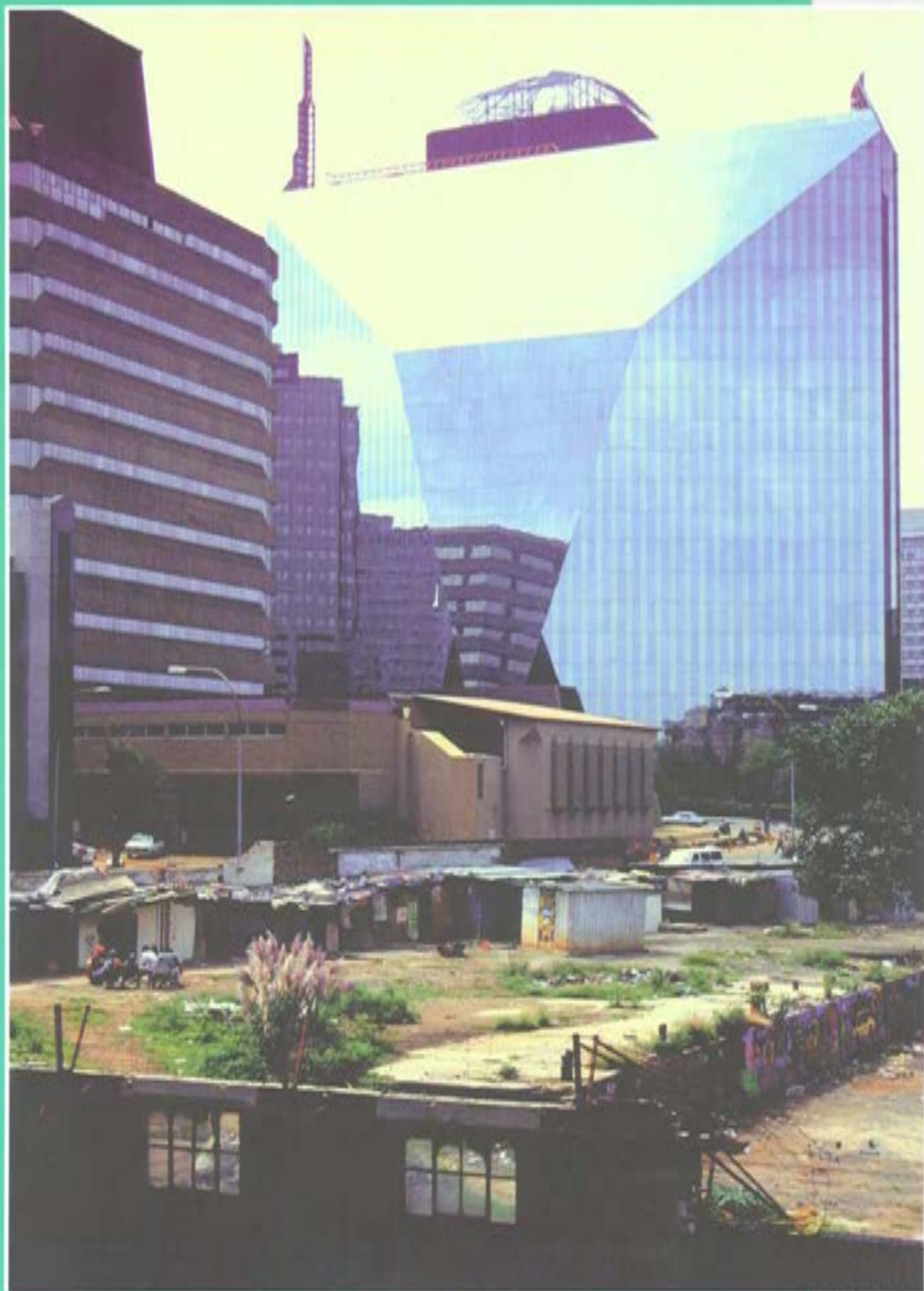


POLICY-MAKING IN A NEW DEMOCRACY

South Africa's challenges for the 21st century



THE CENTRE FOR DEVELOPMENT AND ENTERPRISE

This study has been funded by the South African Breweries Limited (SAB) as a contribution to the national debate regarding fundamental public policy issues facing contemporary South Africa.

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POLICY IN THE MAKING
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A NEW DEMOCRACY**
South Africa's challenges
for the 21st century



THE **C**ENTRE FOR **D**EVELOPMENT AND **E**NTERPRISE

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CDE Research: policy in the making is a vehicle for disseminating the results of research as well as suggested policy options on critical national challenges. Each issue is based on in-depth research, involving numerous specially commissioned papers written by experts in the field.

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The report is based on work done by CDE itself as well as 20 research papers commissioned from experts in chosen fields. In addition, the report is built on more than 140 interviews with senior decision-makers, and a review of more than 30 government green and white papers.

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INTRODUCTION

The policy challenge



The key issue we are trying to address – in a spirit of constructive analysis and positive proposals – is how well the ANC-led government is dealing with the many challenges that face South Africa as we enter the 21st century

INTRODUCTION

South Africa has come a long way since the first universal adult franchise election of 1994. An interim constitution – negotiated before the election – has been transformed into a final one. The old patchwork of provinces and homelands has been transformed into an integrated nine-province system. Semi-chaotic administrative and financial systems are starting to settle down to the task of providing education, health and welfare services. Parliamentary practices have been modernised, and the upper echelons of the public service are far more racially inclusive. The large budget deficits of the early 1990s have been reduced in line with the macro-economic discipline introduced by the Growth, Employment and Redistribution (GEAR) strategy announced in 1996. At the output level there have been significant successes in housing, electricity and water, postal services and telephones; transport policy has been updated, using an intelligent combination of public and private sector inputs; the revenue service has been modernised and collection rates are improving. Interestingly, these accomplishments have often been matched by a realistic sense of limitation and unsolved problems on the part of government. A political and social system that incorporates self-criticism is one in which an active search for progress can be expected.

Few would deny that South Africa continues to face large – even daunting – challenges of institutional and policy development. The development of local authorities – started relatively late – has a considerable way to go. An appropriate balance has to be struck between demand and supply in integrating more South Africans more fairly into the labour market: in this respect the slow progress in education and training is a cause for concern. Above all South Africa's economy needs to grow faster. Real per capita income rose between 1993 and 1996, but in both 1997 and 1998 the economic growth rate was well below the population growth rate, and most economists predict the same for 1999. It will take further skilful policy development and a firm political will to combine public and private sector resources in the way needed to reverse economic stagnation or deterioration. This will require a rapidly growing and dynamic entrepreneurial class, as well as appropriate public institutions and policies.

The prospects for policy success depends on two factors: a realistic assessment of state capacity, and a careful assessment of the full consequences of policy initiatives. These factors are often not fully appreciated: state capacity is often overestimated or (less frequently) underestimated. And policies can be thought of either in terms of their symbolic political appeal or their first-order effects only. What pleases crowds now may turn out to be much less satisfactory in the medium or long term.

Why this report?

*'It is not enough to declare markets free or to rely exclusively on government efforts [in development]. A new strategy is needed – one that recognises the strengths and weaknesses of each. The challenge ... is to make both the market and the state work better.'*¹

As an organisation funded by the private sector, CDE is deeply involved in the debates on the role of business in South Africa and its responsibilities in making the country a success. CDE's core work focuses on socio-economic issues and the policies necessary for successful development. It has recently completed a major study of the role of the private sector in economic development and the consolidation of democracy in newly democratic societies.² It is currently completing a second comprehensive study examining the role of corporate South Africa in the country's transformation: this report will include a rigorous and critical analysis of large corporations, their contribution to the country, and the difficult challenges facing the private sector in helping to drive South African economic growth and support democratic consolidation.³

In this report, CDE turns its attention to the public sector. Together, the two studies will provide a unique resource for those interested in South African development in the first years of the new millennium.

We are convinced that 'the move toward freer markets [in developing countries across the globe], though welcome, does not magically solve the problems of poverty and underdevelop-

'For free market reforms
to work, government
institutions must also work'

The old adage that 'you stand where you sit' is true for too many South Africans. In this study CDE has deliberately tried to move beyond this constraint

ment'.¹ The state needs to intervene less in the economy, playing a facilitating rather than a direct role in many cases, and change its style. However, it cannot and should not disappear. The government inevitably remains a principal actor in macro-economic policy-making, infrastructure, development, and social programmes – not to mention policing, justice, defence and foreign policy. Successful liberalisation requires highly skilled management of the privatisation process, policies that promote and protect competition, and the sophisticated regulation of newly freed capital markets and banking systems, to name but a few essentials. 'Reinventing government' requires effective internal management, accountability and sub-contracting procedures. The notable development economist Robert Klitgaard is right when he says that 'for free market reforms to work, government institutions must also work'.²

This project started with three simple questions. What is the nature of policy-making in the newly democratic South Africa? How coherent is government policy five years after the country's first democratic election? Where is the centre of gravity and power in the South African policy-making process? The scope of the work evolved in the process of trying to answer these questions comprehensively.

This report therefore covers a broad terrain. It attempts to reach a nuanced understanding of South Africa at the close of the 20th century, via three areas of research:

- An examination of the core policy-making and executive institutions, actors, interests and influences since the 1994 elections;
- two case studies, the one focusing on GEAR and the coherence of government policy, and the second on the public service and its transformation; and
- an examination of the ANC, its alliance with the SACP and COSATU, and its current leader and South Africa's new president, Thabo Mbeki.

The report draws these components together by summarising the key findings, isolating critical themes, and identifying challenges for the country and its new president into the 21st century.

CDE's evaluative perspective

The old adage that 'you stand where you sit' is true for too many South Africans. In other words, the position they occupy in our divided society determines how they see public issues. This is unfortunate, as it is one of the factors preventing effective communication between South Africans and especially leaders at all levels throughout the country. In this report CDE has deliberately tried to move beyond this constraint.

Our work has been underpinned by some important understandings:

- We have tried to rise above the passions of partisanship by focusing on the major question: how, why, and to what extent does governance in South Africa augment or limit the prospects for sustainable socio-economic development and growth? From this perspective, key features of governance are not examined for their own sake, or on the basis of where they can be placed on a spectrum of party-political ideologies. Our core concern has been to establish what works for development.
- We believe it is grossly unfair to itemise everything that is wrong about South Africa in 1999 (crime, unemployment, the value of the rand, matric results, etc) and attribute these ills solely (or even, in some cases, partially) to the ANC government. Some commentators are, without doubt, racists who have prejudged the ANC and, irrespective of the facts, are ready to clock up yet another African failure. Others are probably not racists but are so imbued with the validity of their own vision for South Africa that they only see the negative developments, and none of the positive achievements. It is therefore important to try – carefully, objectively and fairly – to isolate where this country has come from, what has been achieved, and what government might have done differently.
- A reasonable assessment of the current government's performance must take into account the appalling situation it inherited from discriminatory 'whites-only' rule. The three over-riding features of this legacy have been an inefficient and uncompetitive economy; a disastrous education system for black South Africans; and a non-existent or failed development strategy in urban and rural areas. Beside this the new government has had to deal

INTRODUCTION

with 10 bloated homeland governments riddled with corruption, patronage and inefficiency; a national budget in deficit, with all indicators pointing the wrong way; a police, prisons and justice system in need of a dramatic overhaul; and a national security establishment with key components out of control.

The depth and seriousness of this negative heritage must be factored into any account of government's successes and failures. On the other hand, it is equally important to recognise that:

- not everything in the 'old South Africa' did not work, or had anti-democratic or racist objectives;
- the tasks and challenges facing governments in the developing world are often more complex than those facing post-industrial societies. As Robert Klitgaard reminds us: 'In much of South Asia, Africa and Latin America, neither state nor market has lived up to the expectations of its enthusiasts.'⁶

This report is written in the belief that South Africa can be different and that our success will depend on what leaders in the public and private sectors actually do over the next few years. The issues criticised and highlighted here are written with corrective action rather than blame in mind.

The simple and compelling fact is that government in South Africa faces enormous challenges. It has to deal with mass poverty, a great dependence on welfare, deep social and ethnic divisions, a low skills base, concentrations of wealth and extreme economic inequalities, a low level of economic self-reliance outside the formal economy, a modest tax base, one of the highest rates of unemployment in the world, and the after-effects of one of the most sectional governments the world has known.

To these may be added the fact that social discipline has been negatively affected by the long political struggle against apartheid, and the massive scope of the subsequent transition. These factors have also served to politicise people highly, and to raise their expectations.

Sustained development, the steady consolidation of democracy, and the quality of governance that both will require will indeed be unprecedented achievements. Therefore, while this evaluation is critical it will not be unsympathetic.

In assessing the first five years of ANC rule, it is important to appreciate what has not happened. And in many respects the fact that they have not can be attributed to the vision and statesmanship of ANC leadership. Contrary to the fears of generations of white leaders:

- black South Africans with power have been remarkably even-handed in their treatment of fellow white South Africans;
- bloody ethnic conflict between the different tribes in the African population has not broken out;
- radical and populist policies have not been adopted or encouraged;
- considerable time and effort has been devoted to including right-wing Afrikaners in the new democracy; and,
- white South Africans have not been shut out of national politics or policy debates.

In attempting to assess how well the new democratic government has done, it is important to create a context for the answer to become meaningful.

- Is it a better government than its predecessor? Without doubt – and by almost every measure. In terms of values, goals, output, ministerial competence, openness to outsiders, transparency and corruption, the individuals in the ANC-led government are at worst no worse than those in the previous government, and in most areas much better.
- How does the ANC compare to new governments in other countries in transition? Although this is not an issue CDE has researched, there can be little doubt that the South African leadership team is in the front rank
- How do the ANC's leaders compare with leaders in other countries? Again unquestionably the top people in South Africa compare very favourably with prominent world leaders.

An intensive focus on government and politics can make it seem as if these are the all-powerful forces in and determinants of a society; however, it is important to remember that what happens in people's lives is affected and influenced by many other factors as well. The many and diverse forces of globalisation are undermining the power of governments all over the world, and besides this, South Africans generally have an exaggerated notion of the centrality of

A reasonable assessment of the current government's performance must take into account the appalling situation it inherited from 'whites-only' rule

government in any case. So for CDE it has been important to assess and understand government and South Africa's challenges in a wider context of influences.

All these issues need to be taken into account in reading what is a tough and critical report. The key issue we are trying to address – in a spirit of constructive analysis and positive proposals – is how well the ANC-led government is dealing with the many challenges that face South Africa as we enter the 21st century.

The report is written from a perspective that supports democracy, sees an important role for all South Africans in building a society where race does not determine an individual's life chances and opportunities, and strongly believes that South Africa can become a globally competitive economy. It tries to clarify the agenda of issues that face the new government.

South Africa can and must become *the* African success story. In our view, all organisations and leaders (public and private) must be assessed in terms of the contribution and progress they are making in helping the country to achieve this ambitious goal.

Research method

CDE is an organisation driven by research. We embark on projects in order to find out what is happening in South Africa, and then allow the research findings to guide our analysis. It is via this process of empirical discovery that we clarify our own thinking on the findings as well as on their policy implications, which are then tested widely and intensively debated.

Therefore, this document is the result of extensive research and analysis undertaken by CDE itself and commissioned from the country's leading political, economic and sociological analysts. At the outset, 14 background research papers were commissioned from specialists in selected areas. Their preparation involved personal interviews with more than 120 of South Africa's most senior policy-makers and analysts. These interviewees included 11 cabinet ministers, one former cabinet minister, six deputy ministers, six directors-general, four directors, 32 senior government officials in various departments, 10 key advisers and consultants to government and parliament, six parliamentary committee chairpersons, 11 other MPs, six MECs, senior business economists and negotiators, and more than 30 non-attributable or 'off-the-record' sources, primarily key members of the ANC government.

Simultaneously, CDE analysed more than 30 white and green papers, while at the same time conducting numerous other projects involving diverse policy processes (local government, migration policy, urban strategy, transport and investment policy) with government and private sector participation. In a second round of research, five more background research papers were commissioned and two senior journalists contracted to conduct highly focused interviews with 14 senior people in government, including cabinet ministers and directors-general; senior ANC officials; and others. Finally, the principal author of this report spent some time talking with senior cabinet ministers, MPs and others.

This publication is based on all this research. Where necessary, additional in-house research has been undertaken to supplement the earlier findings. Incremental drafts of this report were then tested outside CDE in five successive rounds of intensive debate and discussion.

The scope of the project has meant that detailed and rigorous research on every theme covered has been impossible. Hence in many areas the team has had to rely on readily available evidence and published accounts of trends and events in the public media. Realising that this approach contains dangers of selective bias, the team has attempted, wherever possible, to seek out evidence that could contradict or counter-indicate the impressions created in the media. Since coverage of such counter-indications may be incomplete, the conclusions reached are necessarily tentative and sometimes provisional.

The report's structure

The report starts by examining the South African executive, the cabinet, and its broad approach to policy-making. It then proceeds to examine the key policy-making institutions created under the new constitution, and looks at the actors, interests and influences involved in the policy process. Next, the effects of constitutional and political change on the legislature

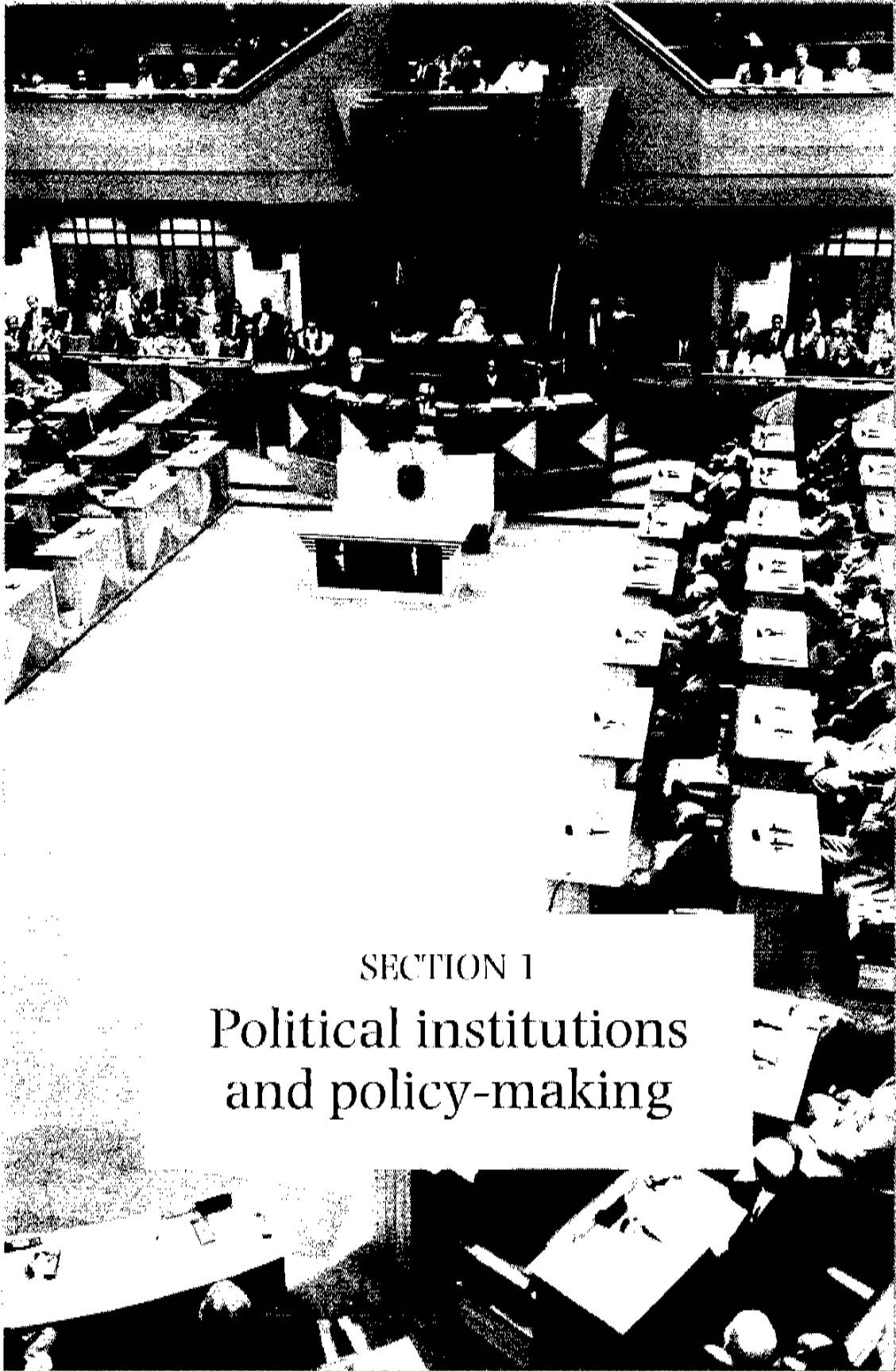
Sustained development, the steady consolidation of democracy, and the quality of governance that both will require will indeed be unprecedented achievements. Therefore, while this evaluation is critical it will not be unsympathetic

INTRODUCTION

and the provinces are examined. Following this, other key institutions and players in the policy process – NEDLAC, parliamentary lobbying, and a few others – are selected for analysis.

