

SOUTH AFRICA

Background and Possibilities for Danish Transitional Assistance

By
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Institute of Economics
University of Copenhagen
for Danida

December 1992

Danida

Views expressed in this study do not necessarily
correspond to those of the Ministry of Foreign Affairs.

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PREFACE

I visited South Africa for the first time in the late 1970s, and the terrifying symbolic messages of racial superiority embedded in the Voortrekker Monument outside Pretoria put me in a state of mental uproar. Subsequent confrontation with the divided towns of Johannesburg, Durban and East London and the shattering rural poverty in Transvaal, Natal and the Orange Free State provided additional thought provoking evidence of the harsh realities of life for the majority of people in South Africa. Years of travel and work in the frontline states furnished the expression 'South Africa's destructive engagement in the region' with real meaning. Close friends and estimated colleagues have died due to aggressive acts by the apartheid regime. And millions of anonymous people in southern Africa continue in a state of human suffering.

Thus, it was with a sigh of deep relief I received the news in February 1990 that Nelson Mandela had finally been released from the Pollsmoore prison after 27 years imprisonment. The 'free Mandela' song, which I had first listened to at a Dollar Brand concert in Maputo a few years earlier, was played more than once in those early days of 1990 in a spirit of great expectations for the future. Hopes for a quick transition to democracy were high. They were, indeed, unrealistically high, and the less than three years, which have passed since then, have turned out tumultuous for South Africa. Thus, it has been no easy task to keep up with developments from my present base at the University of Copenhagen, which I joined four years ago.

Nevertheless, I remained convinced of the need to look beyond apartheid and infuse research and public debate on the future of South Africa; and it was with this objective that a range of Danish development institutions, including the Centre for African Studies (CAS), to which I am attached, arranged an international conference on South Africa in February 1991. The conference also aspired at strengthening contacts between research institutes and aid organizations in Denmark and their counterparts in South Africa. Follow-up in this regard took place in late 1991 where I joined the group of six Scandinavian researchers, including Tom Østergård, then at the Centre for Development Research (CDR), who visited South Africa.

On both of the above occasions it became clear that South Africa is at a cross-roads, and all involved have gradually become more realistic about the difficult political path that lies ahead. No quick handing-over of the reigns of power to the mass democratic movement has taken place, and while the forms of struggle have started to take other forms, they remain intense. Violence has also intensified, and the gunning down of a person just a meter away from me in the Hillbrow area of Johannesburg in October 1991 was a choking personal experience in this regard.

It has also become strikingly obvious that it will take many years - or better decades - to overcome the social and economic legacies of apartheid; and much continues for the time being in a state of complete flux in South Africa. A high degree of flexibility to changing circumstances is called for, and over-optimism is to be avoided. On the other hand, the multi-faceted process of thrashing out the elements of a workable consensus for the future has begun. And encouraging developments in the civil society of South Africa at national, regional and

local levels are taking place along with more worrisome events.

Hence, it was with hesitation, as well as enthusiasm, that I in May 1992 accepted the responsibility for preparing the present study for the Ministry of Foreign Affairs. The overall objective is to suggest a broad framework for the planning of future Danish transitional assistance to South Africa; and my terms of reference specified that the analysis had to include a comprehensive, but nevertheless concise, overview of the complex socio-economic and political situation of South Africa, with particular reference to the perspectives for the future.

It was also part of my task to try to come to grips more fully with the intricacies of the Danish involvement with the anti-apartheid struggle. This proved to be no easy responsibility. Denmark has for more than 25 years provided humanitarian and educational assistance to the victims of apartheid through the so-called apartheid appropriation. Channels of disbursement and implementation as well as legitimate vested interests have consequently developed. Furthermore, complex issues are involved in assessing to which extent past activities are likely to remain relevant and if so for how long.

A recent South Africa review pointed out that it is seldom easy to reshape old designs. This is an apt characterization of the situation in South Africa in general, but it accounts for the reorientation of Danish assistance as well. Thus, I cannot - and do not - claim to have struck an optimal balance. It is my hope, however, that this report will be perceived as a constructive input into the process of establishing a sound basis for future planning. It may in this context be useful to keep in mind an assessment by Spectator of a book by Alan Paton entitled 'Ah, But Your Land is Beautiful', which struck my eye recently. It was stated that:

`The passion is there,
as well as the bitterness and the power'

This quote reflects the present situation of South Africa well, and one hopes that the passion and the power can be used in a productive manner to overcome the bitterness to the benefit of the South African people. They have, along with the people of the rest of the southern African region at large, suffered for much too long under the burden of an unjust political, social and economic system in need of thorough transformation.

ACKNOWLEDGEMENTS

I am grateful for the confidence shown by the Ministry of Foreign Affairs (S.7) in inviting me to prepare this study. Particular thanks are due to Messrs. Torben Brylle and Carsten Nilas Petersen, respectively Head and Deputy Head of Department, who contributed many helpful comments and suggestions along the way. The same accounts for other staff of S.7, including Erik Boel, Anne Ehrenreich, Tom Østergård and Birger Lehman Nielsen.

A vote of thanks also goes to the Scandinavian Institute of African Studies (SIAS) for inviting me to participate in the Africa Days in Uppsala, Sweden from 19-21 May 1992. Taking part in the special seminar on 'Southern Africa after Apartheid' organized by SIAS economist Bertil Odén helped clarifying ideas and deepen my perception of the regional dimensions of the ongoing changes in South Africa. In this context, I would, in addition, like to mention the meetings, arranged by Mr. Lars Olav Jansson, Head of Section in the Regional Secretariat for Southern Africa (RESA), at the Stockholm Headquarters of the Swedish International Development Agency (SIDA) in mid-June. They greatly facilitated my access to background information on the experiences of this organization in supporting the process toward change in Southern Africa, and helped shaping my ideas about the future role of foreign donors in South Africa. Likewise, in mid-June I participated in two Conferences on the 'new South Africa' and 'what is the role of Denmark in South Africa?', organized by respectively Danish Industry (DI) and a network of Danish non-governmental organizations (NGOs). This helped in broadening and up-dating my understanding of the diverse views and expectations in Denmark as far as the future South Africa is concerned.

Almost one hundred representatives from a wide spectrum of institutions were met and interviewed during my three week visit to South Africa from 12 July to 2 August. Thus, they are too numerous to be listed by name. Nevertheless, I do want to acknowledge that my notes from these many meetings as well as the written material obtained have played an indispensable role in preparing this report. It is therefore difficult to exaggerate the importance of the excellent collaboration of Mr. Peter Lysholt Hansen, Minister-Counsellor, and Ms. Dorthe Mikkelsen, Embassy Aide/Correspondent, of the Royal Danish Embassy in Pretoria. They also shared with me their in-depth knowledge of South Africa and managed in a good team-spirited manner to cope with all the extra administrative work I caused. For this and the pleasant social meetings organized by Mrs. Karin Lysholt Hansen I am grateful. The three of you made me feel comfortable, and I hope the output meets expected standards.

I have also benefited from the fine assistance provided by Mr. Henrik Baun, a student at the Institute of Economics at the University of Copenhagen, with previous working experience in the Ministry of Foreign Affairs as student-aide. Henrik Baun helped in relation to a variety of tasks, such as the compilation of statistical information, literature searches, proof reading etc. Useful background material and comments were, finally, provided by Marie Kruse, who is presently studying at the University of Witwatersrand in Johannesburg.

Without the above mentioned support, this study would never have been completed, but I bear full responsibility for all views expressed as well as for any remaining errors of fact or judgement.

Finn Tarp

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LIST OF ABBREVIATIONS

ABA	African Builders' Association
ADB	African Development Bank
AET	African Educational Trust
AIF	Labour Movement International Forum
ANC	African National Congress
AWB	Afrikaner Weerstandsbeweging
AZAPO	Azanian People's Organization
BAS	British Awards Scheme
BESG	Built Environment Support Group
BIS	Bank for International Settlements
BLNS	Botswana, Lesotho, Namibia and Swaziland
CAAA	Comprehensive Anti-Apartheid Act
CAS	Centre for African Studies
CBDP	Community Based Development Programme
CBM	Consultative Business Movement
CBO	Community Based Organizations
CDF	Ciskei Defence Force
CCC	Customs Cooperation Council
CDR	Centre for Development Research
CCB	Civil Co-operation Bureau
CMA	Common Monetary Area
CODESA	Convention for a Democratic South Africa
CONSAS	Constellation of Southern Africa States
CORD	Centre for Organization, Research and Development
COSATU	Congress of South African Trade Unions
CP	Conservative Party
CPSA	Conservative Party of South Africa
DAC	Development Assistance Committee (of the OECD)
DAG	Development Action Group
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DDA	Department of Development Aid
DI	Danish Industry
DKK	Danish Crowns
DP	Democratic Party
DTUCIDC	Danish Trade Union Council for International Development Cooperation
DUF	Danish Youth Council
EC	European Community
ECA	Economic Commission for Africa (UN)
ECU	European Currency Unit
EDA	Environmental and Development Agency

EDT	Education Development Trust
EPF	Emergency Programme Fund
EPU	Education Policy Unit
ERIP	Education Resource and Information Project
ERS	Educational Renewal Strategy
ESCOM	Electricity Supply Commission
ESP	European Special Programme
ET	Economic Trends Group
FABCOS	Foundation for African Business and Consumer Services
FTF	Salaried Employees' and Civil Servants' Federation
GAF	Get Ahead Foundation
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GGP	Gross Geographic Product
GNP	Gross National Product
HDI	Human Development Index
HFI	Human Freedom Index
HNP	Herstigte National Party
HRC	Human Rights Commission
IAEA	International Atomic Energy Association
IBEC	Independent Business Enrichment Centre
IBIS	International Bistand og Solidaritet
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Association
ICC	International Chamber of Commerce
ICFTU	International Confederation of Free Trade Unions
IDA	International Development Association
IDAF	International Defence and Aid Fund
IDASA	Institute for a Democratic Alternative for South Africa
IDC	Industrial Development Corporation
IDRC	International Development Research Centre
IDT	Independent Development Trust
IEF	Industrial Environment Forum
IFC	International Finance Corporation
IFP	Inkatha Freedom Party
IFU	Industrialization Fund For Developing Countries
IIE	Institute of International Education
IMF	International Monetary Fund
IMSSA	Independent Mediation Service of South Africa
INTELSAT	International Satellite Organization
ISO	International Standards Organization
ITU	International Telecommunications Union
JSE	Johannesburg Stock Exchange
KT	Kagiso Trust

LHR	Lawyers for Human Rights
LIT	Land Investment Trust
LLF	Liberty Life Foundation
LO	Danish Federation of Trade Unions
LORSC	League of Red Cross Crescent Societies
LP	Labour Party
LRC	Legal Resources Centre
LSA	Danish National Committee for South Africa Action
LWF	Lutheran World Federation
MDM	Mass Democratic Movement
MERG	Macroeconomic Research Group
MMG	Meadowlands Monitoring Group
MS	Danish Volunteer Service
MSL	Minimum Subsistence Level
NACTU	National Council of Trade Unions
NAFCOC	National African Federated Chamber of Commerce and Industry
NDF	National Development Forum
NEF	National Economic Forum
NGO	Non-Governmental Organizations
NHF	National Housing Forum
NHS	National Health Service
NLC	National Land Committee
NFE	National Forum for Education
NOK	Norwegian Crowns
NORAD	Norwegian Agency for Development
NP	Nationalist Party
NPA	National Peace Accord
NPP	National People's Party
NWC	National Women's Coalition
OAU	Organization of African Unity
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFS	Orange Free State
PAC	Pan-Africanist Congress
PS	Private Sector Support Programme of Danida
PTA	Preferential Trade Area
PVO	Private Voluntary Organizations
PWV	Pretoria/Witwatersrand/Vereeniging
R	South African Rand (equivalent to approximately 2 DKK)
RAC	Rural Advice Centre
RDF	Regional Development Forum
RSA	Republic of South Africa
RESA	Regional Secretariat for Southern Africa (of SIDA)
RFF	Rural Finance Facility

RMA	Rand Monetary Area
SAA	South African Airways
SABTA	South African Black Taxi Association
SACBC	Southern African Catholic Bishops' Conference
SACC	South African Council of Churches
SACCOLA	South African Employers' Consultative Committee on Labour Affairs
SACOB	South African Chamber of Commerce
SACP	South African Communist Party
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SADF	South African Defence Force
SAHT	South African Housing Trust
SAIH	Students and International Assistance Fund
SALDRU	South African Labour Development Research Unit
SAP	South African Police
SARB	South African Reserve Bank
SASO	South African Students Organisation
SASOL	South African Coal, Oil and Gas Corporation
SATS	South African Transport Services
SBDC	Small Business Development Corporation
SDF	Staff Development Fund
SEK	Swedish Crowns
SIAS	Scandinavian Institute for African Studies
SIDA	Swedish International Development Agency
SOL	Solidarity
TAF	Technical Assistance Fund
TBVC	Transkei, Bophuthatswana, Venda and Ciskei
TEC	Transitional Executive Council
UDF	United Democratic Front
UF	Urban Foundation
UK	United Kingdom
UMAC	Urban Monitoring and Awareness Committee
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre for Transnational Corporations
UNDP	United Nations Development Programme
UNETPSA	UN Education and Training Programme for Southern Africa
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNTF	United Nations Trust Fund
UP	United Party
US	United States
USA	United States of America

USAID	United States Agency for International Development
WB	World Bank (comprising IBRD, IDA and IFC)
WCC	World Council of Churches
WFTU	World Federation of Trade Unions
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WUS	World University Service
WUSC	World University Service of Canada

Chapter 1. GENERAL COUNTRY BACKGROUND

1.1 Geography, Natural Resources and Land Use

The Republic of South Africa, which gained its independence in 1910, is with an area of 1,221 thousand km² (excluding the disputed enclave of Walvis Bay in Namibia) the fourth largest country south of Sahara. Consequently, South Africa is almost 30 times the size of Denmark or more than France, Germany and the United Kingdom (UK) together. South Africa is strategically situated at the southern tip of the African continent between latitudes 22° and 35°S. It is bordered by Namibia to the north-west, Botswana to the north and Zimbabwe, Mozambique and Swaziland to the north-east. Lesotho is completely surrounded by South African territory, lying in the eastern part of the country without access to the sea. Total border length is 4,973 km plus an almost 3 thousand km long coast line. South Africa is for purposes of territorial administration divided in four provinces, Cape Province, Transvaal, Orange Free State and Natal.

Most of South Africa consists of a vast plateau, encircled by a high escarpment. Framing the plateau is a narrow coastal belt, which is only a true plain in northern Natal, where it is 65 km at its widest. The surface of the plateau varies in altitude from 600 to 2 thousand meters above sea-level, but is generally above a thousand meters. It is highest in the east and south-east and dips towards the Kalahari Basin in the north-west. There are three major sub-regions of the plateau: (i) the High Veld between 1,200 m and 1,800 m forming a triangular area, occupying southern Transvaal and most of the Orange Free State, (ii) a part known as the Witwatersrand, which is a swell over 1,500 m high rising gently from the plateau surface to the north of the High Veld and forming a major drainage divide, and (iii) the Middle Veld, generally between 600 m and 1,200 m, comprising the remaining part of the plateau.

The lowland margin, surrounding the plateau can be divided into four zones: (i) the undulating to flat Transvaal Low Veld, between 150 m and 600 m above sea-level, separated from the Mozambique coastal plain by the Lebombo mountains, (ii) the south-eastern coastal belt, a very broken region descending to the coast in a series of steps into which the rivers have cut deep valleys, (iii) the Cape ranges, consisting of remnants of mountains folded during the Carboniferous area, and flanking the plateau on the south and south-west, and (iv) the western coastal belt, where the slope from the escarpment is more gentle and uniform than in the south-eastern zone.

Except for a small part of northern Transvaal the climate of South Africa is generally subtropical, warm and sunny. However, altitude and relief forms influence on temperature and on both the amount and distribution of rainfall. Thus, there are important regional variations, and there is, in fact, a strong correlation between the major physical and climatic regions. Since there is a general rise in elevation toward the Equator there is a corresponding decrease in temperatures, resulting in a remarkable uniformity of temperatures from south to north. The mean annual temperature in Cape Town in the far south is 16.7°C as compared to 17.2°C in Pretoria in the Witwatersrand. The mean annual temperature range is 8°C in Cape Town and 11°C in Pretoria. The greatest contrasts in temperature are therefore between the east coast,

warmed by the Mozambique current, and the west coast, cooled by the Benguela current. In Durban the mean monthly temperature lies between a maximum of 24.4⁰C in January and 15.6⁰C in July, as compared to respectively 15.6⁰C and 12.2⁰C in Port Nolloth on the west coast.

The areas of highest rainfall largely coincide with the outstanding relief features, and only the eastern third of South Africa and relatively small areas in southern Cape receive over 650 mm of rain a year. Thus, annual rainfall decreases progressively westwards from 1,140 mm in Durban to 530 mm in Bloemfontein, 180 mm in Upington and only 50 mm in Port Nolloth. Virtually all the western half of the country receives less than 250 mm and the western coastal belt's northern section is a continuation of the Namib desert. With the exception of the south-western Cape and a narrow strip along the south Cape coast, 80% of the rain falls during the summer months, from October to March, much of it in thunderstorms and often with hail. Snow falls occasionally over the higher parts of the plateau and the Cape ranges during winter. Frost occurs on average for 120 days each year over most of the interior plateau.

Variations in climate and particularly rainfall are reflected in changes in vegetation, as between the south-west's shrub land, able to withstand the summer drought, and the drought resistant low Karoo bush, immediately north of the Cape ranges, which covers much of the semi-arid western half of the country. Only limited areas of forest are found, mainly along the wetter south and east coasts. Grassland covers the rest of the country merging into a thorny veld in the north-western Cape and bush veld in northern Transvaal. Land use is distributed as follows: arable land (10%), permanent crops (1%), meadows and pastures (65%), forest and woodland (3%), and other (21%), including irrigated land (1%).

The rainfall map reveals much of South Africa's agricultural potential, which is also affected by a generally poor fertility level, the high degree of variability in rainfall and the uneven topography. Potentially arable land (defined as suitable for dryland production) is therefore relatively limited to only some 18 million hectares (i.e. less than 15% of the total land area), and topographic difficulty limits the total irrigated area to only 8 thousand km². Furthermore, there is little land allocated for agricultural purposes that is unutilized, and arable land not being utilized for cropping purposes is generally heavily stocked. Thus, South Africa remains a relatively poor crop-raising country, and the ecosystem in rural South Africa is extremely fragile and subject to excessive pressure from both human and livestock populations.

Water supply is also a perennial problem in South Africa, and the country relies mainly on surface water supplies. For this reason South Africa has about 450 large dams. The main flows are in the Limpopo and Orange River systems, with the latter flowing approximately 2,100 km in westerly direction to the Atlantic Ocean. In outside areas mainly in the southern and western Transvaal, few bore-holes are capable of yielding more than a few litres per second, and they are used mainly to provide water for domestic purposes etc. There is also a considerable emerging imbalance between the location of water supplies and the demand for water, with the Pretoria/Witwatersrand/Vereeniging (PWV) region being the main deficit area. Thus, South Africa needs extensive and continuous water conservation and control measures.

The centre of South Africa (much of the northern Orange Free State, south-western Transvaal and the northern Natal high veld) is the heartland of the agricultural economy as well as an important industrial centre. The region has a relatively stable soil system, reasonable rainfall and mostly flat topography. It is also by far the largest grain-growing area. The western half of the country (including the arid interior of the Cape Province), on the other hand, is suitable only for grazing, and large stock farms are the norm in this sparsely settled area. The southern and western Cape produces mainly wheat and fruit and is one of the most productive farming areas in the country.

The eastern Cape has a very mixed climate and topography and production patterns vary widely. The highlands in the eastern part of the region are high potential arable areas, and the area around East London is the centre of the South African pineapple industry. Also timber plantations are common here. To the east of the escarpment which divides Natal and Transkei from the Transvaal and the Orange Free State, diversified agriculture is practised in the well-watered midlands, with the Natal coastal belt producing sugar cane and sub-tropical fruits. Considerable parts of the southern and eastern Transvaal produce a range of agricultural goods under irrigation, whereas the northern and western Transvaal are mostly arid and used for cattle farming.

South Africa is well renowned for its mineral resources, and they are indeed outstanding in variety, quality and quantity. South Africa contains major proportions of known world reserves in respect of manganese (82%), platinum (69%), chrome (56%), gold (44%), aluminium silicates (37%) and vanadium (33%). South Africa, in fact, has more reserves of these six minerals than any other country in the world, and in addition has very substantial reserves of the following minerals: fluorspar, vermiculite, diamonds, nickel, uranium, coal, zirconium, asbestos, phosphate, zinc, antimony, lead and iron and many others, including natural gas. The only significant mineral resources missing in the country are petroleum and bauxite. Thus, South Africa can only be characterised as an extremely resource rich country. Furthermore, the platinum, chrome and manganese deposits continue to be of strategic importance from a geopolitical point of view although the changing world order over the past few years have modified the overall setting.

British companies exerted the greatest influence on the early pattern of exploration, and it was the mining of diamonds and gold in the late 1800s that led to the transformation of South Africa from an agriculturally based to an industrial economy. The urban area of the Witwatersrand was literally built around the mining industry. Since the 1950s there has, however, been increasing South African and American influence on exploration decisions. Mining activity is concentrated in four belts: (i) the gold mines in the Rand area around Johannesburg stretching all the way to the Orange Free State gold fields around Wilkom, (ii) the coal fields of the eastern Transvaal and northern Natal, (iii) a rich belt of minerals running east and west of Pretoria, and (iv) the northern Cape, centred around Kimberley, which produces diamonds, iron ore and copper. In terms of economic importance, gold has remained the most important export whereas coal has been the most important mineral production for domestic markets.

1.2 Government, Constitution and Regional Administration

The political system of South Africa, which will be further reviewed in Chapter 2, is built around the total domination of the minority white population over other groups of African, Asian and mixed descent. The apartheid regime has as an integral part of this system created a peculiar and extremely complex structure of government and regional administration. In addition to the four provinces (Cape, Natal, Orange Free State and Transvaal) there are 10 'homelands' established after 1959. Four of these (Transkei, Bophuthatswana, Venda and Ciskei - the TBVC states) are so-called 'independent' (foreign) republics. They are, however, only recognised as such by the South African government, not by the international community. The remaining six homelands, which include Gazankulu, Kangwane, KwaNdebele, KwaZulu, Lebowa and QwaQwa, have status as 'self-governing territories'.

The homelands, which extend in a great horseshoe along the south-eastern coastal belt and up to northern Transvaal and then south-westwards through western Transvaal to north-eastern Cape, were created to separate Africans from whites on the assumption that culture is genetically determined. In addition, it was taken for granted that the white race is inherently superior to others, and that race mixture is the ultimate evil to be avoided. The areas designated as homelands were the Native (bantustan) Reserves identified already under the 1913 Land Act, which prevented blacks from buying land elsewhere. These areas were modified under the 1936 Land Act, but they cover only about 13% of the South African territory area and are without significant industrial centres, major mineral deposits and important economic infrastructure. Thus, the homelands have never been able to support more than a very small portion of the African population, and whatever their political status, they are in effect widely scattered labour reserves for the white-dominated part of the country with no economic cohesion whatsoever.

According to the 1984 constitution, the Republic of South Africa (RSA), which has been governed by the Nationalist Party (NP) since 1948, is headed by a State President, elected by an 88 member electoral college, and he is advised by a 60 member President's council on matters of public interest. The legislative branch of government is the Parliament, consisting of three houses for whites, coloureds and Asians. The last 'elections' for a five-year term were held in September of 1989. Thus, new elections have, according to the existing constitution, to take place at the latest during 1994. The Cabinet, which holds executive power over general affairs (foreign policy, defence, security etc.), is appointed by the State President. In addition, there are Ministers' councils (one for each house of Parliament overseeing the four provinces) in 14 'own affairs' subjects (education, community life, welfare services etc.). Furthermore, six chief ministers (all with their separate cabinets) are responsible for the self-governing homelands. Finally there are the four TBVC states, each with their own state president and cabinet.

The complexity emanating from the above government set-up can be illustrated by the fact that there are no less than 19 separate education departments (five white, one Asian, one coloured, 11 African and one 'umbrella' department which sets norms and standards for the other 18). Furthermore, funds for the 'independent' homelands are channelled through the Ministry of Foreign Affairs, not through the Ministry of Education. Thus, a labyrinthine bureaucracy of government institutions (often with overlapping areas of authority and interlocking sources of finance) was created by the Nationalist Party (NP) with every function replicated at

provincial/tricameral and 'homeland' levels.

The legal system is based on Roman-Dutch law and English common law, and judicial authority is vested in the Supreme Court, comprising an appellate division and several provincial and local divisions. The administration of justice is under the control of the Minister of Justice. The lower courts are presided over by civil service magistrates who possess limited jurisdiction in civil and criminal cases. There are 266 magisterial districts and 266 magistrates' offices.

1.3 Infrastructure and Urban Centres

There are excellent road, rail and air links between major urban centres in South Africa and neighbouring countries as well as to destinations worldwide. There are more than 20 thousand km of rail roads and almost 200 thousand km highways (of which some 54 thousand are paved with the remainder being crushed stone, gravel or improved earth). There are no navigable rivers, but there is a coastal shipping service between the country's six major ports (Durban, Cape Town, Port Elizabeth, Richard's Bay, Saldanha and Mosselbaai). South Africa also has its own merchant navy consisting of seven ships. The company Transnet (formerly the South African Transport Services - SATS) holds a railway monopoly and also has interests in road transport, a market that has recently been deregulated. The South African Airways (SAA) has more than 80 major transport aircrafts, and there are 765 usable airports in the country of which 130 have permanent-surface runways. The previous SAA monopoly over the main domestic routes has recently broken down, and SAA now competes with Flitestar.

The telecommunications system is well developed and by far has the highest capacity in Africa. It consists of carrier-equipped open-wire lines, coaxial cables, radio relay links, fibre optic cable and radio communication stations. There are almost 5 million telephones in the country, almost half the total number in Africa. The postal service is supplemented by local and international messenger and courier services. Finally, there are approximately 20 major daily newspapers with an average circulation of over a million.

The South African economy is very energy intensive, and the per capita consumption is equal to that of Western Europe. The bulk of the supply (93%) is generated by the state controlled Electricity Supply Commission (ESCOM) via a regional grid system. Owing mainly to the low cost of coal, the main source of fuel for power generation, South African electricity is among the cheapest in the world. Nearly half the country's coal production goes into electricity production. On the other hand, the heavy dependence on coal cannot continue indefinitely, and a switch away from coal-fired generation would help lessen the serious pollution problem.

Due to the slow economic growth in the 1980s ESCOM has had substantial excess capacity in recent years. At the same time over two-thirds of dwellings in black urban areas and virtually all black rural areas remain un-electrified. It can also be noted that all of the above infrastructural services are highly concentrated around the major urban and industrial centres, where almost all economic development of any importance has taken place. Conditions in rural South Africa are in many cases comparable to those in rural areas of other African countries.

The state of secondary (not to mention tertiary) roads are for example very far from satisfactory. Their conservation is the responsibility of the provincial administrations, who are wholly dependent on central government for revenue, and little funds for road construction and maintenance have been granted in recent years. An additional development of importance during the 1980s, which carries potential for further development, is the rise of the 'combi-taxi' business as an alternative to buses and trains for black commuters in urban areas. These buses (of which there are now over 50 thousand) have effectively competed with larger bus services, and they are a major factor in the growth of black business.

Johannesburg with more than 4 million people is South Africa's most important commercial centre, lying in the PWV area, which is the principal metropolitan region. More than half of South Africa's industrial production and trade takes place in the PWV. Pretoria, only some 50 km from Johannesburg has above 1.5 million people. It is the administrative centre of the country and provincial capital for the province of Transvaal. Cape Town, beautifully situated on the southern tip of the continent, is the provincial capital in the Cape Province. It has around 1.5 million people, and the South African Parliament is located there. Cape Town, furthermore, has the second largest South African port and is an important industrial centre.

The judicial centre of South Africa is situated in the provincial capital of the Orange Free State, Bloemfontein with a population of around 250 thousand. Economically, it is mainly an agricultural centre. Durban, on the east coast, has half a million people. It is the largest town in the Natal province and has the largest port in the country. It is also an important industrial centre, but the provincial capital is Pietermaritzburg with 200 thousand people. Other important cities include Port Elizabeth, East London and Kimberley with respectively 600, 210 and 150 thousand people, all located in the Cape Province.

1.4 Population and Society

Demographic data on the South African population are notoriously unreliable. According to the last census, carried out in March 1991, there were 31 million people living in South Africa, of whom 5 million are in the 'homelands'. These figures do not, however, correspond with the more widely used and accepted Urban Foundation (UF) estimate of 38.4 million, with 17 million in the homelands. Comparisons over time have been further complicated by the creation of artificial (and changing) borders within the country as well as forced population movements at a massive scale. Thus, there are serious statistical inaccuracies and incomplete coverage in all of the official censuses. In addition to being poor, demographic information was racially based until 1991, with the following distribution: whites (13.3%), coloureds (8.6%), Asians (2.6%) and blacks (75.5%).

The African population is made up of a large number of different groups. The Khoisan peoples (Bushmen, Hottentots and Bergdamara) are survivors of the country's earliest inhabitants, who lived in the arid areas of the western parts of the country. The negroid Bantu-speaking groups are formed by the Nguni (Xhosa, Zulu and Swazi), Sotho (North, South and Tswana), Ndebele, Venda, Lemba and Shangaan-Tsonga. They are descendants of relatively more sophisticated iron-using agricultural and pastoral people, who lived in powerful kingdoms in the more

favourable climatic areas in the eastern parts of the country. The most important vernacular languages among the Africans are Zulu (36%), Xhosa (16%), North Sotho (14%), South Sotho (11%), Tswana (8%) and Shangaan/Tsonga (5%).

The white European South Africans are descendants from the original Dutch settlers in the Cape, refugee French Huguenots, British settlers from 1820 onwards, Germans and more recent immigrants from Europe and ex-colonial African countries. The major language groups are Afrikaans (65%) and English (35%), which are both official languages. The remainder of the population comprise coloureds, who are people of mixed origin, and Asians, largely of Indian origin.

Religion has played a significant role in South African history, and church organizations maintain a very influential position in the country's social and political life. Most whites and coloureds and about 60% of the African population are Christian, of Dutch Reformed, Anglican, Methodist, Presbyterian, Roman Catholic, Zion Christian and Pentecostal and charismatic conviction. Some 60% of the Asians are Hindu, while 20% are Muslims.

The geographical distribution of the population indicates that around 35% of South Africa's population are rural, whereas 46% live in metropolitan areas. Smaller cities and towns and dense settlements account for the rest. However, more than 50% of the blacks are rural, and they are by far the most disadvantaged members of society. Thus, while South Africa is an urbanized society, rural issues remain crucial. This is underpinned by the fact that although the overall population density is only around 30 persons per km², there are respectively 71, 48, 71 and 97 persons per km² in the four TBVC states. Furthermore, migration towards the four major industrial areas (PWV, Durban-Pinetown-Pietermaritzburg, south-western Cape and Port Elizabeth-Uitenhage) is assuming threatening proportions. More than a third of the country's population live in these four regions (which account for some 80% of the total urban population), but they constitute only 4% of the country's total land area.

The following additional observations on the population distribution are also illuminating: (i) over 40% of the blacks (12 million people) live in what was previously classified as 'white-designated' areas (i.e. the number of blacks in 'white' areas is in excess of twice the number of whites), (ii) the greatest population groups in the homelands can be found in KwaZulu, Transkei, Bophuthatswana and Lebowa, which account for 80% of the homeland population, (iii) coloureds are highly concentrated (85%) in the Cape, whereas the majority (80%) of the Asians live in Natal, and (iv) more than 80% of the whites live in Transvaal (55%) and the Cape (27%). Finally, less than 60 thousand whites, Asian and coloureds (i.e. only half a percent of the total) live in homeland-areas.

The South African population as a whole is growing rapidly at an annual rate of more than 2.6%, but there are large differences between the various groups. The black group is increasing at almost 3% per year, whereas the corresponding figure is only around 1.8% for coloureds and Asians and 0.7% for whites. Hence, the composition of the population is shifting in favour of black people, who have a crude birth rate of around 36 per thousand, as compared to 14 for the whites. It can also be noted that while the total fertility rate (i.e. the average number of children

that a woman bears during her life) is around five for blacks, it is below two for whites. These demographic observations have important policy implications, in particular since the white population pyramid is rectangular in shape, whereas the structure of the African population is broad-based with a high proportion of children under the age of 15.

Household size and structure display considerable differences. The average household size among whites is just over three, where coloured and Asian families have between four and five members. A nuclear family structure is clearly dominant for these groups, though the joint family form is more prevalent among coloureds and Asians. The average black household consists of five to six persons, but it takes a wide variety of different forms. Female-headed households are common, accounting for over 20% of the total, and in rural homeland areas around 60% of households are normally headed by women. Many men are absent as contract labourers in cities and towns or on farms outside the homelands, so they are only at 'home' very irregularly. Another aspect of this is, that many black children are born as children of single mothers.

The striking racial imbalances in the demographic picture are also evident in the health and educational status of the population. The infant mortality rate per thousand live births was around 66 in 1990, which is exceptionally high considering that South Africa - according to World Bank classifications - is a middle-income country. Furthermore, this figure is an average, that does not reflect racial and regional differences. The infant mortality rate for blacks and coloureds is actually about five times as high as for whites, and rural coloureds and Africans have infant mortality rates, which are 2-3 times higher than those living in urban areas.

Infant mortality rates as high as 130 per thousand have therefore been reported in for example Transkei in the 1980s. This is equivalent to the level in Ethiopia in 1990. Furthermore, whites can expect to live about 14 years longer than blacks. Life expectancy for white males and females are respectively 68 and 76 years, whereas the corresponding indicators for black men and women are 55 and 61. Finally, while data on literacy are unreliable, it is nevertheless illustrative that one study carried out between 1986 and 1989 indicates that the literacy rates were 99% for whites, 85% for Asians, 67% for Coloureds and 48% for Africans. DBSA estimates put the overall rate around 70%.

In sum, despite its impressive natural potentials and significant economic infrastructure as well as an average annual income per capita of more than US\$ 2,500, South Africa is a deeply divided society - not only on political grounds but also due to social and economic inequalities. Thus, South Africa ranks lower than countries such as Mongolia and Nicaragua according to the UNDP human development index (HDI); and while it lies relatively high compared to other African countries, this is due to the very significant purchasing power of the whites. Hence, even the HDI cannot accurately reflect the physical quality of life for millions of South Africans, which can only be characterised as dismal, and certainly not better than in many other African countries.

There are complex political, social and economic reasons behind these depressing observations, but it is evident that the policy of apartheid pursued by the white minority has played a major

role. Other aspects include an ill-conceived economic strategy and unfavourable international economic conditions. These observations and the overall dynamics of the South African socio-economic situation are reviewed in greater detail in Chapters 2 and 3.

