SHEET OF HUMAN DEVELOPMENT AND TRANSFORMATION IN SOUTH AFRICA

PROGRESS	SETBACKS
<b>Constitutional and policy changes</b>	
<ul style="list-style-type: none"> <li>• Fundamental constitutional change</li> <li>• A vision of a democratic society</li> <li>• Broad consensus based RDP</li> <li>• GEAR, macroeconomic economic strategy on growth, reconstruction and development</li> <li>• Enabling legislative and policy framework based on the new constitution</li> <li>• Deracialised school system</li> <li>• Free medical care for small children and pregnant mothers,</li> <li>• Electricity grids and water lines now reach households living in new houses built with state subsidies.</li> </ul>	<ul style="list-style-type: none"> <li>• Macroeconomic constraints – compromises made during the negotiated settlements on apartheid debt and civil service packages</li> <li>• Impacts of globalisation and macroeconomic constraints</li> <li>• The character of transformation in South Africa is fragile and is difficult to maintain under current challenges facing the country.</li> </ul>
<b>Women / Gender</b>	
<ul style="list-style-type: none"> <li>• Policies and legislation to promote gender equality</li> <li>• Independent bodies, e.g. Human Rights Commission, and Commission on Gender Equality, Office on the Status of Women</li> <li>• Each government department has a gender unit to advance women' s position and gender equality more broadly</li> </ul>	<ul style="list-style-type: none"> <li>• Existing macroeconomic policies leave existing power relations intact and reinforce the subordinate position of women and poor people.</li> <li>• Workplace inequality remains</li> <li>• Household power relations in poor households characterised by violence, fear, lack of food security, exploitative work and other pathologies</li> </ul>
<b>Economic Development</b>	
<ul style="list-style-type: none"> <li>• The overriding goals of the RDP are related to democratising society and eradicating poverty,</li> <li>• A strong emphasis on employment creation strategies such as Spatial Development Initiatives, Small Medium and Micro Enterprises with emphasis on black economic empowerment of women</li> <li>• Job summit to come up with a social accord between business, labour and government on job creation</li> <li>• 0.2% GDP growth in the final quarter of 1998</li> <li>• Growth in each of the past five years (except 1995) has been 0.5 – 1% higher than previously estimated.</li> <li>• Better growth than expected and evidence that South Africa is benefiting from globalisation.</li> </ul>	<ul style="list-style-type: none"> <li>• The targets set through gear have not been met</li> <li>• Assumptions underpinning GEAR are flawed</li> <li>• Does not deal with the external factors contributing to the long term structural factors that have contributed to economic recession</li> <li>• There has not been any impact on unemployment and poverty</li> <li>• Foreign Direct Investments not forthcoming</li> <li>• Domestic private sector investment declining</li> <li>• Public sector investment limited</li> <li>• Job shedding has been increasing with public and private sectors</li> <li>• No new jobs being created</li> </ul>
<b>Provision of basic services</b>	
<ul style="list-style-type: none"> <li>• Water – three million people have benefited from the government' s water supply programme.</li> <li>• Electricity – after more than two million connections since 1994, 63% of households are connected to the electricity grid.</li> <li>• Education – the Primary School Nutrition Programme reaches about five million children, and about 10,000 classrooms have been built or repaired.</li> </ul>	<ul style="list-style-type: none"> <li>• Water – several of the water provision projects have become dysfunctional or fallen into disrepair.</li> <li>• Electricity – thousands of connections are being cut off because users cannot afford to pay.</li> <li>• Education <ul style="list-style-type: none"> <li>* township classrooms are overcrowded.</li> <li>* teachers in poor areas struggle under increased workloads as the Department of Education tries to decrease its salary bills.</li> <li>* school fees have rocketed.</li> <li>* in some schools, students usually wait for textbooks until midway through the year.</li> </ul> </li> </ul>