Two case studies on the contents and implementation of policy follow; the first is on transformation in the public service. This subject was chosen because of the importance of the public service in governance, and as an illustration of change in a critical national area. The second case study is on GEAR as a benchmark against which to assess the internal coherence and consistency of government's economic and other policies. In the final research section, we examine the ANC as a political party in government and in alliance with the SACP and COSATU; and we conclude by looking at the ANC's new leader, Thabo Mbeki.

In the final section, we briefly summarise our key findings, and then deal with the implications of the research and the resultant challenges for the country and its leaders.⁷



SECTION 1

Political institutions
and policy-making

'Who is assessing the quality of a minister's work? It is done according to personal relationships rather than output ... How many ministers have been fired for incompetence?'

In this section we report on our findings on some of the key institutions in the South African policy-making process. Before doing so, it is important to place the research and the findings and comments that follow in their proper context.

THE GOVERNMENT'S ACHIEVEMENTS

Any post-apartheid government would have been faced with a long list of essential actions. First and foremost, a new legal and constitutional foundation had to be laid for a non-racial and democratic society. This had to be followed by the amalgamation of previously segregated and racially divided bureaucracies and state institutions. And in the process of doing both, assumptions about government and governance needed to be modernized. In all these areas the government has notched up achievements and made progress.

In the economic arena the democratic government set South Africa on a more decisive, potentially successful and globally competitive course than its predecessor. With respect to delivery the government and parastatals have provided essential new services to millions of South Africans. In the fields of housing, electricity, water provision, telecommunications and welfare, actions on an impressive scale have transformed the quality of life for large numbers of neglected and deprived South Africans. In the first five years of ANC rule the government has managed the complex politics of a diverse and divided society with great skill. They have opened up new opportunities for many South Africans both black and white. Their second and increased election mandate in 1999 is confirmation of adroit domination of South African politics and the faith of voters in their ability to lead the country and build a better future for all citizens. No one could expect a perfect record and mistakes have been made. Nonetheless the first five years of 'majority rule' have been impressive and better than very many expected (see box: **The need for balance**, page 16).

Criticism in the context of achievement

CDE's report must be placed in this context of recognition of the government's achievements. Our aim has been to understand and document selected areas of change and look to the additional challenges that face the country's government. Now that we are – thanks in large part to the ANC's efforts – a non-racial and integrated single country how do we build on these achievements? How do we consolidate our democracy which depends on decisive leaders, a growing economy and an effective state? How do we move as rapidly as possible to create an economy that will provide jobs, opportunities and a better life for an expanding population? How do we make sure that the provision of water, electricity and other services is sustainable and affordable to those who have it? And that provision is expanded to the many millions still without? This study recognises what has been achieved thus far and then goes further.

The nature of policy analysis is necessarily evaluative. The role of independent institutions is to raise the difficult questions and to look at the bigger picture. CDE would be failing in its obligations as a responsible institution funded by national resources, if we were anything but honest in how we see the areas of weakness in the country. Our primary area of work has hitherto been in development and what urban and rural strategies are required to improve the quality of life of poorer South Africans. We have moved beyond that in this study because we are convinced that the ingredient that is absolutely essential for South Africa to deal with poverty is economic growth. And that in turn requires a more effective state.

This report should be seen as a positive contribution written in the spirit of democratic participation. Because CDE is committed to the president's goal of building a truly great African nation, we are concerned about the challenges that face the country. It is because CDE is impressed with the ANC government's achievements thus far and its resilience as a movement with capacity for growth and change that we have invested the effort and resources in this extensive study. And finally it is because the ANC is a democratic and open government and movement that we are confident our work will be read in the constructive 'nation building' spirit in which it has been undertaken and its findings and implications fully debated.

We now turn to look at the country's key political and policy making institutions. Here we

Because the ANC is a democratic, open government CDE is confident this study will be read in the constructive 'nation-building' spirit in which it has been undertaken, and its findings and implications fully debated

are going to be candid and critical, engaging with the issues in a spirit of robust debate. In this section we examine those institutions that play a key role in the South African policy-making process: the cabinet; ministers and their departments; the new democracy's parliament; the provinces; NEDLAC; and lobbying and other policy influences. This examination is not comprehensive - for example we do not deal with the constitutional court or the Reserve Bank - nor is it exhaustive. Nonetheless this section covers a wide terrain of some of the most important institutions and processes at work in our new democracy.

.....
 'I am concerned about the overall cohesion of government policy. The centre is not strong enough to hold things together'

THE CABINET

In a series of interviews with about a dozen senior serving and former elected and appointed members of the first democratic government, numerous issues concerning the operation of the cabinet and the executive generally were explored. Alan Fine, the senior journalist who undertook the interviewing for CDE concluded in late 1998 that: 'The overall conclusion is that the conventions of governance in this new era are still evolving; that different ministers and departments have distinct styles (not to mention capabilities); that many challenges are dealt with on an ad hoc basis; and that consensus on even the most basic concepts and practices is far from settled.'¹

Accountability

If the cabinet is the main engine of government, to whom are its members accountable? According to Fine, the constitution offers a one-dimensional answer. Section 92 states that members of the cabinet are accountable to parliament 'for the exercise of their powers and the performance of their functions', and are obliged to 'provide parliament with full and regular reports concerning matters under their control'.²

In general, ministers regard themselves as accountable primarily to the president, who has the power to hire and fire them, and then to parliament; this view is also adopted by senior officials. However, it is stated that in practice Thabo Mbeki has effectively been the head of government since about 1996, when then president Nelson Mandela began delegating these

The need for balance

In reading CDE's critical (and necessarily not exhaustive) analysis it is important to bear in mind the government's signal achievements in the first five years of democratic rule. Among other achievements it has:

- laid the legal and constitutional foundations for a non-racial and democratic society and entrenched a culture of fundamental human rights;
- restored the dignity of millions of South Africans;
- amalgamated the previously segregated and racially divided bureaucracies and state institutions;
- started the far-reaching process of modernising South Africa's system of government - displaying a sophisticated awareness of global trends and the need for South Africa to catch up with international best practice;
- by addressing critical problems among minorities promptly, it has prevented the instability many predicted with remarkable gestures of reconciliation being made time and time again;
- overseen the opening up of institutions to public scrutiny and participation;
- removed race (and often gender) discrimination from the provision of housing, health, welfare, education and services;
- inclusive and commendable goals have been set in almost all critical areas of national life;
- facilitated the emergence of a new middle class;
- achieved the transformation of public institutions more rapidly than anyone expected;
- placed national issues neglected for so many years firmly on the public agenda;
- recognised the importance of sound urban development for the national economy;
- successfully overseen nationwide local government elections and the country's second 'free and fair' general election; and
- displayed a strategic sophistication other sectors in our society (components of business and sectors of the media, for example), have not.

SECTION 1: POLITICAL INSTITUTIONS AND POLICY-MAKING

powers to him as part of the preparation for the transition to the post-Mandela era. For the most part, it seems ministers have been accountable to Mbeki. In practice this formal accountability to the president (or his deputy in this case) is limited to an annual five-page report which in most cases list a summary of projects completed or the magnitude of delivery achieved. This information tends to be used for events such as the president's opening address to parliament, with updates sometimes required during the year for another major speech or a forthcoming election campaign.

As more than one interviewee pointed out, these reports are of limited use. "The president hasn't specified exactly what he wants. So in many cases ministers supply something that is little more than a song of praise to themselves and their achievements. This has some value in that it allows him to quantify achievements and tell people how many houses, clinics, etc have been built. But there are not many clear, critical self-assessments by ministers of their progress."¹ One official suggests that what is needed is a performance contract between the president and each minister, similar to those which have developed between many directors-general and ministers and which specify in great detail what is required of them.

The notion of ministerial accountability to parliament is widespread, although in practice it appears to take second place to the president (or deputy president). Ministers and senior public servants list the ways in which this is manifested: via interaction with portfolio committees, via written and oral questions and interpellation debates, during minister's budget votes, via annual reports, and via statements, media interviews and so on. The important question is how effectively parliament plays its part in this process. A number of the interviewees lamented parliament's lack of expertise and resources, which have severely limited the ability of MPs and portfolio committees to hold ministers properly accountable. It is interesting that senior members of the executive perceive South Africa's parliament as ill-resourced compared to those of some other Commonwealth countries or the United States, where legislators have assistance paid for from the public treasury. It would be more appropriate to see how South Africa compares to other developing countries, but it is significant that these are not the international examples mentioned. It is also worth pointing out the impact that individuals without significant resources have had and are having on the South African parliament. Helen Suzman's remarkable role in parliament was played with minimal support and back-up and phenomenal individual energy, courage and commitment. Similarly, in the first post-apartheid parliament Patricia de Lille has also made an impact as an energetic committed individual working without significant resources.

None of the critical thinkers associated with government are sanguine about the way in which ministers account to the head of government and to parliament. As one said: "Who is assessing the quality of a minister's work? It is done according to personal relationships rather than output ... How many ministers have been fired for incompetence?"² A senior cabinet minister criticised the 'knee-jerk tendency' to defend any cabinet member who comes under public attack. He felt it was essential to separate the merits of the case from unnecessary – often racial – sensitivity. "This spirited defence of ministers (education, health) means that it is difficult to re-examine what has gone wrong."

Cabinet interaction and co-ordination

There is a view in some quarters of government that cabinet and general policy co-ordination could be much more effective. A story is told that, immediately after the 1994 election, a cabinet strategy was devised within the ANC, involving a strong, politically sophisticated support team. What was envisaged was a cabinet divided into three or four sections – such as security, economic affairs, social and administrative affairs – as is the case with the existing cabinet committee system. However, each committee would have at its service a small team headed by a high-powered individual who would maintain an overview over those sections and ensure that the activities of individual departments in those sectors were properly co-ordinated. At the apex would be an even more senior and high-powered cabinet secretary whose functions would be political as well as administrative. The plan did not materialise, and as part of the deal-making around the establishment of the government of national unity (GNU) it

'The cabinet has not been a strategic force in government ... debate is not vigorous enough'

was agreed to retain the old administrative capacity of the apartheid cabinet. One particularly critical government interviewee notes that, 'as a longer-term consequence, the cabinet has not been a strategic force in government'.⁶

What is certain is that serious limits on the ability of the head of government to maintain an overview of policy and strategic direction were evident by 1996, and this resulted in the formation, in late 1996, of a co-ordination and implementation unit (CIU) in the deputy president's office. The interviewees generally agreed that the CIU has helped in some respects. There have been fewer turf battles between ministries and departments since early 1998, and this is attributed to the CIU's assistance to then deputy president Mbeki. However, many difficulties remain.

It is significant that the independent Presidential Review Commission (PRC) set up in 1997 to review the workings of government found 'a black hole' at the centre: a complete absence of vision, direction and co-ordination emanating from the president's office.⁷ Interviewees' comments are revealing:

- 'I am concerned about the overall cohesion of government policy. The centre is not strong enough to hold things together.'⁸
- 'At the strategic level debate is not vigorous enough.'⁹
- 'The CIU has the potential to become an important back-up facility for cabinet. But it has not yet realised its potential. It has increased the deputy president's ability to preside over cabinet and given him a better feel for the cross-cutting issues ... But it has problems ... What it needs are people with a good strategic sense, a deep attention to detail, and good managers - the kinds of people ministers could turn to as a second resource base.'¹⁰

This perspective holds that it is the lack of an effective oversight and co-ordination function in the cabinet system that causes inconsistencies in government policy. The RDP, complemented by the GEAR strategy, is the closest government has to an overall policy. But neither is perceived to offer the answers to key questions about strategy and the priorities required if policy is to move in the same broad direction. One senior official remarks on the 'very different quality, grades and approaches of white papers ... put them together, and you wouldn't think they come from the same government'.¹¹

Cabinet protocol

Every piece of legislation, senior appointment, or white or (more recently) green paper has to be approved by cabinet before it is presented as government policy or an official government document.¹² These appear to be the only items that conventionally come before cabinet. However, a 'great deal of purely formal stuff, [such as] memos asking cabinet to "note" [something]', is tabled.¹³

Cabinet does not serve as a forum for dealing with ad hoc issues and crises. These are dealt with in private consultations between the relevant minister(s) and the presidency. 'If we have a crisis,' remarked one minister, 'we call Madiba or Thabo. We go to cabinet to get approval for what we want to do.'¹⁴

A minister first submits any draft legislation or policy document to one of the three standing cabinet committees, until now all chaired by Mbeki as deputy president; economic affairs; welfare and administration, and security. About half the bills reaching a cabinet committee require further work; the full cabinet rarely knocks bills back - at most 10 per cent of the time. A number of ad hoc cabinet committees have also been set up to deal with specific medium-term issues. The best known is the inter-ministerial consultative committee (IMCC) which deals with privatisation and is chaired by Mbeki. The cabinet investment cluster (CIC) set up to deal with investment promotion is another example.

Ministers and public servants

The relationship between ministers and their officials has generally not been a happy one. Newly appointed ANC-aligned senior public servants have often failed to work with their ministers. At least six directors-general appointed under the GNU had left the public service after

A senior cabinet minister criticised the 'knee-jerk tendency' to defend any cabinet member who comes under public attack. He felt it was essential to separate the merits of the case from unnecessary - often racial - sensitivity. 'This spirited defence of ministers (education, health) means that it is difficult to re-examine what has gone wrong'

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three years, more have since followed.¹⁵ The most common reason cited for these problems is the failure of ministers to appreciate their own roles as distinct from that of their department heads, and a tendency by ministers to throw innumerable demands at the department without any delineation of priorities or understanding of limits. In some departments all officials, old and new, have to work under the close 'supervision' of ministers who, because of initial enthusiasm or ideological drive, have adopted the position of line supervisors as well as political executives.

According to Schlemmer, this has been one of the factors which have seriously weakened the public service in east and central Africa, and it has done so in South Africa as well. Either the officials have lost confidence, or else they have withdrawn from taking responsibility because a minister or provincial MEC has taken all responsibility on themselves. This can work well if the minister has the dedication and ability to perform the role of head of the line function, but it leads to a breakdown when the minister cannot sustain the pace required of a line functionary.¹⁶

Many newly appointed public servants in senior positions will readily admit to their own lack of experience in running large and complex administrative systems. There have been some impressive exceptions, but even the politicians will acknowledge this reality. Surviving officials of the old order, some of whom had significant competence and experience to offer, have – according to one close observer – generally been made totally ineffective.

'The older officials, of whom there are still many in the service, were initially regarded with great suspicion by the new political incumbents (understandably but unnecessarily so – the old officials were well-socialised functionaries who, with a few exceptions, would have continued to play the role needed of them if allowed to do so).'¹⁷ Whatever the dynamics, the old-order officials have generally decided that they should adopt low-key profiles, particularly in cases where, had they dissented, they could have been suspected of defending the old agendas. Some old-order officials rose to the occasion, loudly embraced the new policies, and then ended up in a situation where they had to align themselves with rapidly introduced and ill-thought-through new policies. An example of this was the commissioner of police, who found himself unable to warn against the rapid demilitarisation of the police service, with the consequence that he later had to admit that this had been widely misunderstood in the service, leading to enormous disciplinary problems.¹⁸

POLICY-MAKING: PROCESSES, ASSUMPTIONS, OUTCOMES

With some exceptions – notably the departments of finance, trade and industry, transport, welfare, and housing – many of those entering government in 1994 saw policy primarily as a moral activity. Apartheid policies had been harmful and morally wrong, the new government's policies had therefore to right these wrongs, and new policies had to be morally right. In the light of South Africa's history this was an understandable approach. Unfortunately, it was not a practical one.

Many of the policies that influenced new politicians and officials were models and ideas derived from highly industrialised and rich countries. How these would be applied, implemented and sustained in a middle-income developing country had not generally been thought through. Conversely, in some departments (eg health and land affairs) the models most influencing policy-makers were other countries in Africa and the rest of the developing world. The differences between South Africa and these societies has not been thought through in policy terms at all. For example, what is the role of land reform and agriculture in sub-Saharan Africa's most urbanised and industrialised economy, and where the migrant labour system has penetrated into the deepest rural village? How does one promote primary health care for all citizens without 'degrading' the pockets of world class excellence in South African health care? Similarly, in the case of education, how do you emphasise effective basic primary schooling without allowing world-class universities to decline?

In the enormous effort that has gone into reviewing old policies and formulating new ones since 1994, each department has done this in different ways, using different methods, styles and people. Many of the new policy players did not have the skills or experience needed to

Many in government believed their own propaganda and never undertook the detailed systematic analysis essential for good policy-making

analyse or make policy. In late 1998 Job Mokgoro, director-general of North West province and former professor of government at the University of the Western Cape, stated: "The gaps between multiple policy reform initiatives introduced since 1994 and implementation of these policies seems to be due to policy management capacity shortcomings in government."¹⁹

Although it is difficult to generalise about detailed policy-making processes in the country's 27 government departments and associated provincial governments, it is nonetheless possible to make some general comments. Across the spectrum of government policy, and with the benefit of hindsight, it is possible to identify a number of critical problems and flaws. The process of producing white papers and other policy documents and attempts to actually implement these policies exhibit some extremely worrying characteristics. These include:

'A number of policies have been initiated by national government, apparently with no consideration given to the enormous financial implications associated with these reforms'

- *Confusion of policy advocacy with policy analysis*, with the result that many in government believed their own propaganda and never undertook the detailed systematic analysis essential for good policy-making.
- *Ignorance concerning the key components of policy analysis*, and how these analytical steps help policy-makers to make sound judgements about responsible policy interventions. Policy analysis is a structured way of thinking about choices before deciding on a particular course of action. When this has occurred, it has generally been a rare phenomenon in government. The reason for undertaking such policy analysis is that it enables rational and informed choices about the best course of action, given a number of alternatives. It helps policy-makers to identify why one course of action is preferable to another, and it enables officials to assess the strengths and weaknesses of a policy before implementing it, thus helping them to decide whether it should be adopted or not. As Mokgoro remarks: "There is a glaring absence of policy analysis skills as well as policy analysis practice ... policy analysis skills in government [should be introduced] as a matter of urgency".²⁰
- *A lack of appreciation for the system of government* that had been developed over decades. In Mokgoro's words again: "There was a tendency to destroy everything that came from the past, whether it was good or bad."²¹
- *A tendency to govern by legislation rather than sound administration*. The ANC in government has been characterised by an increasing volume of legislation – well over 300 pieces of legislation, many of which have yet to be implemented. A good example is the justice ministry which has promulgated numerous pieces of legislation with the purpose of combating crime. Most of it unnecessary. Crime is rampant not because of a lack of legislation but because a badly administered criminal justice system cannot properly apply the laws at its disposal.²²
- *The assumption that good intentions will automatically result in good policies* (see box: **Can government's delivery successes be sustained?**, facing page).