Chapter 2. POLITICAL SETTING

2.1 Historical Background

It was noted above that climate and natural resource availability have been major determinants in influencing agricultural land use and industrial development in South Africa. Historical settlement patterns are yet another vital factor. The first white settlers arrived at what is now Cape Town in 1652, and under the Dutch rule, that followed, they gradually spread north as stock-farmers, developing their own vernacular Afrikaans. Originally, they moved into the interior of western Cape, where they easily suppressed the weak Khoisian people, who were exploited as farm labourers. Slaves were also imported. The Cape was captured, however, by the British in 1795, and they started to arrive in large numbers. The - mainly Dutch - trekboers therefore expanded into the eastern and central parts of the country, where they encountered the advance guard of the Bantu-speaking peoples.

The Boers met formidable resistance. Fierce battles were fought first with the Xhosas and later on with the powerful Zulus and Ndebeles in what is now Natal. In fact, it was only after the intervention of British troops in 1811-12 that the eastern frontier was further advanced. After yet another frontier war in 1834-35 the Boers moved out of the Cape in substantial numbers in a great trek, and after a series of bitter wars, white occupation was steadily expanded at the expense of the Bantu-people. Thus, by the 1860s the Boers were established as a separate Afrikaans-polity in the interior of the country, in particular in the Transvaal and Orange Free State States as well as Natal.

The discovery of diamonds in 1867 and of gold on the Witwatersrand in 1886 brought a rush of new immigrants, and Johannesburg started appearing as the economic power-centre of the country. Tensions between the Boers and the British grew as a consequence and resulted in the Anglo-Boer war, which ended with British victory in 1902. Subsequently, the two Boer-states (Transvaal and the Orange Free State) and the two British colonies (Cape and Natal) were united, and South Africa was formed as a dominion under the British crown in 1910, with a constitution that gave the white minority an almost complete control of political authority.

A large number of dispersed reserves for the blacks were created in the Cape and Natal under the 1913 Land Act. The intention was to consolidate white possession of land outside the reserves, and to destroy the independence of African peasant farmers. Africans were denied the right to buy land in white areas from which they were also evicted on a large scale, in particular in the Orange Free State. Many Africans were therefore forced onto the cheap labour market as the only means of trying to survive, and the Natives (Urban Areas) Act of 1923 left Africans with no right to live in towns unless their services were required by the whites. The South African Native National Congress, later renamed the African National Congress (ANC), which had been formed in 1912 to work for the cause of non-white people in South Africa through non-violent means, protested against these laws, but in vain.

Further steps toward segregation were taken during the 1930s, where the great depression brought to fore a number of political conflicts. White workers wished to preserve racial

stratification within the labour hierarchy, whereas farmers wanted to keep cheap and semi-feudal labour on the land. Both groups disliked (and feared) English business interests, who dominated in urban areas. Nevertheless, a coalition of the conflicting white interests was forged, and the United Party (UP), formed in 1934, took over government. Black voting rights, which had been maintained in the Cape were removed, and the 1936 Natives Land Act reinforced and extended the 1913 Land Act, including the establishment of reserves in the Transvaal and the Orange Free State. Almost simultaneously, South Africa accepted the Statute of Westminster and became an independent country within the Commonwealth in 1934.

2.2 Apartheid

Rise of the Nationalist Party

The formation of the UP, which also absorbed the Afrikaners and British, who were relatively liberal-minded although certainly not protecting the human rights of the African population, was not acceptable to a small group of extreme nationalists. They broke away and formed the Purified Nationalist Party, based on a strong sentiment of Afrikaner disinheritance in the emerging industrial society. At the opening of the Voortrekker Monument in Pretoria in 1938 nationalist (boer) sentiments rose to a new high, and the Nazi dogma of the master race and racial purity gained influence. Nevertheless, South Africa joined the Allied forces during World War II as recommended by the United Party, and during the war the UP began expressing slightly more broad-minded attitudes to racial matters.

The Nationalist Party (NP) on the other hand, became even more entrenched in racist ideology, which it started to organize in fanatic apartheid-terms. Apartheid means 'separateness', and in 1948 the NP came to power on this platform with a very narrow margin, supported by poorer Afrikaner workers, many farmers and most Afrikaner professionals. Subsequently, the NP expanded white control and started systematizing racial suppression and segregation through a series of laws, which went largely unchallenged by the white opposition from a human and civil rights perspective.

Major Discriminatory Laws

The discriminatory law complex consolidated by the NP included the following major legislation, which was underpinned by a complex set of minor laws and regulations, too numerous to enumerate:

- The 1913 and 1936 Land Acts already referred to, which put 80% of the population and 60% of the livestock on 13% of the poorest land, and which - when finally abolished in 1991 - included no less than 60 laws in their entirety;

- The Population Registration Act of 1950, described as the mother of all apartheid laws, which made provision for the systematic classification of the population by race and forced blacks to carry a 'pass' at all times;

- The Group Areas Act, which granted the government the 'right' to designate particular land areas for each group, and which led to highly distorted spatial arrangements, ethnic tensions, influx control, a migratory labour system that broke down traditional family structures, racial job reservation, the prohibition of black trading in white areas and severe restrictions on trading in black areas etc.

- The Separate Amenities Act, which allowed for the provision of separate amenities of different quality for different races and racial segregation in public places, hospitals, racial fences on open beaches etc.

- The Bantu Education Act of 1953, which placed African education under the native affairs department and led to the deliberate under-education of black communities.

Territorial Apartheid

The NP did not 'invent' all of the above legal measures, but their implementation was certainly pursued much more rigorously, and from 1959, when Hendrick Verwoerd took over as Prime Minister, the 'grand scheme of territorial apartheid' started to take form. South Africa became a republic in 1961, and the Verwoerd plan was that it would become an almost exclusively white society. Except for the manual labourers needed by the white, blacks were to be relegated to the 'Bantu Homelands' where they would be 'allowed' to develop their own separate nationality.

As a consequence, millions of blacks were forced to move, often into desolate areas far from employment opportunities, friends and relatives; and blacks who managed to keep a job in white areas had to reside in 'townships' far outside the main urban centres. As the impact of apartheid on the daily lives of the population intensified, opposition to apartheid grew, and in response much more ruthless state measures of suppression were put in place. Thus, the 'grand' apartheid architects certainly succeeded in worsening the discrimination of the blacks and in undermining the future growth potential of the South Africa economy. They did not, however, manage to implement their strategy as originally designed.

In farming areas outside the homelands, whites are by no means fully in control of land use. Many farms are, in fact, managed by black people through rental or share-cropping systems. Furthermore, by the 1970s advances in technology made it increasingly unprofitable for mines and industry to continue employing large numbers of unskilled labour. Improvements in the skill level of the blacks employed were therefore required. This led to better conditions for Asians, Coloureds and sections of the Africans, who were granted the right of urban residence. At the same time influx control started to break down around some of the major cities. These changes were accompanied, however, by the further establishment of townships as well as intensified population removals of those, who did not manage to obtain the necessary residence permits. Thus, it is estimated that as many as 3-4 million blacks were uprooted between 1960 and 1984.

2.3 Armed Struggle and International Sanctions

The hardening of apartheid during the 1950s brought a range of South African political groupings closer together in nationwide protests and strikes. In 1955 the ANC, the Indian National Congress of South Africa, the Coloured Peoples Organisation and the white Congress of Democrats met at Klipton to draw up the Freedom Charter as a blueprint for a non-racist South Africa. The Charter, which expressed widely recognised principles of human and political rights, has served as a rallying point for the democratic forces in South Africa ever since. The government reacted by charging members of the Freedom Congress for treason, depriving the ANC of much of its leadership until 1961, when they were acquitted. In the meantime, the Pan-Africanist Congress (PAC) was formed in 1959 by a group of former ANC supporters, who wanted a more radical black profilation of the movement.

In 1960 the ANC and the PAC renewed the campaign against the 'pass laws', and in one of the subsequent demonstrations around the police station at Sharpeville, the police suddenly opened fire and killed almost 70 unarmed demonstrators. The Sharpeville massacre outraged world opinion, which started to show apprehension over apartheid discrimination and suppression. International sanctions were discussed, although it took decades to impose them (see Chapter 5), and internally in South Africa protests continued. The ANC and the PAC were banned (together with the Communist Party which was made illegal already in 1950 via the Suppression of Communism Act) and went underground.

A State of Emergency was declared, and in 1961 the armed wing of the ANC Umkhonto we Sizwe ('Spear of the Nation') was formed. The ANC and the PAC had given up hopes for a peaceful transition to democracy. Key people in these movements left the country to establish exile bases in independent African countries and overseas. Others such as ANC leader Nelson Mandela stayed on to organise the struggle inside the country. Mandela was caught, however, and convicted in 1964 at the Rivonia trial for sabotage and attempting to further communism and sentenced to life imprisonment. More than twenty-five years of armed struggle against apartheid followed before Mandela was finally released from prison in February 1990.

One of the new national movements formed in the late 1960s was the Steve Biko headed South African Students Organisation (SASO), and the major incidence in the 1970s was the 1976 uprisings. It began in Soweto (the huge township outside Johannesburg) as a protest by school children against the imposition of Afrikaans as a medium of instruction, but quickly spread to other parts of the country. State suppression was fierce, and large numbers of young Africans left the country to join the ANC and PAC forces in their external bases.

A few years later the ANC was able to demonstrate that substantial military sophistication had been achieved, *inter alia* through the 1980 and 1982 bombings of SASOL oil-from-coal plants in the Orange Free State and the Transvaal, and of South Africa's nuclear power station, Koeberg, just outside Cape Town. Yet, it is clear that it was 1976, that marked a turning point from which the apartheid government was faced with determined internal resistance and growing infiltration by ANC guerillas. International opinion, angered by for example the horrifying revelations on the death of Steve Biko, while in police detention, also became more insistent on the need for change.

In 1978 P.W. Botha took over the post of prime minister, and he introduced various reforms, including a revision of the Constitution, introducing the tricameral system referred to in Chapter 1. This led to a split in the Nationalist Party, and a new Conservative Party of South Africa (CPSA) was launched in 1982. Almost simultaneously, the democratic forces in South Africa, including most of the church movements, were consolidated in 1983 in the United Democratic Front (UDF), which mobilized resistance at a national scale until its dissolution in 1991. Furthermore, in December 1984 a new federation of trade unions, the Congress of South African Trade Unions (COSATU) was formed. It became an effective coordinating body for the labour movement in opposing apartheid and in undermining government authority.

The constitutional changes also sparked off a wave of unrest in black townships, where discontent was further fuelled by the high and increasing unemployment and economic stagnation and decline, to be further discussed in Chapter 3. A state of emergency was therefore declared in July of 1985, and the extensive powers given to the police and the restrictions on press and television coverage worsened social tensions. When the emergency was lifted in March 1986 almost 8 thousand people had been detained and nearly a thousand people killed. At international level, sanctions were finally hardened substantially.

ANC maintained during the whole of the above period its guerilla drive, and in some areas control effectively drifted out of the hands of the government from the early 1980s. From within Afrikaner intellectual and leading business circles, thinking about abolishing apartheid and negotiating a settlement with the ANC therefore started emerging. A few reform measures such as the scrapping of black influx control and the pass laws and the restoration of South African citizenship for some blacks were also taken. However, the most striking initial consequence of these measures was the strengthening of the Afrikaner Weerstandsbeweging (AWB), a neo-fascist movement founded in 1973. Together with other extreme right-wing groupings the AWB managed to paralyse any new government initiatives.

During the second half of the 1980s state repression and violence intensified under a government imposed state of emergency, although Nelson Mandela already in 1986 initiated efforts from prison to persuade the government to negotiate a solution with the ANC. A seemingly endless series of confrontations between the government and its police and security forces, on the one side, and the democratic movement, on the other, took place, and South Africa involved itself in destabilizing the region of southern Africa militarily. International isolation increased, and also the domestic political scene changed, including *inter alia* the creation in 1989 of the Democratic Party (DP), dedicated to the removal of apartheid by constitutional means.

2.4 Toward a Negotiated Settlement

Background and Legal Changes

Talks on regional settlements, involving the withdrawal of South African and Cuban troops from Angola, and the granting of independence to Namibia, began in 1988; and after a crisis in the NP in early 1989 F.W. de Klerk took over as State President after P.W. Botha. De Klerk

extended the state of emergency for a further year from June 1989, and also restated the NP commitment to the concept of separate racial representation in Parliament. Nevertheless, domestic and international pressures (including boycotts and widespread civil unrest) mounted. And after a series of talks with the still imprisoned Nelson Mandela, de Klerk in a historic speech on 2 February 1990 announced the unbanning of the ANC, the PAC, the South African Communist Party (SACP) and over 30 other political organisations, including the UDF.

A few days later on 11 February, Mandela was released, and de Klerk announced in March 1990 that all remaining apartheid laws would be repealed. In May the first formal talks between the government and the ANC began, and in the Groote Schuur and Pretoria Minutes, procedures were established for the granting of amnesty and the release of political prisoners. The government also promised to review all security laws, and the ANC suspended armed action. The parties confirmed their interest in moving as speedily as possible towards a negotiated settlement.

Yet, negotiations moved slowly until early 1991, where the ANC proposed an all-party conference to discuss negotiations and constitutional principles. Subsequently, all main apartheid laws were repealed including the Group Areas Act of 1966, the Black Land Acts of 1913 and 1936 and the Population Registration Act of 1950. Government ministers recognised publically that apartheid had not worked, and that it was an experiment gone wrong. However, no apologies to the victims of apartheid were given, and the NP retains the reigns of government power until this date.

Political Organizations and Other Players

The political landscape of South Africa is complex, with ideological divisions cutting across ethnic ones, and any assessment of relative strength in terms of popular support is difficult due to the absence of reliable, independent opinion polls. Moreover, the overall situation is extremely fluid and subject to change as well as manipulation. Nevertheless, the two major actors are clearly the ANC and the NP. The ANC played a dominant role during the whole of the liberation struggle, and can count on the support from an overwhelming majority of urban blacks and probably at least half of the rural black vote - once they get access to the ballot box. The support to the ANC from coloureds and Asians is also of some importance, but white support is minimal.

The NP can count on backing from a clear majority of the white minority and sizeable portions of the Asian and coloured as well as part of the rural African vote, although very little data is available on rural black preferences. It is clear, however, that they together with the Asian/coloured groups will be crucial for the final outcome of a future democratic election. The NP, on the one hand, simply cannot expect to maintain a real influence on South African politics, unless they can catch a substantial part of these groups. It is, therefore, no coincidence that the NP recently transformed itself into a multi-racial party. The ANC, on the other hand, will obviously need the support of the rural blacks to obtain the absolute majority of the votes aspired for, but even a majority among the blacks will not alone be sufficient to obtain a majority of the total vote.

Other political parties include the South African Communist Party (SACP), which forms part of an alliance with the ANC and COSATU, that broadly speaking strives at realizing the objectives included in the Freedom Charter. It is obvious, however, that whereas members of the ANC include a rather mixed bag of workers and peasants as well as 'capitalists', the SACP appeals to those who aspire at establishing a socialist society. Much speculation has therefore surrounded the question as to the influence of SACP members, who hold key positions in the ANC national executive. What can be safely stated is that the SACP, which does not appear to be able to capture more than maybe 5% of the vote, is unlikely for the time being to pursue a line, that will split the black vote. On the other hand, the future of the alliance will evidently depend on the outcome of a democratic election.

It follows from the above that the ability of the major actors to build alliances with other parties will, in all likelihood, become important. This will also be required if the ANC goal of reconciliation and nation-building is to be achieved. Other parties include the Democratic Party (DP), which was referred to above, and which holds 34 out of 178 seats in the white House of Assembly, as well as the Labour Party (LP), Solidarity (SOL), and the National People's Party (NPP), which hold the majority of seats in the coloured House of Representatives, and the Asian House of Delegates. The DP would certainly appear to be the largest of these groups, appealing to whites as well as Asian and coloured voters, due to a moderate economic policy programme. However, the overall support of the DP is probably not in excess of 5%. The LP, the NPP and SOL are small parties, which mainly appeal to minorities within the coloured and Asian communities.

The Conservative Party (CP), which is the official opposition party in the white House of Assembly and has 41 of the 178 seats, is active on the far right of the political spectrum together with the Herstigte National Party (HNP) and the Afrikaner Weerstandsbeweging (AWB). The PAC and Azanian People's Organization (AZAPO) on the other hand take stands which are to the left of the ANC. The extent to which these groups may attract disappointed ANC supporters is as yet uncertain.

Reference must finally be made to the Inkatha Freedom Party (IFP), which was reconstituted as a multi-racial political party on the basis of the Inkatha movement in 1990. The Inkatha, which is led by the chief minister of the homeland KwaZulu, Chief Mangosuthu Buthelezi, maintains its headquarters at Ulundi and is strongly Zulu-ethnic in nature. It claims to have substantial backing in the black electorate, and clearly wishes to play a role as 'third' party alongside the ANC and the NP. Most indications are, however, that the overall support for the IFP is less than 5%.

Many observers do, indeed, see the IFP as a willing instrument for reactionary groups in South Africa to destabilize the black population so as to further white control. The so-called Inkatha funding affair, disclosed in 1991, and which involved secret government funding of the IFP, using the police and defence force as a conduits, is certainly one indication that the IFP may not be as legitimate as it claims to be. This incidence not only led to a government reshuffle but also did much to damage the image of the IFP. On the other hand, contrary to the minor parties and

administrations in the nine other homelands, which maintain a temporary presence on the political scene for the time being, the IFP may be capable of capturing a more permanent position in the political landscape of South Africa.

In addition to the political parties already referred to above, there are a range of other actors, who play an important role in the present process in South Africa. Reference has already been made to the influence of the churches through the South African Council of Churches (SACC), and also corporate business interests are influential. The Consultative Business Movement (CBM) functions as an effective channel for business views, and the South African Employers' Consultative Committee on Labour Affairs (SACCOLA) have taken important initiatives over the past year together with COSATU in the field of labour relations to unblock political impasses.

CODESA and Local Level Developments

Long awaited multi-party talks at national level on the future of South Africa got underway in December 1991, when the Convention for a Democratic South Africa (CODESA) initiated its deliberations. At CODESA some 19 groups met, including the ANC and the SACP, the government, a separate delegation from the NP, four other parliamentary parties, the IFP as well as parties or administrations from all of the other nine homelands and an Indian Congress delegation. The Declaration of Intent calling for a unitary South Africa with a common citizenship was signed by all parties except the IFP and the Bophuthatswana representative on the grounds that the Declaration precluded a federal or confederal constitutional dispensation. A number of parties (the CP, HNP AWB, PAC and AZAPO) boycotted the convention either because they would not share a platform with the SACP or because they could not cooperate with an illegitimate government.

Decisions at CODESA were taken on the basis of the rather vague principle of 'sufficient consensus', but it was clear from the beginning that all decisions would be binding, relegating the Parliament to a curious secondary role in the whole process. Delegates at the CODESA were split up into five working groups with the following overall responsibilities: (i) political prisoners, return of exiles, emergency and security measures, discriminatory laws, violence and the fostering of a spirit of tolerance among political parties etc., (ii) constitutional principles, (iii) transitional arrangements (i.e. an interim government), (iv) the future of the TBVC states, and (v) the monitoring of the work of the other four groups and the establishment of timeframes within which CODESA should operate.

Considerable progress was made at CODESA, and in early 1992 hopes for an early settlement were high. The working groups reached agreement on wide a range of important issues, including in particular the establishment of a Transitional Executive Council (TEC). The TEC would in effect in a first transitional phase put the present government under administration, and supervise the preparation of the first free and fair democratic elections for all South Africans independent of race. The elections were to result in a Constituent Assembly of 300 members, who would also appoint a government for an interim second-phase of the transition. Phase three would be the implementation of the new Constitution.

It was against this promising background - and difficulties in by-elections in Potchefstroom in February 1992 where the CP defeated the NP candidate - that the referendum of 17 March was called. State President de Klerk asked the white electorate to confirm his mandate to negotiate, and he got a convincing majority. However, rather than speeding up negotiations, the NP became much more confident and demanding; and at the CODESA II meeting in the middle of May, a deadlock became apparent. The ANC was of the opinion that a two-third majority (which the South African government had accepted as reasonable in the case of Namibia) should constitute a binding majority for the approval of the Constitution. The NP demanded - and got - acceptance of a 75% majority, but in addition demanded a 75% majority on all of the individual articles concerning the dissolution of power to regional authorities. This, the ANC could not accept, and on this basis CODESA II collapsed.

Other issues, which remained unresolved within CODESA, included the establishment of mechanisms for breaking deadlocks and the overall timeframe for the transitional process. The ANC wanted to maintain the possibility open for referring matters where a majority in the Constitution-making Assembly could not be found to a popular referendum. The NP argued this should not be allowed, opening up the possibility that a new Constitution could be blocked for a considerable period of time. The ANC also had a brief transitional period in mind, whereas the NP wanted a period of possibly up to 10 years. Finally, the escalating violence and the composition and behaviour of the security forces remained a thorny point of disagreement during the whole of the CODESA process.

As CODESA was breaking down, negotiations gave way to mistrust and what has been termed political power-play. The ANC could not accept the government's inability to accept the logical consequences of democracy, and fulfil the commitment to majority rule in a unitary state. And after the Boipatong massacre on 17 June (exactly three months after the white referendum) where 42 innocent people were barbarously killed, the ANC saw no way of continuing the negotiation process. Furthermore, the ANC did not have the option of calling a referendum as had been possible for de Klerk after Potchefstroom. Mass action was therefore resorted to in the hope that the government and the NP would eventually come to terms with an ANC list of 14 demands relating to violence and negotiations. The ANC also called for the intervention of the United Nations and an international inquiry into the violence.

In parallel with the national level negotiations, community-based and non-governmental organizations as well as trade unions started putting forward a series of demands, which have led to an abundance of local negotiations around issues such as access to resources and services as well as institutional reorganization. Black residential areas were traditionally 'managed' by appointed administration boards, but the more recent government policy is for all non-white areas to be managed by their own residents. However, many of the black town councils have collapsed as a result of their illegitimacy and resistance from the mass democratic movement, rent boycotts and other similar actions. Thus, the councils are in a process of being phased out.

The first experiment in non-racist local government began in 1990 with the establishment of the Witwatersrand Metropolitan Chamber, convened to discuss the future of local government and

provide a negotiating forum. Most of the efforts have focused on the need to integrate the white cities with the townships, based on the principle of 'one city, one tax base'. These points will be further pursued in Chapter 4 from a development perspective, but they are worth stressing in this context, as they are dynamic factors, which will continue to modify the overall balance of power between the contending national forces.

2.5 Constitutional Issues and Human Rights

The deadlock after the CODESA was most discouraging, but in hindsight it does appear logical - possibly even inevitable - that negotiations were bound to experience difficulties. The constituencies and interests of the ANC, the NP and the various other political groupings are indeed very far from each other. South Africa remains, as pointed out in Chapter 1, a deeply divided society, and CODESA could hardly be expected to be more than what has been termed 'a mirror of the divisions and the potential of the wider society'. The constitutional proposals of the ANC and the NP, put forward in respectively April and September 1991, reflect these divisions and have been at the centre of much of the controversies between the parties.

The constitutional differences between the ANC and the NP as far as a future South Africa is concerned essentially revolve around two basic issues: (i) the degree of centralization of the state, and (ii) the protection and influence of minority groups. The ANC wishes a strong unitary state with a president with ceremonial and executive powers, elected by the Parliament for a fixed term of office. The principle of majority rule is in the view of the ANC of fundamental importance for peace and stability and a precondition for addressing the political and socio-economic legacies of apartheid in an effective manner. The NP, on the other side, interprets democracy in a different way and wishes executive powers vested in the hands of a collective body consisting of members from the largest parties. The chairmanship and the position of president would rotate, and all decisions would be taken by consensus and implemented by a multi-party cabinet of ministers.

Thus, the NP proposal - motivated by worries about the consequences of majority rule - in effect suggests that a permanent coalition government with power sharing rather than majority rule is imposed constitutionally. The NP furthermore suggests a substantial devolution of power to the second and third tier of government, including (i) a set of strong regional governments in a federal system, and (ii) a system of local government institutions in which, for example, half of the city councillors are elected by a voters' roll on which all residents appear, and the other half by a voters' roll containing only the names of owners, lessees and rate-payers.

These suggestions have obviously been unacceptable to the ANC since they would in effect make it possible for the NP to ensure not only (white) minority protection but an effective veto within the central executive authority. Moreover, the power of the central state to implement desired changes would be severely limited at regional level. The ANC is of the view that regions should not enjoy exclusive powers, and has proposed the establishment of ten new regions which are better in accordance with the needs for socio-economic development. The regional issue is complex, however, since it also touches on the very tricky issue of how to reintegrate the homelands into a unitary state. Finally, in assessing the NP proposals for local

government, it must not be overlooked that reinforcing the influence of relatively wealthy groups in large measure would imply white control over neighbourhood councils and other similar bodies.

The ANC has repeatedly stated that it does not wish black domination of whites. In other words, minority protection is fully accepted as a fundamental constitutional principle and a basic human right. However, power-sharing is rejected as this misconstrues protection for a right to veto. The ANC argues that legitimate minority interests should be protected by widely recognised constitutional principles, including in particular a clear separation of powers between the legislature and the executive and an independent judiciary as well as a constitutionally entrenched bill of rights, protecting individual civil and political rights.

In sum, the ANC and the NP remain divided over the real meaning of democracy, and differences therefore exist over the more precise content of a new constitution and a bill of rights. It is stating the obvious that human rights have been systematically violated in South Africa by the apartheid regime. According to the human freedom index (HFI) published by the UNDP in 1991, South Africa in 1985 only fulfilled three out of the 40 indicators used. Political prisoners and political freedom in the homelands have also remained particularly difficult issues after the initiation of the reconciliation process. With a view to the future, it is of relevance to note that the NP wishes to limit the obligations of the state to a minimum. The NP is also particularly concerned about the protection of private property rights. The ANC, on the other hand, is convinced that not only civil and political but also social and economic rights are central to any discussion of human rights and a new South African constitution. The ANC furthermore wants a bill of rights supplemented by special charters for workers' and women's rights.

Gender issues and women's rights were raised at CODESA in a special working group, and action in this field is certainly long overdue. The South African society is very patriarchal in legal as well as practical terms. The law improved somewhat during the 1980s, but most provisions are prospective. Thus, many women - rural and urban - remain subjected to marital power, which implies that a wife cannot enter into contracts on her own right, nor can she acquire or dispose of property without her husband's approval. Furthermore, a large (but decreasing) part of African women are married according to customary law, implying additional discrimination vis-à-vis men. Sexual violence is also widespread. Thus, legal revision is necessary, but the fundamental problem is clearly one of changing dominant attitudes and values, which relegate women to a secondary position, and which often make marriage the only way for women to get access to status and resources.

2.6 Violence

During the five-year period from 1985-1989, some 5,400 South African deaths were recorded as political fatalities by the South African Institute of Race Relations. Violence has been endemic in Natal, Inkatha's regional power base, since 1985 and this province accounted for over 90% of all deaths caused by violence in 1989. However, in 1990 the violence spread to the Witwatersrand as the Inkatha became more active in this area, and in the whole of Transvaal the

number of fatalities increased from only 54 in 1989 to over 1,500 in 1990. At the same time the number of deaths escalated critically in Natal, so almost 3,700 were recorded as political fatalities in 1990 with 90% of the deaths occurring in Natal and Transvaal. In 1991 the number of deaths due to violence decreased slightly to some 2,600, but the death toll increased again in the beginning of 1992, including the victims of the Boipatong massacre, who contributed directly to paralysing the negotiation process.

Three major peace accords were signed in 1991 to try to deal with the situation, including in particular the National Peace Accord (NPA) between the ANC, the government and the IFP as well as various other organisations. The Peace Accord set out codes of conduct for political parties and the security forces, made provision for socio-economic development and provided for the establishment of a complex set of regional and local dispute resolution committees. It also established a commission of inquiry regarding the prevention of public violence and intimidation (the so-called Goldstone Commission). Despite the undisputed respect, which the Goldstone Commission has acquired due to its effective and non-partisan work, the NPA as a whole has so far failed to contribute in any decisive manner to the ending of the violence.

The causes of the violence are many and complicated and violence itself takes on a variety of forms. They range from attacks on white business people, policemen and soldiers as well as African town councillors and black activists to conflicts between political parties, taxi drivers and shack dwellers. The fighting has also more recently taken on an ethnic connotation with the IFP accusing the ANC for being a 'Xhosa-dominated' organization motivated by their hatred of the Zulus. It would be erroneous, however, to accept this accusation and misinterpret a particular expression of violence for a fundamental cause. Political rivalry between the ANC and the IFP certainly exists, in particular since the rural based IFP has been losing ground to the more urban based ANC, but the real underlying explanations for the violence go much deeper and must be properly understood if appropriate responses are to be designed.

In searching for the fundamental causes of the violence, attention must first of all be paid to the economic and political imbalances created by apartheid. Social tensions and the spread of crime to survive are a logical - and inevitable - consequence of economic deprivation and competition over scarce resources. Furthermore, the South African context has for decades been characterized not only by the use of the powers of the state for repressive purposes, but also by increasing unemployment and worsening economic problems. The police and army were mobilized to act against black communities and trained to manipulate existing tensions. To this should be added the well documented criminal conduct by members of the South African Police (SAP) and the KwaZulu Police, which exacerbate the perception of so many South Africans that the government or its agencies are active parties responsible for the violence.

Thus, the apartheid regime deliberately created hit squads (such as units within the notorious Civil Co-operation Bureau - CCB), as well as other special oppressive forces, and more generally instilled a culture of violence in South Africa. It furthermore played a determining role in breaking down the structure of the family institution among black Africans and in shaping and distorting behaviour and settlement patterns through artificial spatial planning. To survive, massive numbers of black migrants from rural areas were forced to reside as hostel-dwellers in

single-sex hostels on the peripheries of the urban areas alongside urban people living more permanently in the formal townships and squatter camps. Hostile actions (including murder, rape and other criminal offence) are bound to be ripe in such an environment, independently of the ethnic background of people, and require little 'push' to escalate.

As if the above were not enough, the IFP has actively tried to expand its area of influence in urban squatter areas as its traditional base in the rural areas started to dwindle in the 1980s. Some squatters and even criminal 'war-lords' (gangsters) have perceived it to be in their interest to establish links with some of the many sectional and competing sections of the IFP and exploit the tensions between the migrant 'outsiders' and the urbanized 'insiders' as they exist in for example the Witwatersrand. Also the carrying of dangerous 'traditional' weapons, which the IFP has insisted should continue to be allowed for cultural reasons, has created tensions, as such weapons have been used in inappropriate ways.

A final factor in the violence is the so-called 'third force', which is used to identify right wing white groupings, which have been active in trying to destabilize the reform process and maintain the level of violence in the townships. It is not quite clear who the 'third force' actually comprise; but there is certainly evidence to suggest that members of the South African Defence Force (SADF) and the South African Police (SAP) are involved. Moreover, some understanding with the IFP would appear to have been established, and it certainly remains a fact, that upsurges in the violence have been coinciding with all major advances in the reform process over the past two-three years.

It is, in conclusion, not really surprising that violence has escalated in South Africa. Only concerted efforts by all parties involved, including the institutions of the state, political parties and local communities, could have prevented the present situation. However, faced with this challenge the de Klerk government failed to take sufficiently firm steps to prevent criminal conduct by members of its security forces and the police, and initiatives taken have only come forward reluctantly, after the mobilization of great pressure from domestic and international actors. The extent to which leaders of the NP may have been directly involved in promoting or covering up violence is a matter of debate in South Africa, but it will not be further pursued here.

2.7 Prospects for the Future

The impasse in which South Africa found itself after the break down of CODESA was precarious. Thus, the calling in late July of a UN Security Council Meeting to review the situation in South Africa was timely. The subsequent visit of the UN special representative and international monitors to South Africa and the inclusion of international experts in the work of the Goldstone Commission also assisted in ensuring that the two main parties - the ANC and the government - maintained contact. The explicit support from the UN Secretary General to the implementation of recommendations made by the Goldstone Commission was significant, and should be continued.

It has subsequently been encouraging that a series of meetings were held after 21 August

between the ANC and the government to remove obstacles towards the resumption of negotiations. The record of understanding agreed to on 26 September by the ANC and the government emphasize that there is need for a democratic constituent assembly/constitution-making body. This was welcome news to those who desire an early settlement, in particular since the record was signed after the incidence at Bisho, the capital of Ciskei, where 29 people were killed and hundreds injured, when the Ciskei Defence Force (CDF) shot at a large protest march organized by the ANC, COSATU and the SACP. The ANC and the NP also coincide on a number of other matters such as the need for adequate deadlock breaking mechanisms, and there would appear to be a relatively high degree of consensus on the arrangements concerning an interim/transitional government of national unity. These are all positive factors, which are underpinned by the understanding between the two parties that there need not be winners and losers, and that the two parties do need each other. Reference can also be made to the common understanding that a multi-party system, an independent judiciary and a bill of rights are fundamental principles to strive for.

Nevertheless, many issues remain unresolved and making simple predictions about South Africa is not particularly prudent. Constitutional differences such as those discussed above are yet to be thrashed out and the same accounts for the widely differing views on the climate for free political activity, the repressive/security legislation, covert operations and special forces and the violence. All of these issues are in fact inter-related and impact on each other as well as on the timing of the transition. Other negative factors include the perceived need of some political leaders to play with a very high profile. Recent revelations by the Goldstone Commission that military intelligence was responsible for the mounting of a campaign to defame ANC-leaders, using murderers and other criminals as well as prostitutes, is the last illustration of the infested political climate in South Africa.

Thus, what can be safely predicted is that political reform will be difficult, and that progress is certainly not going to come around all by itself. No easy solutions should be expected. Furthermore, the fact that it is the ANC, which stands to loose politically from continued instability, is too important an observation to be left unnoticed in searching for possible measures to take internationally to help resolve the present crisis and bring the negotiation process forward. In this regard, much could be achieved if those elements related to organised violence and crime could be controlled. This will in large measure depend on how soon a professionally competent, non-partisan police force, trusted by the majority of the people, can be put in place. But the ways in which the major political actors choose to behave will also play a crucial role.

In this regard, it is promising that the NP according to statements issued at the very end of November 1992 is now considering a definite time schedule for the transition to democracy. The same accounts for the recognition by the ANC that some involvement by the white minority is necessary at government level to ensure a smooth transition. Thus, it does seem justified to be cautiously optimistic that multi-party negotiations will be resumed and that a transitional arrangement could be in place some time around mid-1993, followed by democratic elections to a constitution making assembly in either late 1993 or early 1994. As far as the violence that emanates from the struggle to survive, the only viable solution lies in a combination of

economic expansion and appropriate socio-economic policy, that takes into account the particular economic and social circumstances of South Africa. They are therefore in focus in Chapter 3.