## BALANCE SHEET OF HUMAN DEVELOPMENT AND TRANSFORMATION IN SOUTH AFRICA

PROGRESS	SETBACKS
<b>Provision of basic services (continued)</b>	
<ul style="list-style-type: none"> <li>• Health – pregnant women and children under six qualify for free medical care.</li> <li>• Housing – at March 1999, the housing subsidy scheme had contributed to the building of 630,000 houses. Almost 40% of approved subsidies were registered to women.</li> <li>• Social Security               <ul style="list-style-type: none"> <li>* South Africa is the only developing country with a non-contributory social security system, with old age, disability and child security grants</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Health               <ul style="list-style-type: none"> <li>* clinics are severely understaffed and many lack even the most basic medicines, particularly in rural areas.</li> <li>* the scaling back of curative services in favour of primary healthcare has put public hospitals under severe strain.</li> <li>* the health budget prevents most women from claiming their right to terminate pregnancy as state hospitals cannot afford to provide the service.</li> </ul> </li> <li>• Housing               <ul style="list-style-type: none"> <li>* many of the houses built are substandard (either poorly constructed or smaller than the minimum size designated by government).</li> <li>* the total housing backlog has long passed the 2.5 million mark.</li> </ul> </li> <li>• Social Security               <ul style="list-style-type: none"> <li>* Millions of people living in poverty with no access to income</li> <li>* Children between 7 and 18 live in poor households and do not have access to a safety net</li> <li>* The social security system only provides for poor families with children under the age of seven years and for adults over the age of sixty (females) and sixty five years (males)</li> </ul> </li> </ul>
<b>HIV/AIDS</b>	
<ul style="list-style-type: none"> <li>• A national strategy and an integrated strategic framework have been developed.</li> <li>• Public campaigns on prevention and increased awareness.</li> <li>• Advocacy and lobbying pharmaceutical companies for affordable treatment and drugs.</li> <li>• Increased government and donor funding for HIV/AIDS related programmes.</li> <li>• Government commitment to the fight against AIDS.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Debates on HIV/AIDS focus on personalities rather than issues and the significant threat of the disease</li> <li>• Rapid increase in rates of infection.</li> <li>• Links between HIV/AIDS and poverty making the fight against AIDS more difficult.</li> <li>• Insufficient funds for drugs and treatment of HIV/AIDS mother to child transmission.</li> <li>• Most awareness campaigns target urban areas and few of these are accessible to rural communities.</li> <li>• Power dynamics in relationships favour men and make women more vulnerable.</li> </ul>
<b>Poverty and Inequality</b>	
<ul style="list-style-type: none"> <li>• Key indicators of human development and transformation indicate marginal improvements in conditions for the poorest.</li> <li>• The national government has introduced measures to address the economic disparities among provinces.</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 18 million / 45% of South Africans live in poor households which earn about R352.53 per month per adult. In mainly rural provinces, the figure rises above 50%.</li> <li>• 61% of Africans are poor compared to 1% of whites.</li> <li>• Women are more likely to be poor than men.</li> <li>• South Africa is ranked as the third most unequal society in the world.</li> <li>• Poverty is closely linked to unemployment.</li> <li>• About 42% of economically active women are unemployed, compared to 27% of men.</li> <li>• Northern Province, Eastern Cape and Kwa-Zulu Natal are the poorest provinces while Gauteng and Western Cape are the richest.</li> <li>• Three in five children live in poor households.</li> <li>• The largest proportion of those in the top income quintile are whites (65% of households) and Indians (45%). Only 17 percent of coloureds and 10 percent of Africans earn incomes sufficient to put them into that category</li> </ul>



## BALANCE SHEET OF HUMAN DEVELOPMENT AND TRANSFORMATION IN SOUTH AFRICA

PROGRESS	SETBACKS
<b>Institutional Transformation and Governance</b>	
<ul style="list-style-type: none"> <li>• Transformation of Parliament</li> <li>• Public space for engagement</li> <li>• Civil society has, in a number of cases, managed to successfully impact on government processes in a way that benefits its most disadvantaged members.</li> <li>• National government is working on a number of remedies to address the challenges facing local government structures.</li> </ul>	<ul style="list-style-type: none"> <li>• Intergovernmental relations – confusion between national, provincial and local government structures</li> <li>• Growing tensions between labour, government, business</li> <li>• Alienation between civil society and government</li> <li>• The most disadvantaged sectors of the population are often unable to participate in the democratic process.</li> <li>• Limited access to media, low education levels, and geographic locations from the centres of government, preclude meaningful participation by much of society.</li> <li>• Local government faces a massive legacy of outdated, costly and inefficient managerial and organisational systems that disadvantage the poor people and discriminate against women.</li> <li>• Almost 70 percent of the more than 800 municipalities are in financial trouble and almost a quarter of them are simply not viable.</li> </ul>
<b>Public sector transformation</b>	
<ul style="list-style-type: none"> <li>• Devolution of power and decentralisation of managerial responsibility, and the increased representation of Black people (Africans, Coloureds, Indians) and women within senior management echelons</li> <li>• The promotion of women's empowerment and gender equality have pushed South Africa from 141st to 7th in the world in terms of the representation of female MPs.</li> </ul>	<ul style="list-style-type: none"> <li>• There is still a big challenge to ensure the efficiency and effectiveness of public sector performance, upgrading the quality of service delivery and achieving a professional and corruption free service.</li> </ul>