Against this background of inexperience and a limited appreciation of the complexity of the state and the policy process, policy-making during the first five years of democratic government has been voluminous, extremely ambitious, mainly well intended, but generally weak. As Mokgoro has noted: "Because of the need to speed up transformation a plethora of white papers have been produced, and yet best-practice principles require prioritisation, focus, and the identification of small wins."²³ (see box: **Government has disregarded key rules of policy-making**, page 22). This box serves to illustrate the dangers of intervention without a sound analysis of the consequences. The shortage of sound policy skills is an area of considerable weakness in government that needs to be dramatically strengthened as quickly as possible.

Policy advisers and consultation

One of the methods government has employed to deal with its capacity and experience difficulties has involved the extensive use of outside agencies, most often consultants and NGOs.

One widely used approach has been to employ outside consultants to devise policy, although this practice has declined as ministers have appointed senior public servants with the correct political 'colours'. Nonetheless, the influence of consultants on government has been enormous, and not always positive. It is one thing to devise a policy, but quite another matter to oversee its implementation and evaluate its impact. This set of steps is made even

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more complicated, sometimes fatally so, if outsiders devise the policy with no responsibility for its effective introduction.

It has been said that the national health policy has been the product of thirteen committees, involving outside advisers and experts. However, the problem with consultative committee-driven policy is that many of the members making inputs are not accountable, either politically or administratively. 'If committee outputs are an amalgamation or integration of what we may term "expertise" or "commitment" to major value-driven goals, the results may make inspiring reading, but their practical implementability without counterproductive consequences cannot necessarily be guaranteed. The implementability of new policy depends very heavily on the experience of serving officials who are able to assess unintended consequences.'¹² Under the new government one has no assurance that the final policy provisions will be tested against the capacities of the administrative system and the knock-on effects in related areas.

As Peter Hall demonstrates in his book *Great Planning Disasters*, consultants generally write reports and give advice they believe their paymasters want to hear. 'Effective management of consultants often requires greater skills and experience than the normal administration of a department.'

Can government's delivery successes be sustained?

Although significant progress has been made in a number of delivery sectors, it is hard to see how many of the projects will be maintained. Development has to be sustainable. One cannot arrive in a community and provide it with electricity, water or a clinic without thinking hard about the following questions:

- Who will maintain the facility when the department, utility or aid agency moves on?
- Who will pay for the staff needed to maintain the facility?
- Was this project a priority for the community in question and does it feel it owns the project?
- Were the incomes of local households taken into account when the project was designed and repayment costs determined?

These questions are now being asked about numerous areas – including water, electricity and health clinics – in which the government has achieved some success.

A 1999 report by Mvula Trust, South Africa's largest water NGO, notes that 'despite well-publicized successes of the water and environmental sanitation sector, unease among practitioners about the sustainability of recently completed projects grows.' A detailed evaluation of 77 projects concludes:

- 'it is dishonest to blame communities for non-payment when so many schemes are clearly unaffordable';
- 'cost recovery is very low throughout the country';
- 'most projects have survived because of considerable subsidies from government';
- 'the health impact of evaluated water supply projects has been negligible';
- 'the sector's almost total lack of monitoring and evaluation has proven to be crippling';
- 'the transfer of responsibility [for future sector management and infrastructure development] from the department of

water affairs to local government is problematic, especially if local government is going to have to take responsibility for the unsustainable projects that plague the sector';

- 'it is better to have a working scheme that does not meet current departmental guidelines than a high tech scheme that collapses once external support is withdrawn.'

The Mvula report concludes that 'a paradigm shift is clearly required within [the department] ... good practice should not be judged on who builds the most impressive technically sound scheme but rather on who implements a scheme that is affordable and operational over time.'

In his response, minister Kader Asmal acknowledged that one of the problems facing the department was 'understanding the challenges faced in keeping water schemes running effectively once they are built.'¹³

The developing world is littered with projects funded by outside agencies – 'parachute development' – which intervene, provide a poor community with a relatively sophisticated facility and then leave. Almost without fail, observers report within a year or two that the project no longer works. Why? The outside agency never considered whether the community had the skills to maintain the water pump, sewerage system or whatever; whether the community had the financial or technical resources or management capacity to staff or maintain the facility; whether individual households or the community as a whole could afford the service delivered; or whether the outsider's priority was also that of the community's.

So the sustainability of any development programme is a complex question but one that has to be thought about before designing the programme. Development programmes must be viable in very poor communities over a long period of time. Anything else will fail.

There has been considerable debate in government over the meaning of participation in the policy process by civil society. At one extreme, selected NGOs were given almost carte blanche to write policy in a department under the false pretence that they represented 'the people's' views'. One senior official put his modified views forcibly: "Three years ago there were intense debates in our department ... to ensure the NGOs were kept on board. Now I feel: "Fuck them, we were elected to govern; the NGOs represent an interest, but only a partial one."²¹ In another department, an independent commission of experts was appointed to review policy and make recommendations to the minister. It is still unclear exactly how influential these recommendations will be. A very senior parliamentarian involved in the process believes the minister will ignore his own commission.

In a third department, effective consultation outside government has closely resembled co-optation – i.e. there has been a pretence of widespread national consultation on intended legislation and policy, but without the capacity or real intention to listen to what emerged from the consultation process, and with little interest in learning from it either. In respect of a fourth department, the comments of a sympathetic analyst in concluding a detailed review are significant: " ... many of the problems identified in these case studies reflect a failure to consult adequately and to communicate effectively [with departmental officials, researchers, private sector and service providers] ... all of this raises questions about the department's understanding of what consultation involves, and the extent to which it is willing to seek win-win solutions."²² Overall, it would be fair to say that only a few departments have got it right in this area.

In principle, the involvement of NGOs and consultants in the policy process can be a positive and useful adjunct to government, and there are occasions where such involvement has been

Government has disregarded key rules of policy-making

Since 1994 key rules of policy-making have either been ignored, or shoddily implemented. A selection of these is listed (coupled with examples of government policy) to illustrate some of the general problems. Key components of good policy-making include:

- Thoroughly *understand the department, policy, programme or system you want to change before you intervene*. A frequent error has been to assume that everything in a department had to change because of its apartheid heritage, and that therefore very little needed to be known about its actual workings before transformation could take place (eg voluntary retrenchment of best qualified teachers and senior civil servants).
- Identify *alternative courses of action* before developing the policy, and be very clear why you have chosen the one that you have (eg large land reform projects; SDIs concentrated in remote parts of the country when the largest city cannot find the money to spend on public transport or other essential economic infrastructure).
- Identify the *consequences* of the policies to be implemented *before proceeding*, and then assess the best course of action (eg an emphasis solely on primary health care, leading to the virtual destruction of urban teaching hospitals).
- Test the *costs and benefits* of each potential course of action – at least analytically – before adopting a policy (eg the introduction of outcomes-based education in schools, given a poorly qualified, managed and motivated teacher corps).
- Always include in these alternatives for action the important *option of 'do nothing at all'* – not because the current policy works well, but because all possible new interventions will create more harm than good or no discernible benefit, or because the best approach is just to let the markets operate (as Chris Stals, governor of the Reserve Bank, put it recently, 'the hardest decision every day is to do nothing and just let the markets operate'²³).
- *Identify all the relevant stakeholders* and all the different ways in which they might react to a new policy. Include their potential actions in the cost/benefit analysis (eg immigration policy and the myriad of different actors who will be affected by and react to government policy).
- *Consult people*, because you really need to know what different stakeholders think about a policy and how they will react to it. Distinguish between consultation with stakeholders for real input (which requires a willingness to listen, capacity and time), and communicating a policy framework that has already been decided upon (eg farmers and new agricultural labour policies and land reform).
- *Don't set up the government for failure* through promising too much or setting wildly ambitious targets (eg GEAR employment projections). The art of good policy analysis and then good politics is to 'create problems that can be solved'.²⁴ The government has frequently acted contrary to Wildavsky's well-known dictum that much of the power of policy analysis lies not in 'solving' problems as defined by others, but in redefining those problems in a way that makes them capable of being resolved²⁵ (compare the government and the 'delivery crisis', where, if government

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beneficial. For example, one can think of many occasions immediately after 1994 where outside consultants (whether management/accounting firms or international advisers) played a key role in helping new ANC officials to focus on issues in a pragmatic and sensible manner.

However, given the fluidity and uncertainties of South Africa's transition, the lack of clarity over the appropriate roles of NGOs and state departments, confusion over who represented citizens in a democracy and who represented partial interests, and a number of other issues led to problems. In the course of 'reinventing government', it is important for all parties to reach clarity on the appropriate roles of state departments and outside agents (consultants or NGOs) contracted to undertake policy or implementation work. In that way the benefits of their involvement can be maximised.

Similarly, it is important for government to clarify its thinking on the notion of public participation. This should not be confused with the role of politicians who represent citizens, nor with co-option, whereby the facade of participation is created, often at great expense, but no real attention is paid to the contributions and insights arising out of the participation process.

The outcomes of the policy process have been variable. Overall, though, it is fair to argue, as many of our interviewees did in different ways, that:

- '... white papers have reflected a lack of real analysis ... Typically, what they say is, this is where we need to get to, but there is no thought about how to do it ... The gap between policy and reality has been filled by legislation, often with unintended and contrary outcomes';⁴⁶
- 'there is a tendency to put out policy documents which are aspirational or semi-speculative in nature, generating unrealistic expectations';⁴⁷
- 'cabinet committees increasingly deal with legislation which has become a surrogate for policy';⁴⁸ and

had not set over-ambitious goals, its real achievements – for instance in housing – would have received more credit).

- *Assess the capacity of the country, the bureaucracy, the department, and whether this capacity matches that required to successfully implement the desired policy.* If not, the policy will not work and needs to be re-thought. 'The timing of the white paper on the transformation of the public service was found to be premature because most provinces did not have the capacity to implement the recommendations'' (eg labour market legislation and regulation).
- *Measure the chosen policy approach against important government values, principles and policies and ensure reasonable consistency* (eg a stated desire for public-private partnerships, but – other than the department of transport and revenue services – the current approach has not yielded many such partnerships).
- *Assess the costs of a new policy against budget; identify who will pay for ongoing maintenance, and whether this is realistic.* States Mokgoro: 'A number of policies have been initiated by national government, apparently with no consideration given to the enormous financial implications associated with these reforms ... [for example] a question that arises is whether or not some of the provisions the Basic Conditions of Employment Act makes are affordable ... [and] the question that remains to be answered is what impact the cost associated with these provisions will have on service delivery ...'⁴⁹ (eg new health clinics built but without resources for staffing them; water provision in

areas where no official body has resources for ongoing maintenance; the Basic Conditions of Employment Act has now had questions of affordability raised by the Chamber of Mines, Transnet, and at least North West province).

- *Clarify the precise roles* that different officials, institutions and other actors must play in order to implement the policy successfully. 'The white paper [on the public service] failed to give clarity on the roles of the director-general, the heads of department, the MECs, and the Public Service Commission ... [and] undefined powers were given to departmental transformation units'.⁵⁰
- *Choose priorities* for the department's policies and for government as a whole; think through the best possible (rational/political) sequencing of policy reform, as it is impossible to deal with everything at once, and it is often not possible to make any progress unless certain other goals are achieved first. (There is no doubt that the absence of a central and co-ordinated information management service can render an administration impotent in relation to its decision-making, its communication structures and problem-solving ... [it] will ensure a fragmented service provision ... [with] managers unable to orchestrate their strategies effectively and efficiently. Duplication and waste of resources, both physical and human, then follows.⁵⁰)

As the second ANC government begins its term, one of the critical mistakes it must not repeat is the assumption that good intentions inevitably result in effective policies. Unfortunately, South Africa is more complex than that.

- 'ministers failed to set policy priorities, and subjected departments to a constant stream of new demands. Objectives are not matched with capacity, and energies are dissipated. There is a general lack of strategic focus.'⁹

Most policy-makers in the new government did not understand the limits of government, nor that the overwhelming priority was to reform government itself. As one interviewee put it: 'Unless you reform government, it's like punching a pillow.'¹⁰ According to him, while in his minister's department 70 per cent of the staff were now black, many able and energetic, 'there is no culture of management, and the structures and procedures necessary for both policy formulation and implementation are absent'.¹¹

South Africa is normally a very complex society to administer, but has been made even more so by the incorporation of the old 'homelands' administrations, most of which were systems of entrenched inefficiency and large-scale corruption. The new politicians and officials taking over had no basis for realising this (except for the IFP and, for a while, the NP ministers). Unfortunately, as one of the country's leading sociologists saw it, 'the new political functionaries took over a system for which they had as much feel as a post-graduate university student with policy ambitions'.¹²

Conclusion

Given the complexity of this society and its problems, it is important to acknowledge that the ANC government has not performed badly, and that there are pockets of good judgement and real achievement. President Mandela used his enormous authority to encourage moderation and good sense in many spheres, and many ministers and senior civil servants are far more talented than most in the previous order. And this government has been much more open to outside influences than the apartheid regime ever was.

However, there are serious problems surrounding the operation of the presidency, cabinet, and senior officials. There is no overall strategic focus; policies are generally impracticable and often not sustainable; there is a shortage of real policy skills and policy management capacity; legislation has frequently been confused with action; race sensitivity has often prevented an honest assessment of errors; and relationships between ministers and officials are problematic. The results for governance and delivery are negative and worrying.

PARLIAMENT

Introduction

Internationally, the assessment of legislative performance has shifted from legislation enacted and passed to what legislatures do and how they impact on public policy.¹³ This shift was provoked chiefly by the reality that most legislatures rarely make major policy decisions and can more often be characterised as reactive rather than proactive in respect of their relations with the executive arm of government.

This decline in the relative power of legislatures has been accentuated during this century by factors such as the increasing prevalence of independent or depoliticised institutions of economic policy-making (central banks for example); an increasingly globalised international economy that impacts directly on the autonomy of national decision-making; and a growing literature questioning parliaments' capacity to generate coherent and effective public policies. Attention shifted towards 'the subtle ways in which legislatures influence public policy'.¹⁴

More nuanced, less visible considerations such as the impact of public debates, the interactions between individual MPs and vested interest groups or other organs of civil society, the links the MPs establish with their constituents, and their activities within the legislature itself came to be understood and valued as critical dimensions of how legislatures work.

The South African parliament is no exception. In practice the legislature tends to be weak compared with the executive arm of government, but this should not minimise its potential ability to influence policy-making in more subtle and nuanced ways.

.....

'... white papers have reflected a lack of any real analysis ... Typically, what they say is, this is where we need to get to, but there is no thought about how to do it ... The gap between policy and reality has been filled by legislation, often with unintended and contrary outcomes'

Structural transformation

Since the 1994 elections, parliament – like many other South African institutions – has been subject to transformation. In many respects this has involved the necessary modernisation of an institution which had atrophied under apartheid. Although the country had a long and established parliamentary tradition, parliament under apartheid was a truncated version of representative democracy as it reflected the views, concerns and approach of a small minority of South Africans only. From being the almost exclusive domain of dark-suited men with hats who conferred behind closed doors, parliament has become an open and colourful place. Many MPs sport a “Madiba shirt”, or other forms of ethnic attire. Classes of school children, interested onlookers and even tourists are regularly seen in the public gallery of the debating chamber. The speaker of parliament, aware of parliament’s sombre traditionalism, even said that she would like to hear more laughter in the house. “There is not enough humour in parliament,” she said.¹⁵

Unfortunately, the energy and enthusiasm that heralded the ‘school of 1994’ was not accompanied by the necessary staff, infrastructure or training and ‘it has been an ongoing uphill struggle ever since to catch up’.¹⁶ MPs as well as committees faced shortages of technical, research and administrative resources. This placed the legislature at a disadvantage both in terms of scrutinising legislation and in being able to develop the active role suggested by its constitutional powers. Since 1994 the parliamentary bureaucracy has been reorganised, and many staff members have left or retired. The rules of the institution have been revised, especially in respect of the parliamentary committees, whose numbers have increased, as has the workload of individual committees. In the apartheid period parliament was a part-time institution, only sitting for six months a year, but this has now changed, and its permanent role throughout the year has been institutionalised. Of course, parliament now represents all the citizens of the country, which it had never done before.

The South African parliament has begun on an important journey away from its Westminster heritage. While its institutional personality – in terms of its rules and organisational structure – remains firmly rooted in this tradition, the institution as a whole has changed in numerous important ways. (This was a process started by the previous government with the introduction, in 1983, of the tricameral parliament.) Its position and powers are located in a written constitution and circumscribed by a bill of rights. Its second house – the National Council of Provinces (NCOP) – is very different from the House of Lords, or the senate up to 1996. And, obviously, the context in which it operates – that of a developing country with mass illiteracy, a dominant party, and so on – is completely different.

Parliament has had to determine its role at a time when the institution itself was being transformed.¹⁷ Any assessment of the role and performance of parliament must take account of this rapid institutional change, the shortage of resources to accommodate such rapid change, and an unsettlingly high turnover of key individuals. By the three-year mark, more than a quarter of the intake of the national assembly in May 1994 had ceased to be MPs.¹⁸ Many of those who had left – largely for positions in government, the private or the parastatal sector – had assumed leadership roles in parliament.

The day-to-day grind of governance had begun to take its toll. Feeling cut off from their communities, many of the new MPs struggled to adapt to the change in lifestyle and complained of the debilitating effects of having to move among, in some cases, three places: Cape Town, home, and their allocated constituencies.¹⁹ Also, being an MP is sometimes boring, involving long meetings devoted to the fine print of legislation – a far cry from the excitement of April 1994 and the angst and heroism of the years that preceded the election. ‘Used to the politics of mass mobilisation, civil disobedience and armed struggle, many ANC represen-

.....
 ‘Many MPs are simply voting fodder as the whips become increasingly effective and organised’

Party representation in the 1994–9 parliament

In April 1994 the ANC received 12 million votes – almost 63 per cent of the votes cast in that historic general election. This gave the ANC 252 seats out of 400 in the national assembly. Second was the National Party (now the New National Party), with 20 per cent of the votes (82 seats). The Inkatha Freedom Party attained an absolute majority in the province of KwaZulu-Natal, but won only 10,5 per cent (43 seats) of the national vote. The Democratic Party, Pan-Africanist Congress and African Christian Democratic Party all received less than 5 per cent of the national vote.

tatives found it difficult to adapt to the rigours of parliamentary life.⁵⁰ These factors combine to weaken the legislature's ability to scrutinise legislation and oversee the executive, as suggested by its constitutional powers. The key question to be addressed is how parliamentary oversight should interact with executive authority. On the more positive side, parliament has begun to carve out an important role in terms of law-making and acting as a public watchdog over the executive, especially in areas where the portfolio committees are strong.

This unfortunate disjuncture between members of parliament and voters weakens MPs within their parties and in parliament as a whole. It adds to the feeling of isolation between 'leaders and the led', and strengthens the hands of the party leadership

Powers of parliament

Parliament is made up of two houses: the national assembly, and the National Council of Provinces (which has replaced the senate). The two houses are distinct from each other, and have separate functions. In a marked departure from the interim constitution's approach to the senate, the final constitution limits the role of the NCOP to representing provincial interests at the national level. It must do this by participating in the national legislative process, and by providing a national forum for the public consideration of issues affecting the provinces. Interestingly, its role does not expressly include an oversight function, its powers being to pass and initiate legislation.⁵¹

"The national assembly is elected to represent the people and to ensure government by the people under the constitution. It does this by choosing the president, by providing a national forum for public consideration of issues, by passing legislation, and by scrutinising and overseeing executive action."⁵² The 1994 elections employed the list system, an uncomplicated form of proportional representation. MPs were not individually elected in constituencies, but were chosen by their political parties. This system was retained for the 1999 elections (although it is said the ANC wants to change to a mixed constituency and list system for the 2004 elections). The ANC has allocated MPs to 'look after' notional constituencies: unsurprisingly, all the indications are that this system has not worked well.