Chapter 3. ECONOMIC AND SOCIAL SITUATION

3.1 Macroeconomic Features

Basic Indicators

Some observers of the South African economy emphasize that South Africa is a relatively 'rich' country with a Gross National Product (GNP) per capita of 2,300 US\$. Thus, South Africa belongs to the World Bank category of middle-income countries. Furthermore, South Africa is indeed a regional 'giant' with a GNP, which is about three times as big as that of the SADCC countries together. Nevertheless, if the average annual income of the black South Africans in the homelands of less than 175 US\$ is used as measure, South Africa would be categorized among the poorest of the low-income countries. Moreover, while the GNP is large by African standards, it is after all only about 80% of the Danish GNP.

The most important sector in terms of contribution to the Gross Domestic Product (GDP) is manufacturing, accounting for close to 25%. Finance, insurance, real estate and business services (15%) and public administration and defence (15%) are next in importance, followed by trade (14%) and mining and quarrying (10%). Agriculture, forestry and fisheries make a relatively small contribution of less than 4% to GDP; but mining and agriculture are much more important to the economy than the GDP figures suggest. These two sectors dominate the country's exports and provide essential inputs for manufacturing. As much as 58% of agriculture output is, for example, delivered to secondary industries for processing, and agriculture is also a major employment generator.

Imports and exports account for more than half of GNP, and gold is by far the most important export, accounting in 1991 for one-third of all exports. Other mineral products, base metals and chemicals amounted to almost 30%, leaving less than one-third for other commodities, including for example diamonds, food, drink and tobacco as well as textiles. Machinery has been and remain the key import (29%) followed by transport equipment (13%) and chemicals (11%). Thus, the South African economy is small and open as well as highly dependent on fluctuating primary sector exports, and imported capital goods for the domestic industry are essential for the level of activity.

Traditionally, South Africa attracted substantial capital inflows, and international debt rose to 24 billion US\$ between 1970 and 1985. Yet, since 1985 there has been little option but to maintain large surpluses on the current account due to international financial sanctions, which caused a serious capital outflow. Debt started falling to presently around US\$ 19 billion, and South Africa is generally considered 'under-borrowed'. Yet, the debt-export ratio remains in excess of 70%, and debt continues to amount to more than 20% of GDP.

General Trends and Patterns

The South African economy was dynamic during the 1950s and 1960s with annual growth rates in excess of 5%. However, from 1973-74 stagnation and decline became characteristic. The

growth rate started falling and by the end of the 1980s was less than 2% a year, and much more volatile than previously. In 1990 per capita output had actually fallen to only 85% of the level reached in 1975, and during 1990 and 1991 GDP continued its downward trend. A further fall is expected in 1992. Thus, a new democratically elected government will face the tremendous task of having to reactivate a stagnating economy.

Moreover, during the 1970s and 1980s the composition of expenditure changed toward greater private consumption and less fixed investment. Hence, while fixed investment grew by 8-9% a year during the 1960s, the increase was limited to only 2.2% a year from 1972 to 1979, and during the 1980s investment fell by 1.5% on an annual basis. Private consumption, on the other hand, maintained an annual rate of increase of 3% during the 1980s. Thus, the capital stock became smaller and 'older', and consumption grew more than GDP, which implies that the basis for future growth was gradually undermined. Moreover, domestic savings are now dominated by a few big, private conglomerates, which are not likely to be in favour of government intervention.

All official employment and labour statistics must be interpreted with caution, but it is clear that South Africa is in the middle of a deepening and explosive labour market crisis. The number of formal sector employees has stagnated since the mid-1970s, and while 80% of new entrants on the labour market found formal sector employment at the end of the 1960s, the number is now less than 10%. The only formal sub-sectors in which employment increased from 1980 to 1988 were central government, local administration and homelands, and financial services. Thus, the build up of apartheid's administrative control structures created more jobs, but this increase was cancelled out by less employment in directly productive sectors.

It is difficult to provide more precise estimates of unemployment, as it is unclear how many are at least part time employed in the informal sector. Yet, unemployment could be as high as more than 40% of the labour force as compared to 19% in 1970 - with wide variations by sector, region and racial groups. Furthermore, while there was hardly any unemployment among whites until the middle of the 1980s, this group has also been affected in recent years. Thus, a new government will have to create jobs for new entrants, who will join the labour force as a direct consequence of the relatively high population growth, as well as for those (blacks and whites), who were left unemployed by apartheid.

Public sector budgets have been in deficit ever since 1970. The increase in the number of public employees referred to above is one aspect hereof, but to this should be added increasing debt service obligations as well as military expenditures. The latter have fallen more recently, but nevertheless rose from 2% of GDP in 1970 to 4% during the 1980s. This, *inter alia*, led to a particularly sharp cut back in public investment. Hence, public expenditures, geared towards the realization of the national and international political and military objectives of the apartheid-regime, contributed to undermining the basis for future growth and development.

The level of public expenditure and the tax burden (approximately 30%) are not by themselves worrisome, but the uncontrolled growth in the public sector has been one of the reasons for the rising inflation, which is presently around 10% for durables and around 30% on an annual basis

for food. South Africa joined much of the rest of the world in experiencing a jump in the inflation rate from 4% a year during the period 1960-73 to around 15% since then. While the initial rise in inflation can be explained by demand-side factors, it has become increasingly clear that inflation is by now much less dependent on the real state of the economy, suggesting an increasing role of inertia and accommodation to expectations.

To the above observations should be added that the future tax base is under pressure due to difficulties in the mining sector. Production of gold has stagnated since 1970, and while this sector contributed with more than 27% of public income in 1980-81, the share in 1989-90 had fallen to little more than 2%. Thus, a future government will inherit an economy with built-in inflationary tendencies, in which there will be limits on the possibility for expanding public expenditure if the negative effects of macroeconomic imbalance are to be avoided.

Drought

In addition to unfavourable longer-term trends, the South African economy at present suffers from the severe drought that has hit large parts of southern Africa in 1991-92. Although the more precise impact of the drought is difficult to estimate, it would appear that the immediate macroeconomic loss is around 1% of GDP. Yet, longer term damages will also be incurred due to the institutional and infrastructure collapse in rural areas, which has led, for example, to accelerating migration toward urban areas. Furthermore, while South Africa is selfsufficient with regard to food production in normal years, imports of maize to the tune of 5.5 million ton costing almost 3 billion R are now expected for 1992 as a whole.

The drought has also had a marked effect on food prices, threatening food security at household level, in particular in the Orange Free State and the Transvaal. Since chronic malnutrition is widespread in South Africa, the ability of people to sustain additional losses in food intake is extremely limited. Hence, the drought has highlighted the vulnerability of particularly women and children in rural areas and exposed the mis-structured state in which apartheid left the agricultural sector.

3.2 Socio-Economic Characteristics

Poverty and Inequality

It is not only the macroeconomic situation and trends, which are alarming in South Africa. Poverty is widespread as a consequence of deliberate apartheid policy, and South Africa has one of the most unequal distributions of income in the world with a gini-coefficient of around 0.65. The average monthly income of white households was around 3,300 R in 1990, but a typical black household was earning only 15% of this amount. Furthermore, in South Africa the 'high income' group is relatively large compared to other developing countries (i.e. 20-25% as compared to normally only a few per cent). Thus, much less is left for the poorest group, who on average earn as little as R 170 per month per capita.

Estimates vary, but it is nevertheless illustrative that as much as 45% of the people in South

Africa have incomes below the minimum subsistence level (MSL), which is required to provide for a family's basic needs. This is a slight decrease from the level of 50% in 1980, but the absolute number of poor increased from around 15 million in 1980 to over 17 million in 1990. Furthermore, poverty is overwhelmingly concentrated among African people and is both more widespread and more severe in rural areas, such as northern Transvaal. In rural areas as much as 70% of the African population is poor and live at levels, which are only comparable to those which can be found in the poorest of the developing countries. Finally, the most vulnerable groups include children, women, the elderly and the disabled.

It is generally held that interracial income inequalities were reduced as a consequence of deregulations in the labour market over the past decade. However, intraracial inequalities grew, especially among the blacks. It would appear that while modest income gains have been achieved among the middle 60% of the black income scale, the top 20% have experienced very rapid gains while the poorest 20% have had no or even negative income growth. Thus, the poorest groups among the blacks (and whites) are being marginalized, and growing income gaps between formal and informal workers constitute an emerging distributional dilemma.

Income inequalities are partly a result of the race-determined intervention in wage-formation, and the fact that many jobs have been exclusively reserved for whites. But to this comes the extremely unequal distribution of income generating assets. While there are only approximately 50 thousand white farmers they control more than two-thirds of the land, whereas the 1.3 million African farmers are restricted to only 13% of the South African land area. White farmers furthermore own the best quality land, and at present almost 40% of farm income is generated by only 1% of all farmers. Thus, the gini coefficient for agricultural land ownership is over 0.80, and the white share of property income around 75%.

The high white share of property income also reflects the extreme degree of concentration in the mining, manufacturing and financial services sectors. Six private conglomerates (Anglo American, Rembrandt, South African Mutual, Sanlam, Liberty Life and Anglovaal) control 86% of the shares listed on the Johannesburg Stock Exchange (JSE), which is the financial and commercial power centre of the country. South Africa also has four major banks, but they are all controlled by the conglomerates, and the same is the case for the existing insurance companies.

The concentration of wealth increased during the sanctions period for several reasons including in particular (i) foreign exchange controls, which prevented the companies from investing abroad, (ii) high inflation and a tax structure, which forced savings towards financial assets, and (iii) foreign disinvestment. The existing concentration of financial power is overwhelming by any international standard, and the number of people in controlling positions within the conglomerates is extremely small. Monopoly pricing is just one of the many consequences of this situation, which has also effectively blocked the emergence of a black entrepreneurial and trading class. Yet another consequence is that the conglomerates are very influential in determining how resources are invested.

Other Socio-Economic Indicators

Discriminatory spending on health, education, pensions, housing, infrastructure and other social services is yet another of the apartheid legacies, which a future government will have to address. Annual per capita expenditures on health for whites (R 303) was almost double that of blacks (R 154) in 1990, and despite legal changes many medical facilities remain in practice segregated. Black education, lacking resources and legitimacy, is also in serious crisis, damaging the future of black economic advancement as well as the overall growth potential of the country. Schools are largely segregated and government spends about four times as much on white students as on blacks.

Thus, while white children go to school for 12 years, the average for blacks is only five years, and of every 10 thousand black school entrants only 113 pass their final school-leaving exams. Of those a mere 27 pass well enough to enter university. Furthermore, in 1989 there was one teacher for every 17 white children, whereas there were 39 black children for every teacher, and three out of every four black teachers were underqualified. Another illustration of the educational imbalance is that there are substantial numbers of vacancies in white schools (250 thousand) despite the shortages of places for blacks (400 thousand). Finally, among black pupils who drop out of school, 50% of the boys and 64% of the girls cite poverty as the reason according to a 1990 survey.

Adequate housing is a basic human need and is crucial to socio-economic development, the improvement of the quality of life and the prevention of disease. Nevertheless, the distribution of basic infrastructure has also been racially determined in South Africa. Estimates of the shortage of housing vary, depending on whether informal structures are conceived as housing or not, but whichever measure is used, the backlog is enormous. The Urban Foundation (UF) indicates that there was a lack of 1.2 million houses in 1991, of which more than 90% were needed by African households.

The UF figure reflects a rather restrained assessment, however, since all units with secure title, including informal housing in so-called site-and-service schemes, are included as part of the existing housing stock. There were around 7 million people in often very poor quality urban informal housing in 1991. A socially (but not necessarily economically) more meaningful assessment, which takes into account the needs of all those not living in a conventional house (including shack-dwellers and farm labourers) therefore puts the overall gap at 3.4 million units.

Blacks in South Africa have very inadequate access to water and sanitation. In rural areas only 53% of the population have a safe and accessible water supply (ranging from as low as 25% in the Transkei and KwaZulu to 95% in Gazankulu). And only 14% of rural people have access to adequate sanitation. In urban areas the situation is somewhat better, but it is nevertheless notable that more than one-third (of the whole of the urban population) have only minimal sewerage facilities (defined as unimproved pit latrines or secondary or shared access to provision e.g. backyard shack dwellers). Furthermore, while South Africa generates 60% of Africa's total electricity production, 70% of black households have no access to electricity.

The social imbalances between urban and rural areas have become even more evident after the abolition of racially based legislation and the lifting of influx control. Pushed by poverty and

opportunity people are flooding into the major metropolitan areas. Estimates vary but figures between 350 thousand and 1 million have been indicated, and people are moving into cities which have been deliberately underdeveloped for decades on the grounds that black people belong in the homelands. Squatter settlements are therefore mushrooming, and tens of thousands of new shacks are established each month, leading to a further overburdening of the social and economic infrastructure. The conditions have been characterized as abhorrent and explosive as well as extremely dangerous, in particular since the majority of the population of South Africa depend on the formal economy for their livelihood. The formal economy is in itself, however, highly dependent on stability and can easily disintegrate.

Environmental Degradation

Issues of the environment have reached crisis proportions in South Africa. The government's Department of Environmental Affairs in 1991 warned that only 10% of South Africa's once lush savannah can be considered undamaged by erosion. The area between the coast and Lesotho in the eastern Cape (including Transkei) is particularly hit by overstocking and overgrazing, and some 400 million tons of top soil wash off South Africa's land surface each year due to erosion. At least 250 thousand hectares of new desert have been the result. Soil erosion is a direct consequence of overpopulation in the homelands, closely linked with the population and land policies pursued by the apartheid system; but more specific factors such as the canalization of water in urban areas, which has increased the velocity of water downstream, can also be referred to. In addition, South Africa's forests are being seriously depleted, and trees used for domestic fuel are not being replaced.

The contamination of the air is also getting worse throughout the country, including the emission of excessive quantities of carbon dioxide and sulphur dioxide from coal-burning power stations and industries. The carbon gas pumped into the air over South Africa constitutes 2% of the world total, making South Africa one of the worst offenders in causing global warming. Furthermore, sulphur gas constitutes a significant threat to human health and has caused an increase in chest, lung and heart diseases. Acid rain is killing trees and plants as well as animal life in dams and rivers and is corroding brick and metal structures. In fact, the eastern Transvaal power stations and the SASOL fuel-from-coal plants have the potential of causing the most serious acid rain problems in the world. Careful cleaning of flue gasses is particularly desirable in South Africa, since South African coal has a very high sulphur content.

The mining industry's effect on the environment has so far escaped extensive public scrutiny, but it is becoming increasingly clear that it is a major polluter, *inter alia* due to the huge cooling installations in the mines from which leakage of CFC gasses has occurred. This problem is being addressed, but the government report referred to above has also pointed out that dangerous toxins seep into the ground water and streams around the country's mining belts. Management of the impact of the mining on the environment, including the mine dumps established from the 1960s, has also been heavily criticized. Many other industries, like electricity supply, are not obliged to reveal the nature and the extent of the pollutants they spew out into the air. Finally, the use of poisonous pesticides and fertilisers, that farmers put on their land, and which all end up in the water and the soil, affecting human health and destroying sea

and plant life, is uncontrolled.

3.3 Sectoral Characteristics

Agriculture, Forestry and Fishing

The macroeconomic importance of the agriculture sector has fallen from a level of 20% of GDP during the 1920s, to 9% in 1965 and around 5% at the end of the 1980s. Such a fall is not necessarily an indication of problems, as the relative importance of the agriculture sector is generally falling as the development process gains momentum. Yet, in South Africa this is very far from being a satisfactory explanation, and the dualistic production structure is even more pronounced than in other developing countries. The distribution of land is as already noted extremely biased, and production has stagnated in the homelands due to overpopulation, soil erosion etc.

Furthermore, the forced removals of millions of people from 1960 by the apartheid regime have drastically changed the relationship with the land. Only few South Africans are now fully dependent on agriculture, and it has recently been estimated that the poorest 10% of the South African rural (black) population get around 40% of their income from transfers from family members in urban areas. Thus, the homelands can be characterized as labour reserves, lacking a well functioning class of small peasant farmers.

While the majority of the agricultural labour force is concentrated in the subsistence sector, the overwhelming bulk of agricultural production and food for the urban and rural population emanate from rather sophisticated white owned commercial farms. A wide variety of outputs are produced, including in value terms first of all livestock and livestock products (32%) and maize (13%), but also hay (5%), deciduous fruit (5%), sugar cane (5%), vegetables (5%) and wheat (4%) as well as citrus fruit (2%). The importance of livestock and livestock products has been increasing while that of maize and other crops has been falling over the past decade. Most farming is in the hands of private farmers rather than agribusiness, although such businesses are increasing in importance.

The white commercial agriculture sector is in the deepest crisis since the 1930s, and the number of agricultural workers has been reduced by almost one-third during the past two decades. Increasing debt problems, stagnating productivity and faltering competitiveness have also become widespread, and despite decades of state support the sector has not maintained its capital stock. The immediate causes of the crisis are agricultural policy changes intended to reduce the previous high levels of subsidy, where negative levels of interest and easy access to credit were common. Hence, difficult structural changes are in process, and a future government will moreover have to face a powerful system of marketing firms and private companies. They have been allowed to operate in oligopolistic manner and have often not been receptive to the needs and interests of producers and consumers.

Forestry is a small but growing industry. About half of all saw logs come from state owned plantations, and paper and pulp are now among South Africa's largest manufactured exports

following large investments by Anglo American and Gencor. The fishing industry has declined sharply in importance from the late 1960s due to overfishing. Nevertheless, fishing is still an important activity

Mining and Energy

Mining and in particular gold mining, which account for 63% of the value of mineral output (excluding coal), is as already pointed out an essential sector of the South African economy. Gold traditionally accounted for more than 40% of exports, but output has been on an almost uninterrupted downward trend since 1970. In 1991 the production of gold was at only 60% of the level reached two decades ago. Many mines have had their richest deposits exploited, and the decline in the international gold price in combination with rising costs has hit the industry hard. Also the production of diamonds has decreased, and the overall value of mineral production has stagnated in nominal terms in recent years. Thus, the industry is despite its strategic importance experiencing considerable problems, and as outright losses are now encountered in for example the production of gold the probability for further mine closures is high, and the significance of gold in the economy is in all likelihood going to decrease in the coming years.

Data on the energy balance of South Africa have been classified since the OPEC oil embargo was imposed in 1973, but coal-based electricity and consumption of coal directly are the major commercial energy sources. Moreover, some 40% of South Africa's liquid fuel needs are supplied by three SASOL coal-based plants, which were built to achieve independence from imported oil. Nevertheless, large stockpiles of imported oil, which are now being reduced, were also built up. Non-commercial energy (mainly wood) is important in rural areas, but solar energy is hardly used despite favourable natural conditions. Coal is potentially an important export. Proven reserves exceed 150 years' production, and the lifting of sanctions should boost demand, although sanctions have not affected coal exports as much as originally expected.

Manufacturing

Gold mining has not only been important in its own right - it is also the key to understanding the growth pattern pursued by South Africa since the mid-1920s. Gold exports made possible a large scale attempt at building up an inward-looking domestic consumer industry to the benefit of the white minority. This strategy was implemented using import substituting economic policy, protecting the domestic market by quantitative restrictions and import duties. As a consequence, industrial production grew rapidly after World War II, but during the 1970s capital intensity increased and the growth machine simply ran out of steam. This was caused, first of all by faltering efficiency in production due to the lack of competition from abroad, but also a politically motivated series of investments in the production of armaments, iron and steel as well as petro-chemical products increased capital intensity.

The result of the above process was that the incremental capital-output ratio, which was around 2.5 until 1970, grew to 4.9 during the 1970s and 5.2 in the 1980s. This is high by any international standard. At the same time labour was substituted by capital, so less labour was

used per unit produced in the economy. Thus, it is not really surprising that growth in GDP and employment in the formal sector stagnated, especially when the unequal distribution of income, which limited black purchasing power, is taken into account. Hence, also the industrial sector is in crisis, and only paper and pulp, non-ferrous metals, beverages and tobacco had annual rates of growth in excess of 2.5% between 1981 and 1989. Transport equipment, for example, experienced an annual decrease of 8.9% in this period.

The most important manufacturing products in 1991 were food and the category 'other chemical products', which both account for 14% of the value of manufacturing sales. Motor vehicles, parts and accessories (9%), iron and steel (8%), fabricated metal products (except machinery) (6%), industrial chemicals (5%), paper and pulp (5%), beverages (5%) and electrical machinery (5%) are next in importance. The remaining 29% are distributed among no less than 18 different categories of manufactured goods. Employment in the manufacturing industry is around 1.4 million people, while some 600 thousand are employed in mining. The excessive concentration of the industry is reflected in the fact that the ten largest companies employ around 40% of the industrial labour force.

Tourism and Services

Tourism is an important activity and accounts for a significant share of GDP, and foreign exchange earnings from the sector are expected to rise considerably due to the lifting of sanctions. It is also a fact that South Africa has good tourist facilities, including wildlife, scenery and landscapes such as the internationally famous Kruger National Park and the beautifully situated Cape Town area. Nevertheless, despite the scope for future development, the tourist facilities are not sufficient to handle a large influx of foreign visitors without considerable expansion.

In the service sector, financial services is the largest sub-sector accounting for 35% of all services. Trade and accommodation (28%), transport and storage (21%), electricity, gas and water (11%) and communication and personal services (5%) are next in importance. The financial structure and institutions in the modern sector of South Africa are very sophisticated. They include all that would typically be found in any developed country, including a modern stock exchange in Johannesburg (JSE).

Moreover, the South African Reserve Bank (SARB) performs all normal banking functions. The SARB has in recent years asserted its independency from government and gives high priority to anti-inflationary monetary policies. As such this is a potential conflict area with a new democratically elected government, which is bound to have a more expansionary view on economic policy. A new government will also have to pay considerable attention to the extremely underdeveloped banking and credit institutions available for the poor majority of the South African population. This issue is further pursued in Chapters 4 and 6.

3.4 Regional Dimensions

In addition to the problems of racial inequality referred to above, South Africa is plagued by a

spatially distorted distribution of economic development. Spatial distortions, which have shown only a marginal tendency to narrow over the past decades are in fact striking. In 1989, the economic core of the country accounted for approximately 60% of the Gross Geographic Product (GGP), while only 32.4% were generated in the inner periphery (i.e. the countryside of South Africa excluding the four metropolitan areas and the homelands) and a mere 7.6% came from the outer periphery (i.e. the homelands). This pattern is in strong contrast with the geographic distribution of the population, with 37.1% in the core and respectively 25.2% and 37.7% on the inner and outer periphery.

As a consequence, the GGP per capita was at a level of R 5,310 in the core of the economy in 1989 while the inner and outer peripheries registered figures of R 4,221 and R 663 only. The difference between the two extremes of Witwatersrand and northern Transvaal is even more striking. In 1987 the regional distribution of the GGP per capita was as follows: eastern Cape (R 2,353), northern Cape (R 4,085), western Cape (R 5,765), KwaNatal (R 2,421), eastern Transvaal (R 5,974), northern Transvaal (R 1,314), western Transvaal (R 4,525), Orange Free State (R 3,516) and Witwatersrand (R 7,892). It can be noted that these regions differ somewhat from the nine regions used by the DBSA, which can also be used to illustrate regional imbalances, but the exact demarcation of the regions in a future South Africa is still subject to debate, as the ANC has proposed a system of ten development regions.

Under normal circumstances some regional disparities are to be expected, as resources are not located evenly around the country. What is highly problematic in South Africa is that many people have been confined by law to specific regions, which has led to excessively high disparities in per capita income and an economically irrational allocation of labour resources. Nevertheless, in assessing the complexity of regional imbalances, it must be kept in mind that the enormous differences in production capacity and standards of living between urban and rural South Africa already referred to above are even more striking than regional differences. Only 5-10% of the GDP is generated in homeland areas, which have an average annual income of around R 370 as compared to R 6,662 and R 3,927 in the metropolitan and non-metropolitan/non-homeland areas.

3.5 Summing-up

International economic sanctions are by some observers identified as the reason for the decline of the South African economy. This is, however, a misconception. *Stagnation* set in already in the beginning of the 1970s, and the sanctions, imposed in 1985-86, can at best be said to have contributed to a process already underway. Inward-looking, import-substituting industrialization coupled with the exploitation of cheap black labour was at the core of the economic plan of the apartheid regime. It was, at the same time, the intention that South Africa would become a political and economic power house in a constellation of states in southern Africa. Strategic rather than economic considerations therefore played a major role, and *inefficiencies*, generated by unviable project selection and a host of arbitrary apartheid laws and price controls hindered together with the extreme degree of conglomerate concentration an appropriate allocation of economic resources.

Moreover, despite the import substituting strategy followed since the 1920s, South Africa remains a very open economy. Imports have stubbornly remained around one-fourth of the GDP, and they are essential for the level of economic activity. Exports, on the other hand, are based on primary products to which little value is being added domestically. Furthermore, South Africa is heavily dependent on western technology as a direct consequence of the pattern of demand, which is closely linked to the *unequal distribution of incomes and wealth*, which is about the worst in the world. Not only racial, but also regional and rural-urban imbalances are alarming and pose a threat to socio-economic stability and progress.

A small minority of the South African population enjoy incomes, material comforts as well as health and educational standards comparable to those of the most highly developed countries. In contrast, the rest of the population suffers from *poverty* along traditional Third World lines, including unemployment, lack of job skills, and barriers to movement into higher paying jobs. The public sector has contributed to deepening inequality through the composition of its expenditures. Social expense on whites has been at levels, which are 3-4 times as high as the level for blacks, and the educational standard of the black population is appalling. Thus, apartheid left the black majority without a stake in the economy and a national or local government capable of delivering even the most basic social services.

In sum, a new government will take over an economy suffering from important *structural weaknesses* including (i) a typical developing country economic structure, highly dependent on a variable international environment, (ii) an industrial sector which is not, in general, competitive by international standards, (iii) a worn capital stock, which is technologically neither suited to make use of the large reserve of unemployed, low-skilled labour force nor geared to produce the goods, which the black majority of the population need, (iv) a battered agricultural sector, which is in deep crisis, (v) an inefficient and hostile public administration, (vi) a lack of skilled labour due to the low human investment in the black majority, and (vii) an overwhelming concentration of economic power and capital.

To address the above economic issues, arrest the threatening *social and institutional disintegration* and reorient the future course of the South African economy to the benefit of the discriminated majority is going to be an extremely difficult task, in particular considering the mixed prospects in the international markets, including the unreliability of the gold price. Moreover, it has been estimated that just to approximate parity in public expense, and meet existing housing needs, government outlays would have to rise from a level of 27.4% of the 1986 GDP to almost double this amount. This would be a formidable task and cannot be achieved without growth.

The above observations do not imply, however, that a future South African government is without *room for manoeuvre*. The policy frameworks within which the future development of South Africa can be analyzed are further reviewed in Chapter 4; but it can already here be pointed out that a number of policy initiatives, which can contribute to growth as well as greater equity, can be taken. There is excess productive capacity, and the access to international capital markets and aid may also provide a welcome boost to the South African economy, if used judiciously. Finally, South Africa is, after all, potentially a very rich economy due to its

impressive natural resource base.

Chapter 4. DEVELOPMENT CONTEXT AND POLICY CONCERNS

4.1 Introduction

Much of the attention of the outside world and the major domestic players in South Africa has so far focused on the need for bringing an end to violence and reaching a political dispensation. While the importance of these concerns cannot be overestimated, it remains equally important that the socio-economic legacies of apartheid reviewed in Chapter 3 are addressed in an effective manner. No political settlement can by itself bring about lasting peace and development, and what is required is not only a right to equal opportunity but also a right to an equal start in a different social environment. Hence, the need for redistribution, transformation and development has gradually moved to the top of the policy agenda in South Africa. This raises issues such as who is who in the development process, and which overall interests and perspectives they represent.

To appreciate more fully the intricacies of the existing institutional framework and the need to break away from the past, it is useful to start out by reviewing more closely some of the major actors in the context of the transition process currently underway. This is done in section 4.2. In section 4.3, the various contending policy frameworks and overall development strategies are reviewed, and in section 4.4 focus is on a number of fundamental development issues. Section 4.5 concludes, and future needs and prospects are reviewed with particular attention being given to the emerging national development fora.

4.2 Major Actors

The State

Under apartheid, government structures and the labyrinthine bureaucracy created by the Nationalist Party (NP), described in greater detail in Chapter 1, were largely geared towards the repressive control of people. Funds channelled through the public budget played a negligible role in broad based development. Some housing and social services were delivered, but the overall perspective was extremely centralized and the approach top-down in nature. Decisions were taken unilaterally by the state, and only afterwards were recipients informed. Building-up community participation and capacity were totally ignored, and must as a consequence be a major priority in the transition.

The legitimacy crisis of the institutions of the state gradually undermined their capacity to deliver. Government has in recent years begun to show some interest in community development programmes, but the bureaucracy remains slow, cumbersome and lacking in strategy as well as creativity. Furthermore, the initiatives, that are indeed taken, are widely resented, as they are perceived as nothing more than an attempt to deliver social goods and services before a democratic settlement is found. Corruption in central government as well as 'homeland' authorities, including the now defunct Department of Development Aid (DDA), and the inability of the state to actually disburse funds towards stated ends have contributed to its rejection.

It is important to recognize, however, that the state controls substantial financial and technical resources, which should be put to effective use in furthering the development process. This underscores, on the one hand, the importance of reorienting public spending priorities referred to in Chapter 3; but it also points to the fact that a new government must formulate new approaches, reorganize bureaucratic structures, change existing habits and increase the accountability of state institutions. The capacity to carry out these tasks is seriously circumscribed and may well turn out to be one of the major bottlenecks in taking over effective control of the state apparatus and the resources it commands.

Parastatal Institutions and State Funded Trusts

While the recurrent and capital expenditures set aside for developmental purposes and disbursed through normal government processes have been rather limited in scale, the South African government has over the years created a number of state funded agencies, which have been active in underdeveloped areas. Some are associations not for gain, which have corporate status, others have been set up as trusts. A South African trust does not have corporate personality, and can be exempted from income (and donation) taxes in a similar way to that of educational, charitable and ecclesiastical organizations.

Thus, the establishment of trusts has become a widely used mechanism for the state as well as non-state actors to channel resources for charity and developmental purposes. A trust can act both as a conduit for funds (of domestic as well as foreign origin) to other organizations or as an implementing agency. A recent incomplete survey by the New York based Institute of International Education (IIE) lists 73 state and non-state trusts/foundations of the above kind, and notes that their size and area of operation vary considerably across the country.

Some of the more important of these institutions, funded by the state, include the Development Bank of Southern Africa (DBSA), the South African Housing Trust (SAHT), the Independent Development Trust (IDT), the Small Business Development Corporation (SBDC), the Industrial Development Corporation (IDC) and some 14 'homeland' development corporations. In aggregate terms, they control significant financial and technical resources. A brief review of the DBSA, IDT, SAHT, SBDC and the IDC follows below to illustrate their nature and operations.

The Development Bank of Southern Africa (DBSA): The DBSA was established in 1983 by the governments of South Africa and the 'independent homelands' (Transkei, Bophuthatswana, Venda and Ciskei). The DBSA's specific role was defined as providing technical assistance and loan finance on 'soft terms' for 'homeland' governments in a variety of fields such as rural and agricultural development, infrastructure, business and entrepreneurial and human resource development. The DBSA formed part of the South African government's strategy to promote 'regional economic development' within the context of a Constellation of Southern African State (CONSAS).

The DBSA does not implement projects, but by end March 1992 almost one thousand project loans at a total of R 5.8 billion had been approved or were in negotiation. An additional 450

projects at a total of R 3.6 billion were in preparation or under appraisal. The activities supported by the DBSA are mainly in South Africa, but some 10% of the loan finance have been destined for activities in neighbouring countries, in particular Lesotho in relation with the Lesotho Highlands Water Scheme.

The stated goal of the DBSA is to raise the standard of living of the poor, particularly by raising the quality of life of those communities and in those areas which have escaped the benefits of past economic growth and development. References to the need for self-reliant and participatory development can also be found in more recent Bank statements, and it is a stated goal that the focus of the Bank should expand to include black urban areas and collaboration with the NGO-sector. The Bank's positive contributions to the ongoing policy debates can also be noted. Nevertheless, lending is still overwhelmingly to 'homeland' and black urban authorities. Thus, DBSA continues to be widely perceived as an institution that has helped entrench apartheid, and is also being criticized for its 'top-down' approach as well as overstaffing and inefficiency.

The accountability problem of the DBSA is underscored by the fact that the controlling bodies continue to include a Council of Governors with senior representatives of the 'homeland' governments together with central government delegates. The management of the Bank is fully aware of its legitimacy problem, and is cautiously trying to reposition itself in the changing development framework and establish the basis for a future role as a major player in the development field. Part of this is reflected in the Bank's desire to recruit acceptable members of the black community, including ANC members.

Nevertheless, debate and negotiation on issues such as constitution, power structure, management and development approach is still in an early phase. Hence, it is far from clear what the future role of the DBSA will be, and it must be kept in mind that the DBSA will only survive as an institution if a new government underwrites the outstanding debts and agrees to maintain its current share capital arrangements. Thus, while the Bank represents an indisputable professional expertise and may gain an important role in the future vis-à-vis for example the international donor community and in policy research, it is advisable that external agencies adopt, for the time being, a cautious approach in their dealings with the Bank.

The Independent Development Trust (IDT): The IDT was established in August 1990 with a contribution from central government of R 2 billion, but in addition is raising substantial sums of money from domestic and international sources. The stated objective is the socio-economic enablement of disadvantaged people. Specific areas of activity include housing, education and training, health and community development. The IDT provides finance to existing organizations such as the Urban Foundation Land Investment Trust as well as organizations specifically created to disburse IDT funds, and during its first year of operation spent almost R 1.5 billion. Emphasis is on loans, that are repaid, but grants are also made.

The IDT was set up as an institution to be independent of government, and it is widely recognized that it involves some people, who are genuinely concerned about poverty. Yet, the IDT is also perceived by the mass democratic movement as an establishment structure, which furthers the agenda of the government, buying off opposition to the existing social system rather

than redressing the disastrous inequities. In the housing area, for example, the IDT approach has been described as perpetuating racially segregated residential patterns. In addition, the development approach of the IDT has, as is the case with other state funded bodies, been characterized as 'top-down', leaving little room for community participation and control. Finally, the IDT's style of work with over-centralized power located in the hands of the executive has been another subject of critique.

The grant resources of the IDT are significant, but not unlimited. Once it is spent, the organization will have to close down unless new funds are made available. Consequently, also the future of the IDT remains uncertain.

The South African Housing Trust (SAHT): The SAHT was set up to facilitate the finance and construction of homes in low-income communities. Between July 1987 and February 1991 the board of the trust approved the expenditure of R 1.4 billion on projects with the objective of building 67 thousand houses and establish 68 thousand serviced sites. However, at present construction activities have come to an almost complete halt. The future role of the SAHT remains unclear, and clarification will depend on the formulation of a revised housing policy, which is presently in the process of being thrashed out by the major actors involved in the sector.