A few MPs have worked hard and have regularly visited their allocated areas; others have made no attempt to do so, and many reputedly don't even know what constituencies have been allocated to them. This unfortunate disjuncture between members of parliament and voters weakens MPs within their parties and in parliament as a whole. It adds to the feeling of isolation between 'leaders and the led', and strengthens the hands of the party leadership.⁵³

"The parliamentary committee system is one important mechanism whereby parliamentarians can oversee and scrutinise the work of the executive. Committees may summon "any person to appear before it to give evidence", [and] ministers, directors-general and their staff can therefore be compelled to account for their work to a parliamentary committee. Due to its dominance in parliament, the ANC dominates the committee system ... yet many ANC MPs are hesitant to use their influence [and power] ... to critically evaluate the performance of the executive"⁵⁴

Where ANC members of the parliamentary committees have adopted critical stances or subjected an individual or policy to close scrutiny, the recipient has invariably been a 'soft target' politically. For example, the public accounts committee gave Independent Broadcasting Authority commissioners a torrid time in April and May 1997, and the correctional services committee also gave the then minister, Siphso Mzimela, a hard ride. Unlike health minister Zuma, neither the IBA commissioners nor Mzimela are members of the ANC (see box: **Sarafina 2: the ANC's first scandal?**, facing page).

This situation reflects the dilemmas confronting the ANC as an organisation in transition. The ANC is having to adapt old strengths – such as secrecy and loyalty – to the new political environment, in which transparency and accountability are entrenched in the constitution and as government policy.⁵⁵

There is another dimension to the electoral system that is important for relations between the executive and the legislature. In the current South African system party discipline is shored up by section 43 (b) of the interim constitution, which precludes MPs from 'crossing the floor' of the house and changing party (a provision which has been retained indefinitely by the final constitution).⁵⁶ This 'anti-defection' clause means that if an MP ceases for whatever reason to be a member of the party on whose list he or she was elected, then they lose

their seat in parliament. 'In other words, the seat in parliament is owned not by the individual MP but by the party.'⁵⁷ This clearly strengthens the hand of party leaders in enforcing uniformity in a caucus. It also serves to 'freeze' allocations of seats and inter-party strengths in the image of what they were at the time of the election. In the present system, 'the effect of such tight party discipline is to further fuse the legislative and executive arms of government – the majority party's enforced political homogeneity acts as a bridge between the two'.⁵⁸ And inevitably 'this means that many MPs are simply voting fodder as the whips become increasingly effective and organised'.⁵⁹

An additional disadvantage of the straight list system of proportional representation is that MPs tend only to be acquainted with the subject matter in the portfolio committee's on which

Sarafina 2: the ANC's first scandal?⁶⁰

'We have, of course, made unintentional mistakes. On occasions we have been too defensive. I have recently made this point in regard to how we handled Sarafina 2...' – statement by Nelson Mandela at the ANC's 85th anniversary celebration rally at Botshabelo Stadium, 8 January 1997

In 1996 the national department of health commissioned an HIV-AIDS education play called Sarafina 2, at a cost of R14,2 million. The production was scrapped after several irregularities regarding its financing were revealed. The public protector, advocate Selby Baqwa, published a condemnatory report of the affair in June 1996 after agreeing to investigate the conduct of minister Dr Nkosazana Zuma's health department.

Initial mistakes

According to various reports the following mistakes were apparent:

- The department of health flouted state tender procedures in contracting Moss Ngema's Committed Artists production company.
- Johnny Angelo (chair of the departmental tender committee) signed a note which led Olive Shisana (director-general of health) to believe that appropriate tender procedures had been followed. In fact, they hadn't.
- Shisana failed to formalise verbal agreements between herself and Ngema.
- Health minister Zuma ordered the development of the project in limited time; failed to take reasonable steps to ensure that the costs of the production fell within the ambit of the financing agreements between the European Union and the department; and omitted to stipulate a limit on costs.
- Hugo Badenhorst (then a chief director of health) signed the contract with Committed Artists without proper authorisation.

The minister and the parliamentary committee

- Zuma initially disregarded the request by the parliamentary portfolio committee to appear before it on the Sarafina 2 issue;

- finally agreed to appear before it following the intervention of the deputy president;⁶¹
- when she did appear before the committee, an hour and a half passed before an ANC MP asked the minister a question;
- it is widely believed that most, if not all, of the ANC committee members had been told by party leaders 'not to rock the boat', and 'to be loyal to their minister'.⁶²

Confusion

- The department denied charges of impropriety, saying the funds were from the EU, which the EU promptly denied (it subsequently emerged that the funds used were in fact from the EU). An anonymous donor subsequently stepped in to provide the funds. This heightened the controversy, because the department steadfastly refused to reveal the identity of the donor.

Damage control

- A departmental inquiry cleared three officials, and reprimanded a fourth. Other steps the department took to prevent a recurrence of the situation included: appointing three senior officials to the tender committee, giving further training to the department's head of legal section, and hiring a principal legal adviser.
- The public protector and the auditor-general agreed that anonymous donations were acceptable as long as their identity was known by the auditor-general, the public protector, the treasury, and the director-general of the department receiving the donation.
- Zuma fired her director-general, Olive Shisana.
- In 1998 Judge Willem Heath's special investigation unit probed the case (allegedly at Shisana's request) and served summonses on Zuma, Badenhorst and Ngema. The unit alleged, *inter alia*, that the Sarafina 2 contract was invalid; against public interest and policy; that Zuma had acted 'recklessly and/or negligently'; that officials had acted without proper authorisation; and that R6 million in losses had not been recovered.

they serve. There are few, if any, political interests across functional lines, as MPs have no direct incentive to follow issues that could be relevant to their constituency (if they have one) or to really tackle policy issues they disagree with. In fact all the incentives work the other way, encouraging MPs to toe the party line, so as not to lose favour with party leadership.

Key parliamentary players

The five main axes of power in parliament are: the speaker; the secretariat; the chief whip of the majority party; the ANC caucus; and the chairs of the parliamentary committees, which wield significant power. Although interlinked, the five operate independently, with different styles and priorities.

Traditionally the speaker had considerable power. A parliamentary observer sees an irony in the fact that while Frene Ginwala, the current speaker, has overseen a dramatic overhaul of the system, she has, 'given her desire to do virtually everything herself',⁶¹ retained almost all of that power except in one area: the committees. She is not a member of a portfolio committee, and has slowly been forced to relinquish day-to-day control of the running and budgets of the committees. In this way, the major factor in determining what sort of parliament South Africa's becomes is largely out of the speaker's hands.

In pre-1994 days the secretariat simply implemented the decisions of the presiding officers (the speaker of the national assembly and the president of the senate). Post-1994 the secretariat carries greater executive authority, exercised over a wider range of administrative and co-ordinating activity.⁶²

The chief whip of the majority party is a key position in any Westminster-type system. The office of the ANC's chief whip (which includes some 22 ANC whips who meet in daily strategy meetings) represents the 'crossroads' of the ruling party in the executive and its majority in parliament. As a governing party appointee, the chief whip probably has more power than the leader of the house in terms of the day-to-day management of government's business.⁶³

The chief whip's office has been significantly strengthened by the secondment of two British Labour Party officials. As a result, weekly, issue-based briefings are held; speeches are properly written; and the media properly briefed.

The chief whip is an initiator of as well as a respondent to procedural reforms such as the system of parliamentary questions, and ministers who do not attend caucus or do not appear in the national assembly to answer questions now invariably receive a written rebuke from the chief whip. This improvement in efficiency has helped the majority party to operate more effectively, and improve the parliamentary system generally.⁶⁴

The ANC caucus is important in the configuration of political power. Because it meets more regularly than the main ANC party structures, and because it is the place where the executive and legislative wings of the party meet, it is also the place where key policy decisions are sanctioned. Not formally a part of the ANC's constitutional structure, senior ANC officials tend to play down the importance of the caucus relative to the organisation's own constitutional structures. Deputy speaker Baleka Kgositsile, for example, states that 'in actual fact the constitutional structures of the ANC are not centred on the caucus in parliament; if anything, the caucus in parliament is actually not a constitutional structure that has decision-making powers in terms of policy of the ANC. Whatever it does will always have to be subject to the guidance by and leadership of the constitutional structures of the ANC.'⁶⁵ Lodge describes how, in 1994, then ANC secretary-general Cyril Ramaphosa compelled all ANC MPs to sign a code of conduct which forbade them from any 'attempt to make use of parliamentary structures to undermine organisational decisions and policies'.⁶⁶

Nonetheless, in the words of one ANC MP interviewed for this project, 'as an institution it [the ANC parliamentary caucus] is an important event. There is a sense that you cohere around it. It gives us a common meeting point between the executive and the legislature. It allows for both sides to feel each other out on various issues, and is a test as to whether a parliamentary democracy really works in terms of the extent to which you can get your grievances addressed and the tensions played out. It has become increasingly serious, with policy issues being substantively discussed.'⁶⁷

ANC MPs have on occasion resorted to labelling opposition politicians as racists if they disagree with their viewpoints. This has had the unfortunate consequence of emphasising the protagonists' racial backgrounds instead of the real issues in the debate'

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Thus there is a formal relationship between the ANC's caucus and its constitutional structures. Ian Philips, until recently an ANC MP and subsequently an adviser to the minister of public works, Jeff Radebe, argues that there is a *de facto* relationship as well.

For example, the nature of governance requires decisions on detail to be taken from time to time in various committees at various legislative levels. Those decisions, some of which are policy issues but some of which flow out of broader policies, are actually decided on by the caucus structures of the [parliamentary] study groups.

"This would normally be the preserve of the national executive committee – in other words, the policy-making structures of the ANC – but, because of practical constraints and the reality of the situation, the caucus has assumed a policy-making role. I don't think this is an antagonistic situation of caucus versus the NEC, the latter of which still sees itself as a national liberation movement outside of parliament. But there have been times when we have had specific items or policy directives that needed to be approved by the national working committee, and then fed into the caucus as an indication of what the organisation's policy is. That has had an impact on how the legislative process or the committee work has happened, and the ANC component has had to react to that.

"The abortion issue is one example, where you had within the caucus a group of comrades who, for a variety of reasons, argued that there should be a conscience vote, and then the caucus was reminded that abortion on demand is actually formal ANC policy and has been for some time, and because that was on the books it overrode the possibility of a conscience vote by caucus. This shows that there may be occasions when the constitutional structures of the ANC have to amend particular positions which may have wavered as a result of caucus work, and of course the bartering that goes on in committee."⁹

Because the ANC caucus is so large, with 312 MPs and NCOP members in 1994–9, there is little scope for substantive discussions that must take place elsewhere (in, for example, the various ANC study groups which shadow the parliamentary portfolio committees). And – given the intimidating atmosphere and the presence of so many political heavyweights, including then president Mandela – it is said there is little scope for participation by backbenchers.¹⁰

The chairs of the portfolio committees are an important part of parliament. Since 1994 parliament has reorganised the way in which it operates. Besides the sittings of the full national assembly, there are also 'committee weeks' and 'committee days' (as well as 'constituency weeks' and 'constituency days'). The reformed committee system is regarded as the working machinery of the new parliament. There are now more than 50 committees, made up as follows:

- 27 portfolio committees of the national assembly, which shadow national departments of government (housing, education and so on);
- 14 select committees of the NCOP;
- seven joint standing committees (covering areas of policy such as finance, public accounts and defence);
- two joint committees (including the joint rules committee); and
- a fluctuating number of *ad hoc* committees.

The committees vary in size, but are normally between 15 and 25, with members appointed by party whips in proportion to their representation in the national assembly, save that the smallest minority parties are entitled to at least one member per committee.

Of the 27 portfolio committees, two were chaired by non-ANC MPs in 1994–9. (The national assembly portfolio committees on transport and defence were chaired, respectively, by members of the PAC and Freedom Front). And one joint standing committee, on public accounts, was chaired by the DP.

The power-sharing arrangement in the executive, and the fact that consensus-seeking and politics by negotiation have been the *modus vivendi* of the transition to democracy, have created a paradigm within which the committees are seen as an extension of such a consociational political model. Hence the ANC has rarely had to use its majority in committees.¹¹ However, this is changing, as recent votes with respect to pharmaceutical legislation, the local government municipal structures bill, tobacco legislation and the Employment Equity Act illustrate.

In general, it is clear that relations between parliament, the executive and civil society organisations depends largely on the minister concerned, the strength and effectiveness of the portfolio committee and its chair, and the political sensitivity of the issue at hand

The chairs of the committees regularly meet as a collective, and the ANC chairs also meet separately to discuss issues of common interest (usually funding). Should the committee chairperson's forum have a strong chair, this is potentially an important source of power and influence. (This is reported not to be the case in respect of the current chair, who some allege has not invested the job with the vision and leadership that a number of the other leading chairs would have expected and hoped to see.⁷³)

The closure of the RDP office and the major macro-economic policy shift to GEAR were essentially executive decisions taken without reference to the legislature

In a hangover from the NP government's approach, there is an unnecessarily complicated procedure for the tabling of private members' bills. This stands in contrast to the Westminster model in which private members' bills are fairly common, and provide ordinary members with a good opportunity to put forward legislation, thereby creating an opportunity for airing policy proposals that the executive has chosen not to put forward. In South Africa, however, there is a committee that in effect vets such bills. This is the current standing committee on private members' legislative proposals, chaired by an NNP MP who is supposed to be investigating the reform of the procedure but is making heavy weather of doing so. It is reported that the ANC is also not enthusiastic about reforming the system.⁷⁴

As many other countries have shown, conflicts of interest can have a major impact on the way in which legislators approach policy- and law-making. There is now a public register of members' interests, and a full-time registrar has recently been appointed to serve the committee of members' interests. Enforcement of the code governing disclosure remains untested, even though it is alleged that some serious omissions have already occurred.⁷⁵ The code of conduct has recently been given a statutory footing.

Legislature-executive relations

The parliamentary committee system seeks to mirror the structure of the executive by having a committee for each national department. However, policy-making is not that simple or clear-cut; the executive's decision-making processes tend to cut across the portfolio committees. An example provided by a former MP illustrates the point. When policy on juveniles in custody was at issue, the executive established an interdepartmental committee comprising representatives from the departments of safety and security, justice, welfare, and correctional services, all of which were involved in some way in implementing the policy. No single parliamentary committee mirrored this range of expertise. So when the portfolio committee on justice, for example, meets to consider the issue, it does so blind, unaware of what the other departments or their parliamentary committees are doing.⁷⁶

There is also no parliamentary committee to deal with the deputy president's department and its growing responsibilities for numerous important areas. The deputy president's department is the 'authoritative locus' of some key government policy and planning units, including:

- the Youth Commission;
- the RDP office (after its closure);
- the office on the status of women;
- the office on the status of disabled persons;
- the cabinet committee on economic affairs;
- the cabinet committee on social and administrative affairs;
- the cabinet committee on security and intelligence affairs; and
- the co-ordination and implementation unit.⁷⁷

Parliament's capacity to influence socio-economic policy is closely associated with its capacity to influence the budget. According to an economist, 'the present budget process effectively bypasses parliament. When the parliamentarians get the first glimpse of the budget ... it is far too late to exercise any real influence over it. Particularly given the lack of technical capacity currently available to most MPs, it is virtually impossible to offer a systematic analysis of a document that has taken nearly 18 months and many millions of working hours to compile.'⁷⁸

However, other commentators argue that there are still areas of opportunity for parliamentary committees. The first is in terms of the budget process, with the possibility that com-

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mittees will soon be given the budget earlier, giving them more time to consider it. This process enables committees to deal with broader questions and to look at the impact of the budget across sectors.

A second opportunity for portfolio committees is in their review of individual departments. They can and should ask departments for information about expenditure in order to monitor departmental action and impact, and can comment on the allocation of resources between departments and within them as well. Bearing in mind the importance of improved expenditure within departmental allocations, this is an extremely important role for parliament to play.

A review of the experience of different parliamentary committees and the notice taken by government of inputs from the committees, the opposition parties and outside organisations is instructive. In general, it is clear that relations between parliament, the executive and civil society organisations depends largely on the minister concerned, the strength and effectiveness of the portfolio committee and its chair, and the political sensitivity of the issue at hand. An examination of two different committees illustrates some of the issues involved.

- According to an experienced parliamentary journalist, one committee praised by all political parties and all participants is the justice committee, chaired by ANC MP and advocate Johnny de Lange and including very senior political representatives from the opposition parties. It is reported to have sought and obtained the inputs of judges, prosecutors, attorneys-general, the legal professions, NICRO and others. This has resulted in legislation that is the result of painstaking analyses of the issues, possible consequences, the requirements of the constitution, and an awareness of the growing public frustration at the levels and violence of crime. Its bills were inevitably consensus measures by the time they reached the national assembly and the NCOP, and were usually passed without dissent, and despite the fact that the minister of justice whose department was centrally involved in this process is not popular with the opposition. Legislation passed in 1998 included the Prevention of Organised Crime Act, the Debt Collectors Act, and the Domestic Violence Act.²⁹
- At the opposite end of the scale is the portfolio committee on health. This committee was reported to be so unpopular that many organisations involved in health care believed it a waste of time to make suggestions to it on proposed legislation. The attitude and style with which this committee approached legislation worried many observers. During 1998, for example, the Tobacco Products Control Amendment Bill was pushed through the NCOP before the portfolio committee had held its public hearings on the measure. When the bill came to the national assembly there was no consensus, and only the two-person African Christian Democratic Party supported the ANC in approving it. This was striking, since the opposition parties had all informed the health committee that they endorsed the need for stricter control over public smoking and over the advertising of tobacco products.

Opposition parties deplored the intransigence of the ANC-dominated committee, which had ignored the more than 80 public submissions made to it. The Freedom of Commercial Speech Trust (representing the media, marketing and advertising industries) withdrew from the public hearings because of dissatisfaction with the nature of the consultation process.

Similarly, submissions made on the other two measures rushed through parliament at the end of the 1998 session produced no visible results. These were the Medical Schemes Bill and the SA Medicines and Medical Devices Regulatory Authority (SAMMDRA) Bill, which were both strongly opposed by the industries concerned. In the words of an opposition MP: 'Of all the bills being steamrollered at the moment, this is the greatest mockery of them all. The health committee is giving one day to hear public and industry response on a bulky and technical measure, and we are expected to adopt it in two days' time.'³⁰

Conclusion

While the executive arm of government probably does not regard parliament as irrelevant, it does not regard it as a serious site for policy formulation either. At this stage in South Africa's

A key component of the unfolding relationship between parliament and the government is and will continue to be intra-ANC relations

political history, government probably does not discuss, when it formulates a policy, whether or not its passage through parliament will be a smooth one or not. Yet the ANC is becoming increasingly sensitive to the views of its parliamentary caucus, especially as the government moves away from more traditional ANC positions on a host of important issues.

In practice the legislature tends to be weak compared with the executive arm of government, but this should not minimise its potential ability to influence policy-making in more subtle and nuanced ways

While on some occasions a policy change can be made or a new policy introduced simply by presenting a bill to parliament, on socio-economic matters this is the exception rather than the rule. Invariably, such policy questions are interwoven with issues of broader macro-economic policy, complicating the role the legislature must play in policy-making. The closure of the RDP office and the major macro-economic policy shift to GEAR were essentially executive decisions taken without reference to the legislature.⁸¹ What this suggests is that, when the ANC is under political threat, or when it deals with major policy areas such as macro-economic policy or issues of great ideological importance to the organisation, parliament is not able to exercise meaningful power or influence.

The opposition parties in parliament have to operate within the political constraints imposed by the strength of the dominant party, and it is argued that in all but one case (that of the DP) their inexperience dilutes their impact even further. Opposition parties have only really made a difference to legislation in parliamentary committees that adopt a more consociational approach (eg justice, defence, public accounts, and constitutional affairs). In those cases, and in cases where the opposition parties have individuals who have developed some expertise, the ANC has been willing to not only listen but also act on the proposals of opposition members.⁸² In the case of higher-profile or more controversial issues, however, the scope for such participation is limited. For example, in the case of the controversial pharmaceutical bill, the ANC was determined to push through the legislation without amendment; in the case of the Municipal Structures Act, which establishes centralised mega-cities, the opposition had very little input either.

The ANC's reluctance to show division is exacerbated by the organisation's parliamentary inexperience; this has been apparent in a number of technical areas, most notably in a failure to use parliamentary questions to its political advantage. From May 1994 to March 1996 the seven DP MPs were among the top nine in terms of parliamentary questions asked, with the party as a whole asking 681 out of a total number of 1 844 (37 per cent). By contrast, the ANC asked 283 (15 per cent) of the questions during the same period, thus allowing the opposition parties to dominate question time.⁸³ This points to the need for the ANC to adapt to this style and culture of political contestation.

ANC MPs have also failed to fully use their right to make speeches – an important vehicle for raising critical issues or spelling out a political or policy vision. In 1996, for example, some 16 per cent of ANC MPs made no speeches at all. The ANC in parliament has also suffered from a high degree of absenteeism, with MPs frequently failing to attend parliamentary committee meetings, and cabinet ministers being notoriously absent during question time. Late in 1997 the then ANC chief whip, Max Sisulu, announced that ministers and MPs guilty of poor discipline would face dismissal from committees, loss of leave and travel privileges, and censure. He said: 'In the past, parliament and committees have found themselves in the embarrassing position of being unable to vote on legislation because there have not been enough members in attendance.'⁸⁴

However, the policy process leading to the Child Maintenance Bill suggests that times may be changing; for the first time, a parliamentary committee chaired by an ANC member took on an ANC minister and sought to change government policy. It must be stressed, however, that this pressure came from the 'left'. The ANC caucus was so aggravated by the new policy that it was prepared to confront one of its own ministers (see box: **The controversial child support grant**, facing page). Whether this trend will continue, and whether it will also be possible to exert pressure from the 'right' of government, is a matter of speculation.

There are other indications that the ANC is adapting to the demands of 'normal' democratic parliamentary politics (see also the section on the NCOP); one example is the creation of the semi-formal system of political committees, arising out of problems the ANC in parliament encountered in dealing with the day-to-day exigencies of political life. According to the ANC deputy speaker, the constitutional structures of the ANC were not meeting frequently enough

to provide the speedy responses required of a political party. Small groups would therefore meet to make decisions on the run, which offended the ANC's innate sense of constitutional propriety.⁸⁶ Hence the need for political committees, which would include the speaker, deputy speaker, chief whip, chair of the caucus (who chairs the meetings), and the leader of the house. Calland observes that 'this is a first example of how the ANC has had to adapt to the demands of "normal" democratic parliamentary politics'.⁸⁷

What seems clear is that a key component of the unfolding relationship between parliament and the government is and will continue to be intra-ANC relations. If the ANC in parliament can cultivate a sense of 'loyal opposition' then parliament will become more and more relevant. In the words of an ANC MP, parliament does indeed 'lie at a crossroads in terms of whether it becomes a really challenging legislature creative in terms of legislation, bold in terms of being able to tackle and identify issues, and almost revolutionary in making sure that transformation moves faster than it is moving now. If it does not take that direction, then it will become a stool pigeon within the next two years, and it will lose the vibrancy with which we started. There is a danger lurking that it will become an administrative arm of the executive.'⁸⁸

The controversial child support grant⁸⁵

In 1996 the ministry of welfare established the Lund committee for child and family support to address the problem of achieving equity in social assistance to needy children and families. A major instrument investigated was the state maintenance grant (SMG), claimed by women who received no financial support from the fathers of their children. Until then SMGs had largely been claimed by white, coloured and Indian women; while they were theoretically available to African women in South Africa as well, they had simply not been administered in the 'self-governing territories', and remained inaccessible to African women. Moreover, the grants were differentiated for different 'population groups'.

In deciding on a new, universal grant, the committee – and ultimately policy-makers – faced the difficult decision of whether to give smaller amounts to more children up to a higher age limit, or larger amounts to fewer children up to a lower age limit.

In August the committee recommended that SMGs be phased out and replaced with a universal Child Support Grant. The cabinet approved this proposal, but – mindful of budgetary constraints – set the amount at R75 a month for all needy children aged 0–6. According to the then minister of welfare, Geraldine Fraser-Moleketi, this grant was designed to reach about 30 per cent of poor children, totalling about three million. While it would be more widely available, it meant that the sums previously received by mainly coloured and Asian women and children would be substantially reduced.

The cabinet took its decision before the parliamentary portfolio committee on welfare could consult the public on the issue. While the committee knew of its deliberations, the Lund committee was unable to make recommendations to it until October 1996, by which time the cabinet had already made its decision.

Various public pressure groups protested vehemently against such a far-reaching policy being adopted without their

input. The portfolio committee then decided to hold two public hearings on the issue: one in Cape Town during April, and two in Pietersburg and Umtata respectively in September and October. Important dissenting inputs came from the Black Sash, the Institute for Social Development, COSATU, the Community Law Centre at UWC, and the South African NGO Coalition (SAN-GOCO). Given these new pressures, the portfolio committee members also began to question the cabinet's decision.

A public statement by Fraser-Moleketi that 'there is no turning back – the child support benefit will become a reality' was badly received. Her further comment that 'correct parliamentary procedures have been followed' displayed to many either an ignorance of those procedures, or a disregard for parliament. The sense that the executive regarded parliament as irrelevant deepened when it became known that the department had already printed leaflets setting out the details of the new benefit before the parliamentary hearings took place.

Eventually the portfolio committee unanimously proposed a grant of R135 a month, to be targeted at 80 per cent of children aged 0–9. Following an agreement brokered by Essop Pahad of the deputy president's office, who shuttled between the minister of welfare and the minister of finance, the grant was eventually fixed at R100 a month – 33 per cent more than the original proposal – for children aged 0–6.

This was the first time that a parliamentary portfolio committee had taken on an ANC minister since the new parliament had been formed. For this to happen, the view of the ANC members of the portfolio committee was crucial. What mattered to them, apparently, was that this became an issue of wider importance within the ANC caucus. The involvement of outside organisations was also important. In this case, these two factors proved decisive in giving teeth to the objections within parliament to the executive's prerogative.

Or, as another ANC MP puts it: 'We are still coming to grips with how parliamentary oversight corresponds or co-ordinates itself with executive authority.'⁹⁰

Can the ANC in parliament cultivate a sense of this 'loyal opposition'? 'Internal party discipline has so far been strong enough to limit the extent of public disagreement (within the ANC caucus) on ANC policies.'⁹⁰ And will a drive for greater internal dissent and freedoms within the ANC translate into a broader sympathy for the flourishing of 'loyal opposition' among opposition parties, such as the DP and UDM? One parliamentary observer and lobbyist has noted: 'While the ANC ostensibly welcomes opposition politics and rigorous parliamentary debate, there appears to be disconcerting limits to its tolerance. Its MPs have on occasion resorted to labelling opposition politicians as racists if they disagree with their viewpoints. This has had the unfortunate consequence of emphasising the protagonists' racial backgrounds instead of the real issues in the debate.'⁹¹

As Thabo Mbeki moves centre stage, it seems increasingly likely that the ANC will try to operate as a unitary, homogeneous political organisation. This could work two ways: the first is that the ANC will become more monolithic in its use of power, thus diluting the influence of the parliamentary ANC. The second is that the policy-making involvement of key ANC parliamentarians, such as the committee chairs, may increase, and that opposition parties may also play a more important role.

In terms of the 'co-operative governance' model, their role and influence in the policy-making process is vital. In practice, however, the provinces are the Cinderellas of policy-making in the new democracy

THE PROVINCES

Introduction

South Africa's nine provinces are a crucial sphere of government.⁹² In terms of the 'co-operative governance' model, their role and influence in the policy-making process is vital. In practice, however, the provinces are the Cinderellas of policy-making in the new democracy. Although there are some signs of change, they have been unable to emerge as distinct policy-making institutions with significant impact on policy and legislation.

There is a dearth of detailed research on all nine provinces, which makes analysis of the policy process in this distinctive sphere of government difficult and tentative. The following section is thus only an initial attempt at understanding their place in the policy process, and what might be a much stronger case for enhancing provincial input - what one source referred to as 'arguing back with the centre'.⁹³

Avenues of influence for provinces

The constitutional principle of co-operative governance suggests that the provinces could and should have a considerable role to play in the policy process.⁹⁴ Provincial government constitutes one of the 'spheres' (not 'tiers') of government, each with constitutionally protected powers and functions but working harmoniously together. Their more important functions (known as concurrent competencies) are performed together with national government, and are laid out in schedule 4 of the constitution.

These include housing, health, education (excluding tertiary education), welfare, major local government services, agriculture, development planning, and safety and security (policing). Their exclusive competencies are far less significant - abattoirs, ambulances, museums, sport and so on.

The constitution binds all spheres of government to 'exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere'.⁹⁵ Nevertheless, each must also 'respect the constitutional status, institutions, powers and functions of government in any other sphere',⁹⁶ and must not 'assume any power or function except those conferred on them in terms of the constitution'.⁹⁷

Where co-operative principles break down, the constitution binds parliament to 'establish or provide for structures and institutions to promote and facilitate intergovernmental relations', and 'appropriate mechanisms and procedures to facilitate the settlement of intergov-

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ernmental disputes'.⁹⁸ In the event of an intergovernmental dispute evading 'every reasonable effort' at settlement within these structures, the parties involved have recourse to 'a court to resolve the dispute'.⁹⁹

A number of institutions of co-operative governance have accordingly been established. It is primarily through these that the provinces exercise what influence they have on policy. The NCOP represents the provincial voice in parliament. According to Mbeki the NCOP plays a 'harmonising' influence – stepping in where necessary to trouble-shoot, mediate and provide national policy cohesion among nine increasingly disparate provinces.¹⁰⁰ The second, currently more effective, institution is the intergovernmental meetings of national ministers and members of the provincial executive councils, or the Minmeets.¹⁰¹ Another potentially important body is the Premier's Forum – an informal (non-statutory) body launched by the premiers themselves.¹⁰²

The NCOP: a fumbling pioneer?

Parliament's second house, the NCOP (which has replaced the senate), is central to the functioning of 'co-operative governance' among the three government spheres.¹⁰³ Each province has a delegation of ten.¹⁰⁴ Political parties in the provincial legislature are entitled to proportional representation in a provincial delegation to the NCOP.¹⁰⁵ The delegation is formally appointed by the provincial legislature.¹⁰⁶ However, each province has only one vote in the NCOP, and 'all questions before the NCOP are agreed when at least five provinces vote in favour of the question' (the ANC controls seven of the nine provinces).¹⁰⁷ Cabinet ministers and deputy ministers attend and address meetings of the NCOP, but they cannot vote. A maximum of ten part-time representatives of 'organised local government' may also participate in the proceedings of the NCOP, but again may not vote.¹⁰⁸

The NCOP is the constitutional mechanism by which the provincial governments can engage directly with parliament. The NCOP has real powers: the constitution gives it the right to initiate, modify or turn down any legislation involving joint provincial/national competencies. In theory it should be a brake on national government's dominance of the provinces (although it has no oversight role over parliament). But it has been an insignificant policy actor,¹⁰⁹ and has generally failed to exploit the avenues of political influence at its disposal.¹¹⁰ As the infant 'second house' of parliament, it is dominated by the cabinet, its input welcomed only as long as it does not challenge the policy assumptions of the national ministries.¹¹¹ The NCOP also does not allow the expression of distinctive regional interests; rather, these important considerations remain obscured by the dominance of party-political concerns.¹¹²

The NCOP is a uniquely South African political institution. Unlike other aspects of the constitution, there is no model to copy, which means that everything must be specially adapted for the new house.¹¹³ This creates all sorts of problems.

The most important is that its role is not well understood; there is 'a lack of clarity – both inside and outside the institution – on its special place in the new institutional arrangements created by the final constitution'.¹¹⁴ This lack of clarity in the public realm is reflected in complaints that the media keep getting the NCOP's contributions confused: 'Thus an NCOP spokesperson complained: "When the NCOP does something, it is reported as "parliament", and when the national assembly does something it is reported as the "national assembly"'.¹¹⁵

Working within the NCOP structures is also complex. In the NCOP's first session, most provinces (and parties) had not worked out whether their members were representatives – able to exercise their independent judgement – or delegates bound by provincial mandates. Lines of communication between the NCOP and the provincial legislatures are also long and tortuous. NCOP legislation has to be relayed back to these legislatures and then to the appropriate committee for consideration, debate and mandating – difficult in practice, given the intricate and tight schedule of the NCOP's function in the parliamentary law-making process. Many members of provincial legislatures claimed that they hardly ever saw NCOP legislation during its first session.¹¹⁶

According to CDE's research, ANC discipline is strong in the provinces.¹¹⁷ Thus ANC provin-

More than 60 per cent of South Africa's public servants are attached to provincial governments

cial delegations stand together and vote *en bloc* in the NCOP, resulting in a permanent 7:2 vote in favour of the ANC.

Despite a recent report on a 'rebellious' NCOP refusing to deal with urgent legislation to extend the life of the Truth and Reconciliation Commission, at this point the NCOP appears unlikely to exercise any other role than that of rubber-stamping legislation sent down to it by the national assembly.¹¹⁸

Ncholo expressed reservations about the widespread appointment of former political activists to posts in provincial departments with little reference to their skills or experience

Minmeccs

The Minmeccs (ie meetings of national cabinet ministers and members of provincial executive committees) emerged mainly as policy co-ordination and feedback mechanisms between provinces and individual national departments.¹¹⁹ A safe generalisation is that national departments (who act as secretariats to the Minmeccs) control and direct their discussions. They draw up the agendas, and the minister chairs each discussion. MECs are clearly junior to their cabinet colleagues, and where provincial capacity is weak their input is negligible.¹²⁰ Some Minmeccs are more influential than others, with the attributes of the national minister involved seeming to be the most important factor. Some ministers are open to influence, but others are more authoritarian and ideologically driven and appear to attend Minmecc meetings in order to instruct the provinces in their duties.

The former health minister, for example, is perceived to have 'ridden roughshod' over both her parliamentary portfolio committee and the Minmecc meetings. One interviewee noted that 'Nkosazama [Zuma] is so determined that no one gets a word in edgeways'.¹²¹ In education the problem was reported to be quite different: a weak minister has confronted a strong, ideologically driven portfolio committee. When provincial feedback through the Minmecc reaches the department, however, this practical input is overridden.¹²²

An innovative development for bringing policy closer to budgetary realities is the establishment of technical committees for each Minmecc. Better known as the '4x4s', they constitute a 'permanent administrative liaison body'¹²³ of four national and four provincial representatives. Their recommendations – reached by consensus – are submitted to the Minmeccs for ratification. In the education, health and welfare 4x4s policy proposals are reported to be 'debated and costed out against practical constraints'.¹²⁴ They are not policy-making bodies. The evidence is also uneven on their ability to influence policy choices. One interviewee argues that 'when push comes to shove' the centre will dominate, although 'the provinces get a good hearing'. He considered that the room for provincial policy innovation was also limited because 'by the time you've paid your staff there is little space for policy. For example, 93 per cent of the education budget of R7 billion is spent on salaries. There's no room to try and innovate things, for example, in textbook purchasing policy'.¹²⁵

The most high-profile Minmecc is the Intergovernmental Forum, previously co-chaired by Mbeki and Mohamed Valli Moosa, as minister of constitutional affairs and local government.¹²⁶ It includes all national ministers and provincial premiers, as well as some deputy ministers and provincial MECs. The forum's role is not policy but rather 'strategy,' the rationale being to try and 'filter' national government's views downwards and the provinces' views upwards. Its importance has declined in recent years as the ANC has become more settled in government. The Intergovernmental Forum now meets quarterly as opposed to monthly.

He who pays the piper ...

Provinces spend a significant portion of the national budget (44.2 per cent in the 1997/8 financial year). Almost all their revenue (about 85 per cent) is spent on three provincial functions: health, education, and welfare. As major policy implementers in these key areas, the provinces proportionally employ far more people than their national counterparts do. Thus more than 60 per cent of South Africa's public servants are attached to provincial governments.¹²⁷ Yet despite large personnel numbers and huge spending responsibilities, provinces have minimal revenue-raising powers: they rely almost exclusively on national government for the bulk of their money. This financial dependence acts negatively on provincial auto-

my. In policy terms, provinces are often compelled to act in concert with and seek the approval of national government.

It appears that this may be changing. Provinces are increasingly engaging with the centre – ‘they are now starting to enter this arena more vigorously’, according to an interviewee. The same source argues that provinces now ‘have little leeway, but much influence’.¹²⁸ An important development occurred with the block grant allocation to provinces in 1997/8. This strengthened provincial treasuries and finance departments: ‘They are now able to say, “you can’t get us to do x because we can’t afford it.” In other words they are finally in a position to feed back experience from the coalface.’¹²⁹ This is in contrast to the position in late 1997 when one MEC who sat on five Minnecs claimed that ‘the centre is open to input (from the provinces) only so long as you operate within their parameters.’¹³⁰

Province’s more active engagement emerged with the so-called ‘unfunded mandates’ controversy in 1997 when national government shifted to an annual once-off global budgetary transfer to the various provincial governments. As a result of the consequent provincial overruns (due to poor budgeting procedures and other financial weaknesses), the Budget Council (the finance Minnec) agreed ‘that no functions can be delegated to the provinces (or norms and standards decided) by the centre without funds being allocated ... Provinces are required to send a formal letter of acceptance to the national department. Where they refuse to do so, they are refusing to take on responsibility.’¹³¹ The Medium Term Expenditure Framework (MTEF) has also played a critical role in informing political role-players of the costs of particular policy options and choices. Good examples are the recommendations (prepared by the budget office) of the MTEF sector review teams consisting of representatives of the departments of finance and state expenditure, and national and provincial departments.

Despite this growing input into the budget process, provinces have still not emerged as major centres of policy innovation. It appears that, although national departments decentralise policy implementation, they have not decentralised policy-making itself. In any event, the provinces suffer from major capacity constraints in the areas of administration, strategic planning and finance, in addition to policy design itself. The country’s current broad policy frameworks have thus been designed without significant provincial input.