Small Business Development Corporation (SBDC): The SBDC was established in 1981, and the goal of the organization was stated as promoting small businesses through assistance in the fields of financing, business sites and advisory services. A total of more than 30 thousand loans on commercial terms have been granted amounting to over one billion rands over the past 10 years. It is clear that there is a need for promoting small scale businesses, but this is not, in fact, what the SBDC has been doing. The average loan in 1990 amounted to almost R 70 thousand, and 'whites' dominate in the borrowing programme. Criticisms have also been raised that the viability of the projects supported has actually been limited. Thus, the SBDC is resented in black communities, and is widely perceived as an institution, which does not apply its resources for the purposes it was created.

Industrial Development Corporation (IDC): The IDC is a financial institution offering a wide range of facilities to assist private sector entrepreneurs engaged in manufacturing industries. It was established in 1940, and although not subject to company legislation, the IDC conforms to private sector company principles and practice in its operations. The objectives and *modus operandi* of the IDC has so far attracted little attention by the mass democratic movement, and it is according to its Direction not a potential channel for external development funds. It would appear, however, that the possibilities for collaborating with the International Finance Corporation (IFC) is a distinct possibility.

Corporate and Private Sector Supported Initiatives

The involvement of the private sector in developmental activities has traditionally been limited, although the business sector commands substantial resources. Until recently, the *Urban Foundation* (UF), set up after the turbulent uprisings in township areas in 1976, has been the

main business vehicle for development support. More than R 200 million was donated by over 1,100 local and multinational companies to the UF until mid-1991.

The UF has branched out from its primary interest in housing to other questions in the field of service provision and education. The main activities of the UF is research and policy development, and the organization is not directly involved in construction. The UF does, however, coordinate utility companies which implements its policies. A related foundation is the *Land Investment Trust* (LIT), an independent national housing agency established as a subsidiary of the New Housing Company Holdings following a recent reorganization of the UF.

In the business and the private sector, there has also been a more recent resurgence of interest in the socio-economic prospects of the majority as compared to the more traditional concern with earnings due to the recognition that sustained growth cannot be achieved in an unstable, conflict ridden context. In addition to the UF, the private sector established the *Consultative Business Movement* (CBM) in 1989. The CBM is a voluntary and independent group of senior business leaders and corporations who, from a business perspective, acknowledge and support the need for transformation of the South African economy. The CBM influences policy debates, and has spearheaded the establishment of an important private sector funding consortium.

The consortium has recently received a commitment of over R 600 million for a period of five years from 12 of the major South African corporations. To this should be added a large number of other corporate initiatives such as the *Liberty Life Foundation* (LLF), which has just announced a R 100 million initiative. The LLF has stated its goals as making resources available for improved educational facilities, the alleviation of poverty and the training of talented black economic and community leaders. In 1990/91 an estimated total of R 840 million were spent by the corporate sector as a whole on social uplift programmes as compared to only 495 million in 1987/88.

The emphasis in private sector initiatives has been on the delivery of educational facilities, houses and electricity as a precondition for growth and stability; but more recently the corporate sector has also started to address issues of community participation and control. More specific policies are still to be elaborated. It is clear, however, that this will take place from a different long term strategic socio-economic perspective than that of the mass democratic movement.

The same accounts in varying degree to a long list of *private voluntary organizations* (PVOs), funded by individual or corporate donations. Generally they operate as charities in the provision of welfare services, including hunger relief, care for the disabled and a variety other goals they have defined themselves. The PVOs tend to be apolitical in nature although quite often with a rather paternalistic orientation. They are likely to retain importance, in particular since some are being modified in a more developmental direction such as the Get Ahead Foundation (GAF), which is involved in micro-lending and training. Nevertheless, it is useful to make a distinction between those agencies such as GAF, which facilitates the transfer of funds, and those agencies that attempt at developing institutional capacity within communities themselves.

The *Foundation for African Business and Consumer Services* (FABCOS) and the *National*

African Federated Chamber of Commerce and Industry (NAFCOC) are the main umbrella organizations which have facilitated African economic empowerment. NAFCOC's membership through its affiliated chambers of commerce has been estimated at around 100 thousand, but only a few thousand have actually paid in their fees. NAFCOC has over the years represented more established formal African businesses, and has formulated a number of vocal political demands for increased black involvement in business.

FABCOS, which was founded in 1988, represents the informal African business sector. FABCOS describes itself as a development agency, consisting of 14 affiliates such as the South African Black Taxi Association (SABTA) and the African Builders Association (ABA). It has a membership of approximately 100 thousand, but the potential membership is in the area of 1.4 million. Yet another institution in this field is the *Independent Business Enrichment Centre* (IBEC), which has been entrusted with the task of providing business education and facilities for employment as well as credit in the so-called Border region.

Trade Union and Church Initiatives

South African trade unions such as the *Congress of South African Trade Unions* (COSATU) and the *National Council of Trade Unions* (NACTU) have in addition to their main function of organizing workers in the struggle against apartheid played an important role in addressing political and developmental problems at local level. This has taken place through an alliance with community (mass) based organizations, which is unusual in comparison with other countries, and this alliance continues to be of significant importance. Some of the more specific developmental projects supported by the unions have included training and production co-ops for dismissed workers. These initiatives have depended heavily upon external support and have far from always been successful. Thus, there seems to be a need to focus activities more tightly, with one possible strategy for the future being that of putting emphasis on training.

Also the South African churches have gone beyond their traditional functions and their participation in the political struggle. The *South African Council of Churches* (SACC) as well as the *Southern African Catholic Bishops' Conference* (SACBC) have assisted the victims of apartheid by defending political prisoners, sustaining their families and providing education for their children. The churches have also served as channels for other humanitarian and emergency aid, and they have traditionally been involved in the provision of formal education. The churches also recognize the importance of projects in the broader field of development and have assisted in a number of such activities; but their experience in this area is not extensive.

Community Based Organizations

The principal form of mass based organization at local level are the community based organizations (CBOs), many of which grew out of the struggle and resistance against apartheid. The number of CBOs is probably close to 3 thousand, and a complete review of their activities is impossible. This is further underlined by the rapidly changing conditions in the country and the process of change in the activities of the civics. Other associations at local level include the stokveld savings clubs and the burial societies, which are more 'traditional home grown'

community structures, which serve the immediate needs of the people.

The main functions of the CBOs would under more normal conditions be constrained to serve as interest groups and negotiate for resources, but due to the underdeveloped nature of the South Africa society the CBOs are at present often the only fora for community initiatives. They will as a consequence undoubtedly be important players in the development field in a future South Africa, but a clearer demarcation of their development role vis-à-vis legitimate local government authorities is yet to emerge. External donors should therefore exercise considerable care when funding development projects run by the civics. These are bound to be subject to pressures and manipulation by local interest groups, and conflicts over the control of scarce resources within communities is a potential threat. Furthermore, the civics often possess only limited technical skills and experience due to the legacy of apartheid. On the other hand, the potential of the civics in furthering development under the right circumstances should in no way be underestimated.

Non-governmental Service Organizations

There are as is clear from the above review many non-state organizations operating in South Africa. However, a particular alliance developed during the 1980s between the civic based organizations and a group of development oriented non-governmental organizations (NGOs), reflecting the complete lack of legitimacy of state institutions. These primarily urban based NGOs, which grew out of resistance to the apartheid state, have offered a range of services to local communities, including for example training facilities and consultancy advice, in a number of areas ranging from physical planning to policy analysis and assistance in getting access to the resources of the state. The NGOs in this group, which number around 40, are run by professionals and intellectuals and as such are much better staffed than the organizations they serve.

The staff in the NGOs still tend, however, to be relatively young and inexperienced in professional terms, and while they have succeeded in attracting external funds, which account for the major share of their activities, they have had much less resources at their disposal than their adversaries in the state. They have not, therefore, always managed to perform satisfactorily and have been under pressure to expand at a rate that has put considerable pressure on their institutional infrastructure and professional capacity. Comparatively high salaries and the predominance of whites have also in some cases led to tension between the NGOs and the organizations they aim to support. Nonetheless, they have, broadly speaking, been sympathetic to the goals of the mass democratic movement, and as such continue to enjoy a high degree of legitimacy, and will retain a significant role in the transition process.

It is impossible to review the above kind of NGOs in any detail, but some of the more important include PlanAct, CorPlan, Development Action Group (DAG), the Built Environment Support Group (BESG), the Centre for Organization, Research and Development (CORD), the Rural Advice Centre (RAC), the Rural Finance Facility (RFF), the National Land Committee (NLC), the Environmental and Development Agency (EDA), the Education Development Trust (EDT), the Human Awareness Programme, and the Community Based Development Programme

(CBDP).

A number of policy units, which are university based can also be said to belong to this category of actors, as they have supported the policy process through policy oriented research. They include for example the Education Policy Units (EPUs), the Education Resource and Information Project (ERIP), the Centre for the Study of Health Policy and the Macroeconomic Research Group (MERG), but also the Economic Trends group (ET), the South African Labour Development Research Unit (SALDRU) etc., which are linked to the trade union movement, can be mentioned in this context.

Reference can finally be made to a number of independent actors in the areas of human rights, conflict resolution and education for democratic participation such as the Lawyers for Human Rights (LHR), the Human Rights Commission (HRC), the Legal Resources Centre (LRC), the Institute for a Democratic Alternative for South Africa (IDASA), Independent Mediation Service of South Africa (IMSSA), Urban Monitoring and Awareness Committee (UMAC), Peace Action, Black Sash, Meadowlands Monitoring Group (MMG) etc.

Fund-raising NGOs

There are a number of non-governmental institutions in South Africa in the democratic mould, which have been set up to raise funds locally as well as from abroad to support projects aiming at empowering those disadvantaged by the injustices of apartheid. The most important of these organizations is the *Kagiso Trust* (KT). The KT came into being in direct response to the approval by the European Community (EC) of the 'European Special Programme' (ESP) in 1985. The EC began dialogue with South African organizations, particularly the churches, to find ways to implement the ESP, and as a consequence the KT was formed in May 1986 by a group of mainly church related trustees. Even today seven out of 10 trustees are drawn from the religious establishment.

The objectives of the KT were originally devised to support humanitarian and anti-apartheid work; but at its 1990 Conference entitled 'from opposition to governing' it was decided to adopt a more developmental focus, with a particular emphasis on 'grass root' activities designed so as to ensure appropriate local participation in both decision-making and project implementation. KT, which in 1991 had a budget of close to R 100 million, supports projects in no less than eleven areas of development, including *inter alia* education, community development, health and human rights.

The KT has as other institutions in opposition to apartheid experienced the problem that political activists do not necessarily possess the technical skills required, and also the unfinished transformation from a resistance to a development focus in its activities has been subject to critique. Nevertheless, in spite of its weaknesses KT is a crucial institution, which enjoys a high degree of legitimacy with the mass democratic movement. Thus, it is bound to remain an important actor in the field of development in the years to come.

Among other fund raising NGOs, *Mathla Trust*, which is closely associated with the ANC, and

Interfund can be mentioned. Interfund was founded in 1986 as an international consortium of NGOs, which wanted to pool their resources to make a more significant contribution to development in South Africa through education and training. The Interfund programme seeks as well to foster the growth of effective South African NGOs, active in the field of community based development. In 1991 Interfund supported some 70 on-going projects. Interfund is registered as a charitable company in the United Kingdom (UK) and its work is governed by its three member agencies, the Norwegian Students and International Assistance Fund (SAIH), the World University Service of Canada (WUSC) and the Danish NGO IBIS. Despite its status as a non-local NGO, Interfund has managed to acquire a credible role on the South African development scene, and is widely perceived as an effective mechanism for the channeling of resources.

4.3 Policy Frameworks

Introduction

The changing political climate in South Africa has been accompanied by a debate on future economic policy and development strategy, which has proven both controversial and complex. The initial opening of talks in 1990 on South Africa's economic options focused on a narrow rhetoric of 'privatization' versus 'nationalization', and questions related to the extremely high degree of industrial concentration remain unresolved. Nevertheless, it has by now been widely accepted that the key economic issues revolve around the possibilities for making the two objectives of growth and redistribution compatible. All parties agree that growth is necessary; but there is no consensus on how an internally sustainable growth pattern, that also takes external constraints into account, should be promoted.

One of the divisions in the economic debate goes between government and business, on the one hand, and the mass democratic movement, on the other. The first perspective is that growth should start 'from above' and 'trickle down' or 'be redistributed' to the benefit of the poor. The alternative view is that growth must be initiated 'from below', based on redistribution and increased purchasing power among the poor. The debate is in reality more complex, and also international organizations such as the International Monetary Fund (IMF) and the World Bank (WB) have started to make their analyses available. Contending views are therefore reviewed in greater detail below.

State Views

The government has not made public any consolidated and detailed economic policy and development strategy or plan, but it is quite clear from a variety of public statements and policy papers that the basic position is that there is nothing fundamentally wrong with the economy. South Africa is perceived as a rich country. The economic crisis is seen as temporary, caused by international sanctions and outdated economic policies, which are being changed. Thus, the dismantling of apartheid will, it is argued, automatically lead to economic recovery. This will benefit not only the poor of South Africa through a 'trickle down' mechanism, but also the rest of sub-Saharan Africa, as South Africa can be compared to a 'locomotive' capable of pulling the rest of the region forward.

The South African Reserve Bank (SARB) has for example been quite outspoken about its role and has explicitly stated that it sees its prime concern as maintaining monetary and financial stability in an essentially 'conservative' fashion. And beyond the narrow area of monetary policy, the Reserve Bank as well as other government bodies such as the State President's Economic Advisory Council focus on the supply- rather than the demand-side of the economy. That is, they underline the importance of measures such as the following: (i) a free-market approach to economic organization, (ii) the use of market-oriented policies and policy instruments, (iii) further movements towards an 'open' and export-conscious economy, (iv) fiscal discipline, and (v) structural reforms in a variety of areas to reduce the relative importance

of government in the economy.

Among the parastatal institutions the DBSA has as noted contributed to policy debates, and views expressed are at variance with the position taken by central government institutions. The DBSA is, for example, quite clear in pointing out that the problems of South Africa cannot be resolved through trade policy alone. The structural problems of the economy must be addressed directly. Thus, the DBSA would like a 'new' South Africa to pursue a revised set of trade policies as a break with the past is seen as necessary, but attention must according to this view be focused on domestic as well as export markets. There are consequently elements in this approach, which are likely to go down well with those actors, who take a more heterogeneous position in the policy debate.

Corporate Sector Approaches

No single clear cut approach to future economic policy has come forward from the private sector. Institutions such as the South African Chamber of Commerce (SACOB) see the future economic options for South Africa in much the same way as the government. That is, attempts to redistribute income and wealth would not reduce poverty significantly, but would rather have a negative effect on formal sector growth.

A somewhat different perspective emanates from statements by the Consultative Business Movement (CBM), which put emphasis on the important roles for business in the creation of a new economic deal. These roles should, it is said, not be seen as 'optional extras' or 'nice to do's', but as part of the strategic planning of every business to prosper in the future. Hence, emphasis is on the need to broaden the ownership base, on effective and legitimate business practices in the transition and on the interface between business and the community. Specific aspects of the latter concern include the need for capacity building within communities and increased community control over projects.

While yet to be put into practice this is certainly new rhetoric as compared to the past, and this modified business approach does see 'growth through redistribution' as an option. The possibility for 'kick starting' the economy through an expansion of low-cost housing delivery and electrification is one aspect of this, but also the perception of the role of the state is less extreme than the free market model referred to above.

The 'kick start' suggestion was developed in 1990/91 as part of a 'changing gear' projection, prepared by an analytic group established by two of South Africa's major business enterprises, the Old Mutual and Nedcor. The projection, which is presently under revision, puts emphasis on the need for transforming the economy into an export-driven and outward looking system. Thus, in this regard it is compatible with the views of the government. On the other hand, the 'kick start' and empowerment perspective makes the approach more amenable to the 'inward looking' 'demand side' elements of ANC thinking, than is the case for the 'pure supply side' position of the government.

ANC's Perspective

The starting point for the ANC as well as COSATU and other actors within the mass democratic movement in formulating its development framework is that development should be 'people centred' and geared towards empowerment and meeting the basic needs of the majority. The ANC aspires to set the country on a sustainable and socially acceptable growth path, involving as well a revised set of economic and social policies and institutions. Hence, focus is not narrowly on economic growth, but the need for economic progress is an integrated component of the vision, which also includes the creation of a democratic state at national, regional and local levels.

The 'developmental state' is assigned a key role in building and implementing a new national development strategy, but it emerges clearly from more recent ANC policy statements that this is in no way meant to suppress the crucial role of the private business sector. Nationalization is maintained as merely one out of several options for increased public sector influence in selected areas, and a leaner public sector is foreseen in other fields. Furthermore, it would appear that the reasons for keeping the nationalization option open are just as much embedded in the unilateral restructuring and privatization processes initiated by the NP government as in ideological preferences. No large scale across the board nationalization programmes will be pursued by the ANC.

The ANC therefore sees the establishment of a mixed economy as a goal as well as a tool to promote an integrated approach to development. And the organization remains united over the view that there needs to be a major change in the existing power relations within the social, political and economic systems of the country as preconditions for stability and growth. More specifically, the ANC intends to (i) promote a political and economic order in which local capacity building and increased control are key characteristics, (ii) create new institutions of decision making, able to reach in a peaceful manner national and local accords on the allocation of scarce resources among conflicting claims, (iii) restructure economic production and investment in a more productive, employment generating and equitable direction, which will at the same time help democratize economic relations.

It follows that the development goals of the ANC are ambitious and wide-ranging. It is nevertheless encouraging that efforts have been devoted to defining guidelines for the future, that take into account development experiences elsewhere in Africa. The comprehensive policy document approved by the ANC National Conference in May 1992 is the most recent step forward in this field. Certainly, sectoral specificity and many details are still missing, but this is hardly surprising in view of the conspicuous lack of capacity and experience in policy research, analysis and formulation.

In addition, the ANC is having to respond quickly to numerous pressures coming from its dealings with the government and the international community, while at the same time undergoing a major transformation from an externally-based liberation movement to an internally-based mass political organization. The ANC represents, as pointed out in Chapter 2, a range of interests and sub-groups. COSATU maintains, for example, a more radical stance on economic policy than the ANC at large. To expect a high degree of precision on all the

technicalities involved would under these circumstances be misplaced. But this should not, of course, detract attention from the fact, that the need for detailed policy work increases manifold as the taking over of government responsibility moves closer.

As far as the economic growth path proposed by the ANC is concerned, it is interlinked with the argument that increased redistribution as a deliberate policy objective can induce benefits to the South African economy and encourage self-propelled growth. As such, redistribution is seen as justifiable not only from a social (stability and charity) point of view but also as an instrument of growth-oriented economic policy. Thus, there are many similarities with the scenarios and more specific policy measures developed by analysts, who belong to structuralist oriented development thought. Targeted and temporary import-substitution industrialization and the satisfaction of basic human needs through public and private sector action are, in line herewith, seen as an option for South Africa, caught up in an apartheid generated structural 'trap'.

It would appear that there are solid arguments behind the ANC position. It can, in particular, be noted that meeting basic needs and tilting distribution to the benefit of the poorer sections of the population in a well managed manner would increase demand for basic consumer goods. This would in all likelihood have an expansionary effect on the economy since:

(i) The South African economy ran 'out of steam' in the early 1970s as pointed out in Chapter 3, so productive capacity is presently under-utilized, and there is a large reserve of unemployed, low-skilled labour.

(ii) The production of basic consumer goods can be increased with existing technology.

(iii) A meaningful widening of the market would make it possible to reap substantial economies of scale in production.

(iv) Import requirements are relatively low for most of the basic consumer goods, which implies that the external balance of payments implications of the expansion would be more manageable than in the case of growth extended along more traditional lines.

Furthermore, infrastructure programmes, that meet the needs of the poor, are not only desirable from a social point of view but also because they form part of an indispensable economic basis for broad-based and sustainable development. In addition, basic consumer goods manufacturing and infrastructure activities are significant sectors in terms of linkages. Consequently, they can be expected to create relatively large secondary employment and income-generating effects, apart from the 'first-round' direct contribution to improved utilization of the factors of production due to demand increases.

Nevertheless, there are also important constraints, which must be considered in assessing the scope for manoeuvre, including for example the mixed prospects for foreign resource inflows due to the low gold price and possibly the lack of highly skilled labour. Hence, prudence and good management in the transition will be required if a socially damaging spiral of faltering growth and mounting inflation and balance-of-payments deficits are to be avoided.

Other Domestic Views

The Democratic Party (DP) and the Inkatha Freedom Party (IFP) as well as 'black' business organizations such as NAFCOC and FABCOS have also issued documents and statements on economic policy. The DP favours a Social Market Economy in which the principle of private ownership is respected, but where the state is assigned a role in the provision of social services in areas where private enterprise cannot deliver adequately. The IFP has indicated that it supports a free-enterprise system, redistribution of wealth 'through the redistribution of economic opportunity' and a maximum of privatization. Thus, DP and IFP views cover much the same ground as respectively more 'conservative' groups of the NP, and the progressive parts of the corporate sector.

NAFCOC and FABCOS focus on the need to create an environment conducive to entrepreneurial activity, including 'the removal of all impediments to individual initiative'. They, furthermore, wish to see active measures taken to increase the stake of the black population in the ownership of the country's business sector. NAFCOC, for example, demands that 40% of the shares and 60% of top-management in companies listed on the Johannesburg Stock Exchange (JSE) must be black by the end of the 1990s. It is, however, not quite clear how this is to be achieved.

International Organizations

The World Bank (WB) and the International Monetary Fund (IMF) have, as other international organizations, been unable to maintain regular financial relations with South Africa. International repudiation of the apartheid-regime, including the 1983 approval by the US Congress of the so-called 'Gramm Amendment', effectively blocked the IMF from extending any loans to South Africa; and the WB, which has not been directly engaged in the country since the mid-1960s, is not contemplating any lending operations pending a change of government.

Nevertheless, the IMF has over the years retained a presence through the annual 'article IV' consultations, and an IMF sponsored analysis of the economic situation of South Africa together with a set of suggested policies for the future was released in early 1992. The six-man IMF team stress that the opinions expressed in their study are those of the authors and do not reflect the views of the South African authorities, Executive Directors of the IMF or IMF staff. In spite of this disclaimer, the ideas put forward correspond quite closely with the broad economic philosophy supported by the Fund, and senior officials of the South African Reserve Bank have expressed that the report 'says all the right things' as far as they are concerned.

The IMF study puts focus on the redistributive and growth policies that will be needed, the budget options available to effect such policies and the opportunities for outward-looking policies in the external sector that would result from the elimination of trade and financial sanctions. The analytical part of the study contains a number of medium term scenarios, and the main conclusions that emerge include the following: (i) to redress social backlogs focus should be on reorienting spending priorities rather than on resorting to deficit financing; (ii) little room

exists for tax increases as the tax burden of the 'white' community appears to be relatively high as compared to other countries; and (iii) future improvements of the non-white income share will need to derive mainly from better training and better employment opportunities for non-whites rather than from a further compression of the wedge between wages for different racial groups.

These conclusions are based, however, on a number of highly contentious assumptions. The scenarios built assume, for example, that a contraction of public sector expenditures is a precondition for greater private savings and investment in the economy, and 'growth through redistribution' as an option is completely excluded *a priori*, not as a consequence of the analysis. The link between savings and investments is, in fact, a lot more complex than assumed in the IMF study, in particular considering the dramatic reconstruction process that will have to take place in South Africa. Macroeconomic balances must be respected, but the South African economy is in deep crisis, and productive capacity is under-utilized as pointed out above. Thus, there is certainly a chance that the savings rate would increase rather than fall through well designed public intervention.

Furthermore, the IMF analysis of the constraints on tax revenue is based on a rather static perception of the economy, and no account is taken of the possibility of enhanced economic growth contributing to increased revenue. Moreover, it is widely accepted that attempts at comparing tax rates across countries are fraught with difficulties, but no appraisal of the actual taxable capacity of South Africa is included. This is critical, as it would appear that there are several possibilities such as limiting tax evasion, that might raise tax revenue without adversely affecting incentives. These possibilities should at least be investigated before firm conclusions are reached in this field.

A similar critique can be raised vis-à-vis the relationship between employment and real wages postulated by the IMF. It is difficult to accept from an analytical point of view why wage policy should be excluded *a priori* as an economic instrument given that unemployment among relatively high-wage 'whites' is lower than among low-wage 'blacks' even in the same skill categories. If, for arguments sake, it is accepted that 'wages' are too high in general, analytical consistency would as a minimum require that wage differences are removed by decreasing 'white' wages. This may be difficult for a range of reasons; but it should not be overlooked that 'racially' determined differences will continue to generate unrest. Finally, it cannot be excluded, that wage policy used directly to affect income distribution and as a means to affect demand for particular labour-intensive consumer goods could help accelerate economic progress.

In sum, the above suggestions would seem to indicate that while the IMF should be commended for having initiated analytical efforts to help design appropriate policies for the future, the recently released report is not very helpful. It is, in fact, quite obvious that a reorientation of fiscal spending priorities will be needed in South Africa as pointed out in the report, but one is left speculating whether the IMF would be prepared to impose conditionalities to ensure this takes place in reality. Furthermore, fiscal moderation may well be advisable in the years to come, but the rigid adherence to a standard IMF model to reach this conclusion is not the most convincing analytical route to follow given the complexity of the situation in South Africa.

The WB has not as yet issued any consolidated country study on South Africa. Nevertheless, a considerable number of fact finding missions have been implemented since late-1990. A programme of studies on economic issues to be faced by South Africa in the years to come has also been initiated, and reports on macroeconomic policy, employment prospects, industrial policy and public expenditure alternatives are in various stages of completion. The same accounts for papers on small and medium-scale black business development, urban sector issues, agriculture and the rural economy, training and education, household electrification and poverty. These studies have in large measure been produced in collaboration with South African consultants and contain a wealth of information.

Hence, it is clear that the WB in accordance with its mandate is addressing a much broader set of issues of economic and social development than the IMF. This implies that it is more difficult to assess the work done so far than is the case with the IMF. Yet, it is clear that the WB is in general arguing that the source of restored dynamism and growth in a post-apartheid South Africa will need to come from an outward-orientated development strategy and reintegration into the economy of the rest of the world.

The pros and cons of an open economy approach to economic development in the Third World will not be reviewed here, but the process of reorienting previous policies will take time and require decided efforts to develop sectors of comparative advantage. It must also be mentioned that an important role for the government in managing the economy in a more socially acceptable direction is implied in the various papers prepared by the WB. Thus, in this regard it would certainly appear that the WB is approaching South Africa in a somewhat more realistic manner than was the case in sub-Saharan Africa in the early 1980s.

The United Nations (UN) has obviously played an important role vis-à-vis South Africa in the area of sanctions, and the United Nations High Commissioner for Refugees (UNHCR) has over the years assisted South African refugees and more recently in the repatriation of exiles. Special funds such as the UN Trust Fund for South Africa and The UN Education and Training Fund have also provided judicial and other support to political prisoners and their families as well as bursary and other education support. The UN has, however, played practically no role so far in terms of developing alternative policy frameworks for a future South Africa. A few seminars on the socio-economic problems of South Africa and the future role of the UN have been held, and also some exploratory visits have been carried out; but this is about as far as it goes for the time being except for the more recent involvement in the monitoring of violence in collaboration with the Goldstone Commission and the secretariat established under the National Peace Accord.

In the case of the African Development Bank (ADB), growing interest in South Africa has been expressed, and a high-level visit took place in late March/early April 1992 after the referendum of 17 March. The visit offered the ADB an opportunity to exchange views with the actors on the South African scene and get a better understanding of the complexities of the problems involved. On this basis, it has been suggested that future ADB involvement should focus on helping South Africa to modernise and expand its industrial sector and encourage policies and

programmes that will ensure a more equitable redistribution of this wealth. Yet, statements made in this regard are general, and ADB thinking remains at a preliminary stage. And they do not form an alternative framework as such.

4.4 Major Development Issues

Having reviewed the development actors in South Africa as well as the various contending policy frameworks and overall development strategies, it is pertinent to outline some of the more specific development issues facing the country. They are interlinked in many and intricate ways, and also mix with sectoral policy debates. Different dimensions can, nevertheless, be identified.

Violence Prevention and Conflict Resolution

Violence, confrontation and conflict are as pointed out in Chapter 2 endemic characteristics of the South African society with intricate causes linked to the socio-economic distortions created by the apartheid regime. Violence also forms part of the struggle for power, and is reaching a level which constitutes a formidable threat to the transition process. Violence is deplorable, firstly, because it hurts innocent people and, secondly, as it undermines the democratization process; but there is also a third dimension of economic nature.

There are, for example, close to 10 million people living in the urban environment of the Pretoria/Witwatersrand/Vereeniging (PWV) area, and urban as well as rural people in South Africa are as noted in Chapter 3 heavily dependent on the performance of the formal economy. This sector in turn relies critically on social stability. In other words, the whole economy could easily disintegrate if the violence escalates. Furthermore, violence and instability would completely undermine the possibilities for implementing badly needed development initiatives.

Democratization and Human Rights

The majority of the South African people have never had the right to exercise political influence through the ballot box, and gross violations of human rights continue to represent a threat to the reconciliation process. Hence, fundamental hurdles are yet to be overcome in this area, and progress will require concerted efforts by domestic South African players as well external assistance in the transition period over the coming years. Furthermore, even if legal breakthroughs materialise in the not too distant future, the democratization process will be far from complete. In fact, only a first step will have been taken. Democratization is inherently complex and the socio-economic system carefully constructed by apartheid over many decades to ensure that power was vested in a small minority will long outlive the legal apartheid laws and white minority governments.

Building Democratic Development Institutions

The basic reality facing all those involved in development work in South Africa can be characterized as one of institutional incapacity, breakdown and failure. Those institutions of the state and private sector with capacity in terms of resources, expertise and networks tend to be tainted by the past and therefore enjoy no or at best limited legitimacy. In addition, they completely lack experience in community development work. On the other hand, those organizations with credibility have only limited capacity and experience. With the exception of enclaves in the white society, organizations independent of or opposed to apartheid were previously met with fierce repression, and they have had little time to reorganize and adjust priorities since February 1990.

Managing the Developmental State

No post-apartheid development strategy can be expected to deliver effectively unless it is

supported by civil society and the private sector; but the same accounts for the institutions of government. An efficient and generally accepted public service will have to play an essential role in promoting national unity and social progress. However, the nature of public administration and public management training has for decades been nurtured along the apartheid mode of thinking; and while the existing public sector does contain some dedicated and competent civil servants, it is in general extremely conservative and ill prepared to face the challenges of a democratic, non-racist South Africa.

The mass democratic movement is also concerned that the de Klerk government is presently engaged in a process of 'unilateral restructuring'. Measures such as the ongoing privatization of public enterprises and the integration of defunct black authorities into white municipalities are seen as ways of preserving existing inequalities in a deracialized manner, deliberately making it more difficult for a future democratically elected government to address them in an effective manner. It is, nevertheless, accepted by the mass democratic movement that there are certain key developmental issues that cannot wait for a post-apartheid government. Issues of for example housing, education, basic services and health care require urgent attention. Thus, a process of engagement between state institutions, the private sector and the mass democratic movement has been embarked upon, and a range of national, regional and local negotiations fora to be further commented upon in section 4.5 has been created.

Education and Training

It is clear to all the major players in South Africa that the education sector is in deep crisis. The quality of black education is dismal. The crisis, which affects both those who are still in school and the many young adults who have for various reasons failed to secure an education, manifests itself in visible decay of schools, overcrowded classrooms, high drop-out and failure rates, a lack of qualified teachers and grossly inappropriate curricula. But also the shortage of skilled and trained labour, which has important adverse effects on productivity and international competitiveness, can be traced to the education crisis. The crisis and the struggles it has given rise to have revolved around three broad issues: (i) unequal access to education, (ii) the role of the education system in legitimating apartheid, and (iii) lack of democratic control by students, parents and teachers over the system.

Making education effective will not only require institutional transformation and the reallocation of resources. Attitudinal changes among the black population are also a key requisite. In the struggle against apartheid students stayed away from schools for long periods of time. They were in the forefront of the struggle, and this contributed to a gradual but definite erosion of the learning culture. Slogans such as 'liberation before education' and 'render South Africa ungovernable' became prevalent after the 1976 Soweto student uprising. A whole generation of 'marginalized black youth' numbering more than four million people has grown up without receiving proper training, and many of them feel that education has no value. This is exacerbated by the fact that education has been no guarantee for a job. It will require a major effort on the part of a future government as well as families and communities to reverse this trend.

Health

The present health care delivery system reflects the deep inequalities in the South African society at large. A future democratic government will therefore have to find ways to radically reorganize the sector in order to create greater health service equity, and to improve the present situation it will undoubtedly be necessary to concentrate resources on preventive health care. Yet, a new government will inherit the existing personnel and structures, which cannot be changed overnight. The private sector accounts for nearly half of all resources available for health care, but provides (largely curative) care to only 20% of the population. Responding to market signals, private health care delivery is also heavily concentrated in urban areas, aggravating the desperate shortage of resources in rural areas. In addition, South Africa already spends some 6% of its GNP on health, so it is unlikely that major new funds will be found for health care, and this would in any case not help much by itself.

Employment Generation and Black Economic Empowerment

South Africa is facing a growing labour market crisis, which will pose a serious threat to social stability and progress. One of the main challenges to a democratic government will be the generation of jobs. This will require fundamental adjustments in general economic policies, but restructuring will take time, and it is unlikely that the trend in formal sector performance and employment can be reversed quickly. Considerable efforts must therefore be focused on labour intensive social investments and the promotion of black businesses, which tend to be much less capital intensive and more flexible than formal sector entities. However, the development of black commercial activity is not only essential because of its employment generating potential.

Apartheid imposed an abundance of legal and socio-economic constraints on black enterprise, which contributed to the economic impoverishment of the majority of the South African people. Effectively, the African market was to be served with products manufactured by white business, and even in township areas black entrepreneurs and retailers could not operate normally. Jobs in certain skilled trades were reserved for whites, so blacks were prevented from acquiring industrial skills, and even for the tiny group of retailers, who overcame the gamut of controls, the growth of business was blocked by limiting the range of goods they were allowed to sell. The same accounts for the formation of companies and partnerships which might have developed into larger ventures. In sum, black business was crippled and often illegal in the context of apartheid laws.

Nevertheless, a few black businesses did manage to obtain licenses, and they were, in fact, able to achieve effective monopolies in supplying a restricted list of goods to the black community. Despite apartheid, many of them therefore have accumulated substantial assets and enjoy access to financial institutions. Experience has also given them technical and managerial skills related to their businesses. Hence, they form part of a relatively wealthy middle-class. This is not the case for the group of 'micro-enterprises' that developed in parallel with more established black business, often as a survival activity or alternative to unemployment. Micro-enterprises face tremendous constraints with respect to availability of skills and access to finance, and they compete in low-skill areas where there are now only limited barriers to entry. Yet, these

enterprises are particularly relevant from a poverty alleviation point of view, and are often the only way for women to earn a basic level of income.