The Ncholo report

A thorough government review of the provinces – written by Dr Paseka Ncholo, director-general of public service and administration in 1997 – identified ‘top-down’ policy thinking in national departments as a major problem.¹³² According to the report, this has resulted in national government formulating policies for the provinces without considering their ‘organisational, financial and service delivery implications’¹³³. It found that the capacity of the nine provincial administrations to implement these policies varied considerably. It argued that it was also difficult to determine exactly where government expected the overall responsibility for policy implementation to lie.¹³⁴ As a result, public service delivery was uneven in the provinces where ‘many national departments are not [even] monitoring service delivery’. They rather ‘give orders’ and see themselves as ‘controlling’ policy.¹³⁵

Even were the provinces unambiguously empowered to implement policy, Ncholo identified major capacity problems that would comprehensively undermine their own efforts in any event. Major managerial and technical staff shortages are crippling departments which have remained highly centralised and bureaucratic, strategic planning is neglected, financial planning and controls are weak, and the budgetary process is arbitrary and not aligned to policy goals. The policy of attempting to downsize provincial governments by allowing voluntary retrenchment packages is failing, as only the most valuable staff are leaving.¹³⁶ Ncholo expressed reservations about the widespread appointment of former political activists to posts in provincial departments with little reference to their skills or experience. He also found that people guilty of serious criminal offences were still at work in the provinces.¹³⁷

Many provincial officials have adequate formal qualifications, but they are simply unable to do the work required.¹³⁸ Personnel records are in a state of disarray,¹³⁹ and provincial pay-

There is no telling whether, if provinces had not existed at all, national government departments would have fared any better in coping with apartheid’s inherited chaos

rolls are littered with tens of thousands of 'ghost' workers.¹⁴⁰ Many heads of department lack the necessary management capacity for implementing the personnel function.¹⁴¹ Skilled human resource practitioners are scarce.¹⁴²

In some provinces, public asset registers (eg what buildings and cars government owns) are still incomplete, and government buildings stand empty while departments rent office space from the private sector.¹⁴³ Theft, maladministration and misappropriation of provincial property are rife.¹⁴⁴ Provincial tender boards are a major obstacle.¹⁴⁵

Besides their many internal problems, provincial governments are also restricted from impacting on policy-making because of formal limits on their powers. Ncholo notes that they have little or no discretion as to how they spend money transferred by national government in their three key areas of health, education and welfare. Although national norms and standards are now applied less rigorously by national departments, important decisions in such areas as appropriate teacher-pupil ratios, the salaries of teaching and nursing staff, social welfare grants, and housing subsidy applications are still decided at the centre. In these functional areas the provinces are thus constrained and act largely as any other national government line agency. Their main role is to manage implementation, not to contribute to policy formulation itself.¹⁴⁶

Uneven provincial capacity appears important too. MECs are 'a mixed bag'.¹⁴⁷ In some Minnecs 'the relevant MECs are hopeless' according to a senior provincial politician. In others, particularly finance, the MECs 'are a cut above their provincial colleagues'.¹⁴⁸ This might be attributed to the successful operation of the finance Minnec that allows the 'sharing of information between provinces'.¹⁴⁹ One example cited is the Eastern Cape's 'adoption' of Gauteng's centralised 'one bank account' model.¹⁵⁰ Getting the minister to consider provincial input thus depends on 'the quality of the provincial input'.¹⁵¹

Quality of input is a factor of provincial sectoral capacity. There is evidence that this capacity is increasing. For example, the Gauteng department of health has appointed a financial manager whose tasks include preparing the budget, strategic finance, budget process, service planning, and so on.¹⁵² With increased capacity, provincial line departments are sometimes able to 'chip away at the less practical aspects of the policies outlined by the national departments'.¹⁵³ According to CDE's research, this ability and/or willingness to 'chip away' carries consequences: 'It means taking the logic of fiscal constraint to the Minnecs and arguing their case with a centre inclined to regard such "obstructionism" as weakness at best, sabotage at worst. Any province that does so has to be politically brave, scrupulously organised, and in absolute control of the relevant information.'¹⁵⁴ Clearly an unusual combination for many provinces! More generally, MECs opt for political expediency in the Minnecs, backing up their minister while simultaneously pleading for more finance and more flexibility in meeting the demands of national frameworks. In this indirect manner, MECs are increasingly 'bringing the policy process and the budgetary process closer together'.¹⁵⁵

However, the apparent commitment of finance and treasury departments across the provinces to the MTEF has not always had the intended effect on provincial finances. Line MECs sometimes 'resent' their influence and 'complain ... to their counterparts at the centre'.¹⁵⁶ In the Free State this has gone one step further, with MECs and senior officials appearing to conspire to obscure their departments' expenditure from the director-general who 'would attempt to do things like getting the books from departments who would simply neglect to hand them over'.¹⁵⁷ For a variety of reasons, vertical solidarity between provincial and national line departments has prevailed in many provinces against horizontal provincial loyalty, particularly in provinces with less capacity and fewer resources.¹⁵⁸ Increasing provincial government (as opposed to department) policy roles will therefore mean 'weaning [provincial] line departments from their national counterparts'.¹⁵⁹

Other formal limits to their powers prevent provincial governments from transforming the implementation of policy. They do not have borrowing powers. They cannot unilaterally downsize departments.¹⁶⁰ Provincial revenue-raising powers and collection capacity is limited. There have, however, been considerable changes in the formula for calculating provincial budgets after 1997. The Finance and Fiscal Commission now grants provinces with higher proportions of rural residents and school age children a proportionally bigger budget.¹⁶¹ The

Besides their many internal problems, provincial governments are also restricted from impacting on policy-making because of formal limits on their powers

1996 census has provided more recent statistics for this approach. Some provinces will continue to benefit; for others, for example the Western Cape and Free State, long-term budgetary plans will have to be reassessed.¹⁶² CDE's own research suggests, though, that an argument for interprovincial equity may end up dragging down even strong provinces, because government is merely reallocating the same total budget among them, with the consequence that all provinces may become uniformly weak.¹⁶³

Conclusion

The minister of constitutional affairs and local government has argued that, while it was true that the provinces were experiencing difficulties, it should be borne in mind that they had also been 'saddled with the biggest administrative and transformation challenge and backlogs faced by government since 1994 ... There is no telling whether, if provinces had not existed at all, national government departments would have fared any better in coping with apartheid's inherited chaos.' However, none of this should lead one to believe the system was perfect, and the NCOP should lead the discussion on reforming the provincial system.¹⁶⁴

The South African constitution is a strange hybrid between a centralised system and a more decentralised approach. In the course of the negotiating process aimed at establishing an inclusive democracy, South Africa got the worst of all worlds with respect to the provinces. The country has an expensive and ineffective compromise that satisfies few participants, and performs poorly. The provinces are not meaningful participants in the South African policy-making process.

Extensive public debate is required, and choices need to be made, concerning the future of South Africa's provinces. One option is to change the constitution, abolish the current provincial system, and develop an effective and well-thought-through unitary state with decentralised regional administrations. The other option is to develop a properly decentralised provincial system. There are costs and benefits either way.

A unitary system will be able to control expenditure more effectively, and impose a uniform approach to national challenges. However, a unitary system in this large and diverse country will increase the gap between citizens and government – ie it will undermine democratic government; strengthen the natural tendency of an urban elite to impose its priorities and perspectives on the entire country; lessen the space for political minorities to be heard; strengthen the centralising tendency in the ANC; and minimise the potential for experimentation and innovation in the course of policy and implementation strategies.

A properly decentralised system will strengthen the democratic process and provide a vehicle for regional interests and concerns to be articulated. Provincial politicians can be held more directly accountable (especially if provincial elections are held on different days to national elections), and if they do not perform they could be voted out more easily. Political decentralisation can also provide space for minority political parties to have a stake in the democratic system – even if they cannot win a majority at the national level, they might be able to do so at the provincial level. They are then in a position to put some of their ideas into practice in a region, and are therefore not relegated to simply criticising the majority party all the time. In this way different provinces become the sites of different approaches to the country's enormous social, economic and development challenges, and in time politicians and voters will be influenced by the results of these varied experiments. All this would, of course, take place within the national framework of the bill of rights and the constitution.

Those are the stark alternatives. However, there are objections to both these options from different quarters, because of the provinces' different capacities for effective governance. Some provinces appear to be incapable of operating effectively even under the limited decentralisation provided for in the constitution. Others have the capacity to perform reasonably well. Should the Eastern Cape have the same powers and responsibilities as Gauteng or the Western Cape?

An asymmetrical system of regional power, with the potential for modification over time, may be a more suitable response to the problems of provincial government. In this regard it would be well worth looking more closely at the Spanish system of provincial government,

Should the Eastern Cape have the same powers and responsibilities as Gauteng or the Western Cape

which was specifically designed to accommodate regional variations in capacity, resources and needs. Constitutionally, all Spanish provinces have the right in principle to assume extensive powers; however, they have to demonstrate their capacity to exercise more limited powers effectively before being granted greater autonomy. They must show that they can run their schools and hospitals, for instance, before being given powers to raise their own taxes, as the Basque country has done.

These are the core issues in assessing the role of the provinces in the current South African policy-making process. To begin with, it must be recognised that the unsatisfactory compromise between a unitary and more federal state that the negotiators decided on in 1994 is the root cause of the poor performance of the provinces.

NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

Introduction

NEDLAC is a tripartite policy body comprising representatives of government, business and organised labour. This experiment in corporatism has its origins in the special circumstances that characterised South African labour relations in the 1980s and 1990s. The rise of organised labour in the post-Wiehahn era, the subsequent decline in the power of the state in apartheid's last years, and the period of political transition drew business and labour into negotiations and other processes that sought to achieve consensus around the terms of reform, stability and economic growth, with each partner obviously emphasising different aspects of this mix.

According to academics close to COSATU, 'the origins of NEDLAC lie in COSATU's struggle to participate in economic and social policy during the apartheid era'.¹⁶⁵ Two issues were particularly important: the first was the campaign which led to the restructuring of the National Manpower Commission (NMC). The second was the establishment of the National Economic Forum (NEF), a body established to provide business and labour with a voice over the formulation of macro-economic policy in the final years of the apartheid regime. In 1995 NEDLAC was launched when the NMC and the NEF merged.¹⁶⁶

People close to business would describe the origins of NEDLAC differently. As they see it, in the decade prior to its establishment a number of significant agreements and accords were reached between business, government and labour. These included amendments to the Labour Relations Act in 1988; a protocol on the obligation to consult business and labour prior to legislative reforms in 1991; a national peace accord in 1991 (which laid down codes of conduct for political parties and the police); the establishment of the National Economic Forum in 1992 (to discuss matters of economic policy and to try to increase their importance during the political negotiations); and a mechanism for fixing the petrol price in 1993.¹⁶⁷ These achievements were coupled with the concern of both organised labour and organised business that their interests and those of their constituencies could be marginalised in the post-election period.¹⁶⁸

The 1995 act establishing NEDLAC is remarkably far-reaching. It requires that 'all labour legislation' and 'all changes to socio-economic policy' which 'affect the "world of work" need to be discussed in NEDLAC before being referred to parliament or implemented.'¹⁶⁹ The act requires that business, labour and government 'seek consensus' on matters that directly affect them before a law or any regulations are passed.¹⁷⁰ According to the act, NEDLAC shall:

- strive to promote the goals of economic growth, participation in economic decision-making, and social equity;
- seek to reach consensus and conclude agreements pertaining to economic and social policy;
- consider all proposed labour legislation relating to labour market policy before it is introduced in parliament;
- consider all significant changes to social and economic policy before it is implemented or introduced to parliament; and

In a country where some 30 per cent of the workforce is unemployed and where a critical policy imperative is to expand the number of small and medium-sized businesses as a means of growth and employment creation, the issue of representivity (or rather lack of it) in such an important policy-making body as NEDLAC is very important

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- encourage and promote the formulation of co-ordinated policy on social and economic matters.¹⁷¹

Before examining NEDLAC in greater detail, it is important to emphasise that the history of labour–business relations culminating in the NEDLAC Act is often ignored by the institution’s critics. One of the leading business negotiators sees it thus: ‘... criticisms cannot be disregarded, but they neglect the origin of NEDLAC as a necessary public partnership at an important stage of South Africa’s development. The rationale of the partnership was simply that co-operation between business, labour and government interests was necessary for sound and sustainable policy development and for stable democratic transition.’¹⁷²

How does NEDLAC work?

NEDLAC’s ‘engine rooms’ are its four chambers – development, labour market, trade and industry, and public finance and monetary policy – in which representatives discuss issues related to specific chamber portfolios.

A management committee co-ordinates all aspects of NEDLAC’s work. It comprises the respective convenors of each chamber, representing the most experienced, technically competent and strategically capable people. This committee addresses strategic issues relating to NEDLAC’s role. It attempts to synchronise the work of the various chambers to discuss matters of common policy, but this is not guaranteed. Indeed, whilst the management committee can ensure that the various chambers discuss related issues, NEDLAC’s success in achieving consensus on big issues is conspicuously absent (its silence on government’s macro-economic strategy is one such glaring instance).

The management committee’s administrative arm, the NEDLAC secretariat, arranges meetings and other administrative matters. It also functions as NEDLAC’s research agency for topics discussed in the chambers.¹⁷³ The secretariat has been criticised for going beyond its mandate and engaging in activities that don’t properly belong to NEDLAC, and in pre-empting discussions of the executive council or the management committee on a range of issues.¹⁷⁴

NEDLAC’s highest decision-making body, the executive council, concludes agreements reached in the chambers and sends them to parliament. Each NEDLAC constituency has 18 delegates on it, and again the tendency is to draw these delegates from the most senior echelons of the respective constituencies.

Government, organised business and organised labour are represented in equal numbers on all NEDLAC’s structures, while some community interests are represented in the development chamber, management committee, and executive council. In Webster and Gostner’s words: ‘The act expanded the traditional tri-partite nature of these institutions to incorporate a developmental component by including a fourth chamber where civil society groupings representing the poor and marginalised would have a voice.’¹⁷⁵

Each constituency decides on its own criteria for the allocation of seats, and selects its representatives accordingly (see box: **Representation on NEDLAC**, page 42).

In making policy, each chamber regularly assesses the issues vital and relevant to it.¹⁷⁶ In theory, in each chamber six principals represent each constituency. Discussions between the social partners yield an agreed-upon agenda for chamber meetings (meetings are held at least once a month, with the chair rotating among the different constituents). Agenda items generally fall in the following categories: policy proposals on which the constituencies need to try to reach consensus; report-backs on the implementation of policies arising from agreements already reached; information about developments – both national and international – which may impact on the activities and/or thinking of the chamber; specific initiatives of the chamber; and queries from constituents.¹⁷⁸ Many items are also introduced into the chambers by NEDLAC’s management committee or even the committee of principals. Most of these items derive from the government’s legislative programme

Agenda items are not treated according to a standard formula. Each is handled differently, depending upon constraints of time, their importance to different social partners, as well as their linkage to other items. Usually an initial preceding discussion gauges the extent to which there is common agreement on an issue and the possibility of reaching consensus on

Does NEDLAC give already well-organised actors even more ‘voice’ and weight in policy debates at a time when South Africa desperately needs to hear the voice of the ‘unorganised’, and other ‘silent’ or weak voices, in national debates?

it. If these chances are high, discussion continues immediately in the chamber,¹⁷⁹ and the secretariat may be called in to draft an agreement. Such a process is common in relation to smaller issues, or issues directly impacting on the social partners. It is seldom evident in respect of more significant matters. Where large differences exist, and a lack of understanding of the issue within the various constituencies is clearly evident, the process becomes more complex. The issue is sometimes referred to a smaller, *ad hoc* working group for fuller investigation and discussion in an effort to establish precisely where agreement is possible, usually on areas of less significant disagreement prior to discussion resuming in the chamber.¹⁸⁰

Flexibility

NEDLAC is a highly flexible organisation that operates with few rules and protocols. Nonetheless, its formal structures often get in the way of reaching consensus. Les Kettleidas, government representative on NEDLAC, explains: 'In the chamber you go on record, and people may not want to bind themselves.'¹⁸¹ A business representative describes the effect of NEDLAC's formal committee protocol on individuals as follows: 'Especially in the chambers where you sit and there are minutes being taken, people are going to argue about whether they said "shall" or "may".'¹⁸² A range of 'extra-constitutional' structures has thus emerged as a natural outgrowth of attempts to facilitate consensus.

One such 'extra-constitutional' structure is the committee of principals, consisting of the

Representation on NEDLAC¹⁷⁶

	GOVERNMENT	LABOUR	BUSINESS	COMMUNITY
ANNUAL SUMMIT	President Ministers Portfolio committees Directors-general	Union federation leaders Subsidiary union leaders	Senior office bearers of employer organisations Chief executives of employer organisations Chief executives and directors of companies	Chief executives of CBOs Senior officials of CBOs Senior members of CBOs
EXECUTIVE COUNCIL	Ministers Directors-general	Union federation leaders	Presidents of employer organisations Chief executives of employer organisations	Chief executives of CBOs Office bearers of CBOs
MANAGEMENT COMMITTEE	Directors-general Deputy directors	Subsidiary union leaders	Chief executives of employer organisations Directors of companies	Chief executives of CBOs
CHAMBERS	Chief directors Section heads Technical experts	Shop Stewards Subsidiary union leaders Technical experts	Employer organisation officials Technical experts Directors of companies	Employees of CBOs Members of CBOs

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minister of labour and the leaders of the labour and business delegations. It initially emerged in 1995 following the failure to reach consensus on the Labour Relations Bill. It has subsequently become a relatively permanent mechanism for facilitating negotiations outside the chambers. Another innovation is the working group or negotiating committee set up by the chambers to offer an opportunity for specialists to be brought into the negotiating process. They have to report back to the chamber concerned on their negotiations.

This flexibility can cut both ways. It has created the space for the crafting of agreements outside the sometimes combative arena of the chambers. It has also been noted that it offers an opportunity to delay formal negotiation. It has been suggested that 'perhaps it is time to define ... some binding deadlines. In this way, parties would be given every opportunity to negotiate without being able to hold up the process unduly.'⁸³

Issues addressed

In 1997-8 NEDLAC's various chambers addressed a number of issues with far-reaching implications for the country. A summary indicates this.

Labour market chamber:

- the Basic Conditions of Employment Bill
- employment and occupational equity
- the demarcation of sectors for bargaining purposes in terms of the Labour Relations Act
- a code of practice on picketing
- a code of practice on retrenchment
- a skills development strategy

Development chamber:

- the Masakhane campaign
- a policy for service tariffs
- housing policy
- the draft Water Services Bill

Trade and industry chamber:

- European Union trade negotiations
- the Southern African Development Community (SADC) trade protocol
- the development of a strategic approach for South African involvement in the Indian Ocean Rim initiative
- monitoring progress in the implementation of supply-side measures already agreed upon
- monitoring cluster studies
- a social plan to manage the effects of large-scale retrenchments
- competition policy
- discussion of the green paper on procurement policy
- the restructuring of customs and excise functions within the Inland Revenue Service (now SARS)
- phase two of the workplace challenge

Public finance and monetary policy chamber:

- the medium term expenditure framework
- research into savings
- development of strategies to accelerate investment in socio-economic infrastructure
- education on the tax system with a view towards improving tax compliance and morality⁸⁴

.....

It sounds fairly simple to say that NEDLAC is an organisation comprising the three large sectors in South Africa. However, the reality of representation in each sector is very complicated

How difficult issues have been addressed

SACOB has estimated that the employer organisations represented in NEDLAC account for about 30 per cent of the total number of active businesses in South Africa, but a significantly higher proportion of both formal employment and the gross domestic product

The more interesting question is how these issues have been addressed. NEDLAC was first put to test in February 1995 when a new Labour Relations Bill was tabled in the labour market chamber, based on a negotiating document devised by a legal drafting team appointed by the minister of labour. The bill proposed far-reaching changes to the industrial relations system, among other things, introducing for the first time 'enterprise level co-determinist institutions' called workplace forums as well as extending union organising and representation rights while greatly strengthening the right to strike and legalising picketing.¹⁸⁵ In the words of one of its chief architects, the bill gave South Africa a 'Rolls-Royce' system of labour relations even better than the German model.¹⁸⁶ Despite this, employers and unions deadlocked within the first month of discussions on the negotiations document, and labour embarked on a campaign of mass action over the next two and a half months to support its demands, particularly for centralised bargaining and the outlawing of scab labour.

In July that year the NEDLAC parties announced a breakthrough that enabled consensus to be reached. 'The agreement was produced after 149 hours of formal meetings between employers, labour and government and in late-night "conversation groups" or what later came to be called the committee of principals.'¹⁸⁷ The Labour Relations Act was passed by parliament in September 1995. According to Webster and Gostner, this marked 'the first fundamental break with the industrial relations system established in the 1920s. Importantly, a consensus was reached in NEDLAC through labour exercising a combination of mass action and negotiation.'¹⁸⁸

An example of the difficulties of the decision-making process in NEDLAC is the case of the Basic Conditions of Employment Act. In February 1996 the department of labour published a green paper on employment standards that was discussed for six months in NEDLAC. Agreement could not be reached on two key labour demands, both of which had significant cost implications: the 40-hour week, and six months maternity leave with four months paid. As a result of this deadlock the department of labour took the initiative, published a draft bill in October 1996, and invited further public comment and negotiation at NEDLAC. In February 1997 COSATU responded by declaring a dispute in terms of the new LRA, and announced a programme of escalating mass action.¹⁸⁹

Negotiations began in NEDLAC in May 1997, and ended in an 'impasse' later that month. This led to labour launching a campaign of mass action beginning with a national stayaway in June. This was followed by ongoing protest action throughout the provinces as well as by intermittent calls from labour leaders to withdraw the bill from NEDLAC and to take it directly to parliament. In October 1997 the bill was tabled in parliament after the minister had decided – controversially – that 'sufficient consensus' had been reached in NEDLAC.¹⁹⁰ In November that year the bill became law. It was agreed, *inter alia*, that within 18 months of the promulgation of the act the department of labour would have to complete an investigation into ways of reducing the working week to 40 hours. Organised business expressed concern at the effect the act would have on job creation, labour market flexibility, labour costs, and small businesses.¹⁹¹

The threat to bypass NEDLAC in the face of deadlock illustrates an important characteristic of NEDLAC's workings: the ambiguity of each of the three parties' attitude towards the council. At critical policy moments each of the three parties has resorted to bilateral activities outside it. For example:

- Labour's ambiguity is demonstrated through its response to the privatisation issue. Although discussion on this issue began in NEDLAC, it was taken out of there when the government announced its decision in December 1995 to privatise important state assets. After discussions between the NEDLAC labour caucus – COSATU, NACTU and FEDUSA – and senior government ministers, a national framework agreement was accepted in February 1996. In terms of the NFA all instances of 'restructuring' must be negotiated between government and the relevant trade union parties: the government agreed that restructuring should not be done at the expense of employment, and that where there are negative consequences for workers a social plan must be negotiated.¹⁹²

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- Government also showed ambiguity towards NEDLAC when it bypassed this institution when the minister of finance, Trevor Manuel, introduced the new Growth, Employment and Redistribution (GEAR) strategy in 1996. A significant shift away from previous government and ANC policies, the document was declared 'non-negotiable' by the minister at its inception.¹⁹⁷
- Business too has shown its ambiguity towards NEDLAC. An economic proposals document 'Growth For All' was developed and released in 1996 not by its NEDLAC voice, BSA, but by the South Africa Foundation, an organisation comprising the chief executives of the top 50 companies in the country.¹⁹⁸

The problem of representivity

It sounds fairly simple to say that NEDLAC is an organisation comprising the three large sectors in South Africa. However, the reality of representation in each sector is very complicated (see box: **Who belongs to NEDLAC?**, page 46).

Business in South Africa is characterised by a plethora of organisations – employer organisations, trade associations and chambers of commerce at local, provincial and national levels. There are four multisectoral employer organisations that are differentiated from each other by race and ethnicity: the Foundation for African Business and Consumer Services (FABCOS), the National African Federated Chamber of Commerce and Industry (NAFCOC), the South African Chamber of Business (SACOB), and the Afrikaanse Handelsinstituut (AHI).

South Africa has strong sectoral business organisations, and the deeper and on-going relationships between business, labour and government have generally been forged at the sectoral level, notably through registered employer organisations which have an established bargaining function and a long association with labour. These include the Chamber of Mines of South Africa, the Steel and Engineering Industries Federation of South Africa (SEIFSA), and the Building Industries Federation of South Africa (BIFSA).¹⁹⁹

The 19 sectoral and multisectoral organisations constitute a loose but formal national employers organisation. Business South Africa (BSA), NAFCOC, a black national employer organisation, is not a member of BSA but is affiliated to a black national employer umbrella body, the Black Management Council (BMC).¹⁹⁷ BSA leads the business caucus in NEDLAC, but has entered into a working arrangement with NAFCOC whereby the business chair is rotated and business seats on the various structures are shared.¹⁹⁸

More important than these complications is the fact that these employer bodies do not represent all employers in the country. SACOB has estimated that the employer organisations represented in NEDLAC account for about 30 per cent of the total number of active businesses in South Africa, but a significantly higher proportion of both formal employment and the gross domestic product.¹⁹⁹

There are more than 100 trade unions in South Africa, combined into three national trade union federations divided by race and politics (COSATU, NACTU and FEDUSA). COSATU convenes the labour caucus in NEDLAC where a common labour position is defined, although divisions have periodically emerged.²⁰⁰ Combined union representation is calculated at around 35 per cent of formal employment in the country.²⁰¹

In a country where some 30 per cent of the workforce is unemployed and where a critical policy imperative is to expand the number of small and medium-sized businesses as a means of growth and employment creation, the issue of representivity (or rather lack of it) in such an important policy-making body as NEDLAC is very important.

Even within the organisations and interests represented in NEDLAC, the problems of effective representation and participation are great. One of the biggest problems facing the NEDLAC process lies in the arena of communication and mandating. "This arises because of the relatively long and complex communication chains and the large number of "filters" and "gate-keepers" along the way, which result in something of a "broken telephone" problem and a lack of understanding of both the issues and the implications of certain policy proposals at the grass-roots level of the different constituencies."²⁰² For example, the average business member of a participating employer organisation may be faced with up to seven layers of

Globalisation and the government's ambition to become 'the world's most desirable emerging market' will impose changes on South African labour relations

Who belongs to NEDLAC?¹⁹⁵

Constituent	Representing	Significant subsidiary organisations (where applicable)
Government	Department of labour Department of finance Department of trade and industry Department of public works Other departments on an ad hoc basis SA Reserve Bank (Public Finance and Monetary Policy Chamber) Industrial Development Corporation (Trade and Industry Chamber)	
Labour	Congress of South African Trade Unions [COSATU]	National Union of Mineworkers [NUM] National Union of Metalworkers of SA [NUMSA] SA Clothing and Textile Workers' Union [SACTWU] Food and Allied Workers' Union [FAWU] SA Municipal Workers' Union [SAMWU] National Education, Health and Allied Workers' Union [NEHAWU]
	National Council of Trade Unions [NACTU]	National Union of Furniture and Allied Workers' Union [NUFAW] Building, Construction and Allied Workers' Union [BCAWU] SA Chemical Workers' Union [SACWU]
	Federation of Unions of South Africa [FEDUSA]	Independent Municipal and Allied Trade Union [IMATU] Hospital Personnel Trade Union of SA [HOSPERSA] Motor Industry Staff Association [MISA]
Business	Business South Africa [BSA]	Afrikaanse Handelsinstituut [AHI] Building Industries Federation of SA [BIFSA] Chamber of Mines [COM] Council of SA Banks [COSAB] Foundation for African Business and Consumer Services [FABCOS] SA Agricultural Union [SAAU] SA Chamber of Business [SACOB] SA Foundation [SAF] Steel and Engineering Industries Federation of SA [SEIFSA]
	National African Federated Chamber of Commerce [NAFCOC]	
Community	Women's National Coalition National Rural Development Forum Disabled People of South Africa South African National Civics Organisation [SANCO] National council of youth organisations [being established]	

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mandating and communication in order to participate in the NEDLAC process of policy formulation.²⁰¹

Other constraints on NEDLAC and its operations have been noted:

- Organisations are affected by the limited number of people within each constituency who understand the policy process, can contribute effectively to it, and have the time to do so. Labour and business representatives have estimated that NEDLAC consumes as much as 40 per cent of some of the key negotiators' time.²⁰⁴
- The ongoing tensions within the ANC/SACP/COSATU alliance are a complicating factor.²⁰⁵
- Much of the trust developed between labour and business develops between the individuals involved rather than at the institutional level, so that the consensus-building exercise is subject to the vagaries of leadership moving into different spheres of activity.²⁰⁶
- Within the business and labour constituencies, at least some organisations either do or are perceived to dominate. In the case of labour there is a perception that COSATU controls the strategies and tactics of the constituency to the exclusion of other union federations, while in the case of business there have often been accusations that BSA represents the interests of 'only large 'white' business.'²⁰⁷
- Responsibility for NEDLAC falls under the ministry of labour, and this may have contributed to a perception of it as a bargaining chamber.
- Different interpretations are said to exist – especially among different cabinet ministers – about what constitutes important legislation and about whether such legislation will have an impact on the economy, and thus whether such legislation shall be submitted to NEDLAC.²⁰⁸
- Viewing NEDLAC as an agreement-making body rather than a consensus-seeking one may impose pressures on the structure which, given current levels of trust between the parties, it cannot bear.²⁰⁹

What might have been the best, the inevitable or the only response by business to certain circumstances in the post might no longer have positive benefits for business or society at large. Besides this, there are other ways in which business can influence and participate in public debates on policy

NEDLAC and parliament

From the outset certain tensions arose between NEDLAC and parliament, particularly during the negotiations on the Labour Relations Bill. Parliamentarians were informed that they were not permitted to alter the bill after it had passed through NEDLAC, because any amendments would destroy the agreements reached there.

NEDLAC has been accused of undermining the sovereignty of parliament and trying to turn it into a 'rubber stamp'. The South African Institute of Race Relations stated: 'The current requirement that economic and labour legislation is referred to NEDLAC prior to its tabling in parliament is undemocratic. Law-making is the province of the people's elected representatives in parliament.'²¹⁰ This comment provoked considerable response from participants and supporters of the NEDLAC process.

It was argued that this view represented a misunderstanding of the idea behind NEDLAC, which in fact is an institution that 'both deepens democracy and is complementary to the parliamentary process':²¹¹ that democracy was deepened by subjecting the actions of the executive to scrutiny, thereby fostering public debate; and that NEDLAC was complementary to parliament. 'It is an attempt to go beyond parliament to build a broad social consensus by incorporating the key institutions of civil society in policy formulation. While the interests of employers and workers are promoted by political parties, these interests are diluted in national parliaments, which are forums where the needs of all constituents are considered.'²¹²

This is not a persuasive argument, and rather makes the point of the SAIRR for it. It should also be noted how once again the centrality of employers and workers – as represented in their organised form in NEDLAC – is stressed as the key component of civil society.

Nonetheless, it is true that the precise boundaries between the two institutions remain unclear. Jayendra Naidoo, until recently NEDLAC's executive director, has pointed to three essential problems in this regard. First, there is a tension between the sovereignty of parliament and the need of the social partners to feel confident that parliament will not successfully change agreements reached in NEDLAC. Second, there are no procedures for dialogue between negotiations in NEDLAC and the standing committees of parliament. And third there

is no demarcation of the 'significant' areas of policy which are relevant to NEDLAC and those which are more properly left to parliament and government.²¹¹

Whilst the NEDLAC Act requires that all important legislation with economic implications is discussed in the council, it is not perceived by the social partners as a substitute for the parliamentary process, nor do the participants contest the prerogative of government to govern.²¹² Naidoo tried to allay fears that NEDLAC's *modus vivendi* was viewed by the social partners (including government representatives) as a substitute for the parliamentary process. He outlined the place of NEDLAC in government's policy-making process in the following way:

The very concept of NEDLAC builds on a notion of organised employers and organised workers as the key players outside the state. This seems an increasingly dubious and dangerous notion for a developing country such as South Africa

1. Political initiative
2. Investigation
3. Expert proposal
4. Cabinet approval of green paper
5. Public comment
6. Draft of official position
7. Cabinet approval (based on co-ordination with other departments)
- 8. Consideration at NEDLAC**
9. State law adviser process
10. Parliamentary portfolio committee
11. Parliament
12. Departmental stage: prepare for implementation
13. Promulgation²¹⁵

According to this view of NEDLAC, 'what is noteworthy about this process is that NEDLAC is only engaged at step 8 of the process after the initial political initiative, investigation, expert proposal, cabinet approval of the green paper, public comment, a draft official position, further cabinet approval, and then only consideration at NEDLAC'.²¹⁶

However, anyone who knows anything about government and its policy-making process will know that, if this really were the case, the chances of NEDLAC impacting on any policy would be next to zero. If government gets as far as a cabinet-approved position before a policy comes to NEDLAC, the chances of influencing policy are slight. And what happens to a policy proposal after consideration at NEDLAC and possible amendments – does it go back to the cabinet? This is not a plausible scenario at all.

The government drives the policy-making process, not NEDLAC. Agreements reached between the social partners in NEDLAC are not binding on South Africa's elected representatives, and they cannot result in changes in legislation without parliamentary approval. Cabinet ministers also hold different views on what constitutes important economic legislation. How they do or do not involve NEDLAC in the policy-making process can have a very significant impact on how important NEDLAC's work actually is.

What the above does point to is the need for clarification of the precise boundaries between parliament and NEDLAC. The parliamentary process operates according to its own agenda and priorities: how does NEDLAC interact with it? The fact that the parties most likely to be directly affected by such legislation have already reached agreement on it significantly reduces, but does not eliminate, the likelihood that there will be parliamentary opposition to its promulgation. For some protagonists this means that NEDLAC can potentially be a useful mechanism outside parliament, able to build a broad social consensus; for others this is a weakening of the democratic process.

The COSATU-initiated September commission suggests the following to improve co-ordination between parliament and NEDLAC:

- representatives of parliamentary portfolio committees should attend NEDLAC debates where these affect their portfolios;
- NEDLAC should also brief portfolio committees of progress in discussions which affect them; and
- parliament should not wait for NEDLAC to finish deliberations before holding its own public hearings on issues under deliberation.²¹⁷

These changes would ensure improved interaction between the two institutions, but how

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practical are they, and would they establish the 'conditionality' of NEDLAC agreements coming before parliament? One suggestion is that NEDLAC could, in addition to negotiating agreements, also negotiate 'defined disagreements' between the social partners.²¹⁸ This would signal the onset of legitimate lobbying efforts by the social partners in parliament or in the public arena. NEDLAC would thus not suffer the ignominy of being bypassed by significant constituencies in the event of a deadlock in one of the chambers.

NEDLAC's achievements

NEDLAC's protagonists - both from business and labour - would argue that the organisation has notched up a number of achievements. These are of two kinds: agreements reached or initiatives agreed on, and the less tangible area of 'building trust' or 'keeping dialogue going'.

According to Webster and Gostner, two important agreements achieved at NEDLAC are:

- *The workplace challenge initiative*: this emerged from the trade and industry chamber, and is designed to help enterprises to become more globally competitive. The first phase of the initiative consisted of a series of provincial workshops aimed at creating awareness of productivity. The second phase of the initiative is designed to develop sector-wide agreements to guide workplace transformation. This initiative is 'emblematic of what can be achieved in NEDLAC by the social partners, and would not be possible at parliamentary portfolio committee level. Such an initiative must and can only be driven by those who are actively engaged in meeting the daily challenges of the workplace.'²¹⁹
- *The framework agreement on the social clause*: the NEDLAC framework agreement sets in place a process through which the 'social partners' are committed to engaging trading partners, members of the South African Development Community (SADC) region, and multilateral organisations such as the International Labour Organisation (ILO) and World Trade Organisation (WTO) on the importance of labour rights. 'In practice, this means that the South African government is compelled to propose a memorandum of understanding in bilateral trading agreements which compels its trading partners to ratify and observe labour rights. This gives the social partners a limited but significant voice over the social conditions under which trade liberalisation occurs.'²²⁰

On the business side it is also stated that a number of important agreements have been reached, although it is unlikely that the selection of agreements of most importance would concur with those chosen by people closer to labour. Parsons acknowledges that NEDLAC has thus far 'failed to deliver a social accord in spite of the fact that levels of trust between the different constituencies - while still below that required - have improved'.²²¹ He would argue that NEDLAC performs an important function in keeping the constituencies equally informed of significant developments, and provides a forum for the discussion of other non-policy-related issues; that it is an important aid to policy-making; and reduces the ideological and other divides which still characterise the country.

He asks 'whether the agreements reached at NEDLAC and the other reports and activities would have happened without it', and also whether, if the existence of NEDLAC and the many hours spent in discussion and negotiation by the participants have served to raise the level of trust and understanding between business, labour, government and community-based organisations to a point where this will facilitate a greater unity of purpose, this will produce more effective policy-making and speedier implementation of such policy in the future. 'If so, then NEDLAC may well be regarded as an important investment in "social capital" that could, with time, result in the development of a high trust society that is synonymous with healthy, prosperous and competitive societies in other parts of the world.'²²²

In his view the disagreements on GEAR between COSATU and government might preclude the possibility of reaching agreement on a social accord; however, 'it does not preclude NEDLAC from reaching consensus on a wide array of smaller but important policy issues which impact on the ability of government to govern more effectively.'²²³ Quoting David Lewis (a long-time COSATU adviser and researcher), he argues that macro-economic policy lends itself to centralised policy-making because the levers and options are few. While government can influence the key macro-economic variables - wages, investment and prices - by trying

Government and its representation is also not unproblematic. National departments represent the state and negotiate deals that have serious fiscal and policy consequences for other tiers of government

to set interests and exchange rates and by laying down parameters for its own spending, it is unable to determine them.²²¹ Conversely, Lewis argues that labour market, industrial and social policy cannot be determined on a centralised basis because the quantum of information required and the active participation of those at whom the policy is aimed necessitate a greater devolution of decision-making.²²²

NEDLAC's capacity to reach consensus has been questioned in the wake of its impasse, in 1997, over the Basic Conditions of Employment Bill. Controversy on this particular issue (with disagreement in the chamber spilling over into the public arena) has rather overshadowed the degree to which NEDLAC has achieved consensus between the 'social partners' on a wide range of other economic and social policy issues (see box: **NEDLAC agreements since February 1995**, this page).

How important a part of government policy-making and business strategy for policy influence should NEDLAC be in the future?

Questions about NEDLAC

In a society as divided as South Africa's, and with a history of so much conflict and tension, it is obviously important to promote as much dialogue as possible among the representatives of different communities and among different interests -- political, economic and many others. However, the experience of NEDLAC over the past few years -- and bearing in mind the injunction of many of those involved that new institutions should be judged over decades and not years -- does raise some important questions for at least business and government interests (and probably trade unions as well) about the best kind of approach to policy-making in the future. This process can begin by listing some of NEDLAC's core problem areas.

- The institution has been built on the notion of tripartism, a 'social partnership' between

NEDLAC agreements since February 1995

According to NEDLAC's website,²²⁶ it had reached 35 agreements since its inception on 18 February 1995 to November 1998. However, the list includes amendments to existing agreements and legislation, as well as reports produced by NEDLAC. Important questions that need to be asked include:

- How important are the agreements NEDLAC has reached?
- At what cost have they been reached?
- Does this strengthen or undermine the country's democratic institutions such as parliament, provincial legislatures, and municipal councils?
- Are these agreements actually implemented?

The agreements listed on the website are:

- Labour Relations Act, 1995
- Amendments to the LRA
- Schedule 7 of the LRA
- Schedule 9 of the LRA
- Regulations for the essential services committee
- The Labour Court and Labour Appeal Court
- Model constitution for a statutory council
- International Labour Organisation (ILO) conventions
- Mine Health and Safety Act, 1996
- Investment promotion: establishment of the National Investment Promotion Agency
- Enhancing technical and marketing support for small, micro and medium-sized enterprises
- Sasol synthetic fuel investigation
- National Development Agency
- The social clause
- Small business bill
- Amendment to the Insolvency Act
- Integration of Labour Laws Act
- Evaluation of the RIDP and the tax-holiday scheme
- Job creation in public works programmes and the construction industry
- Amendment to the Compensation for Occupational Injuries and Diseases Act
- Guidelines for local development
- National Water Bill
- National Water Service Bill
- Basic Conditions of Employment
- Code of good practice based on operational requirements
- Code of Good Practice on Picketing
- Memorandum of Understanding on Service Tariffs
- Code of Good Practice on the Handling of Sexual Harassment Cases
- Skills Development Bill
- Competition policy
- Basic Conditions of Employment Bill
- Employment Equity Bill
- Protocol for Nomination to Statutory Bodies
- Protocol for tabling issues in parliament
- Amendments to the LRA

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three different actors: government, business and labour. Two assumptions of this original partnership are now fundamentally threatened.

First, there is the problem of who these three 'partners' exclude. Organised labour cannot speak for those who are outside the formal job market, and they also cannot speak for all those who work in the informal sector. In addition there are some formal sectors – domestic service and agriculture – where the unions cannot speak for anyone other than their few members either. The superficial and unconvincing attempt to deal with this problem by including diverse organisations representing some people broadly termed 'the poor' and the 'marginalised' does not deal with this problem at all. These groups are not even included in NEDLAC's most important chambers, but only its least important (for NEDLAC, at least): the development chamber. The very concept of NEDLAC builds on a notion of organised employers and organised workers as the key players outside the state, and this seems an increasingly dubious and dangerous notion for a developing country such as South Africa.

Organised business is weighted to mainly represent the views and interests of the larger companies in the country, the ones which can afford to donate people to the NEDLAC process and which can also afford lawyers to ensure that they comply with the new battery of labour legislation, and protect them if they transgress.

The smaller sectors of business – one-person shops, informal entrepreneurs, organisations with fewer than 20 employees – and the ones which government and business are firmly committed (at least verbally) to promote and expand, are the least effectively represented in these kinds of forums, mainly because most of them are too busy trying to survive.