Urban Transformation and Development

The housing crisis in South Africa has become (and justifiably so) widespread terminology. There is an enormous shortage of houses, and virtually all private sector developers and financial institutions have, for all practical purposes, withdrawn from the lower income housing market. Nonetheless, the housing crisis is not new, and the delivery of residential infrastructure has not come to a halt in South Africa because of lack of finance *per se*. The underlying causal factors go much deeper, and are embedded in what is indeed an urban development crisis.

One of the pillars of apartheid was the principle of residential segregation, which bred an extreme degree of urban dispersion and fragmentation of settlements. Most whites live in formal, well serviced urban areas, whereas urban black people must survive in underdeveloped, high density, low income areas located at the urban fringe, far from employment opportunities and most other economic activities. Furthermore, certain forms of bulk services are currently provided in a manner that reinforce apartheid and subsidizes whites to the detriment of blacks.

Thus, it is understandable that the urban sector has been at the centre of South Africa's political and economic struggles. Mass democratic action has included massive mortgage bond boycotts, and grievances as regards the appalling level of service provision to black urban areas have been political rallying points. This together with the rapidly increasing difficulties in taking repossession of homes, whose occupants are in default, and the escalating violence are the immediate reasons, which have affected the private risk/return balance in the housing market.

Land Redistribution and Rural Development

In a country that is so dependent on urban and industrial economic activity as South Africa, it is not difficult for rural issues to be relatively overlooked. Yet, 40-50% of the black population live in rural areas, and it is here that many of those, who have been most disadvantaged by apartheid can be found. The pattern of land ownership as well as access to agricultural services such as marketing, extension and credit is extremely skewed, and rural poverty, inequality and underdevelopment are key causal factors behind the present massive level of migration towards urban areas.

A focus on agriculture is not only justifiable for social reasons. Despite agriculture's relatively small share of production it has a critical role to play in growth and development for a number of reasons: (i) the potential of black agriculture is much greater than what has been realized so far, (ii) agriculture is as pointed out in Chapter 3 generally more labour intensive than other sectors of the South African economy and as such could help create jobs and improve the distribution of income if appropriate technology is used, and (iii) the sector is the second-most important source of exports after minerals. Finally, the ecosystem of rural South Africa is fragile, and as such merits attention from an environmental point of view. No democratic government can afford to ignore the rural sector in building up a strategy for the future. It must be recognized, however, that it will take considerable time to correct present inequities.

Access to land, inputs and services is important, but will be of only limited value unless the above issues are tackled in a context where the fundamental causes of poverty and underdevelopment are addressed. It is the whole system of rural organization and life that has to be built up in South Africa. Not only economic but also physical, social and political infrastructures must be in place. Given the legacy of disempowerment in South Africa, particular attention will in this regard have to be given to integrated needs-based, demand-driven approaches. Unless communities themselves participate in the identification, rationalization and setting of priorities for their development needs, the social energy and involvement, that is required for sustainable development interventions, will not be forthcoming.

Physical Infrastructure Services

Questions of black access to education, health care, housing, jobs and land have been central to the campaigns of the mass democratic movement. As the taking over of the reigns of power moves closer, there is an increasing need for giving attention as well to issues related with the provision and maintenance of physical infrastructure services, including (i) roads and transport systems, (ii) urban and rural water supplies for production and domestic use, (iii) sanitation, (iv) energy, mainly electricity, and (v) communications systems, particularly telecommunications, but also postal services.

Infrastructure needs cannot be assessed in detail without prior clarity about the spatial dimensions of urban and rural policy. This implies that questions such as where people will live and how the economy will be restructured must be resolved. In other words, a vision of the future will have to be developed. The whole complex of issues related to the building up of democratic development institutions and a revised system of local government also come into play in this context. Moreover, the type and level of services that is desired and feasible have to be decided on, and the necessary regulatory environment must be designed and put into place. The capacity of the existing construction sector in the light of derived needs is yet another question that will have to be looked into before more detailed planning can be initiated.

Women and Children

South Africa is a patriarchal society, and women and children, particularly in the rural areas, are the most disadvantaged and vulnerable members of society. This is unlikely to change quickly, but the mass democratic movement has stated on many occasions that it is committed to the establishment of a non-racist and non-sexist democratic state. There is need for formulating effective ways of redressing gender imbalances, but family related issues are complex.

Apartheid has pulled families apart, and the number of female headed households is extremely high. Policies and programmes based on the assumption of the male being a 'breadwinner' for the family are therefore unlikely to achieve stated goals. Furthermore, resources are not shared equally within the 'nuclear' households. Men tend to keep a disproportionate share of their earnings for individual needs whereas women apply virtually all their resources to the family, often giving priority to the needs of children over their own.

Environment

Environmental degradation has as pointed out in Chapter 3 reached crisis dimensions in South Africa. Inappropriate economic policies have led to pollution of land, air and water resources, and natural resources are being depleted due to overcrowding in homeland areas as a direct result of apartheid. Environmental legislation is fragmented and insufficient, and existing government departments are not in a position to take the necessary protective measures. Furthermore, the trends for the future are worrisome. A rapidly increasing population is bound to put additional pressure on fragile lands as grain and livestock production expand, and the costs of remedying existing environmental problems and preventing future degradation are considerable. Moreover, a future democratic government will be faced with an abundance of serious social and economic imbalances. Thus, difficult trade-offs and choices vis-à-vis the longer term needs for protecting the environment will have to be faced.

The ANC has for quite some time given attention to environmental concerns, and it is a stated policy objective of the organization to develop a framework aimed at the creation of conditions conducive to sustainable development. A range of concrete measures to govern environmental management has also been put forward, and environmental rights form part of ANC's proposed 'bill of rights for a new South Africa'. Reference can also be made to the numerous environmental campaigns by organizations in the NGO sector, which have in many cases introduced environmental concerns among their priorities for future activities.

Corporate business, including the newly formed Industrial Environment Forum (IEF), puts emphasis on the use of financial incentives for firms to encourage sustainable economic activity rather than restrictive regulations. But the present government has started to show receptiveness to new ideas about ways and means to protect and manage the environment. A 1991 government report on national environment management contains welcome criticisms of past policies and practices. The 'polluter pays' principle is now being enacted, and the issue of compensation for environmental degradation is assuming greater importance. Regulatory standards are being retroactively applied, and a ban on the import of hazardous waste has been announced.

4.5 Conclusion and Outlook

It is no easy task to sum-up and assess the various incoherent pieces of the South African development puzzle. The overall scene is extraordinarily fluid, and the various actors are anxiously trying to establish a role for themselves in an emerging 'new' country. The present government is attempting to reorient past economic policies in what is perceived to be a more sustainable direction, and some state institutions have started to recognize their legitimacy problem and prepare for new ways of operation. Nevertheless, the measures taken have generally been unilateral, initiated without consultation with the mass democratic movement. Thus, they are widely mistrusted and seen as tools put in place to preserve existing inequalities and keep 'whites' in control in a 'deracialized' manner. Tense dispute between the parties has been the result.

Organizations of the mass democratic movement are, on the other hand, in a process of changing focus from resistance and opposition to development and governing. They are under momentous pressure from supporters as well as external funders to build up development programmes quickly, but lack the necessary experience and financial resources as well as the more narrow technical skills and expertise available in the state and private sector. The ANC is facing additional dilemmas in having to convert itself from an exile to an inside base, trying at the same time to strike a balance among the various interest groups behind the alliance. Some of these groups wish to engage and transform established institutions such as the DBSA and the SBDC, others are more inclined to closing them down and form new ones, which from the outset ascribe to development philosophies of the mass democratic movement.

The above state of flux is reinforced as apartheid in addition to massive socio-economic needs produced a startling legacy of disempowerment of the majority of the population in terms of their access to resources, knowledge and ability to organize for private enterprise and economic development. Overcoming this stumbling block will be one of the key challenges to be faced by internal as well as external agencies in the field of development in the coming years. Much of what was referred to above therefore concerns the institutional infrastructure for social development and the future roles of community and non-governmental movements as well as the challenges facing the public and private sectors.

In resume, the situation 'on the ground' in South Africa is characterized by (i) poverty, extreme inequality, political division, mistrust and violence; (ii) absence of legitimate delivery mechanisms with capacity, resulting in little outreach to the poorest of the poor, who regularly find it outright impossible to get even their legal entitlements in terms of social services etc.; (iii) competition at all levels for the control of resources and the development process itself with resulting duplication, lack of co-ordination and wastage of resources; (iv) breakdown of local government and fragmentation of authorities at local, regional and national levels; and (v) rapidly rising expectations.

Consequently, the social fabric of South Africa is threatened, and there are by now large groups of the population, who feel they have a better chance of survival in conditions of anarchy than in conditions of stability. The downward and extremely dangerous spiral in which South Africa finds itself at present was shaped by apartheid, but the process of disintegration could easily worsen if the economy does not start to grow soon and deliver jobs as well as material goods. Yet, the formal economy is in circular manner dependent on stability, and in addition in need of major restructuring. Thus, fundamental problems go deep, and no wonder that the last few years have been portrayed as messy, disorganized and uncertain. It follows that there is plenty of reason to call for prudence in the assessment of the future prospects of South Africa.

A *worst case* scenario would involve a continuation or worsening of the economic trends described in Chapter 3, coupled with a delayed political settlement. This would generate continuing instability and violence, delay badly needed investment and economic restructuring, paralyse the inflow of foreign investment and intensify capital flight. This, in turn, would further the ongoing economic decline and lead to a complete collapse of import capacity, impairing

economic recovery. Under such circumstances, it will be impossible for a new government to picture the existing high expectations as being in a process of fulfilment; a backlash cannot be avoided and it will become impossible to develop positive models of political, social and economic behaviour. 'Back to education' will for example be a cry in vain; the disrespect for law and order, which has had so fertile breeding ground during the past decades, will proliferate, and crime will escalate as people struggle to survive. In sum, the social foundation of the country will be further undermined, and concepts like discipline, structure and standards will appear largely irrelevant to the majority.

There are, however, also more positive aspects of the South African situation, and constructive forces are certainly at work. Thus, a scenario of negotiated political settlement, social and economic accords and a process of hesitant, but nevertheless steady progress, can be outlined as well, as a *best-case* perspective for the future. The basis for this alternative prognosis is that the economy remains resourceful and potentially powerful despite its structural weaknesses if managed properly. The more exact scope for a basic needs or redistribution demand 'driven' recovery via the public finances will have to be assessed in the light of internal and external financial macro-constraints (or balances), the capacity of the economy to respond and experiences gained by a new government in the area of economic management. Exports, domestic and foreign investment as well as the taxable capacity of the country are other important variables in this regard. But it is plausible that there is at least some room for manoeuvre.

Thus, some expectations can be fulfilled and help in turning the vicious circle around. Furthermore, the mass democratic movement has openly recognized the need for pragmatic realism in economic policy analysis, formulation and implementation, and it is accepted that it would have troubling effects if trade and fiscal deficits are allowed to rise 'too much'. Domestic South African actors across the board as well as external agencies such as bilateral donors and the IMF and the WB also have the relevant experience with stabilization and structural adjustment in sub-Saharan Africa, accumulated during the 1980s, to draw upon.

Moreover, the search for broadly acceptable guiding principles for development has started. And a new development perspective within which it may become possible to gradually build up a new national, spatially integrated development strategy seems to be emerging. The focus on community empowerment, institution building, transfer of skills and participation, which used to be terms used only by the mass democratic movement, has certainly become more widespread and is now accepted by most actors, at least judged by the rhetoric used. Basic interests and policy goals of the various social actors in South Africa will remain at variance. Thus, the term social accord should not be overstretched, and struggle about the future development course will undoubtedly continue. Nevertheless, the term does help in bringing out the interdependence of the mass democratic movement, civil society, the present government and the private sector on each other for a successful outcome to the present predicaments. The capacity of the groups that strive at building workable solutions (if not consensus) is not impressive, but there is scope for some optimism here if ongoing initiatives are properly supported.

It is, in this context, notable that a range of organizations with roots in civil society did develop during the apartheid regime in addition to the more political opposition parties and extra-parliamentary groupings. And parallel to the constitutional process discussed in Chapter 2, a set of institutions in the wide field of development have emerged, including in particular the establishment of a variety of national, regional and local development fora.

The National Development Forum (NDF) plays a key coordinating role in this respect, and sectoral groupings include a National Housing Forum (NHF) as well as for example a National Economic Forum (NEF), the National Forum for Education (NFE) and the National Women's Coalition (NWC). Networks covering sectors such as urban and rural development, education and training and health have also been formed. At local and regional levels similar initiatives have started, and good progress has been reached in many instances in the Regional Development Forums (RDFs) where participants tend to be more diverse than at national level. Reference can also be made to the initiatives to build up institutions that support entrepreneurial activity in the small 'black' private enterprise sector.

The development fora are in various stages of maturity, but they are gaining in influence, and they are backed by development research groups as well as two working groups on development finance and community development institutions. These fora have been established totally outside the *aegis* of existing state structures. They are legitimate, and their importance as institutional building blocks in a future national development planning system should not be underestimated. It is here that interest groups across the political spectrum at present debate the ground-rules for future socio-economic development, including for example issues of local government and the provision of social services. Mechanisms to move ahead with items on which there is agreement are found, and in some cases they are given practical effect through the mobilization of resources and legislative as well as other required changes.

Chapter 5. INTERNATIONAL RELATIONS AND FOREIGN AID

5.1 Global Political Relations

Since 1949 the United Nations have repeatedly requested an end be put to apartheid, and in 1960, the British prime minister warned the all-white parliament in Cape Town that it would be wise to recognize 'the wind of change' blowing throughout Africa. Instead, the South African regime decided to opt for conflict, and left the Commonwealth in 1961 to become a republic. A massive military build-up was initiated, and UN General Assembly condemnations, supported by all member countries except for South Africa itself and Portugal, were ignored. Thus, already in 1962, the UN decided to recommend member states to: (i) break diplomatic relations with South Africa; (ii) close seaports to the vessels flying the South African flag and their airports for the airplanes of the South African Airways (SAA); (iii) boycott South African goods; and (iv) embargo any armaments for South Africa.

Effective follow-up was slow in coming forward. South Africa's strategic geographic location together with its political 'anti-communist' alliance and strong economic relations with the major Western industrial countries stood in the way. Nonetheless, South Africa's international isolation gradually increased. By the middle of the 1970s, South Africa, although a member of the UN since its inception, had effectively been expelled from the General Assembly, and did not participate in the activities of the UN specialized agencies. After yet another decade, South Africa had acquired pariah status in international political relations, although still formally a member of the following international institutions and agreements: the Bank for International Settlements (BIS), the Customs Cooperation Council (CCC), the Economic Commission for Africa (ECA), the General Agreement on Tariffs and Trade (GATT), the International Atomic Energy Agency (IAEA), the International Chamber of Commerce (ICC), the International Satellite Organization (INTELSAT), the International Standards Organization (ISO), the International Telecommunications Union (ITU), the League of Red Cross Crescent Societies (LORCS), the World Intellectual Property Organization (WIPO) and the World Federation of Trade Unions (WFTU), UN-agencies as the United Conference on Trade and Development (UNCTAD) and the World Health Organization (WHO) as well as the World Bank and the IMF.

Finally, in 1985-86 a set of wide-ranging economic and financial sanctions were imposed by the international community, including countries such as the USA and Japan as well as the member states of the EC and Commonwealth. It is difficult to assess the impact of sanctions with any degree of precision, but the oil embargo was not effective. South Africa succeeded in finding new sources of oil supply although at a premium. The same is true for a range of other inputs and manufactured goods, and as far as the arms embargo is concerned, South Africa managed to respond by developing a strong domestic armaments industry. However, more than 350 corporations disposed of their South African investments, and the financial sanctions proved effective. The lack of access to international financial markets in effect led to the debt crisis in 1986. Moreover, the cultural and sports boycotts cut South Africans off from intellectual and personal links with the rest of the world. This played an important psychological role in breaking down the morale of the apartheid regime and its supporters.

After February 1990, the international isolation of South Africa was quickly reversed. In July 1991 the US Comprehensive Anti-Apartheid Act (CAAA) was repealed. US bans on investment and commercial bank loans were also lifted, as were embargoes on US imports of South African coal, iron, steel, uranium, textiles and farm products. However, several US states continue to impose sanctions under federal laws. Furthermore, the so-called Gramm Amendment remains in force, preventing South African access to IMF loans. Nevertheless, by advising South Africa to apply for IMF assistance, the USA has signalled that it will soon be able to support a South African application.

Initiatives similar to those of the USA have been taken by many other countries. The UN has also unanimously urged all countries to restore sporting, cultural, scientific and academic exchanges with South Africa, and in December 1991, member states were encouraged to review and lift economic sanctions. Moreover, South Africa, which has adopted the Vienna Convention on Diplomatic Relations, is rapidly expanding its diplomatic contacts with an increasing number of countries, including for example Hungary, Czechoslovakia, Rumania, Poland, Japan, Bulgaria, the Russian Federation and Thailand.

A huge number of trade delegations are also reported to have visited South Africa, and the South African State President has visited a large number of countries over the past three years where he was not previously welcome. Nevertheless, the UN arms embargoes on arms sales and military and nuclear cooperation remain in effect, and some countries still maintain economic sanctions. Finally, South African membership of regional organizations such as the OAU and the African Development Bank (ADB) awaits further political developments. The same accounts for South Africa's suspended membership of the World Meteorological Organization (WMO).

5.2 Regional Dimensions

The relationship between South Africa and the rest of southern Africa has never been a balanced and harmonious one. The most dramatic forms of conflict have been military. However, many of the underlying contradictions between South Africa and the southern African region have been economic. They arose out of British and Portuguese rule and colonial interests, and subsequently centred on attempts by the South African regime to sustain white economic supremacy. More specifically, until the mid-1970s South Africa sold over-priced manufactured goods and food to the region, invested at high rates of return, and got unlimited access to underpaid labour and the use of cheap port and transport services. The balance in hard currency was collected by South Africa, and the whole system was distinctly hegemonic in nature.

Among the regional institutional arrangements, which formed part of the above system, the Southern African Customs Union (SACU) continues to be important. SACU is a customs union whose members at present include Botswana, Lesotho, Namibia and Swaziland (the BLNS states), and it is the oldest regional economic grouping in southern Africa, administered by South Africa since first established in 1910. SACU gathers customs duties on member states' imports and excise on local production, and imports are subject to extremely high tariffs, determined by South Africa.

The stated aim of SACU is to protect industries in the member countries, but this has mainly benefited South African firms, which have had access to a captive market, and the BLNS countries have been effectively kept away from switching to sources of supply outside South Africa. Thus, SACU has enabled South Africa to export goods to BLNS, which are more efficiently produced in other countries outside the SACU. Partial compensation for this distortion is provided through the sharing of the SACU tariff revenue, as the BLNS is receiving a revenue share, that exceeds the BLNS proportion of the total trade and production in the SACU countries. It would appear, however, that these short run benefits do not outweigh longer term dynamic costs, although this remains a contentious area for debate.

In addition to SACU, South Africa is also a member of the Common Monetary Area (CMA), which was established in 1986 as a continuation of the Rand Monetary Area (RMA). The member states include Lesotho, Namibia and Swaziland. While the South African rand is no longer legal tender in Swaziland and Lesotho, CMA members keep their currencies at par with the South African rand. The rand still circulates freely, and foreign exchange regulations and monetary policy continue to reflect the dominant position of South Africa.

Following the independence of Angola and Mozambique in 1974 political alignments started changing in the region, and the hegemonic position of South Africa seemed in jeopardy. The so-called Constellation of Southern Africa States (CONSAS) was conceived by the white regime as a response, but it was never accepted. Zimbabwe gained its independence in 1980, and South Africa had by then become completely isolated. The formation of the Southern African Development Coordination Conference (SADCC) in 1980 as a vehicle for the reduction of economic dependence on South Africa and for equitable regional integration involving at the time Angola, Mozambique, Zimbabwe, Swaziland, Botswana, Malawi, Tanzania, Zambia and Lesotho, was just one concrete illustration hereof.

Both SADCC and South Africa perceived transport as vital. For SADCC, transport was the key to liberation whereas it was a tool for continued domination for South Africa. Thus, the destruction of four of southern Africa's five routes to the sea became an integral part of the aggressive regional policy of war and destabilization South Africa chose to follow from 1981 to 1989. Moreover, South Africa continued its illegal occupation of Namibia despite international condemnation.

The destabilization policy not only included military raids and the promotion of terrorist activity in neighbouring countries, but also massive military invasions. UNICEF estimated in 1989 that the 1980-88 loss inflicted on the neighbouring states could be estimated at US\$ 60 billion in 1988 prices. It was added that the social implications for household income, food security, health services and water are only too obvious. South Africa also initiated a determined attempt to expand exports to the region, and contrary to the stated goals of SADCC, the economic links between the region and South Africa therefore remained unaltered. Instead, SADCC became increasingly dependent on external donors as well.

In 1988 South Africa and Mozambique agreed to reactivate the joint security commission,

which had been established under the terms of the 1984 Nkomati Accord, but ceased to meet in 1985 as a result of South African treaty violations. Later on in 1988 the international agreements on Angola and Namibia were signed, and a new phase in South Africa's relations with the region began. Destabilization and war started to give way to an emphasis on diplomacy, trade and regional cooperation as the main instruments of policy. In accordance herewith, the State President of South Africa has visited heads of states in African countries such as Morocco, Senegal, Kenya, Mozambique and Nigeria since 1990. Diplomatic relations have been established with for example Botswana, Angola and Lesotho, and South African exporters are actively seeking new markets in Africa. Finally, the ban on flights by South African Airways (SAA) over Africa has been lifted, and regular flights have been opened to a number of new destinations, including Nairobi. On the side of SADCC, the ongoing process of change in the region was recognised 12 years after its creation when a 'C' was dropped from its acronym, and SADCC became the Southern African Development Community (SADC). The perspective of the SADC is different from that of SADCC in committing the member states to the creation of an economic community, but the more precise future role of SADC remains for the time being unclear.

5.3 Foreign Aid

General Background

Foreign governments have for many years funded initiatives for peaceful change within South Africa, and this support has been in addition to the development aid programmes undertaken outside the country to assist South Africans in exile. Yet, no accurate data are available on these flows. South Africa is neither included in the OECD survey on Geographical Distribution of Financial Flows to Developing Countries, nor in the World Bank Trends in Developing Economies. Finally, the United Nations Development Programme (UNDP) has only recently started compiling the information required for producing the standard Development Assistance Report.

Nevertheless, data collected by the Scandinavian Institute for African Studies (SIAS) and revised with estimates from other sources indicate that bilateral assistance disbursed for humanitarian and anti-apartheid purposes in South Africa was of the order of US\$ 270 million in 1991. Although less than the official development assistance (ODA) to many of the neighbouring countries in southern Africa this is a fairly substantial amount, equivalent to almost 8 US\$ per capita. The aid to South Africa has generally been channelled both through foreign missions in the country as well as through NGOs. Recent reports by the Institute of International Education (IIE) list 18 foreign government missions and several hundreds of NGOs, that provide assistance, but also the UN support to refugees and judicial and educational assistance to political prisoners etc. referred to in section 4.3 can be mentioned here.

In terms of programme sectors currently being supported, education and training have the highest priority, including scholarships, and 'human resource development'. This is followed by support to (i) trade unions, (ii) health and human rights, (iii) black business, (iv) refugees and repatriation, (v) community and rural development, (vi) cultural activities, (vii) the negotiation

process, (viii) informal sector activities, covering economic and social development activities and legal as well as paralegal development, and finally (ix) a wide variety of other programmes aimed at diverse goals such as the integration of women into the development process, public policy formulation, democratization etc.

Major Donors

Countries, which have supported projects through their missions in South Africa include Australia, Austria, Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the UK and the USA. The largest donor is the EC, which accounted for an estimated 30% of the assistance to South Africa in 1991. Among bilateral donors, Sweden and USA came in second, each representing 19% of the total. However, in 1992 the USA was the largest single bilateral donor with a budgeted contribution of US\$ 80 million. Other important bilateral donors are Norway, the United Kingdom, Canada and Denmark, which together contributed some 21% of the 1991 assistance. The programmes of the EC, the US Agency for International Development (USAID), Sweden, Norway, United Kingdom and Canada, which accounted for 85% of the assistance channelled to South Africa in 1991, are briefly reviewed below. The activities supported by Denmark are examined in Chapter 6.

EC: South Africa is not a signatory to the Lomé Convention, but support is granted over the Special Programme for the Victims of Apartheid (ESP), administered by the Commission. The ESP was set up in 1985, and grew from an initial budget of five million ECU in 1986 to 60 million in 1991. European NGOs have served as disbursement channel on the donor side, whereas the Kagiso Trust (KT), the South African Council of Churches (SACC) and the Southern African Bishops Conference (SACBC) have been on the receiving end in South Africa. The trade unions have obtained EC funds indirectly through sister unions.

Up to mid-1990 the EC programme put emphasis on politically orientated projects, but since then focus has shifted to activities of a more developmental character in parallel with a trend away from a project to a more programme based approach. The EC also set up an office in South Africa in 1991, which is now firmly established and operational. Yet, the office has no diplomatic status and no formal links with the South African government. Three EC programmes are particularly important: (i) Kagiso Trust bursaries, which is the largest single component of the ESP, (ii) a water supply and sanitation programme for marginalized poor communities, and (iii) the Umthombo programme for rural integrated development.

In addition, there are smaller programmes to support (i) urban service NGOs, (ii) community education projects, (iii) micro-enterprise development, (iv) the provision of early childhood educare, (v) public administration, and (vi) supplementary education and teacher upgrading projects. Efforts are also continuing to build links between the NGOs and other organizations such as the DBSA and the IDT. In this context it can also be noted that the EC encouraged the establishment of the National Drought Forum, and is supportive of initiatives to coordinate activities within individual sectors.

USA: As described in the Comprehensive Anti-Apartheid Act (CAAA) of 1986, the US Agency for International Development (USAID) programme in South Africa has two main objectives: (i) hasten the end of apartheid, and (ii) help South Africa's black population prepare for a leadership role in a democratic, post-apartheid South Africa. The US aid levels have increased

dramatically during the last five years from US\$14 million in 1986 to 80 million in 1992. This makes the South African programme the largest non-food USAID programme in southern Africa. Project activities are directed toward three main sectors: (i) promotion of human rights and the development of civil society, (ii) human resource development, mainly education and training, and (iii) private sector mobilization. USAID does not itself implement projects, but carries out its programme through grant agreements negotiated with individual NGOs working in the three major areas of work outlined.

Sweden: The ANC has received Swedish bilateral aid for 18 years, but humanitarian aid is also provided in a number of other sectors where the assistance is channelled through either Swedish NGOs or international organizations such as the United Nations High Commissioner for Refugees (UNHCR) and the UN Trust Fund (UNTF). The overall objective pursued is the establishment of a free, nonracial and democratic South Africa. The Swedish funds increased rapidly during the latter half of the 1980s, from SEK 85 million in 1984-85 to 310 million in 1991-92. The assistance was classified and distributed as follows in 1991-92: (i) support to ANC (40%); (ii) education and research (19%), (iii) social welfare (12%), (iv) legal assistance (12%), democratic organizations (11%) and (v) other including culture, media, health and information (5%).

Norway: In 1991 Norway disbursed almost NOK 130 million in support of anti-apartheid and humanitarian work related to South Africa. A variety of channels were used, including three Norwegian NGOs. Almost a third of the Norwegian assistance went to ANC projects outside South Africa, but substantial funds were also spent inside South Africa in the following sectors: (i) support to democratic NGOs such as trade and service organizations related to the trade unions and church organizations, (ii) legal aid to the victims of apartheid, (iii) educational projects, and (iv) human rights organizations. Some NOK 20 million were allocated to the UNHCR and his programme for the repatriation of refugees. Only a minor part of the Norwegian aid was disbursed directly by the Norwegian Consulate General, which has since been upgraded to embassy status.

United Kingdom: It is an objective of the British government to promote fundamental change in South Africa leading to the creation of a just, democratic, and nonracial society. Activities are planned and implemented directly with community groups, NGOs and some universities. Funds are channelled either through the Embassy in Pretoria or a number of British NGOs. The main programme sectors include: (i) scholarships and training, (ii) community development, (iii) housing, (iv) refugees, (v) trade union training, and (vi) rural development. The funding mechanisms include the British Awards Scheme (BAS) and technical cooperation projects.

Canada: The Canadian Government has taken a leadership role in Commonwealth initiatives to condemn apartheid, which led in 1961 to the South African regime's withdrawal from Commonwealth membership. Canada has also been active in committing funds for work in a number of programme sectors including (i) education, (ii) dialogue, (iii) development projects, and (iv) black business. The Canadian programme has been channelled through multilateral agencies such as the Commonwealth and the UN, and via Canadian and South African NGOs, and there has in recent years been a shift in emphasis towards more development oriented

activities.

Donor Coordination and Information Exchange

Coordination of donor activities has until recently been impossible due to the nature of these efforts and the particular conflict ridden and repressive circumstances of South Africa. Moreover, a multitude of funding mechanisms currently exists including: (i) a complex network of NGOs on both the donor and the receiving side, (ii) church, political party and trade union links, and (iii) solidarity as well as other private funds etc. All these channels represent institutions and vested interests as well as special problems of their own. Thus, competition for funds, tension, overlaps and duplication of effort have been common and, in fact, unavoidable.

In spite of these characteristics, little effort has so far been dedicated to the building-up of effective coordination mechanisms. On the donor side, it can be noted that representatives of foreign missions in South Africa meet in different groupings to exchange information, but exchanges are mainly informal, and competition among the various donors certainly exists. Furthermore, the various groupings do not always include all potential participants. There are, in other words, obvious gaps in the exchange of information yet to be closed, and donors should no doubt pay much greater attention to this issue than what seems to have been the case so far.

Any amount of donor coordination cannot substitute for proper and continuous domestic management of development activities. The mass democratic movement (MDM) has therefore started to grapple with these issues within the context of the National Development Forum (NDF), but the existing capacity and experience is limited. The Kagiso Trust, which acts for the time being as an important national focus for the extra-parliamentary development sector, has started developing its links with the Development Bank of Southern Africa (DBSA), which has started up a database on foreign donors. Yet, the MDM still needs a clear inventory of what is available and an understanding of how to use and influence the existing state institutions. The same accounts vis-à-vis the international community pointing to the need for intensified efforts to build up and monitor information on donor activities and plans on a continuing basis.

5.4 Experiences Gained and Absorptive Capacity

It is obvious that many of the experiences gained in the provision of anti-apartheid aid will not remain relevant in future. The roles of the various actors are changing and there will eventually be a legitimate central government agency with which donor governments can work. Nevertheless, while the state will have to play a principal role in mobilizing and coordinating the use of the substantial resources for development, which are indeed available in South Africa, institutions will first need to be transformed in a manner acceptable to the communities they are supposed to serve. This and the broader process of democratization and normalization of political and community life and the building up of a coherent and consistent approach to development policy is bound to take considerable time. Hence, it will be desirable to ensure a considerable degree of continuity in external donor activities and build on the basis that already exists.

The above observations do not, however, mean that there is no room for improvement, initiation

of new activities and a change of focus - on the contrary. One of the consequences of the context in which development initiatives have so far been pursued in South Africa is a proliferation of a wide variety of isolated activities scattered across sectors and throughout the country. This has been counterproductive, and the scale and number of donor supported activities should clearly be modified to centre on fewer, longer term programmes with well defined thematic development objectives.

Also the comparative strengths and weaknesses of substantial NGO involvement in the implementation of development activities can now be viewed from a more realistic perspective. The NGO sector is indispensable for a balanced development process, and the NGO sector should continue to receive specific attention, as is the case for the development of the private sector in general. But this must be done within the context of a national development environment, which only the state can establish. And external assistance for this latter purpose would be well justified. In other words, the fact that an activity is private or NGO supported does not make it a priority or desirable *per se*. The institutional and other types of vested interests that have grown up around past activities will not in all cases remain relevant and socially desirable. Moreover, the existence of external funds can also in the case of NGO promoted assistance immobilize people and generate improper dependency relations.

Contradictions between NGO service organizations and local communities are illustrative in this regard and point to another important dimension of the development process. The struggle against apartheid promoted the creation of hundreds of community groups, and there is now much greater awareness of the importance of the role of civil society and community based movements in the development process. It is no doubt around these nuclei that a future civil society will have to be created in South Africa, and supporting this process does not in all cases require the involvement of NGO service organizations. Each intervention will have to be assessed on its own particular merits.

South Africa has potentials, which go far beyond those of many other developing countries, and the issue of absorptive capacity has not so far been a major problem. This does not mean, however, that this will continue to be the case. Needs are substantial and while state institutions command considerable capacity at central levels to plan projects and programmes, they lack as already pointed out legitimacy. This will not change from one day to the next, and the civil service will remain hostile to a new government for quite some time. Furthermore, at local levels the necessary institutional framework is weak. Thus, 'frictional' problems will certainly have to be confronted due to the aftermath of struggle and economic mismanagement. It is, in fact, likely that the delivery capacity of South African implementation agencies will be stretched, both during the immediate transition period and in the medium term.

Institutional strengthening and training at all levels, ranging from community based development support to central government initiatives are therefore well justified. Yet, care should as already demonstrated by past experiences be exercised to build the right kind of state structures that can deliver the kinds of assistance needed by the poor and develop rather than replace South African expertise. A final implication is that a strong local office or embassy is required for the planning, implementation and evaluation of development activities if donors are

to be able to take due account of the complexities and conflicting interests, which will continue to characterize South Africa in the years to come.

5.5 Prospects for the Future

The elimination of apartheid and the introduction of a democratic government in South Africa are important first steps towards peace and development in southern Africa, and they will also make it possible for South Africa to play a more active and positive role in the southern African region. Nevertheless, the ending of apartheid will not automatically change basic economic relations nor will it by itself bring an end to violence. There are certainly fears in the rest of southern Africa that a post-apartheid South Africa may even deepen its dominating position in the region and siphon resources away from its smaller neighbours. The appalling standard of living, widespread poverty and existing inequalities in southern Africa will also remain a fertile breeding ground for conflict.

Yet, a complete reversal to the pre-1975 economic and political relations between South Africa and other southern African countries, described in section 5.2, is doubtful. While South Africa can supply goods, technology and technical expertise, it will in the coming years have only limited financial capacity for major investments in the region, and South Africa is not likely to wish to continue using migrant labour as before. Southern Africa, on the other hand, will see little reason to continue importing rather expensive manufactured goods for hard currency from South Africa. Thus, while South Africa will certainly need to preserve and expand its export markets as discussed in Chapter 3, this will only happen successfully in the region if more competitive export pricing is introduced and South African imports from neighbouring countries are expanded. Otherwise South Africa's neighbours will have no mutual interest in expanding trade on a sustainable basis.

A post-apartheid South Africa can obviously choose to pursue short term partisan benefits as the present regime. This would, however, be at the cost of broader, longer term interests not only for the region as a whole, but for South Africa itself. In other words, South Africa and southern Africa need each other, and steady socio-economic and political progress in South Africa can help the region and vice versa. This observation carries important implications for a future government in South Africa as well as external donor agencies, which are in a process of adapting their aid programmes to the changing circumstances in the region. It follows in particular that future support to South Africa should be seen in a regional perspective. Moreover, programmes in neighbouring countries should be maintained, and specific measures should whenever possible be taken to reduce the dangers for polarisation.

To facilitate the process of balanced development it will be necessary to build up institutional structures to promote regional economic cooperation and integration. Decisive progress in this area and a clearer picture of the future potential roles of institutions such as SADCC (recently renamed SADC), PTA, SACU and CMA is unlikely to take place before a legitimate government is in place in South Africa. Complex issues are also involved due to existing institutional overlaps and conflicting interests, but donors could help the process by highlighting the importance of the regional issue in their dealings with the various South African actors.

The prospects for future aid flows to South Africa are unclear, but at least a doubling or tripling of present flows would appear likely. Most donors indicate that they will expand their programmes, at least in a transitional phase of 5 to 10 years. Important examples include the EC and USAID, which have already doubled their programmes over the past couple of years. South Africa will, in addition, gain potential access to resources from international organizations such as the specialised agencies of the UN, ADB, IMF and WB (including the IBRD and the IFC but not the IDA) as well as the Lomé Convention. However, the general situation is one of suspense. Studies are carried out, and donors have started to consider the importance of longer term commitments within a multi-year framework rather than on a one-year basis. Local representations are being established and expanded, and there is also a trend toward more programme based approaches as opposed to the individual project approach, which used to be characteristic.

Greater official government involvement in aid disbursements as opposed to using the typical NGO channels can also be observed, but firm statements and commitments are the exception, not the rule. It should furthermore be kept in mind that many of the programmes presently being studied by organizations such as the WB will take several years to reach the implementation stage. Final approval of the agreements involved will also be subject to negotiations and a new government's acceptance of the conditionalities involved. In fact, the contours of the future relationship between a new South Africa and the international organizations mentioned above remain blurry. Thus, there is likely to be a considerable need for donor agencies such as Danida to be able to move quickly, in a decided but flexible manner once a new government assumes office.

It can finally be noted that it is apparent that donor coordination is bound to become a major issue in the years to come. Needs will change as the focus shifts from anti-apartheid to more intricate development work, and development initiatives will require certain skills such as planning, evaluation, needs assessment and national as well as sectoral strategies and programmes, which go beyond solidarity accomplishment. Furthermore, aid activities and the number of actors and funding mechanisms will increase substantially once a legitimate government is in place. Relationships between funders and development agencies and the kinds of support offered and received will also be different, and tensions will emerge among those external agencies that are now initiating programmes and those that have been active in relation to South Africa for a long time.

Chapter 6. FRAMEWORK FOR DANISH TRANSITIONAL ASSISTANCE

6.1 Danish Trade and Aid in the Past

Introduction

The political relations between Denmark and South Africa have since the 1960s, as is the case with other countries, been influenced by Danish attempts to put pressure on the South African government to abolish apartheid. Danish companies were during two decades advised to limit their activities in South Africa as much as possible, and the Danish Export Credit Council ceased to extend guarantees for exports to South Africa already in 1978. Subsequently, unilateral sanctions were imposed in mid-1985. New investments in South Africa were prohibited, and in 1986 practically all trade, including the import of South African coal, was brought to a standstill. A period with an almost complete cut of economic, political and cultural relations followed.

The European Council took initiative to repeal the Community's sanctions already in December 1990, and as far as the EC investment ban no further legislative measures were required. Yet, the lifting of EC trade related measures needed the approval of the member states, and the Danish Parliament in April 1991 decided to block the process. Thus, EC trade sanctions remained in place. In August 1991, a plan for the phased lifting of Danish sanction laws against South Africa was agreed upon, and the withdrawal of the Danish reservation against the repeal of the EC trade sanctions was included in the so-called first phase together with the abolition of the national ban on Danish investments in South Africa and the exclusion of services from the Danish trade embargo.

This first phase came into effect in January 1992 after the CODESA meeting on 20 and 21 December 1991; and after the 17 March 1992 referendum, discussed in Chapter 2, the Danish government initiated phase 2 of the above plan. This was done by royal decree and implied that all remaining parts of the national legislation banning trade with South Africa (including the import of coal) were withdrawn. Export guarantees by the Export Credit Council were also reactivated. However, the initiation of a transitional programme of assistance to South Africa, which formed part of phase 2 as originally agreed upon, was delayed by the Minister of Foreign Affairs after his visit to South Africa in April 1992. And restrictions on oil exports and nuclear cooperation as well as the UN arms embargo continue in effect for the time being.

Trade

In the years prior to the introduction of sanctions, Denmark maintained highly fluctuating trade deficits vis-à-vis South Africa. In 1985 Danish imports amounted to DKK 1,685 million, whereas the export figure was only DKK 613 million. Imports from South Africa were completely dominated by coal, which accounted for approximately 90% of all imports from South Africa. It was variations in the price and quantity of coal imports, which were the main factor behind the fluctuations in the trade balance.

Danish exports to South Africa were more diversified. The major item was machinery, corresponding to about a third of all exports. Another important group was pharmaceutical products and chemicals, which gained increasing importance during the 1980s. By 1985 they accounted for 16% of total exports. Hence, trade between Denmark and South Africa followed the standard pattern with Denmark exporting machinery and other manufactured products in exchange for raw materials. Yet, whereas gold is by far the most important export of South Africa, this item has never been of any particular significance in Danish imports.

From 1985 to 1986 imports from South Africa fell by 50%, and by 1989 they were almost non-existent. The effect of the sanctions was not quite as pronounced for Danish exports. This *inter alia* reflects, that exports of medical and pharmaceutical products and equipment for humanitarian and medical purposes were exempted from sanctions. In the period 1987-91 annual Danish exports to South Africa therefore reached approximately DKK 100 million, corresponding to a sixth of the pre-sanction level. As a result, Denmark has maintained small bilateral trade surpluses for the past 5 years, with pharmaceutical products accounting for almost 70% of exports in 1990.

It is against the above background not surprising that Danish coal importers have been keen to reestablish old trade links following the removal of the sanctions, and there are also some prospects for expanding Danish exports both in general and in connection with externally financed development programmes. This is particularly so in the case of medical and pharmaceutical supplies, where Danish exporters as just noted have maintained a substantial market. However, also industrial machinery and equipment for rural water supply and borehole drilling schemes, telecommunication networks, electrification programmes, commercial agriculture and environmental initiatives can be referred to.

Nevertheless, prudence in assessing Danish export possibilities is advisable. While it is relatively easy to reactivate imports of coal to Denmark it is much more complex to reestablish and further develop Danish export markets. South Africa has developed alternative sources of supply, including in some cases domestic production, and it is far from easy to penetrate local markets due to existing protective measures and a series of other entry constraints. Licensing and joint-venture agreements would, however, appear to be possibilities that deserve careful investigation, and the same accounts for 'soft ware' items such as consultancy services in a variety of fields where local knowledge and experience is lacking.

Danish Aid

Denmark has for more than 25 years channelled assistance to the victims of apartheid through the so-called apartheid appropriation. The appropriation was established in 1965 following UN Security Council resolutions, which called on the international community to render assistance to the victims of apartheid. In 1965 DKK 0.25 million were made available, but by 1991 the amount had grown to DKK 78.5 million. Thus, trying to alleviate some of the injustices caused by the apartheid system has gained increasing attention over the years in Danish aid policy. Since 1965 a total of DKK 875 million have been donated, of which DKK 612 million (70%)

were disbursed from 1983 to 1991. Annual disbursements have remained around DKK 80 million during the last five years.

Beneficiaries of the apartheid appropriation, which is guided by a special advisory Apartheid Committee consisting of experts from the non-governmental sector, have included oppressed people and refugees in southern Africa with South African inhabitants and exiles as the main target group. In the past Denmark has for example supported the ANC centres in Tanzania through Danchurchaid, and until the mid-1980s, Namibian projects accounted for a minor share of the projects funded by the appropriation. The assistance provided used to be granted for humanitarian and educational purposes only, but the aid profile is changing, as further discussed below, due to the emerging new needs in South Africa.

Danish aid has reached the final beneficiaries through the United Nations (UN), the International Defence and Aid Fund (IDAF) and a number of recognized international humanitarian and development organizations, including the World Council of Churches (WCC), the Lutheran World Federation (LWF), the International Confederation of Free Trade Unions (ICFTU) and Interfund as well as British bursary foundations such as the African Educational Trust (AET), the Canon Collins Educational Trust for southern Africa and the Lincoln Trust. The assistance to church organizations has been disbursed through Danchurchaid ('Folkekirkens Nødhjælp'), whereas labour movement support has gone through the Danish Trade Union Council for International Development Cooperation (DTUCIDC) or 'Fagbevægelsens U-landssekretariat', set up in 1987 by the Danish Federation of Trade Unions (LO) and the Salaried Employees' and Civil Servants' Federation (FTF). Educational assistance has been disbursed via IBIS ('International Bistand og Solidaritet', previously known by the acronym WUS for World University Service), which collaborates with Interfund. A smaller amount has finally been channelled through the Danish Volunteer Service (MS) and the Danish Centre for Human Rights.

Other Danish organizations, which have been involved in anti-apartheid and information work over the years, include the Danish National Union of Upper Secondary School Teachers, the Labour Movement International Forum (AIF), which is a trade union related organization, solidarity agencies such as the Danish Youth Council (DUF) and the Danish National Committee for South Africa Action (LSA) as well as church groups including the Danish Ecumenical Council and its Programme to Combat Racism.

Around one-third of the apartheid appropriation has generally been spent through the international channels, and in 1991 they accounted for the following shares of the overall total: the UN Trust Fund for South Africa (4.4%), the UN Educational and Training Programme for southern Africa (UNETPSA) (4.4%), the three British bursary organizations (AET, Canon Collins and Lincoln) (5.7%), and IDAF (7.1%). In addition, 12.9% went directly to ANC supported projects. Danchurchaid, DTUCIDC and IBIS have been particularly important among the Danish organizations, which have over the years spent the remaining two-thirds of the appropriation. They account, in fact, for close to 95% of the assistance channelled through Danish groups from 1983 onwards. Danchurchaid was the largest receiver of apartheid funds during the period 1983-91 with a total of DKK 173 million, whereas IBIS and DTUCIDC

accounted for respectively DKK 150 and 67 million. The activities of these three organizations are briefly reviewed below.

Danchurchaid: The major share of the apartheid funds administered by Danchurchaid is transferred to the South African Council of Churches (SACC), whereas the remaining funds are disbursed for the implementation of projects, which were originally supported via the SACC. In 1991 Danchurchaid received DKK 19.5 million, and the following main categories of activity can be identified:

(i) Humanitarian aid (40%), including legal aid, support to the families of political prisoners, advice and acute assistance to victims of violence and repatriation of South African exiles. Support has for example been given to the Asingeni Relief Fund and the Dependants' Conference (prisoners families).

(ii) Educational activities (20%), including in particular bursary programmes for black students such as the African Bursary Fund and the Crisis Bursary Fund. Other educational activities include helping black pupils into 'white' primary schools.

(iii) Initiatives to promote contact between black and white people and the formulation of new models for a just and democratic order of society. Support to the Institute for a Democratic Alternative for South Africa (IDASA), which accounted for 12% of Danchurchaid's total programme in 1991, is typical in this group.

(iv) SACC regional programmes (17%), including budget support to the regional councils of SACC as well as regionally administered assistance to activities in their respective areas.

IBIS: The apartheid grant to IBIS amounted to DKK 18.2 million in 1991, and some 15.8 million of this total were channelled through Interfund. The IBIS contribution was equivalent to 60% of the Interfund budget. Thus, Denmark is via IBIS one of the main donors of Interfund, whose traditional partners are local NGOs, which work towards empowering community-based organizations and their disadvantaged constituencies. The 1991 Interfund programme included support to some 70 different development projects with a focus on education and training, but special emphasis is also beginning to be placed on rural outreach programmes and on support to projects involving women. The IBIS/Interfund supported programme encompassed 41 projects, including two projects involving the Danish National Union of Upper Secondary School Teachers.

In addition to regular cycle (annual budget support) funds provided by the affiliated donors, Interfund manages an Emergency Programme Fund (EPF), a Staff Development Fund (SDF) and a Technical Assistance Fund (TAF), which assisted respectively 35, 19 and six projects in 1991. The EPF was introduced in 1987 and is intended to support start up costs for education and training needs as well as one-off media initiatives. The SDF enables staff members or voluntary workers in Interfund supported projects to undertake short term training and skills upgrading, which is of direct relevance to the work of their organizations. The TAF provides for

organizations in the same sector to network and coordinate activities and formulate common policies. In other words, Interfund covers a wide range of activities in the NGO and community development sector.

In addition to spending funds through Interfund, IBIS was also used for channeling a 1991 allocation of DKK 2.4 million to the bursary programme of WUS International. IBIS finally acts as intermediary in the direct co-operation between the Danish Government and the ANC. In 1991 Denmark supported the ANC with DKK 10 million, and IBIS assisted in the administration and implementation of this support.

Danish Trade Union Council for International Development Cooperation: The DTUCIDC received DKK 12.1 million from the apartheid appropriation in 1991, and of this amount 63% was channelled through international labour organizations, including in particular the International Confederation of Free Trade Unions, the International Metalworkers' Federation, and the Miners' International Federation before reaching the final beneficiaries, which are South African federations and trade unions. The remaining 37% of the DTUCIDC allocation was transferred directly to COSATU as part of the Nordic-Dutch union cooperation with COSATU.

The objective of the DTUCIDC programme is dual. The immediate aim is the provision of legal and humanitarian aid and the training and education of South African workers. In a longer term perspective, the programme also aims at strengthening the trade unions so they will, eventually, be able to fulfil their proper aims as trade unions. The expenditures of the DTUCIDC programme can be divided into the following two categories (i) direct support to trade unions in the form of budget support, which accounted for almost 40% of the 1991 programme, and (ii) support to specific aid projects organized by the South African labour movement, classified as follows: legal aid, educational assistance and humanitarian aid, which accounted for respectively 21%, 19% and 11% of the 1991 DTUCIDC total.

It can, in sum, be concluded that the programmes of Danchurchaid, IBIS and DTUCIDC have pursued partly overlapping objectives in the past, and there are even cases where South African organizations have received at the same time Danish funds, from the same original source, through several different disbursement mechanisms. Nevertheless, there have also been important differences in focus between the three Danish NGO organizations. Danchurchaid has concentrated on the promotion of human rights and legal assistance to the victims of apartheid, which has also been in focus for MS and the Danish Centre for Human Rights. The main priority of IBIS/Interfund has been on education and training (i.e. the development of human resources), and DTUCIDC has put emphasis on the building up of a strong labour movement.

No standard Danida evaluations of the assistance provided through the Danish NGOs to the victims of apartheid have been undertaken on behalf of Danida. This would in any case be a difficult task considering, firstly, the very particular context in which the activities supported by Denmark have been implemented. Moreover, Danish organizations have mainly played the role of financier, not entering directly as partners in the development of projects. Secondly, priority has been on acute humanitarian assistance, and not so much on development initiatives *per se*. Funds have, furthermore, been made available on a yearly basis only. Thirdly, despite a certain

concentration in urban areas around for example Pretoria and Johannesburg, activities have typically been small and short term, dispersed across a range of sectors throughout the country.

Yet, there is little doubt that external assistance has been crucial. Without this support the work of a wide range of South African anti-apartheid institutions and extra-parliamentary groups and parties would have been impossible. And they have played a leading and indispensable role in resisting and struggling against apartheid, while at the same time helping ordinary people victimized by an unjust society. Nevertheless, the future challenges will be different. This obviously has implications for the way in which future programmes of assistance should be conceived, designed, monitored and evaluated.

6.2 Perspectives for Danish Assistance

Danish aid to South Africa continues for the time being under the apartheid appropriation. However, the changing political and economic situation raises new perspectives for Danish assistance. It has already been decided that a 5-year transitional programme in the amount of DKK 600 million will be launched once an interim arrangement/government is in place. It is also evident that the existence of a Danish Embassy has opened up possibilities for new ways and types of operation, and the Danish Embassy is, in fact, rapidly expanding its role in identifying and implementing new initiatives such as those in the area of support to violence prevention and measures to promote the democratization process. New contacts and networks are being developed and possibilities for the Embassy to work directly with South African NGOs and other organizations are being investigated.

It can, furthermore, be noted that traditional disbursement channels were modified considerably during 1991 partly because of the introduction of an allocation to be spent by the Embassy and partly through direct assistance to a number of ANC projects (training, democratization, job creation and women). These allocations were subsequently increased for 1992, whereas the judicial and humanitarian support provided through IDAF was brought to an end. At the same time, a sizeable amount of DKK 5 million, which was doubled to DKK 10 million in October 1992, was established to promote activities in the field of violence monitoring, conflict resolution and democratization. Organizations such as the Lawyers for Human Rights (LHR) and very recently the Goldstone Commission and the secretariat of the National Peace Accord are among the institutions supported. The Danish assistance in the latter area is *inter alia* implemented in collaboration with the team of UN observers, who have also been posted in South Africa. Thus, the 1992 apartheid appropriation funds have so far been allocated as follows: UN Trust Fund (3%), UNETPSA (3%), British bursary funds (7%), ANC (19%), Danish Embassy in Pretoria (1%), Danchurchaid (19%), DTUCIDC (17%), IBIS (23%), and prevention of violence activities (15%).

The Ministry of Foreign Affairs has, moreover, initiated preliminary planning and investigation of the possible contours of the future transitional cooperation programme. The present study forms part of this effort. Yet another initiative taken is the earmarking of DKK 10 million under the global DKK 600 million allocation for activities to be promoted by the Contact Committee on Industrial Development in Developing Countries. The Contact Committee, established by the

Minister of Foreign Affairs and representatives of the Danish business community and trade unions, has set up a special Working Group on South Africa to promote innovative activities that combine the private sector business approach with development assistance. This should also lead to the identification of projects, which would be suitable for financing under the transitional assistance programme.

South Africa may as noted in Chapter 3 appear a rich and privileged country as compared to the rest of Africa. The decisions taken by the Danish government bear witness to the perception, that this is only one part of the general picture. The group of Danish NGOs, which has been involved with the anti-apartheid struggle over the years, supports this view and has confirmed their interest and availability to continue implementing development activities in South Africa. The DTUCIDC has indicated that it would like to concentrate on education as a major priority, including the training of shop stewards, women workers and trade union leaders. Moreover, IBIS wishes to carry on in the education and training sector, and a range of other engagements are also being considered. Danchurchaid, which has so far mainly supported humanitarian activities, has started to focus more on democratization and education as its main areas, and MS and the Danish Centre for Human Rights maintains an active interest in human rights issues and legal advice activities in South Africa.

Continued assistance to South Africa can certainly be justified with reference to the fundamental principles governing Danish aid laid down by the Standing Committee on Foreign Affairs of the Danish Parliament in May of 1989. A new democratically elected government in South Africa will face a daunting task in addressing the legacies of apartheid, which can definitely be compared to a man-made disaster. Inequalities in income and economic opportunity are enormous, and the number of people in flagrant poverty and unemployment is disturbing. Furthermore, all available projections demonstrate that South Africa will not be able to redress these imbalances on its own despite the availability of substantial local resources.

It is also evident from previous chapters of this study that a new government in South Africa will have to strike a delicate balance between the demand for quick and dramatic improvements for the black majority in education, social infrastructure etc. and the need to pursue policies that do not paralyse private activity and foreign investment. Foreign assistance can under such conditions play a critically important role in bridging the gap between the expectations of the underprivileged and the actual prospects for fulfilling these in the short to medium term.

Measures to satisfy basic needs can, in other words, in the South African context be justified not only in their own right, but also because they can help underpin social stability and longer term growth. The increasing emphasis on support to the development of democratic institutions and the attention to human rights, which has been characteristic in the Danish aid so far, is yet another reason why further assistance would be justified. The democratization process in South Africa will be vulnerable for quite some time, and continuity in supportive efforts is essential. Apartheid was 'set in concrete' and as such will not disappear easily. Along the same vein it can certainly be argued that Denmark has a moral obligation to assist the mass democratic forces in assuming real power as opposed to only nominal influence in a society dominated by 'white economic interests'.

Good relations between Denmark and the mass democratic movement have been built up over decades. ANC statements have, moreover, confirmed that (i) non-state institutions will continue to have an indispensable role to play after a new government takes over, (ii) particular attention will be paid to the improvement of gender relations and the full integration of South African women in the development process, and (iii) environmental concerns and the need for securing sustainable development - both economically and ecologically - will be given priority. In sum, it would appear that there are good prospects for promoting dialogue and fruitful collaboration with a future government as well as furthering basic Danish development objectives such as poverty alleviation, the respect for human rights and democratic values.

An additional justification for assisting South Africa in the transition is the regional dimension. It is essential to avoid polarization between South Africa, on the one side, and its neighbours, on the other. Continued instability in South Africa could have damaging effects on progress in southern Africa, and the regional implications are dramatic if the South African transition to a democratic future aborts. Furthermore, Denmark is after all deeply involved in the area. Around one-third of all Danish bilateral development assistance goes to southern Africa, where several of the most important programme countries in the Danish international cooperation can also be found.

The experiences of Danish agencies working in South Africa are, as noted, difficult to evaluate and future circumstances will be fundamentally different. It is clear, however, that there are excellent prospects for being able to implement meaningful and effective development activities. The absorptive capacity of the relevant South African institutions is certainly a concern, but not a major one, and there are good possibilities for developing this capacity provided adequate measures are taken to support local non-governmental institutions and strengthen the emerging set of new state bodies at all levels.

The Danish resource base vis-à-vis South Africa is not impressive in the field of research; but a highly relevant background has been building up over many years in the non-governmental sector. It is actually difficult - if not impossible - to identify any other Third World country in relation to which the Danish NGO-sector has been so active over such a long period of time. The only possible reservations, that can be raised in this regard include the lack of working experience within South Africa itself, and the general question of the overall implementation capacity of the NGO-sector. However, these reservations do not appear constraining due to the experience and size of South Africa's own NGO-sector.

Also the private Danish engineering and consultancy companies have valuable technical and project implementation experience, gained from working in other southern African countries in relevant fields, including rural development, infrastructure development etc. In fact, the kind of experience, which Danish companies possess in this regard, is not as prevalent within South Africa as sometimes argued due to the almost complete concentration on developing the 'modern white' sector of the economy during the apartheid regime. It would therefore appear that this capacity is of relevance both to Danida in planning future activities, and to international agencies such as the World Bank, which is preparing sizeable programmes in South Africa.

6.3 General Strategy

There are many intertwined considerations, which have a bearing on the delineation of a framework for future Danish aid to South Africa, that takes due account of the unique socio-economic and political circumstances reviewed in Chapters 2 and 3. There are also complex issues of phasing and channels of implementation, which must be addressed to minimize existing trade-offs. This section therefore makes a few introductory observations from a generic point of view, whereas subsequent sections are more specific in nature. Recommendations are made throughout. As a general point of reference it should be kept in mind that the context for development in South Africa is perplexing and extraordinarily fluid. There are many conflicting interests involved, and the struggle for a role to play in the future is in many cases far from being carried out by respectable means.

A first, and important implication for external agencies of the South African situation reviewed in previous chapters of this study is that a considerable number of years, if not decades, will be required to overcome the social and economic legacies of apartheid. Capacity building and institutional development at local levels in private as well as social areas of activity require time as well as resources. Swift solutions to the present economic crisis as well as the underlying structural problems do, in other words, not exist.

Progress is furthermore complicated by the existing focus on urban problems, which will have to become more balanced. If rural development is not assigned greater priority in national as well as externally supported development activities, migration pressures are bound to worsen and in turn multiply urban slumming with adjacent increases in crime rates and violence. The fact that poverty is far more severe in rural areas is an indication, that it would not only be wise strategy, but also fair policy, to enable rural people to get a greater share in future development. It can in this context also be recalled that the majority of poor women and other vulnerable groups are rural.

Moreover, human rights include political as well as economic and social rights, and democratization must in South Africa be accompanied by improvements in the state of extreme deprivation of the majority of the population in terms of human development indicators. This affirmation does not, however, imply that the granting of political rights, over which the government has control, must await economic development, which the government can at best try to pursue through adequate economic policy. The importance of socio-economic development in South Africa is highlighted, however, by the fact that black people in South Africa are not only poor in absolute terms. They are resource-starved relative to other racial groups and live in what appears to them an immensely affluent society. Thus, it is generally held that they have high expectations for the future.

It is furthermore characteristic that there are substantial financial resources potentially available from the private sector in South Africa. Hence, donors should refrain from intervening in ways, which would put in jeopardy the availability of these funds for development purposes even if the immediate area of intervention seems needy. Solving a problem can be commendable, but

this is not necessarily so if external funds substitute for domestic private funds. An implication of this is that foreign donors, including Danida, should consider making the disbursement of aid conditional on the reorientation of public spending priorities and the initiation of private sector initiatives to ensure that effective measures towards poverty alleviation and redistribution are not blocked by minority groups.

The possibilities for increasing Danish exports to South Africa in the short to medium term do not appear as large as initially expected, when sanctions were lifted. South Africa owns important productive capacity in many areas as well as considerable technical expertise. It is suggested, however, that the limited export potential should not be a major concern. Poverty alleviation remains after all the first and overriding priority in Danish international cooperation efforts. There are, moreover, promising prospects for assisting the longer term development of the private sector in South Africa in socially relevant ways within the framework of the private sector initiative (i.e. the so-called PS-programme) approved by the Board of Danida in June of 1992; and institutions such as IBIS and the Federation of Small- and Medium-Sized Enterprises ('Håndværksrådet') have begun to investigate possible areas of common interest.

Hence, there should be space for developing a balanced Danish programme of transitional assistance to South Africa, which could at the same time serve as a model for the development of new ways of collaboration between the public, private and non-governmental sectors.

6.4 Objectives, Priorities and Time Horizon

The priorities for international development assistance established by the Danish Parliament in combination with the particular circumstances of South Africa suggest that a future Danish programme of transitional assistance should aim at the following three fundamental objectives:

- (i) A peaceful transition to democracy.
- (ii) Satisfaction of basic human needs.
- (iii) Economic and social transformation, job creation and sustainable growth.

The fulfilment of these objectives *inter alia* implies a stable macroeconomic environment. It will also require that it is the poor among the black majority of the South African people, who are identified as the crucial target group, and that activities to redress the imbalances created by the apartheid regime are given priority. Particular attention should in this regard be paid to the need of the most marginalized groups, including children and women, whose access to income generating assets and social services is severely circumscribed.

Community empowerment, institution building, skills training and good governance are other key characteristics, as is the creation of an economic and social environment conducive to private entrepreneurial and social development. Technical assistance and advisory services to ensure a socially more optimal utilization of existing expertise and capacity, in combination with badly needed social infrastructure support programmes, will therefore be highly relevant

interventions. The same can be said about innovative initiatives for socio-economic development, that might not otherwise get underway, but which could serve as models in a wider context.

As far as sectoral priorities are concerned, it is clear that action will have to be taken in a number of sectors simultaneously, and further recommendations on some suitable activities are made below. Reference has, however, already been made to the general need for putting rural development, education and training as well as income generating activities at the top of the agenda. This also makes sense in the light of the capacity of the Danish resource base. On the other hand, this does not imply that immediate concerns related to for example violence prevention in urban areas and democratization as well as other similar activities should be neglected. The affirmation made is better perceived as a medium- to long-term strategic option, that should be incorporated as far as possible into more detailed programme planning.

South Africa is a huge country, and the regional administrative map used by the government is according to the ANC in need of revision. Moreover, neither the NP government nor the ANC has made known any detailed preferences or spatial plans for the future. It is also obvious that additional studies and analytic work is required to make the available information from, for example, the DBSA useful for planning purposes. Thus, the definition of a clear geographical focus in a future Danish programme of assistance is difficult at this stage. It also illustrative that it remains unclear what the priorities of other external donors will be. The only exception is the EC integrated rural development programme in north-eastern Natal, which is a pilot project from which much useful experience can hopefully be derived.

Nevertheless, while rural homeland areas suffer from a fairly even set of problems resulting from past neglect and distortions, there are as noted in Chapter 3 certainly differences among the various socio-economic regions of the country, and some tentative suggestions can be made. It would, in particular, appear that the following four areas stand out as candidates for priority attention and further study in relation to projects supported by Denmark: (i) northern Transvaal, (ii) Natal, (iii) Transkei/border region, and (iv) eastern Cape.

These four regions are all poor and particularly disadvantaged by the policies pursued by the apartheid regime; they contain high concentrations of people in contrast to less populated areas in, for example, the northern Cape; and some basic progress has been made towards the establishment of a crucial institutional core for future regional development planning and coordination. There are Rural Development Forums (RDFs) in all of the four regions mentioned, and they are both representative and fairly well organized.

Among the four, northern Transvaal and the Transkei/border region have received less support than the other two, and as such would appear to merit priority attention. Transkei has, furthermore, been a beehive of political restlessness largely due to social deprivation, and while northern Transvaal has well developed pockets of white farms, the greater arid portions allocated to blacks suffer from gross underdevelopment. It is, however, also relevant to note that Natal (mainly Kwazulu) is the most splintered region of South Africa due to the carving out of fertile farm land for inclusion into white South Africa.

The time horizon contemplated for the Danish transitional programme is 5 years; and this would certainly appear to be the absolute minimum required. In fact, a duration of 10 years is more likely to be needed in view of the complexities involved. Nonetheless, the conclusion that the programme of assistance to South Africa should be transitional in nature is fully supported. The potential for recovery is substantial provided a political settlement is found and appropriate actions are taken both nationally and internationally, and there are, after all, other countries in the southern African region as well as elsewhere in the Third World, that do not possess the same resources and possibilities as South Africa.

6.5 Proposed Activities

It is not feasible here to supply an exhaustive list of the activities worthy of further investigation on the basis of the development needs of a future South Africa, on the one side, and Danish aid priorities and resources, on the other. However, some areas and activities, which would appear to merit priority attention by Danida, are highlighted in what follows.

Violence Prevention and Conflict Resolution

A sustainable solution to the violence presupposes that issues of poverty, inequality and growth are addressed, but there are also measures of a more immediate kind that could be taken. In white urban areas the central concern is an increase in violent crime, but for black people the threat of factional or random violence plays an important role as well. Hence, an intensification of the efforts to monitor and investigate violence merits support from Denmark.

Monitoring can help preventing the outbreak of violence in several ways: (i) public exposure of the findings can bring pressure on the various actors (including the police as well as others) to behave in socially more optimal ways, (ii) information can be fed into the process of conciliation and thus strengthen the peace process, (iii) the physical presence of monitors can help diffuse volatile situations, and (iv) monitoring information can help in criminal investigations and underpin the design of more appropriate intervention systems.

Increased monitoring and independent investigations, supported by the international community, are also important as means of restoring confidence and restraining negative actions. However, the mere appointment of independent judges and foreign observers will not be sufficient. It is, first of all, no easy task for foreigners to comprehend the intricacies of local conflicts. Support to South African national peace keeping and monitoring structures should therefore be in focus.

Yet, another dimension is that conflicts over resources for basic necessities have often been catalysts for outbreaks of violence, but subsequently these conflicts are difficult to bring to an end, even in cases where the originating cause disappears. Due to the legacy of apartheid, there is little experience with conflict resolution and well functioning peace keeping mechanisms are also lacking. Thus, it often happens that the use of violence appears to be the only way of 'solving' a conflict, and the police and security forces, who used to be mobilized against the black community, simply do not know how to deal with conflicts and outbreaks of violence in a harmonious way.

Denmark could therefore support training in the field of modern police methods, and the same accounts for initiatives to improve the liaison between communities and the security forces. But the more general conclusion is that there is an urgent need for support to programmes in the field of training and skills development in the areas of community mediation, negotiations and conflict resolution as well as to the establishment of dispute resolution and peace committees at all levels. Danish support here has already been channelled to South Africa under the apartheid appropriation, and should be continued. It can, finally, be noted that the violence is partly symptomatic of the lack of experience and working understanding of democracy and as such linked to the promotion of democratization and human rights.

Democratization and Human Rights

Struggles around a new South African Constitution and a Bill of Rights will go on for a considerable time as a fresh set of basic laws will gradually be put into practice. This will require a lot of adaptation and further specification, and the existence of human rights groups that do not seek political power will have an important role to play in these debates. Furthermore, the creation of a democratic culture presupposes a just and efficient economic system; democratic, non-racist and non-sexist political values, and a strong civil society.

The existence of the above set of social institutions and practices as well as an understanding of, and willingness to support, democratic principles of plurality will not come about by a stroke of a pen. There will, in other words, be need to monitor human rights violations for quite some time, and work in this area cannot be realized in isolation. Continued international support in terms of financial as well as technical resources and experience will be required for a successful transition to democracy.

Activities such as training in balloting and the development of innovative election procedures to deal with high levels of illiteracy will be indispensable to ensure a smooth transition. Denmark has valuable experience from other countries in this field, which should be made available to South Africa. Furthermore, the nature of alliance between human rights organizations and the mass democratic movement should gradually change, as the latter moves closer to taking over power. Special efforts by external donors to maintain the independence of human rights organizations from political influences are therefore justified. A final area, which Danida could support, would be training in the field of citizenship and civic education in follow-up to activities already implemented with funds from the apartheid appropriation.

Building Democratic Development Institutions

The mismatch of credibility and capacity of the actors on the South African development arena and the lack of structures, capable of mediating between government on the one side and grassroots communities on the other, seriously incapacitates the development process, and remains one of the most debilitating consequences of apartheid. Democratic and legitimate delivery mechanisms and institutions that can help guarantee that communities get access to their entitlements must be developed as preconditions for a democratization. The role of non-governmental organizations (NGOs) should therefore be strengthened both in view of their close relationship with communities built up during the era of resistance to apartheid repression and in view of the accumulated international experience with development.

The NGOs potentially have the capability of (i) helping communities to articulate their needs and assist them in getting space, time, knowledge and experience to be involved in the development process, (ii) facilitating development partnerships and local level institutions, and (iii) mobilizing resources for the development process. Yet, the South African NGOs are not fully prepared for the new tasks ahead, and communities in South Africa no longer wish merely to be consulted. They are asserting their right to direct and manage the development process

themselves. Thus, it will be fundamental to support as well the strengthening of community based organizations (CBOs) in their various forms as vehicles of development.

The present situation in South Africa does in fact offer unique opportunities in the above field for external agencies as Danida. Space not normally available is opening up for innovative development initiatives. If adequately assisted such initiatives could provide a breakthrough domestically and furnish valuable insights into the development process itself. Danida should pay particular attention to assist in this regard, but must at the same time plan carefully and help prevent that the expected inflow of foreign resources undermines the local development process and submerges the community voice by strengthening illegitimate actors.

Assistance from Danida to the building of democratic development institutions within the above framework can take a number of forms, ranging from skills training in specific areas to strengthening the finance and institutional capacity of the NGOs/CBOs. The general shift away from the humanitarian 'victims of apartheid' approach, which has been the focus of much externally funded NGO work so far, toward more development oriented activities should also be supported.

Managing the Development State

A future democratic government will not only have to gain the cooperation of a hostile civil service, it must also face the onerous task of rationalizing the existing labyrinthine government bureaucracy and build up a cadre of well trained dedicated public servants. It would be over-optimistic to expect quick political decisions in this area, and changes will in any case take considerable time as well as resources to implement. This is one of the reasons why the non-governmental sector should remain an important channel for Danish assistance in at least the short- and medium-term; but it must not be overlooked that South Africa lacks the relevant knowledge and experience to reorganize and build up new state structures. Danish assistance in this field would therefore be well justified.

Such assistance can take a variety of forms, but support to policy analysis and formulation and coordination of development activities are two areas where initiatives could be taken, possibly in collaboration with other donors and international organizations. It is in particular proposed that Danida as soon as possible focus attention on the national coordinating mechanisms embodied in the development fora. They are emerging as effective negotiation mechanisms and are institutional building blocks for the future. Furthermore, the need for increased coordination of domestic efforts and for developing workable policies and solutions to practical problems is evident. And the same accounts in relation to the use of foreign resources.

Development as well as other kinds of finance has so far been controlled by whites, and the general approach used has been top-down, imposing programmes without consultation and negotiation. An additional area of assistance could therefore be the transformation of the entire system of development finance. The system at present covers domestic funds from government departments, the network of parastatal 'wholesaler' development finance institutions, resources presently locked up in pension and insurance schemes, and humanitarian and development

assistance from abroad.

Building the right financial organizations and institutions which ensure that funds are channelled appropriately is not, however, a straightforward process. Hence, a future democratic government will have to consider a range of alternative lines of action, including the closing down or restructuring of existing institutions as well as options such as creating community based banking and rural finance facilities and credit unions. Danish experience in this field would, in fact, be highly relevant.

Education and Training

Various proposals for resolving the education crisis have been formulated by the major players in the country, including the so-called educational renewal strategy (ERS) formulated by the government. This proposal suggests a system where the role of the state is limited to the provision of universal education for seven years, after which the community and private sectors are responsible for academic and vocational training respectively. The ERS has caused concern in the mass democratic movement, which argues that existing social cleavages will be reinforced as poor communities will be unable to pay for improved education in contrast to the wealthier (mainly white) sections of the population.

Yet, the vision of an alternative education system that emanates from the mass democratic movement continues to be expressed in general terms. There is therefore a need for further work to formulate specific policies for the transition period to redress imbalances and past neglect as well as for longer term restructuring and development. The complexity of this task is heightened as generalization of the level of white per capita education spending would be unsustainable.

Hence, South African education needs to become more effective as well as better geared to the real needs of the people and the economy. This is bound to lead to a more important role for the NGOs and the private sector in the provision of compensatory, complementary and supplementary education outside the formal schooling system. However, a complete rehearsal of the education sector is a long term proposition, and would require resources which go far beyond what Denmark can offer. Priorities in the Danida programme should therefore focus on the following activities, which would also appear to merit particular attention with a view to the need for social transformation in addition to more narrow economic growth:

(i) Training and upgrading of black teachers, as teachers remain the most important input in any education system.

(ii) Formal sector, vocational support and adult education programmes geared at those South Africans, who were disadvantaged by the apartheid system, including in particular 'marginalized youth' and returning exiles.

(iii) Upgrading administrative and management skills of personnel in political, NGO and community organizations.

(iv) Training of black people in central and local government at senior and middle level ranks.

To these areas can be added training and retraining of the police and military and the education for democracy and conflict resolution, already referred to above, as well as vocational and administrative training of black professionals in the private sector, which will be further discussed below.

Health

A number of strategic choices will have to be made in the health sector in South Africa in the years to come on possible ways of paying for health care, on the future of the private sector and on the possible structures for the delivery of primary health care. Until recently debates about these issues tended to get stuck between those who supported privatization of health care and those who called for the establishment of a national health service (NHS). This is changing. Nationalization of the health sector is no longer considered, and there is now a number of policy issues on which there is consensus.

Not only the mass democratic movement but also the government recognize that the existing fragmentation and separation of the health services, where all preventive care is the responsibility of local authorities, and curative care is under provincial authorities, is unfortunate. Nevertheless, the government has, in fact, done nothing about this and actually pursued a policy of privatization during most of the 1980s. Through progressive under-funding, the quality of the public sector declined, and the cost of using public facilities increased.

The mass democratic movement, on the other hand, has stated that it definitely wishes to provide health services that are affordable, appropriate, accessible and acceptable to the communities involved. Yet, specific, well defined and realistic options for a future government to consider are still to be elaborated. This underlines the need for further policy work that can help clarify options and help political leaders transform popular demands into practical policies. Large scale Danish support to the health sector does not appear justified, but it should be considered to continue supporting the policy process.

Employment Generation and Black Economic Empowerment

Active support to the development of micro-, small- and medium-sized businesses carries with it the potential of contributing to black economic empowerment in a number of ways: (i) poverty alleviation and income generation, (ii) employment and skills development, (iii) spreading of economic opportunities and broadening of the ownership base of the economy, and (v) creating a more competitive business environment. These objectives, which correspond closely with the aims of Danish aid, are obviously mutually interdependent, and their achievement will require a host of different initiatives. The possibilities for initiating relevant Danish support activities are therefore numerous.

These activities could include indirect and direct interventions such as formulating appropriate

regulations, creating a climate for business, provision of infrastructure, education, training and entrepreneurial skills development, and access to finance, information and other support services. The composition of the support required varies; but it is essential that interventions are balanced and take account of the need for integrated support. In this regard, it is essential that the capacity of black umbrella business associations are strengthened so they can provide services in support of entrepreneurial activity to a wider audience than is presently the case.

The establishment of entrepreneurial development centres, which could house small enterprises and which would have a service component such as typing, filing and bookkeeping facilities to service newly established enterprises is one example of a relevant activities in this field. Another would be training centres to provide training in both crafts such as bricklaying, plumbing etc. and managerial skills for small enterprises.

Considerable care will, however, be required by external donors since no coherent funding strategy exists. Ongoing initiatives are fragmented and in need of much better coordination. Prior consultation with all the various actors in South Africa before actions is taken is, in other words, an important need. Furthermore, micro-enterprises are small and reaching them requires local knowledge and community involvement, which only FABCOS and the NGOs/CBOs and other similar institutions possess. Yet, they generally lack the necessary business and managerial experience.

Thus, it would appear that possibilities for joint activities by private business and the NGO sector in Denmark should be investigated in the mounting of entrepreneurial support programmes. Tentative initiatives in this regard are as mentioned in section 6.3 underway between for example IBIS and the Danish Federation of Small and Medium Sized Enterprises ('Håndværksrådet'). However, it must be kept in mind at all times that job creation and black economic empowerment is not only related to isolated support to private sector initiatives but also to overall analytical work and policies emanating from institutions such as the National Economic Forum (NEF). Supporting this institution may have an essential impact in furthering, for example, labour intensive infrastructural projects.

Urban Transformation and Development

The overriding issues to be addressed in the urban sector are how a future policy for urban transformation and development can be shaped and implemented, and how the presently dead industry can be revived in a socially acceptable manner. In this regard, it is apparent that any realistic urban strategy for the future must aim at (i) dissolving the apartheid structures, (ii) redressing existing imbalances, (iii) breaking down the racial demarcation and governance of local authorities, and (iv) integrating residential areas with the economic base to which they contribute.

Other issues include the conspicuous need for restructuring the housing financing system, which is dominated by conglomerate interests, and the necessity of building-up an institutional capacity to manage integrated cities. Furthermore, no urban policy will be successful unless the urban land question is addressed; and the same accounts for the expansion of basic

infrastructure such as water, electricity, sanitation, refuse removal etc.

It can also be noted, that most 'houses' in South Africa are delivered by people themselves in the form of shacks, and attempts to finance formal housing for all residents of the urban sector are bound to fail as a strategy as it would be much too costly. The employment and income redistribution potential of social investment programmes furthermore suggest that, for example, site development and servicing be given priority over the mere construction of houses.

It follows from these observations, that urban service provision will be an essential task for a future government, and possibilities for Danish support in this area certainly merit further study. The same accounts for various community facilities such as community centres and creches. However, priority attention should be given to the overall need for planning and managing appropriate urban and spatial strategies, which take account of the totality formed by housing, land, and services. There are, in fact, numerous pilot projects around South Africa, where communities are involved in finding new ways of meeting the need for urban transformation and development. A few of these projects should be targeted by Danida for support and strengthened with a strong emphasis on skills transfer and building indigenous capacity at all levels. The experiences gained could subsequently be generalized throughout the country, as part of a vital learning process.

Land Redistribution and Rural Development

There are many activities, which Danida can support in the sector of rural development, but the first and obvious need is to transfer land to those blacks who have been unable to get access to this income generating asset. The repeal of racial laws has removed the legal barrier to land ownership by blacks, but except for a tiny elite they totally lack the necessary means of buying it. Redistribution will not come automatically, and the ongoing process of liberalization of land markets is likely to end up contributing to worsening the *de facto* inequality, unless the whole process is regulated in an appropriate manner.

Special efforts are in particular necessary to help the considerable number of black farmers who have been dispossessed of their rights to land in white farming areas. Some of the forced removals, which caused this deplorable situation, are recent, so the claims to land rights are indeed pressing. Land held by the state could obviously be returned to the dispossessed communities, but also the setting up of competent legal procedures to adjudicating competing claims to land rights in those cases where current ownership rights are vested in other parties than the state should be pursued as soon as possible. Legal and other forms of assistance to black farmers in this context is potentially a powerful means of helping the redistributive process.

Land reform is indispensable for rural progress. However, such activities will be ineffective unless the conditions facing black producers are themselves changed. The reform process will have to take place within an overall framework of macroeconomic and food policies, which should be geared towards an effective and socially desirable use of resources. This framework is as yet to be formulated. Furthermore, a fundamental restructuring of agricultural credit, training

and services is required. Farmers require credit for the purchase of intermediate and production inputs as well as for land purchase, and existing institutions simply do not have the necessary experience and capacity. Training of black farm managers as well as people, who wish to start up producing, will have to come in focus, and the present under-utilization of agricultural educational institutions must be brought to an end.

Research to address technology problems in South African agriculture has so far largely been directed to the needs of large scale full time owner-operator farmers. There has been little incentive to develop drought resistant maize cultivars, and many other examples of this technology bias exist. This is also the case in the extension services. Finally, by international standards South African agricultural marketing has been highly controlled, indicated by (i) high concentration ratios, (ii) extensive vertical and horizontal linkages, and (iii) numerous interlocking directorships. And the whole system has been implemented in a way that discriminates against small farmers. Thus, new marketing mechanisms and practices will have to be established.

It would obviously be impossible for Danish aid to try to address all of the above needs, but a useful start could be made by selecting a few priority themes and/or geographic regions for integrated support at community level. Rural and agricultural development is an area where Denmark maintains a relevant technical resource base. Danish experience gained from working in low-income countries such as Tanzania, Kenya, Zimbabwe and Mozambique would also appear to be pertinent in the South African context, where the white population has tended to live in 'a first world' accumulating little understanding of 'third world' development issues and problems.

Physical Infrastructure Services

Substantial investment in physical infrastructure is socially and economically justifiable in South Africa in urban as well as rural areas. This is so for a whole range of reasons, including in particular:

(i) The physical infrastructure, which serves farmers, does not reflect regional comparative advantages in physical potential for farm production.

(ii) Clean water and adequate sanitation are fundamental preconditions for the maintenance of basic health, but one third of South Africa's population do not have access to such services.

(iii) Telecommunications can help increase economic efficiency and counteract regional imbalances.

(iv) Electrification of urban and rural settlement areas has several unique roles to play, including the stimulation of small scale economic activities, which are presently much less developed in South Africa than in other African countries.

Nevertheless, the above observations are not meant to suggest that all geographic areas should be serviced. This would be unwise in light of the need to ensure macroeconomic stability. Hence, a democratic government will have to establish priorities to encourage people to make socio-economically sound choices in settlement patterns and productive activities. Furthermore, it will not in all cases be justified for the state to subsidize the provision of infrastructure. Finally, there is need for a range of innovative adaptations to existing infrastructures and maintenance techniques, and appropriate technologies should be developed or introduced from elsewhere.

In the planning of infrastructure investments and public works programmes, the employment generating potential will have to be maximized. Without labour intensity in implementation the resulting income will do little to close income gaps and reduce poverty. Social investment initiatives should also make use of the small businesses and the informal sector and avoid the delivery of final products. The role of the black entrepreneurial sector can be enhanced through the well tested systems of sub-contracting. This could imply preferential treatment of those companies which use small enterprises extensively when bidding for local as well as donor funded activities. Yet, it will be essential that such measures are phased and temporary to avoid inefficiency in the allocation of resources.

As far as Danida is concerned, it would also be important to keep in mind that South Africa does have a considerable modern capacity for the building of infrastructure. There are some possibilities for Danish exports in the areas mentioned, but the greatest need for assistance lies in the field of transfer of technology and knowledge about how social services such as rural water supplies can be provided on a broad scale under African conditions. As in other types of interventions already reviewed, a focus on ensuring local participation in planning and decision making processes is important. Community participation enhances the sense of 'ownership' of the final product, and is an effective way of ensuring that only services, which are in fact sustainable, are established.

Women and Children

It would be misleading to perceive women and children as 'special' groups in the sense that their needs can be met by 'add on' policy and programme packages. Gender concerns and the problems of women and children can only be addressed properly if they are integrated directly into the articulation and implementation of development policies and projects. Nevertheless, women and children are certainly 'special' groups in the sense that their interests will have to be represented through representatives, who can articulate needs and evaluate to what extent proposals to address these are relevant and desirable.

Consequently, in for example the rural sector, women's actual and potential role must be recognized and supported, and they should be treated as equals and non-dependants. This implies that women should be eligible for and actively encouraged to take up land rights, training in agricultural skills, access to resources and relevant organizations, including farmers' organizations and agricultural workers' unions. Similarly, in the area of social services, benefits and support must be redesigned so they no longer focus almost exclusively on those (mainly

men) who are in wage work. Finally, women must be assured access to job opportunities, equal pay for equal work, facilities for training etc.

In all of the above areas Danida could, based on experiences gained in other African countries, play a useful role. More specific suggestions include support to the following activities: (i) organizations such as the National Women's Coalition, which is a group representing women across party-political lines; (ii) gender awareness and advocacy programmes and campaigns to put women and their needs on the agenda; (iii) development of gender sensitive programmes and projects; (iv) affirmative action in education, skills training etc.; and (v) review and revision of legislation that affect women and their integration into economic activities negatively, including as well the formulation of for example a Women's Charter for Equality to secure constitutional rights and protection against discrimination.

Environment

Issues of the environment have gained very increasing attention in South Africa, and this is an area, which merits attention by external donors. This is so partly because a future government may find it difficult to keep this priority in focus, and because of the lack of technological knowledge, from which South Africa suffers in this area. Some of the more promising areas where foreign donors could contribute include:

(i) Assistance in the establishment of standards and the integration of environmental principles into planning at all levels.

(ii) Researching and introducing modern technology for the treatment and use of industrial wastage.

(iii) Technical advice and other resources to enable conservation practices to be adopted so as to minimize erosion and overgrazing, including the introduction of alternative sources of energy supply such as solar energy for the pumping of water.

(iv) Support to networking between national and international environmental groups, *inter alia* with a view to increasing public access to information about products, processes and projects, which are likely to affect the environment or human health.

(v) Initiatives to promote environmental 'literacy' such as union education programmes, environmental health in the community, and the work of civic groups around environmental issues in daily life.

Thus, there are a wide range of possibilities in the environmental sector where Danish support would be relevant. It is also a field where Danish expertise is both considerable and in a process of being even further strengthened.

6.6 Implementation and Phasing

It is difficult at this stage to make precise projections as to when a Danish transitional programme of assistance to South Africa can start. The need is there, but a political settlement is awaited. There are also a host of uncertainties concerning the exact composition of a future government. Nevertheless, a number of observations and suggestions on implementation and phasing can be made on the basis of the assistance provided so far under the apartheid appropriation, emerging needs and the foreseen circumstances under which a new South African government will take over.

Implementation and Channels of Assistance

The design and implementation of external assistance programmes in South Africa is bound to be complicated in the foreseeable future. No single actor is in possession of both legitimacy and

well developed capacity in terms of technical expertise, financial resources and well established delivery systems. This is unlikely to change quickly. The political, economic and social legacies of apartheid, reviewed in Chapters 2 and 3, are simply too overwhelming, and the structures of the South African state cannot gain legitimacy overnight. They are in need of fundamental change, before they can be considered appropriate to the needs of the South African people and a future government. Furthermore, senior positions in a new government will, in all likelihood, be occupied by representatives from the mass democratic movement with only limited experience in running a government.

Thus, a lot of attention and effort will have to put into becoming used to being in office and managing the whole gamut of urgent socio-political affairs of the day, including precarious issues such as violence and social unrest. Little surplus capacity will be available to deal with longer term development issues and the formulation of sectoral strategies and plans in the immediate take-over period. This period could, in fact, easily turn out to be as long as 3-5 years. To expect that typical large scale development assistance programmes based on standard bilateral government-to-government agreements can start up soon is consequently unrealistic. Yet, helping a new government (i) prevent violence and resolve conflicts, (ii) protect human rights and further the democratization process, and (iii) facilitate the institutional take-over of the state apparatus appear as crucial areas of work, which Denmark should give high priority in the short term, given the particular circumstances of South Africa.

The above is put further into perspective by the innovative and very relevant activities financed by Denmark, which have been initiated over the past few years in the first two of these areas (i.e. violence prevention/conflict resolution and human rights/democratization). Both the NGO-sector and the Danish Embassy have been used as channels of funding in this context, and it would be relatively uncomplicated to continue and deepen this kind of support. In the third area mentioned (i.e. the strengthening of the emerging new South African state), typical activities, which merit Danish attention (financially and/or technically) could include: (i) formulation and analysis of alternative strategies and policies as well as the preparation of background studies, (ii) identification and planning of projects for future socio-economic development, (iii) public sector reorganization and training, and (iv) coordination of international aid.

It must be squarely recognized, however, that Danish assistance to the above efforts cannot be planned and implemented in isolation. Other donors will be active. This implies that initiatives should not only be pursued on bilateral terms but also in collaboration with other actors, either in joint programmes or by using multilateral channels such as the UN agencies, the WB and the EC. Multilateral organizations are potentially important *inter alia* to promote overall coordination, which is bound to become problematic as noted in the conclusion of Chapter 5. Nevertheless, it is as yet unclear how the relationship between a future South African government and the multilateral agencies will develop. Great care should therefore be taken by Danida in deciding which programmes to support, and priority should at all times be given to enhance the coordinating capacity of the domestic, emerging South African structures. Whether this is best done on a bi- or multilateral basis or through a combination hereof will have to be decided on a case-by-case basis.

To illustrate the above point, it can be noted that the future relations between South Africa and, for example, the IMF and the World Bank are still in their formative stage, and will need time and patience to develop in appropriate directions. There is still apprehension on the side of the mass democratic movement as to the objectives and modes of operation of the two Bretton Woods institutions. This is put into perspective by the fact that the IMF has so far expressed views, which tend to support the rather conservative stand of the South African Reserve Bank (SARB). On the other hand, activities such as the poverty profile study proposed by the World Bank, and which will be implemented in cooperation with a number of universities, is a good example of an immediate activity, which Denmark should support. There are other activities of the same nature, which also merit consideration. Yet, another example in the field of background studies, training and policy analysis, but which might better be assisted on a bilateral basis, would be the Macroeconomic Research Group (MERG) and other similar policy units based at the various universities. Reference can, finally, be made to the high priority, which should be given to supporting and strengthening the coordinating role of the national development fora.

Despite the reference given above to the possibility for providing funding to improve the management capacity of an emerging South African state and overall coordination, it is clear that to avoid constraints on the side of absorptive capacity, it will be both necessary and desirable to use non-government channels for implementing the Danish transitional programme. Thus, the Non-Governmental Organizations (NGOs) as well as associations supporting 'black' entrepreneurial development should be assigned a key role. They are together with the Community Based Organizations (CBOs) the only legitimate institutions at present with relevant experience and local knowledge, which can, at the same time, serve as immediate channels for implementing external assistance programmes.

The particular position in South Africa of the above non-state institutions as compared to other developing countries is further underpinned by the unique legacy of disempowerment left by apartheid. Building democratic development institutions should remain a central goal, in the short as well as longer term, and this makes community involvement and participation of even greater strategic importance than what would normally be the case. South Africa is in this context fortunate in having in place an extraordinarily high number of committed NGOs/CBOs. They do have a track record of consultation with the people and bottom-up approaches, and they possess by virtue of their links with communities a capacity to act as interlocutors. Furthermore, the non-governmental sector is already actively pursuing and planning development activities in most of the fields of activity referred to in section 6.5, including education and training, urban planning and rural development with an emphasis on the role of women in all of these areas of activity.

Thus, there are solid arguments for attributing the domestic non-state sector a special role in externally funded development activities in South Africa, independently of whether funds arrive directly from a bilateral donor such as Danida/the Embassy or via a foreign NGO such as Danchurchaid, IBIS/Interfund and DTUCIDC. On the other hand, the mere fact of an activity being non-state does not make it socially desirable. NGOs, CBOs and private sector institutions do represent interest groups whose real objectives must be assessed before they are supported.

An external agency such as Danida could, in fact, easily go wrong in its initiatives in South Africa, unless a conscious and cautious strategy is followed in the establishment of objectives and choice of partners. It must be carefully investigated who is who, and it will, in some cases, be difficult to avoid taking side. This is not going to be easy, as trade-offs will be involved, in particular since the structures of the non-governmental sector remain vulnerable, and in a process of change, as a new government absorb at least some of the staff.

The above observations underline once more the need for assigning the Danish Embassy an important role in the planning and implementation of the transitional programme. But this role must, of course, be assumed in collaboration with the representatives of those Danish NGOs, which are involved in the programme. Just as Danida will rely on the Embassy, the NGOs will have to be present locally to be able to perform standard monitoring and evaluation activities in a satisfactory manner. Danida will therefore have to decide on the extent to which it desires to involve the Danish NGOs in the transitional programme. It is, however, beyond doubt that it would make sense to rely not only on the South African but also on the Danish NGO-sector in building up and implementing the transitional programme. The NGOs do after all have networks and contacts already in place as well as valuable experience and recognition by the mass democratic struggle due to the involvement in the anti-apartheid struggle. Ways and means should be found to utilize this experience in a productive manner, which could increase the overall efficiency and impact of Danish transitional assistance.

Yet, it is also clear that a streamlining of the number of actors involved on the Danish side, or at least a much clearer demarcation of sectoral responsibility is another goal to strive at. It is inefficient and creates unnecessary confusion that the same South African NGO has to direct itself to several different sources for Danish funds. It is an advantage here that the Danish NGOs have, to some extent, developed distinct areas of competence vis-à-vis South Africa. This will clearly facilitate the decisions, which will have to be made as to who should be involved and when. The choices to be made in this regard will not be easy; but independently of the combination of channels of assistance finally decided upon, the activities supported by Denmark should become much better consolidated. A gradual reorientation toward meeting the broader needs of development rather than narrowly defined humanitarian emergency needs, which have been in focus in the past, should also be pursued. Moreover, a high degree of flexibility in all stages of programme planning and implementation is recommended. The socio-economic and political situation in South Africa is extremely fluid, and this is likely to continue even after a new government takes over.

A few observations on the development of business-to-business level contacts are also justified. The Working Group on South Africa set-up by the Contact Committee on Industrial Development in Developing Countries is expected to come up with proposals in this area, and also the Danish Federation of Small and Medium-Sized Businesses has been active. This should be welcomed. The private sector will have a strategically important role to play in a future South Africa and should be adequately assisted to assume this role. Furthermore, such activities may lead to new and innovative ways of combining the private sector approach with development assistance, including the transfer of technology, product development and marketing support as well as training and management support.

On the other hand, it is important to be alert to the risk that unrestricted private initiative can be at variance with distributive objectives and concerns in the particular uneven, apartheid-created circumstances of South Africa. Any additional resource inflows are potentially conflict generating in such an environment, and supporting small, better off or elite income groups may well be one of the most effective ways of fuelling unrest and violence. This is yet another reason for attributing the NGO/CBO sector a key role; but it is equally, if not more, important to keep these problems in mind when designing private sector development activities. Thus, private sector proposals should be subjected to the same standard appraisal criteria and mechanisms as other projects supported by Danida.

It can, finally, be recommended to actively encourage the involvement of the Industrialization Fund for Developing Countries (IFU) as much as possible in initiatives related to private sector development in South Africa. The investment embargo has been lifted, and IFU is ready to consider inquiries about the establishment of joint ventures, which must form part of the badly needed inflow of foreign investment resources to South Africa as noted in Chapter 3. It is also an effective way of coming to grips with the issues facing the private sector, and would ensure that adequate attention is paid to socio-economic as well as commercial profitability criteria.

However, IFU should preferably be consulted at an early stage, when initial contacts are made to initiate private sector initiatives and the basis for confidence and future collaboration is established. The facilities available under the PS-initiative referred to in section 6.3 include a number of instruments, which could play a useful role in this regard. They should be used as an integral element of the whole process of promoting business-to-business contacts and developing joint ventures.

Phasing

There are as demonstrated in this study (see in particular sections 6.5 and 6.6) many relevant development initiatives, which Denmark could decide to embark on in South Africa. Continuity based on the use of funds provided under the apartheid appropriation is certainly desirable; but circumstances are nevertheless changing, and consolidation and reorientation as well as new thinking is, as just noted, indispensable. Thus, a balance will have to be struck between these competing aims. An attempt is therefore made in what follows to try sketch out briefly, a possible, but tentative scenario for the phasing-in and implementation of a 10-year transitional programme and to characterize the content of the individual phases.

Phase 1 (one year): This period will be bewildering and unstable. Thus, a high degree of continuity in Danida supported activities is recommended, except in cases where the activities in question are clearly no longer relevant or where consensus among the various actors in South Africa provide a sound basis for new work. Consequently, Danish assistance should in general be directed toward the priority areas in the 1992 apartheid appropriation programme, including in particular violence prevention, conflict resolution, human rights, democratization and education and training. Expansion to cover the most pressing immediate new needs in these areas will also have to be considered as already practiced during 1992. Yet, established channels

(including a strengthened Embassy and the NGO sector) should be used. Finally, support to the implementation of exploratory feasibility and baseline studies and activities geared at facilitating a smooth institutional transfer of power to a new government ought to be given early attention in accordance with the outline proposed in section 6.5. However, the direct support to ANC projects cannot continue in its present form, once ANC decides to become a political party or becomes a member of a transitional arrangement or interim government; and the relevance of past support to bursaries (through the British bursary trusts AET, Canon Collins and Lincoln) should certainly also be reconsidered.

There are many advantages connected with having the profile of future activities defined at an early stage. Thus, programme planning should quickly gain momentum on the basis of this and other reports and studies. In this context, it will be necessary to decide on the relative importance of the various channels of assistance to be used in the years to come. Existing partners must be informed accordingly, so they can take the necessary follow-up steps, including the phasing out of activities that do not meet established criteria for the future. It can also be noted, that the concept of an enabling environment will have to be further developed with a view to deciding on how best to support the private sector. Development of credit and banking facilities in various sectors would appear to be a particularly interesting area for Denmark to focus on and study in this context.

Phase 2 (two years): A great deal of unclarity will remain in this period in South Africa, and possibly even longer, but increasing stability of the new South African society can be hoped for. Furthermore, Danida should be in a position to quickly pursue the reorientation of its programme, so it fits with existing and emerging new requirements. The focus in this stage of activities at field level should in all likelihood be on violence prevention and conflict resolution, democratization and human rights, the building of democratic development institutions and strengthening the developmental state, education and training and the promotion of entrepreneurial business-to-business contacts. Typical examples of activities in these fields were already outlined in section 6.5. Collaboration with multilateral institutions, for example through Danish participation in joint projects, can also be deepened in this phase as the multilateral institutions start getting better established in South Africa. In this way, Denmark can, hopefully, contribute to the aim of overall coordination as much as possible.

In parallel herewith, the detailed planning of new more 'conventional' type government-to-government development assistance activities, involving technical assistance as well as infrastructure programmes etc. is begun. The framework decided upon in phase 1 is further developed, and priorities as far as sectors and geographic areas are identified from existing proposals. Detailed project plans are also elaborated. The South African NGO-sector should be involved as much as possible due to its unique role, but account is taken of needs and priorities developing in the state sector. Danish NGOs, consultancy companies, private sector organizations and individual consultants will all have a role to play at this stage, in accordance, of course, with the 'distribution of work' decided upon in phase 1.

Phase 3 (seven years): Normalization, reform and progress will hopefully characterize this period of the transition in South Africa. If so, activities in the field of violence prevention and conflict resolution as well as other similar activities can be phased out at an early stage, and more consolidated development programmes can start. Hence, this phase can also be considered the implementation phase for longer term development activities, including the priority actions identified and planned in phases 1 and 2. Some actions in the field of democratization and human rights may still be required in phase 3, but focus is gradually put on programmes and projects to promote rural and urban development and establish physical infrastructure services. Education and training will also remain important activities, and the same accounts for support to the management of the developmental state and the establishment of an enabling environment

for private income generating activities.

It is reiterated that the above outline is tentative only. The more precise timing of the phases suggested will depend critically on the political process and a multitude of other factors. They will also in practice be overlapping each other. Thus, a high degree of flexibility in all stages of programme and project planning and implementation is not only recommended; it is essential for Danida as well as other donors in South Africa.

Chapter 7. CONCLUSION

Apartheid was and is not only a political system, in which a majority of the population has no legal right to vote. It is also an economic and social order, organized to benefit the white minority. Absurd legislation and social as well as political institutions have together with a misguided development strategy constrained the movement of people and economic resources, dislocated the economic system and created inequalities of enormous dimensions. These have contributed to political instability as well as to the inappropriate pattern of economic development. A very clear shift in economic growth took place in 1973-74. The previous growth strategy became unsustainable. Production and prices of gold, which formed the backbone of the import substitution strategy, began falling; and at the same time South Africa initiated a destructive engagement in the region. Instead of concentrating on developing the economy, the apartheid regime (mis)used resources to sabotage and undermine neighbouring states - and in fact South Africa itself. Thus, apartheid has been an economic catastrophe.

It is evident that a new government in South Africa will have to give priority to redistribution of income and wealth, satisfy basic human needs and reduce unemployment. Redistribution is subject, however, to a number of macroeconomic constraints, and it would be a fallacious daydream to believe that the legacies of apartheid can disappear just because political democracy is introduced. Furthermore, redistribution without growth and structural reform cannot ensure the necessary increase in the purchasing power of the blacks without a drastic reduction in the living standard of the whites. This could easily become a threat to both economic stability and progress.

A new government must at the same time ensure a reasonable degree of balance vis-à-vis the foreign sector. There is, on the one hand, a considerable need for increased inflows of capital to finance imports, growth and the renovation of the capital stock, but the possibility for capital flight also exists. On the other hand, greater foreign investment presupposes political stability and economic progress. Thus, this chicken-and-egg dilemma is very much present in South Africa and is together with the widespread poverty an important justification for providing foreign assistance in a transitional period. It is, however, at the same time one of the reasons that inflation will have to be kept within manageable limits. Inflation in South Africa is at 15% on annual basis at present, but it is of course difficult to establish precise and relevant limits beforehand.

Many factors will affect, how production, the balance of payments and inflation develop over time, and it is pertinent to be aware that there are many examples on how a too expansionary economic policy has had damaging effects. There is also in South Africa a risk that the pressure on public spending will be difficult to curtail. It is, on the other hand, clear that a future South African government does have some room for manoeuvre as long as attention is paid to the need for increased investment and exports. Redistribution to the benefit of the poor black population group can no doubt reorient demand in a less import intensive direction, and there is excess productive capacity. The basis for developing a dynamic private sector also exists, and there are at least some prospects for increased resource inflows. At the same time, the state can through its considerable involvement in economic activity affect productive and distributional processes

directly.

The existing room for manoeuvre ought to be used actively. Even if growth is a key precondition, growth alone is far from enough. It would require growth rates in excess of 10% per annum just to meet the most immediate needs within a decade. Thus, income and employment generating activities for blacks, the development of labour intensive industry and investment in human as well as physical infrastructure should be given priority. Whether a new South Africa will be able to strike a proper balance between the need for redistribution and growth on the one side and the existing macroeconomic constraints on the other is difficult to say. It is, however, encouraging that the mass democratic movement is fully aware of these issues and is willing to build up a capacity to provide policy-makers with the necessary analytical input.

Denmark has for more than 25 years assisted the victims of apartheid. The ongoing changes in South Africa offer new possibilities, and a programme of transitional assistance will be initiated as soon as an interim political arrangement is agreed on. The decision to offer such support is as demonstrated in this study well justified. The legacy of apartheid can easily be compared with a manmade disaster. Foreign assistance can in a decisive manner assist a new democratic government in balancing between the need for quick and dramatic improvements for the blacks and the actual possibilities. The democratization process will also be vulnerable for quite some time to come.

There are obviously many contradictory objectives and interests to be taken into account in the design of a future Danish programme of assistance. There are, however, as demonstrated in Chapters 4 and 6 of this report good possibilities for elaborating a balanced programme, which meets existing expectations, although difficult choices must be made on the relative importance of the various possible disbursement channels. Denmark can certainly assist in pursuing objectives such as democratic development processes, social transformation and growth. Yet, it would not appear that there are immediate, significant possibilities for Danish exports. South Africa does, after all, possess considerable productive capacity and expertise. There are, however, various ways in which Denmark can assist private as well as public and community sector development.

It is no coincidence that the Voortrekker Monument outside Pretoria is a symbol of apartheid. It was built in cement and steel. It is certainly not going to be easy to change existing preconceived ideas among whites and blacks in South Africa and restructure the economy. But it would appear that the moment is approaching where the cement and the steel can be used for something more sensible than symbols of the supremacy of the white race. Denmark can assist in this regard provided the measures agreed upon are flexible, and take due account of the fluid conditions and fragile context in which development will have to take place in South Africa for quite some time to come.

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¹ Reproduced from *South Africa; The New Beginning*. London: Euromoney Publications, 1991, by kind permission from Merton Dagut.

² Provided by Philip van Reyneveld, University of Western Cape on the basis of data from the Central Statistical Services and Bureau of Market Research

³ Source: The Weekly Mail, February 15 to February 21 1991

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Table 2.1: Basic Country Data

	Unit of measure	1965	1975	1985	1990
HUMAN RESOURCES					
Size, growth, structure of population					
Total population	thousands	19,832	25,301	31,569	35,919
14 and under	% of pop.	41.8	40.0	37.7	38.2
15-64	"	54.4	56.1	58.2	57.8
Age dependency ratio	unit	..	..	0.7	0.7
Percentage in urban areas	% of pop.	47.2	50.3	56.1	59.5
Females per 100 males					
Urban	number	..	..	99.3	..
Rural	"	..	..	106.8	..
Population growth rate	annual %	2.6	2.3	2.4	2.6
Urban	"	2.8	3.3	3.6	3.5
Urban/rural growth differential	difference	0.5	1.9	2.8	2.2
Projected population: 2000	thousands	..	..	..	44,787
Stationary population	"	..	..	..	95,970
Determinants of population growth					
Fertility					
Crude birth rate	per thou. pop.	39.6	35.0	34.7	33.4
Total fertility rate	births per woman	6.1	5.3	4.6	4.3
Mortality					
Crude death rate	per thou. pop.	15.5	12.6	10.4	9.3
Infant mortality rate	per thou. live births	124.0	101.0	76.4	65.6
Under 5 mortality rate	"	..	..	..	89.8
Life expectancy at birth: overall	years	51.1	55.1	59.5	62.0
female	"	53.5	58.2	62.6	65.4
Labour force (15-64)					
Total labour force	thousands	7,215	8,854	10,831	12,434
Agriculture	% of labour force	31.9	24.7	..	..
Industry	"	29.5	32.2	..	..
Female	"	28.5	33.6	34.9	35.6
Females per 100 males					
Urban	number	..	..	100.0	..
Rural	"	..	..	112.5	..
Participation rate					
overall	% of labour force	35.5	34.7	33.4	33.8
female	"	20.0	23.1	23.2	23.9
NATURAL RESOURCES					
Density	pop. per sq. km	16.2	20.7	25.9	28.9
Agricultural land	% of land area	79.7	77.9	77.4	..
Agricultural density	pop. per sq. km	20.4	26.6	33.4	..
Forests and woodland	thou. sq. km	41.5	41.5	45.2	..
INCOME					
GNP per capita	US\$	510	1,500	2,130	2,530
EXPENDITURE					
Food					
Cereal imports	metric tonnes	73,206	96,034	76,336	87,617
Food production per capita	1979-81=100	83.3	95.0	85.9	84.2
Share of agriculture in GDP	% of GDP	10.1	8.5	5.8	5.1
Daily calorie supply	calories per person	2,759	2,966	3,050	..
Daily protein supply	grams per person	71.2	77.6	76.8	..

Housing	% of GDP	..	5.8	6.8	..
Fixed investment: housing	"	..	3.6	2.9	..

Continued

Table 2.1: Basic Country Data (continued)

	Unit of measure	1965	1975	1985	1990	
Fuel and power						
Energy consumption per capita	kg of oil equivalent	1,744	2,078	2,468	2,447	
Transport and communication						
Population per passenger car	% of GDP	..	8.7	9.2	..	
Fixed investment: transport equipment	persons	17.6	12.0	10.8	..	
Total road length	% of GDP	..	3.3	2.3	..	
Population per telephone	km	..	..	183.728	..
	persons	..	13.1	8.1	..	
INVESTMENT IN HUMAN CAPITAL						
Medical care						
Population per: physician	% of GDP	..	2.0	2.2	..	
nurse	persons	2,049	1,900	..	..
	"	488	..	..	..
		1968	1975	1980	1985	1988
USE AND ORIGIN OF RESOURCES						
Billions of current South African Rand						
Gross National Product (GNP)	10.1	26.2	59.3	119.4	191.2	
Net Factor Income from Abroad	-0.4	-1.2	-2.7	-6.5	-7.7	
GDP at Market Prices	10.5	27.5	62.0	125.9	199.0	
Resource Balance	0.4	-0.7	5.3	12.1	10.3	
Exports of Goods & NFServices	2.7	7.4	22.2	40.4	57.0	
Imports of Goods & NFServices	2.3	8.1	17.0	28.3	46.7	
Domestic Absorption	10.1	28.2	56.7	113.8	188.7	
Private Consumption, ect.	6.4	15.5	29.5	66.4	111.7	
General Govt. Consumption	1.2	3.8	8.4	22.1	36.6	
Gross Domestic Investment	2.6	8.9	18.8	25.3	40.4	
Fixed Investment	..	8.1	16.4	29.1	38.9	
Indirect Taxes, net	0.9	1.6	4.0	11.0	20.4	
Gross Domestic Saving	3.0	8.2	24.1	37.4	50.7	
Gross National Saving	2.6	7.0	21.1	31.1	43.2	
GDP at factor cost	9.6	25.8	58.0	115.0	178.5	
Agriculture	0.9	2.1	4.0	6.7	10.5	
Industry	3.9	11.1	29.3	52.7	80.1	
Manufacturing	2.2	6.0	12.6	26.0	43.8	
Services, etc.	4.8	12.6	24.6	55.5	88.0	
Percent of GDP at factor cost, current prices						
Agriculture	9.4	8.1	6.9	5.8	5.9	
Industry	40.6	43.0	50.5	45.8	44.9	
Manufacturing	56.4	54.1	43.0	49.3	54.7	
Services, etc.	50.0	48.9	42.4	48.3	49.3	

Continued

Table 2.1: Basic Country Data (continued)

	1968	1975	1980	1985	1988
Billions of 1980 South African Rand					
Gross National Product	39.0	51.7	59.3	64.8	69.8
GDP at Market Prices	40.5	54.1	62.0	68.4	72.1
Resource Balance	6.4	1.4	5.3	9.9	7.0
Exports of Goods & NFServices	15.3	15.6	22.2	23.7	24.0
Imports of Goods & NFServices	8.8	14.2	17.0	13.8	17.1
Domestic Absorption	34.0	52.8	56.7	58.5	65.1
Private Consumption, ect.	21.1	30.3	29.5	34.8	40.7
General Govt. Consumption	4.1	6.4	8.4	10.4	11.2
Gross Domestic Investment	8.8	16.1	18.8	13.3	13.3
Fixed Investment	..	15.4	16.4	15.4	13.0
GDP at factor cost	38.4	50.9	58.0	63.7	67.1
Agriculture	..	3.7	4.0	4.1	4.5
Industry	..	27.1	29.3	30.8	31.8
Manufacturing	..	9.3	12.6	13.1	14.4
Services, etc.	..	20.2	24.6	28.8	30.8
Percent of GDP at factor cost, 1980-prices					
Agriculture	..	7.3	6.9	6.4	6.7
Industry	..	53.2	50.5	48.4	47.4
Manufacturing	..	34.3	43.0	42.5	45.3
Services, etc.	..	39.7	42.4	45.2	45.9
Billions of 1980 South African Rand					
Memo Items:					
Capacity to Import	10.3	12.9	22.2	19.6	20.8
Terms of Trade Adjustment	-5.0	-2.6	..	-4.0	-3.2
Gross Domestic Income	35.5	51.5	62.0	64.4	68.9
Gross National Income	34.0	49.1	59.3	60.8	66.6
DOMESTIC PRICES/DEFLATORS					
Index 1980 = 100					
Overall (GDP)	25.9	50.7	100.0	184.1	275.9
Domestic Absorption	29.8	53.4	100.0	194.6	289.7
Agriculture	..	57.9	100.0	163.2	234.4
Industry	..	41.2	100.0	171.0	251.7
Manufacturing	..	64.4	100.0	199.2	304.0
MANUFACTURING ACTIVITY					
Employment	70.4	90.1	100.0	95.4	..
Real Earnings per Empl.	72.2	88.8	100.0	105.6	..
Earnings as % of Value Added	47.5	54.1	47.7	49.5	..
MONETARY HOLDINGS					
Billions of current South African Rand					
Money Supply, Broadly Defined	6.4	17.0	33.8	70.3	116.0
Money	2.1	4.3	8.4	21.3	39.9
Currency Outside Banks	0.4	1.0	1.9	3.6	6.1
Demand Deposits	1.6	3.3	6.5	17.8	33.8
Quasi-Money	4.3	12.7	25.4	49.0	76.1

Continued

Table 2.1: Basic Country Data (continued)

	1968	1975	1980	1985	1988
Billions of current South African Rand					
GOVERNMENT DEFICIT/SURPLUS	..	-1.4	-1.4	-5.0	..
Current Revenue	..	5.9	14.4	33.1	..
Current Expenditure	..	5.3	11.7	33.1	..
Current Budget Balance	..	0.6	2.7	0	..
Capital Receipts	..	0.04	0.05	0.08	..
Capital Payments	..	2.1	4.2	5.1	..
FOREIGN TRADE (CUSTOMS BASIS)					
Millions of current US dollars					
Value of Exports, fob	3,211	8,959	25,680	16,523	21,549
Nonfuel Primary Products	1,854	4,546	4,663	3,025	3,720
Fuels	166	114	972	902	669
Manufactures	1,191	4,299	20,045	12,595	17,160
Value of Imports, cif	2,789	8,293	19,246	11,469	18,757
Nonfuel Primary Products	361	890	1,444	785	1,027
Fuels	182	20	76	58	46
Manufactures	2,246	7,383	17,726	10,626	17,684
Index 1980 = 100					
Terms of Trade	126.9	112.6	100.0	75.0	72.5
Export Prices, fob	28.1	70.2	100.0	70.6	94.1
Import Prices, cif	22.1	62.3	100.0	94.1	129.8
BALANCE OF PAYMENTS					
Millions of current US dollars					
Exports of Goods & Services	..	10,343	29,246	18,875	25,749
Merchandise, fob	..	8,436	25,684	16,264	22,452
Nonfactor Services	..	1,112	2,158	1,465	1,798
Factor Services	..	795	1,405	1,145	1,499
Imports of Goods & Services	..	12,974	25,987	16,336	24,632
Merchandise, fob	..	9,164	18,272	10,431	17,216
Nonfactor Services	..	1,899	3,588	2,363	3,308
Factor Services	..	1,911	4,128	3,543	4,108
Private Current Transfers, net	..	87	94	84	90
Curr. A/C Bal. before Off. Transf.	..	-2,544	3,354	2,622	1,207
Net Official Transfers	..	102	145	-11	85
Curr. A/C Bal. after Off. Transf.	..	-2,442	3,498	2,612	1,292
Long-Term Capital, net	..	2,158	-911	-684	-531
Direct Investment	..	63	-765	-499	4
Other Long-Term Capital	..	2,094	-146	-186	-535
Other Capital, net	..	373	-1,816	-2,446	-1,535
Change in Reserves	..	-89	-771	519	774
Memo Item:					
South African Rand per US dollar					
Conversion Factor (Annual Avg)	0.7	0.7	0.8	2.2	2.3
Memo Item:					
Millions of US dollars					
Int'l reserves Excluding Gold	228	489	726	315	780
Gold Holdings (at market price)	1,488	2,489	7,162	1,582	1,424

Source: World Bank International Economics Department (1992)

Table 2.2: Regional Distribution of GDP, 1987

Region	% share of GDP	Population (million)	GDP per capita (Rand)
Eastern Cape	7.2	4.52	2,353
Northern Cape	2.8	1.02	4,085
Western Cape	12.6	3.24	5,765
KwaNatal	14.3	8.73	2,421
Eastern Transvaal	8.4	2.07	5,974
Northern Transvaal	3.8	4.24	1,314
Western Transvaal	5.2	1.71	4,525
Orange Free State	5.8	2.44	3,516
Witwatersrand	39.9	7.47	7,892

Source: Abedian and Standish (1992), calculated on the basis of DBSA data

Table 2.3: Rural-urban Distribution of Economic Activity, 1985

Area	GDP		Population	GDP per capita
	%	Rm	1,000	Rand
Metropolitan area	62	67,817	10,179	6,662
Non-metropolitan areas	33	36,517	9,298	3,927
Homelands	5	5,266	14,221	370
Total	100	109,600	33,698	3,252

Source: Abedian and Standish (1992)

Table 2.4: Regional Data, 1989

Indicator	Region				
	A	B	C	D	E
Area (km)	259,915	282,500	128,399	152,471	109,626
Population ('000)	3,512	1,101	2,631	4,699	8,583
Annual growth in population (%) (1970 to 1989)	2.57	2.02	2.36	2.36	2.79
Percentage males (15-64 years)	52.1	49.0	55.8	43.0	44.7
Density (persons per km ²)	13.5	3.9	20.5	30.8	78.3
Functional urbanisation rate (%)	89.0	59.0	64.0	57.0	51.0
Annual growth in urban population (1980 to 1989)	3.3	1.8	2.9	3.1	3.5
Literacy rate	81.3	59	70.2	65.5	68.4
Potential labour force ('000)	1,711	443	1,169	1,734	3,337
Absorption capacity	59.0	46.5	56.6	34.0	35.9
Unemployment rate	9.6	14.5	11.1	25.0	18.7
Dependency ratio	1.3	2.4	1.6	3.1	2.8
Nominal GGP (R million)	26,788	3,947	12,939	14,644	30,505
Real annual growth in GGP (1970 to 1989)	2.0	0.1	0.6	3.1	3.4
Percentage distribution	12.9	1.9	6.4	7.0	14.6
Nominal GGP per capita (R)	7,627	3,585	4,918	3,116	3,554
Nominal GGP per worker (R)	17,577	12,144	12,786	12,880	13,486
Personal income/GGP (%) (1985)	93.2	87.0	68.1	90.2	87.8
Personal income per capita (1985)	4,343	1,984	2,184	1,630	1,737
Life expectancy	65.5	62.6	63.2	63.7	63.8

Indicator	Region				
	F	G	H	J	Total
Area (km)	77,070	116,493	30,336	63,278	1,220,088
Population ('000)	1,969	4,276	8,520	1,789	37,080
Annual growth in population (%) (1970 to 1989)	2.55	3.86	3.31	2.43	2.85
Percentage males (15-64 years)	55.8	38.7	57.6	55.0	50.2
Density (persons per km ²)	25.5	36.7	280.9	28.3	30.4
Functional urbanisation rate (%)	56.0	31.0	93.0	65.0	65.0
Annual growth in urban population (1980 to 1989)	3.0	3.7	2.8	2.8	3.0
Literacy rate	65.2	61.2	78.8	67.5	70.5
Potential labour force ('000)	880	1,374	4,457	799	15,904
Absorption capacity	53.8	22.9	60.7	53.2	50.4
Unemployment rate	8.7	16.7	13.6	14.7	14.8
Dependency ratio	1.6	4.8	1.1	1.9	2.0
Nominal GGP (R million)	19,366	6,246	80,295	12,219	206,948
Real annual growth in GGP (1970 to 1989)	6.8	0.9	2.2	1.9	2.5
Percentage distribution	9.6	3.0	38.3	6.1	100
Nominal GGP per capita (R)	9,835	1,461	9,424	6,830	5,581
Nominal GGP per worker (R)	25,650	8,429	19,870	19,488	16,557
Personal income/GGP (%) (1985)	41.0	87.6	77.3	54.6	77.0
Personal income per capita (1985)	2,347	725	4,558	2,166	2,206
Life expectancy	63.7	62.9	64.7	63.8	64.0

Note: The regions are demarcated on Map 1.9

Source: Development Bank of Southern Africa (1991)

Table 2.5: Population Distribution, 1991

	African	Asian	Coloured	White	Total
White-designated area					
Cape province	2,325,100	38,700	2,767,700	1,339,600	6,471,100
Natal	1,079,300	793,300	112,800	620,900	2,606,300
Orange Free State	1,692,100	-	70,800	330,200	2,093,100
Transvaal	7,169,100	152,200	319,800	2,777,400	10,418,500
Sub-total	12,265,600	984,200	3,271,100	5,068,100	21,589,000
'Independent' homelands					
Bophuthatswana	2,403,000	500	10,100	6,000	2,419,600
Ciskei	838,600	900	4,200	2,900	846,600
Transkei	3,440,900	2,900	7,400	7,000	3,458,200
Venda	556,100	400	100	800	557,400
Sub-total	7,238,600	4,700	21,800	16,700	7,281,800
Non-independent homelands					
Gazankulu	607,000	-	200	900	608,100
KaNgwane	496,100	-	1,100	500	497,700
KwaNdebele	516,100	-	200	-	516,300
KwaZulu	5,211,000	3,500	3,500	2,100	5,220,100
Lebowa	2,276,300	200	1,000	1,800	2,279,300
QwaQwa	451,800	-	500	800	453,100
Sub-total	9,558,300	3,700	6,500	6,100	9,574,600
Total	29,062,500	992,600	3,299,400	5,090,900	38,445,400

Source: South African Institute of Race Relations (1992)

Table 2.6: Political Fatalities, 1985-1990

	Cape	Natal	OFS	Transvaal	Unknown	Total
1985	455	117	17	285	5	879
1986	398	101	12	776	11	1,298
1987	65	451	17	124	4	661
1988	79	912	8	150	-	1,149
1989	70	1,279	-	54	-	1,403
1990	247	1,811	92	1,547	2	3,699
Total	1,314	4,671	146	2,936	22	9,089

Source: South African Institute of Race Relations (1992)

Table 2.7: Political Fatalities, 1991

Month	Total	Rate per day
January	187	6.0
February	129	4.6
March	351	11.3
April	270	9.0
May	318	10.3
June	150	5.0
July	164	5.3
August	184	5.9
September	282	9.4
October	205	6.6

November	270	9.0
December	162	...
Total	2672	7.5

Source: South African Institute of Race Relations (1992)

Table 2.8: International Trade, 1990-91 (million Rand)

Exports	1990	1991	Imports	1990	1991
Gold	18,070	19,649	Machinery	12,279	12,985
Base metals	8,288	8,908	Vehicles, aircraft etc.	5,370	6,074
Mineral products	6,544	7,021	Chemicals	4,457	5,052
Chemicals	1,717	2,130	Base metals	2,078	2,082
Food, drink & tobacco	1,601	1,874	Textiles	1,887	2,339
Textiles	1,425	1,591	Plastics & rubber	1,775	2,028
			Scientific instruments	1,689	1,994
			Vegetable products	884	1,080
Total incl others	55,758	61,393	Total incl others	41,075	44,772

Source: Economist Intelligence Unit (1992)

Table 2.9: Balance of Payments, 1986-91 (million US\$)

	1986	1987	1988	1989	1990	1991
Merchandise exports, fob	10,969	12,353	13,848	15,097	16,378	16,637
Net gold output	7,322	8,740	8,634	7,339	6,982	7,119
Merchandise imports, fob	-11,173	-13,912	-17,236	-16,845	-17,040	-17,455
Trade balance	7,118	7,181	5,246	5,591	6,320	6,301
Export of services	2,725	3,170	3,302	3,548	4,189	4,195
Imports of services	-6,860	-7,540	-7,428	-7,779	-8,389	-7,827
Net transfers	169	212	173	203	117	20
Current account balance	3,151	3,022	1,293	1,564	2,236	2,689
Long-term capital	-1,340	-834	-463	-468	-752	-980
Short-term capital not related to reserves	-1,330	-673	-2,469	-1,653	-359	-1,212
Liabilities related to reserves	-1,000	-573	847	1,090	-786	593
SDR allocations & valuation adjustment	434	162	248	-454	-201	-170
Change in gross gold & other foreign reserves	-85	1,103	-544	77	139	921

Note: Merchandise export fob excludes gold

Source: Economist Intelligence Unit (1992)

Table 2.10: External Debt, 1985-90 (million US\$)

	1985 (Aug)	1986	1987	1988	1989	1990
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Affected by the standstill	13,628	13,947	11,453	9,073	7,326	6,623
of which:						
public sector	2,692	4,115	3,719	2,815	2,615	1,993
banking sector	8,814	6,962	5,268	4,949	3,478	3,068
non-bank private sector	2,122	2,870	2,466	1,309	1,233	1,562
Not affected by the standstill	10,093	8,646	11,165	12,112	13,271	12,760
of which:						
public sector	5,948	6,118	6,298	5,600	5,274	4,767
banking sector	1,317	474	470	517	1,361	461
non-bank private sector	2,828	2,054	2,227	2,519	2,235	2,770
medium & long term loans	-	-	2,170	3,476	4,401	4,762
Total external debt	23,721	22,593	22,618	21,185	20,597	19,383
Selected ratios (%)						
total external debt/exports	127.7	108.8	91.7	82.0	79.3	70.2
interest payments/exports	10.8	9.6	7.0	6.5	7.1	7.1

Source: Economist Intelligence Unit (1992)

Table 2.11: Production of Main Agricultural Crops, 1985/86-1990/91 (thousand tons)

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
Maize	8,321	7,353	7,014	12,035	8,709	8,047
Wheat	2,322	3,146	3,540	2,029	1,702	2,231
Barley	199	280	126	291	262	167
Oats	43	67	43	42	39	31
Sorghum	446	505	497	508	300	262
Groundnuts	81	87	169	121	81	95
Sunflower seed	276	382	431	437	561	589
Cane sugar	18,803	18,252	21,021	19,811	18,581	18,026
Tobacco	32	27	30	37	28	32
Wool (greasy)	96	90	91	95	97	103

Source: Economist Intelligence Unit (1992)

Table 2.12: Gross Value of Main Agricultural Outputs, 1985/86-1990/91 (million Rand)

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
Maize	2,009	1,986	1,959	3,418	2,855	2,799
Wheat	535	865	1,257	1,218	931	860
Sugar cane	578	658	687	817	943	1,002
Hay	660	694	829	972	1,086	1,125
Tobacco	197	203	253	346	312	404
Cattle slaughtered	1,193	1,592	1,935	2,129	2,302	2,402
Poultry slaughtered	987	1,398	1,791	2,254	2,273	2,680
Sheep & goats slaughtered	501	554	702	807	857	832
Fresh milk & dairy products	553	581	667	809	945	990
Wool	382	346	617	875	745	681
Deciduous fruit	543	610	685	853	995	1,096
Vegetables	382	504	634	697	856	992
Citrus fruit	236	232	338	400	460	506
Viticulture	319	377	424	445	590	650

Total incl others	11,433	13,509	16,278	19,954	20,478	21,736
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Source: Economist Intelligence Unit (1992)

Table 2.13: South Africa's Mineral Resources

Mineral	SA's reserves thousands metric tons	% of world reserves in South Africa	Rank in the world
Manganese	3,992,000	82	First
Platinum	26.7	69	First
Chromium	2,400,000	56	First
Gold	20.0	44	First
Vanadium	5,400	33	First
Alumino silicates	50,800	37	First
Flourspar	32,000	11	Third
Vermiculite	73,000	..	..
Diamonds	360,000	24	Second
Nickel	10,690	9	Sixth
Uranium	317	..	..
Coal	58,404,000	10	Fourth
Zirconium	6,900	14	Second
Asbestos	8,200	6	Fourth
Phosphate	2,310,000	6	Third
Zinc	15,000	5	Fourth
Antimony	120	3	Sixth
Lead	5,000	4	Fourth
Iron	6,000,000	6	Sixth

Source: Cosatu (1992)

Table 2.14: Gross Value of Main Mineral Output, 1986-91 (million Rand)

	1986	1987	1988	1989	1990	1991
Gold	17,287	17,491	19,683	19,439	18,994	19,296
Diamonds	998	905	...	...	...	...
Iron ore	473	473	545	833	1,076	1,149
Copper	550	612	952	1,321	1,067	1,053
Manganese	273	169	337	721	848	774
Lime & limestone	237	272	323	371	425	478
Asbestos	99	86	102	166	169	140
Platinum group metals	...	...	...	2,065	2,322	2,675
Others	3,927	3,795	5,722	5,172	4,995	5,136
Total	23,844	23,803	27,664	30,088	29,896	30,701

Note: Coal not included, and data on diamonds not published separately after 1987

Source: Economist Intelligence Unit (1992)

Table 2.15: Volume of Mining Production, 1986-91

	1986	1987	1988	1989	1990	1991
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Gold (tons)	638	605	618	605	603	598
Iron ore	24,482	21,995	25,248	30,291	29,958	28,952
Copper	184	213	168	179	182	185
Manganese	3,719	2,892	4,109	4,402	4,886	3,191
Chrome	3,453	3,339	3,708	4,095	4,275	4,512
Asbestos	139	135	146	146	157	149
Diamonds ('000 carats)	10,228	9,051	8,504	8,708	9,116	8,446
Platinum group metals (tons)	...	...	...	59	65	63

Source: Economist Intelligence Unit (1992)

Table 2.16: Value of Manufacturing Production, 1991

	Million Rand	%
Food	25,783	14.4
Beverages	8,216	4.6
Tobacco products	1,982	1.1
Textiles	6,352	3.6
Clothing, except footwear	4,339	2.4
Leather & leather products, except footwear	853	0.5
Footwear	1,844	1.0
Wood & wood products, except furniture	2,935	1.6
Wooden furniture	2,021	1.1
Paper & paper products	9,161	5.1
Printing, publishing & allied industries	3,937	2.2
Industrial chemicals	9,287	5.2
Other chemical products	24,393	13.7
Rubber products	2,523	1.4
Plastic products not elsewhere classified	4,124	2.3
Pottery, china & earthenware	181	0.1
Glass & glass products	1,347	0.8
Other non-metallic mineral products	4,612	2.6
Iron & steel basic industries	13,487	7.6
Non-ferrous metal basic industries	4,824	2.7
Fabricated metal products, except machinery	10,271	5.8
Machinery, except electrical machinery	7,171	4.0
Electrical machinery	8,244	4.6
Motor vehicles, parts & accessories	16,536	9.3
Transport equipment, except motor vehicles	1,717	1.0
Professional, scientific, measuring & controlling equipment, ect.	647	0.4
Other industries	1,762	1.0
Total manufacturing	178,549	100.0

Source: Economist Intelligence Unit (1992)

Table 2.17: Private Consumption and Investment 1946-89

Average annual growth rate in:	GDP	Private consumption	Fixed investment
1946-54	4.4	4.1	8.0
1955-60	4.2	3.0	1.5
1961-67	5.9	4.4	8.1
1968-71	5.3	6.3	9.4
1972-79	3.7	3.2	2.2
1980-89	1.7	2.8	-1.7

Source: Godsell et al. (1990)**Table 2.18:** Workforce and Formal Employment, 1946-88:
average annual increase ('000s)

Year	Formal employment	Work force	Percentage absorbed
1946-50	98	114	86.0
1950-55	115	127	90.6
1955-60	57	144	39.8
1960-65	158	173	91.3
1965-70	145	197	73.6
1970-75	156	249	62.7
1975-80	90	288	31.3
1980-85	60	310	19.4
1985-88	30	355	8.5

Source: Gelb (1991)**Table 2.19:** Employment by Economic Sector 1980-88 ('000s)

	1980	1988	% growth
Agriculture	1,238	1,367	10.4
Mining	709	671	-5.4
Manufacturing	1,392	1,339	-3.8
Construction	326	309	-5.4
Transport & communication	419	380	-9.2
Distribution & hotels	756	781	3.3
Financial services	122	172	40.6
Central government	325	511	57.4
Provincial administration	249	227	-8.6
Local administration & homelands	307	427	39.1

Source: Godsell et al. (1990)

Table 2.20: Relative Mean Income for Different Population Groups, 1975 and 1985 (pct. of white income)

	1975	1985
Whites	100.0	100.0
Coloureds	19.4	36.7
Asians	28.6	48.6
Blacks - all Metro areas	18.2	21.2
Blacks - urban	15.4	19.8
Blacks - rural	6.0	12.3
Blacks - homeland urban/rural	8.3	8.1

Source: Eckert (1991)

Table 2.21: Share of Population Below Minimum Subsistence Level, 1989 (percent)

Population group	Urban	Rural	Total
Africans	31.9	68.3	52.7
Coloureds	23.2	45.0	28.1
Indians	8.3	45.0	10.7
Whites	1.5	2.0	1.6
RSA (excl. TBVC)	21.1	63.3	40.1
TBVC homelands			65.1
Total (RSA, incl. TBVC)			44.8

Source: Centre for Health Policy (1992)

Table 2.22: Racial Disparities in Income, Living Standards, and Benefits from Government Expenditure

		Black	White
State expenditure per pupil (1986/87)	Primary and secondary level (Rand)	367	2,746
Matriculated labour force (1985)	% of labour force	2.2	53
State social pension (1987/88)	Average annual value (Rand)	900	2,400
Income per person (1987)	Rand	428	5,060
Proportion of households with annual income above R16,000 (1985)	Percent	5	83
Wage level in non-primary sectors (1987)	Average monthly level (Rand)	593	1,959
Employment in formal economy (1987)	% of labour force	58	89

Life expectancy at birth (1980)	Years	58	70
Infant mortality (1982)	Per 1,000 live births	90	14
Incidence of tuberculosis (1985)	Per 100,000 population	206	15

Source: Van der Berg (1991)

Table 2.23: Cost of Parity in Social Expenditure and Cost of Meeting Housing Needs, 1986 (million Rand and as pct. of GDP at Market Prices)

	Present expenditure		Conservative estimate ^a		Liberal estimate ^a	
	Rm	% of GDP	Rm	% of GDP	Rm	% of GDP
Education ^b	6.8	4.8	24.0	16.6	27.7	19.2
Social pensions ^b	1.9	1.3	3.7	2.6	5.2	3.6
Health ^b	4.0	2.8	6.0	4.2	8.0	5.6
Housing ^c	1.0	0.7	1.7	1.2	3.5	2.4
Total^d	13.7	9.5	35.4	24.5	44.4	30.8
Other govt. expenditure		17.9		17.9 ^e		17.9 ^e
Total govt. expenditure		27.4		42.4 ^e		48.7 ^e

Note: ^aConservative and liberal: based on various assumptions regarding coverage, current levels of spending on whites, and different levels of housing provision. See Van der Berg (1989) for details. ^bParity at current white levels, under various assumptions. ^cUpgrading, but not identical to parity at white levels, owing to the complexity of the assumptions required. See Van der Berg (1989) for details. ^dAssuming that other (non-social) government expenditure remains unchanged at 17.9 percent of 1986 GDP at market prices, valued at R145.9 billion.

Source: Van der Berg in Moll, Natrass and Loots (1991)

Table 2.24 The Distribution of the Apartheid Appropriation, 1983-91 (DKK million)

Institution	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Danchurchaid	13	15	16	20	20	21	24	25	19
2. IBIS	12	15	17	15	18	20	18	17	18
3. Danish Trade Union Council for International Development Cooperation	-	6	5	5	7	8	11	13	12
4. Other Organizations (including UN)	20	14	17	25	27	30	33	26	30
Total (1-4)	45	50	55	65	72	79	86	81	79

Source: Danida (various years), *Danmarks deltagelse i det internationale udviklingssamarbejde*. Copenhagen: Ministry of Foreign Affairs.

Table 2.25 Apartheid Appropriation Funds Administered by Danchurchaid, 1991

	DKK thousands	%
Repatriation	4,600	24
Legal aid	3,145	16
Educational aid	3,795	20
Democratization	2,300	12
SACC Regional Councils	3,289	17
Other	2,331	12
Total	19,460	101

Source: Danchurchaid's applications for funds over the Apartheid Appropriation.

Table 2.26 Apartheid Appropriation Funds Administered by the Danish Trade Union Council for International Development, 1991

	DKK thousands	%
Humanitarian aid	1,379	11
Legal aid	2,519	21
Educational aid	2,294	19
Trade Union Budgets	4,704	39
Other	1,159	10
Total	12,055	100

Source: Danish Trade Union Council for International Development's applications for funds over the Apartheid Appropriation.

Table 2.27 Interfund Programme in 1991/92

	%
Education and training	62
Media and publications	11
Urban and rural development	12
Community health	4
Mediation and conflict resolution	4
Land issues	4
Other	3
Total	100

Source: Zille (1991)

Table 2.28 Projects Supported by IBIS with Apartheid Appropriation Funds, 1991 (DKK Thousands)

A. Via Interfund:

1.	Emergency Programme Fund	1,127	
2.	Centre for Study of Health Policy		349
3.	Community Arts Project		172
4.	Co-operative Planning & Education	352	
5.	Centre for Community Organization, Research & Development		426
6.	Careers Research & Information Centre		198
7.	Community Research Unit		212
8.	Eastern Cape Adult Learning Project	317	
9.	Education Development Trust	265	
10.	Education Information Centre	265	
11.	Education Policy Unit (Wits)	212	
12.	Education Policy Unit (Natal)	493	
13.	Education Resource & Information Project	251	
14.	English Literacy Project		132
15.	Environmental & Development Agency		265
16.	Kwangane Foundation for Education with Production	317	
17.	International Labour Research & Information Group	135	
18.	Khanya College Scholarships	603	
19.	Learn and Teach Publications	410	
20.	The Learning Nation		193
21.	Midlands Education Development Unit		286
22.	National Education Coordination Committee	1,561	
23.	Natal Tuition Programmes		265
24.	Open School		132
25.	Phoenix Community Centre		159
26.	Planact	1,110	
27.	Development & Training Apprentice Scheme	259	
28.	South African Committee for Higher Education		873
29.	South African Medical Scholarship Trust		227
30.	South African Prisoners Education Trust		537
31.	South African Students Education Trust		331
32.	Speak Collective		235
33.	Surplus Peoples Project		265
34.	Tsusanang Study Project		265
35.	Umtata Adult Literacy Centre	265	
36.	Independent Mediation Service		845
37.	KHUPHUKA Skills Training & Employment Project	211	
38.	Development Action Group		169

39.	National Land Committee	564
	SUBTOTAL, via Interfund	15,250

Table (cont.)

B. Via Danish National Union of Upper Secondary
School Teachers:

40.	George Education Resource & Information Centre	337
41.	Refugee Education Project	243

C. Via WUS International:

42.	Bursary Programme	2,357
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TOTAL		<u>18,187</u>
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Table 2.29 Danish-South African Foreign Trade (DKK millions)

Year	DK exports to SA	DK imports from SA	Bilateral surplus
1980	326.5	754.1	-427.6
1981	467.6	1257.7	-790.1
1982	501.8	1585.8	-1084.1
1983	591.1	1310.4	-719.4
1984	708.6	1267.2	-558.5
1985	613.1	1685.5	-1072.3
1986	422.6	828.7	-406.1
1987	105.3	28.1	77.3
1988	101.0	47.4	53.6
1989	67.1	1.5	65.6
1990	96.1	1.2	94.9
1991	95.6	0.4	95.2

Source: Danish Bureau of Statistics

Table 2.30 Major Items of Danish Exports to South Africa (DKK millions)

Year	Total DK exports to SA (DKK million)	Chemical products (%)	Machines (%)	Edibles (%)	Instruments (tech. and scient.) (%)	Other Items (%)
1980	326.5	15	53	7	6	20
1981	467.6	17	45	11	5	22
1982	501.8	14	47	14	4	21
1983	591.1	16	37	20	5	23
1984	708.6	18	36	19	5	22
1985	613.1	21	40	16	4	19
1986	422.6	27	32	12	6	24
1987	105.3	66	18	0	6	9
1988	101.0	77	4	0	9	10
1989	67.1	59	17	0	13	12
1990	96.1	74	10	0	7	9
1991	95.6	70	13	0	8	9

Source: Danish Bureau of Statistics