Government and its representation is also not unproblematic. National departments represent the state and negotiate deals that have serious fiscal and policy consequences for other tiers of government. It is sophistry to proclaim, as some NEDLAC protagonists do, that there is room for anyone in NEDLAC as long as they can commit members and implement agreements. NEDLAC would become even more time-consuming and unwieldy if different tiers of government were to join it, for example.

The second assumption, which has been mainly implicit but has certainly shaped the thinking of some participants, should also be rethought. Government, business and labour are not equal partners. In fact, it is not clear in what sense they are partners at all. Partners in what exactly? The government is elected by the majority of South Africans with an explicit mandate to run the country. Business organisations represent the interests of their members, as do the labour unions. These are three very different entities with different kinds of obligations, accountabilities, disclosure rules and needs, and capacities.

- South Africa has changed irrevocably since the late 1980s and early 1990s. One of the critical characteristics of the country at that time was the weakness of the state. The apartheid government had lost much of its power (not all) to govern the country, and perhaps even more its will to do so. In this vacuum the ability of organised business and labour to strike deals on a myriad of important issues was very important for stability during the transition. South Africa in 1999 is, however, a different place.

The state now has the legitimacy to govern, and it certainly has the will. Its capacity is often in question, and that is important. Nonetheless, the state has growing authority as a legitimate arbiter of public interest and as a representative of voters at a level that supersedes either organised labour or business, and this introduces a new and critical factor into the South African policy-making dynamic. The apartheid state and its failures allowed many myths to emerge. Now that South Africa is a representative democracy, it is important to lay to rest some of those myths. The people best qualified to talk on behalf of South African citizens on issues of national importance are the elected representatives of voters – and that is the government of the day. Other interests will have much to say on issues that affect them, and so they should, but it is important to reach clarity on the basis on which this is being done. It is only the government that is elected by popular vote. Good and effective ministries will involve important stakeholders in discussion and drafting of new policies and legislation. The parliamentary process – if strong and effective – will also

The argument in favour of corporatism has been based on the ability of such deals to defuse tensions, and create greater stability in the society. What is ignored in this discussion is the likelihood of such 'deals' by 'insiders' to create new tensions and new sources of instability

allow for interests to put their views to committees dealing with new legislation and its possible consequences.

- The opening of the economy provides business and government with an important new lever. For business, its bargaining sanctions have never been as dramatic or visible as mass marches or strikes. What could it do before? Quietly invest less, mechanise more, and work it out. There is a new dynamic now, and that is South African capital can move – if still quietly – to South Africa's neighbours or further afield. Although exchange controls remain they have been significantly loosened, and South African capital can now go elsewhere. This dynamic fundamentally changes the rules of the game (see box: **Strategic questions for business concerning NEDLAC**, this page).
- Globalisation and the government's ambition to become 'the world's most desirable emerging market' will impose changes on South African labour relations. For people to suggest that what is required is an internal 'bargained liberalisation' of the economy is to misread the nature and speed of this process, and the importance of South Africa becoming much more competitive very speedily. In a background research report written for this project, two union-aligned authors conclude that NEDLAC 'provides the institutional basis for national actors to engage with the new global order' in a process of 'bargained liberalisation': this view is based on the presupposition that the economy can be opened up while influencing the terms on which this is done, and that new rules of the game can be established to regulate this engagement.²²⁷ In a country that has lost some 500 000 formal jobs during the past five years, and where an annual growth rate of 5 per cent (nowhere near being achieved) would not dent the existing backlog of unemployment, 'bargained liberalisation' would take place, if at all, at the pace determined by some of the most privileged workers in the developing world at the cost of millions of the poorest South Africans.

Strategic questions for business concerning NEDLAC

Since 1994 two rather different processes have defined business's participation in the policy process. The first is the establishment of NEDLAC and the institutionalisation of a South African 'social partnership'. This has set the ground rules for business's participation in the policy process. The second form of involvement by business in the policy process has involved lobbying and advocacy by individual corporations or different business organisations.

The first process has been a public one, the second a mixture of public and private; the first involves business with labour and government, the second involves corporations or business organisations undertaking action on their own behalf. In some quarters, business involvement in NEDLAC is defined as a 'social good', while independent lobbying by business is seen as something of a social evil. Conversely for some, business participation in NEDLAC has been perceived as an implicit form of co-optation, and lobbying as a more positive, effective and assertive expression of business interests in a democracy.²²⁸

These two forms of business interaction in the policy process have co-existed before and since 1994, and are often in tension. In the NEDLAC process business negotiators must find 'consensus' and compromise in order to do so. In the lobbying process business actors can express their corporate or collective interests without compromise – although, to be effective, they do at least need to be strategic.

The examples of macro-economic strategy and labour market

policy development are instructive when thinking about business's role and efficacy in South African policy-making. Business did not formally participate in drafting macro-economic strategy (although business leaders, through the South Africa Foundation, had earlier publicly released a set of macro-economic proposals) which has had largely favourable business outcomes. Business organisations did participate in the drafting of a package of labour market policies, which is perceived to have had largely negative outcomes.²²⁹ This experience over the past few years must surely raise crucial questions for business strategy after the 1999 elections.²³⁰

This tension between 'social partnership' and 'special pleading' is likely to sharpen. Its resolution will very significantly shape future business relationships with government, and indeed the kind of democracy that develops in South Africa. This is not the place to go into this in more depth, as CDE will examine these issues fully in a forthcoming study of corporate South Africa. However, it is important to raise some of the critical issues for business concerning its involvement in NEDLAC:

- a corporatist alliance of the big three interests in society (government, organised labour and organised business) embraces a mode of bargaining and policy negotiation which in many respects contrasts directly with the best of business values: faith in free markets, maximum freedom for individuals to pursue their own interests, and maximum competition between individuals, firms and regions.

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Although NEDLAC can claim a long list of agreements, it is nonetheless important to ask some difficult questions:

- How important are these particular agreements?
- At what cost were they reached? What was the trade-off involved for each of the three partners in discussing these issues in NEDLAC (time, money, effort, compromise, etc)?
- Does the NEDLAC role in policy-making strengthen or undermine democratic institutions such as parliament, provincial legislatures, and municipal government?
- Are these agreements actually implemented?
- Is such a large, expensive and time-consuming institution the only way in which important interests can talk to each other and government, and be included in the policy process?
- Does NEDLAC give already well-organised actors even more 'voice' and weight in policy debates at a time when South Africa desperately needs to hear the voice of the 'unorganised', and other 'silent' or weak voices, in the national debate?

Concluding remarks

Corporatism in South Africa has some peculiar features. First, it is a model of social partnership based on that of post-war Germany – a society which has operated until recently under conditions of near-full employment, a phenomenal work ethic, and mass literacy.

South Africa, by contrast, is a labour surplus economy in a labour surplus region; its work ethic resembles that of Latin America far more than Europe, and its population suffers from a 30-40 percent illiteracy rate and an even greater lack of numeracy. Second, the formal corporatist relationship is not underpinned by any social accord or even any informal agreement

- The unrepresentative nature of NEDLAC means that big government, organised labour and organised business (dominated by big business) make decisions which affect numerous interest groups not represented at NEDLAC – small business, informal business, unemployed workers, consumers, provincial and local governments, etc – which are generally least able to afford the trade-offs involved in the deal-making.
- The argument in favour of corporatism has been based on the ability of such deals to defuse tensions, and create greater stability in the society. What is ignored in this discussion is the likelihood of such 'deals' by 'insiders' to create new tensions and new sources of instability.
- For many, corporatism has been seen as the only way in which a business voice can be heard in a democratic South Africa. This view ignores the special circumstances in which 'social partnership' arose in this country – the product of a unique history in the 1980s and early 1990s when rising labour power and declining government authority drew business into a set of processes that were seen as necessary for stability, growth and reform. However, what might have been the best, the inevitable or the only response by business to certain circumstances in the past might no longer have positive benefits for business or society at large. Besides this, there are other ways in which business can influence and participate in public debates on policy.
- The dominance of the NEDLAC or bargaining approach to public policy influence has diverted business attention away from the implications of democracy for public participation in policy-making. It is noteworthy (see the later section on lobbying) that business-funded organisations or NGOs promoting market values and approaches are significantly underrepresented in the plethora of new organisations lobbying parliament with, in many cases, considerable success.
- The corporate arrangement of representation and participation in NEDLAC locks the country into a particular representation of power relationships as they applied in 1993/4. Instead of allowing for the inevitable change in power and circumstance that liberalising the economy and democratic politics would bring, business participated in a COSATU-driven process that entrenched union power at the very time that other forces (strengthening the state, international economic forces) had begun to start changing those patterns.
- The constraints of corporatism could inhibit certain business spokespersons from spelling out the implications of many actions taken by labour or government that will affect South Africa's global competitiveness and internal social stability in negative ways. In other words, one of the costs of compromise and consensus inherent in the NEDLAC approach to policy-making is sometimes to divert and defuse the business voice in public debate on critical policy issues.

about the means of achieving economic growth and redistribution. COSATU is still formally committed to socialism and 'the transfer of power to the workers'; business is committed to greater liberalisation and the expansion of market principles; government is in transition away from socialism towards a market-driven economy.²³¹

Third, although large-scale unemployment is generally regarded as South Africa's most pressing challenge, this is not addressed directly in NEDLAC. The recent job summit, although lauded by both government and business representatives, resulted in an unrelated package of projects which, even if they are all implemented, will have minimal numerical impact on the national crisis of unemployment.

The grand arguments for NEDLAC as a form of ethnic pacting become more and more implausible every day that black business eats into the previous white monopoly on capital.²³²

This review of NEDLAC must lead to the question: How central is NEDLAC to government plans for the future – and will it be the place where the critical economic and related decisions so necessary for South Africa to add an 'economic miracle' to its political miracle of 1994 are thrashed out? The related question then becomes: how important a part of government policy-making and business strategy for policy influence should NEDLAC be in the future?

LOBBYING

Introduction

The new constitution forcefully directs government to operate in an open and accountable fashion. The constitution is littered with references to the need for open and accountable government; and the ten legislatures (parliament and nine provincial legislatures) are enjoined to operate in a way that facilitates public participation in policy and law-making. But governments are by nature not inclined to operate in this way.²³³ Making policy, especially in areas where it really matters, is a delicate exercise.

The ANC government is no exception, holding its cards close to its chest. Knowing what it is about, and intervening strategically so as to influence the policy-making process, is difficult and complex. Widespread lobbying in South Africa is a new phenomenon, and indications are that it will grow into an important and influential aspect of the policy-making process.

Definition

People use the word lobbying in a number of different ways, which can often lead to misunderstandings, confusion and controversy. It covers a number of very different things, ranging from professional lobbying – where a company hires a professional lobbyist to represent its interests directly with policy-makers – to more generic advocacy or policy influence undertaken in many different ways by a wide range of interest groups. In South Africa, in addition to a small but growing number of professional lobbyists, a host of other voluntary organisations such as the Black Sash, the South African Institute of Race Relations (SAIRR), IDASA, Business South Africa (BSA) or the public affairs departments of corporations attempt to influence government's policy-making process.

The rules of the game?

Unlike in many other countries, lobbying in South Africa is entirely unregulated. There are no rules to govern the conduct of professional lobbyists, and no regulations to guide policy-makers in their interactions with lobbyists of any sort. This is an important starting point: it means that there is in addition to a number of pitfalls, a range of possibilities for corruption.²³⁴

Kinds of lobbyists?

The whole context of policy-making has changed dramatically since 1994. Not only is a new party in power; there is also a radically new ethos of governance set against the backdrop of

It is noteworthy that business-funded organisations or NGOs promoting market values and approaches are significantly underrepresented in the plethora of new organisations lobbying parliament with, in many cases, considerable success

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a first democratic election, a transition to democracy, a constitution containing an extensive bill of rights, and a burgeoning new institutional set-up. Moreover, the tenor, personality and psychology of the body politic are unrecognisably different. Democracy in South Africa still operates in a highly fluid political environment in which a wide range of institutional and other experiments continue in the daily unpredictability of public life. Consequently, there is no easy model to help understand how policy decisions are made, still less to map the appropriate route towards effective intervention.²⁵

As a result any organisation that wishes to influence policy-making has had to re-consider its strategy. It is important to distinguish between three main categories, which need to be considered separately, given the different factors impacting upon them:

- large corporations and the business sector more generally;
- civil society organisations, including trade unions and 'single issue' interest groups (such as environmental conservationists and 'human rights' campaigners); and
- professional lobbyists.

Business

The private sector has faced the greatest challenge with regard to lobbying. Businesses that existed prior to 1994, especially well-established businesses, were understandably anxious about the change of government.

Corporations have responded in a number of ways. Firstly, some have gone out of their way to recruit directors or senior managers with good links with the new government in the hope and belief that they would both understand and be able to access ANC structures. Secondly, some larger companies have created new or expanded existing departments – variously called corporate or public affairs departments – tasked with projecting the company in the political marketplace, and helping it to understand the world of politics. Thirdly, some businesses have increasingly sought help from 'public affairs consultants' – professional lobbyists by another name. None of these steps were entirely new, as the trend to interact more publicly had been growing since the 1980s and early 1990s.

At the end of the 1990s the South African corporate sector is in considerable flux, with larger companies having to cope simultaneously with the ramifications of globalisation and democratisation. Without undertaking a detailed survey of hundreds of companies, it is only possible to give an impressionistic view. Some companies have responded to the new democratic parliament by upgrading and improving their public affairs capacity; generally, these are companies which had little or no capacity of this kind in the past. Other companies which previously had very senior executives managing this function have 'downgraded' this function, as the immediate political pressures of the period 1990-4 have declined and as the economic pressures for survival and adaptation have increased. In general, it appears as though the corporate contribution to an overall business sector role in public affairs has declined, and is taking place at a less senior level. At the company level, particular sectors and individual companies have anticipated increased interaction with politicians and slightly upgraded their capacity – these include, for example, companies affected by competition or health legislation. It is a mixed story.

Small and medium-sized businesses have found themselves in a different situation with – as before 1994 – neither the resources nor the immediate connections to remedy the sense of isolation that many have felt. Consequently, in late 1995 the South African Chamber of Business (SACOB) set up a parliamentary unit to monitor parliament and to provide its 40 000 members with a parliamentary service. It networks on behalf of the sector – holding lunches and seminars for ministers, policy advisers and key MPs – and lobbies on selected cross-cutting issues, including preparing public submissions to relevant parliamentary portfolio committees. It is not reputed to be a cutting-edge organisation influencing policy in the new political landscape surrounding parliament.

After 1994 the Chamber of Mines established a parliamentary office, which initially included part-time parliamentary monitors who record the results of parliamentary committee meetings. This office has recently been made smaller, with greater attention being paid to

CHAPTER 10

It is both possible and worthwhile to use research, sound argument, and personal contacts to influence policy-makers

ministerial offices in Pretoria rather than parliament. The American Chamber of Commerce in South Africa retains a freelance 'public affairs consultant', and lobbies for an 'environment conducive to free enterprise and a free market economy'.³³⁶ The British and German Chambers of Commerce both have representatives in Cape Town.

There are other collective business organisations that perform a policy-influencing and lobbying function. The 19 sectoral organisations that make up Business South Africa are often represented by BSA at parliamentary portfolio committee hearings. Some of the larger component members will sometimes make representations on their own behalf – the Steel and Engineering Industries Federation of SA (SEIFSA), the Building Industries Federation of SA (BIFSA) or the Foundation for African Business and Consumer Services (FABCOS) are examples of this. The growing number of organisations representing different dimensions of black business – such as the Black Management Forum and the Black Business Council – will also sometimes play a public lobbying role.

Besides these organisational and generally public efforts, there are the less public activities of business lobbying. Influential black and white business people meet with senior government decision-makers, and attempt to influence their policy decisions on national, individual corporate or sectoral issues as well. This is done in different ways.³³⁷

Trade unions

In late 1996 the trade unions felt the need for a strong parliamentary presence, and the COSATU parliamentary office was established. It would be interesting and possibly revealing of the different approaches at work to compare the lessons business organisations drew from the Basic Conditions of Employment Bill process with COSATU's (see box: **What lessons did COSATU learn from the Basic Conditions of Employment Act process?**, facing page).

Civil society

Compared with the private sector, civil society lobbyists in parliament are plentiful. It is said that the first organisation to appoint a parliamentary monitor was the Black Sash in late 1994.³³⁸ IDASA established its parliamentary information & monitoring service (PIMS) in March 1995, and the Human Rights Committee appointed a parliamentary monitor soon afterwards.

There was a pause until, in 1996, the number of organisations monitoring parliament grew again. There are now at least nine other civil society parliamentary lobbyists (ie organisations with a Cape Town office focused on lobbying parliament), including the South African Institute of Race Relations (SAIRR), Disabled People of South Africa, the Environmental Monitoring Group, the National Democratic Institute, the National Land Committee, the South African Catholic Bishops' Conference (SACBC), the Free Market Foundation, The National Coalition for Gay and Lesbian Equality, and the South African Council of Churches (SACC). In addition, the Human Rights Commission employs a lawyer whose duties include monitoring legislation and lobbying parliament,³³⁹ and the Gauteng-based Institute for Security Studies has established a Cape Town office.

Besides COSATU and various business organisations, a growing number of independent constituency or issue-specific organisations are attempting to exert a broad influence on the policy-making process.

A quick review of submissions made to parliamentary committees in 1998 shows that 10 such organisations made steady inputs (three or more) in the course of the year. These organisations included IDASA, the National Association of Democratic Lawyers (NADL), the SACBC, the SACC, the Black Sash, the Human Rights Committee, CONTRALESA, Disabled People of South Africa, the SAIRR, and the National Coalition for Gay and Lesbian Equality.³⁴⁰

It is sometimes difficult to identify exactly whom these groups represent, or the specific issues that will be of interest to them. They are a highly disparate collection of organisations, and often speak for people outside their immediate constituency (when they have one). However, they share four broad features:

Parliament is being lobbied primarily by new players from left of centre. In the particular circumstances of Cape Town, these organisations have considerable influence which will indubitably change if parliament were to move to Pretoria

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- They have an interest in issues of democratic principle, particularly constitutional issues – eg input into the Open Democracy Bill process. IDASA, the Black Sash, the Human Rights Committee and NADEL are good examples of organisations that do not purport to represent any particular constituency, but are heavily involved in bringing their interpretation of issues of democratic principle to the attention of policy-makers.
- They represent and monitor the effect of policy on marginalised groups, such as the poor and unemployed, as well as children – eg NGO intervention in the case of the child support grant involving a large number of NGOs. The SACC and the SACBC are examples of organisations which, while they represent particular constituencies (in this case various Christian churches), self-consciously seek to 'speak for the poor'. Some also represent specific marginalised or historically weak social constituencies, such as the disabled.
- Their representation is often expertise-based, drawing on established research capacity as well as advocacy expertise and experience (especially true for organisations representing the interests of professional groupings).
- They share an interest in value-based lobbying and advocacy, drawing on highly mobilised and specific constituencies in civil society.

These organisations generally do not restrict themselves to one particular focus. Some of them operate through full-time lobbyists, and focus their efforts on parliamentary portfolio committees.

According to a close observer, there is a growing realisation within this group of organi-

What lessons did COSATU learn from the Basic Conditions of Employment Act process?

Negotiations leading to the 1998 Basic Conditions of Employment Act were marked by confrontation rather than easy agreement.

Despite COSATU's representation on NEDLAC, and bilateral meetings with the minister of labour during the bill's drafting, consensus was not achieved over eight complete NEDLAC sessions. 'Rolling joint action' put 70 000 COSATU members on Johannesburg's streets.

Compromise agreements brokered by 'top alliance negotiators' (the minister of labour and the secretary-general of COSATU) at the second government/labour summit were rejected by the COSATU rank and file. Mandela told COSATU's sixth annual conference in September 1997 that, despite COSATU's displeasure, 'the ANC government's view will hold sway'. 'The president was listened to politely, but after his departure there were plenty of expressions of dissent.'²⁴⁰ NUMSA delegates even called on the federation to re-examine its ties with the ANC.

The last-minute provision for a 'compulsory statutory council' failed to appease COSATU, which continued to lobby ANC parliamentarians. It appealed to the ANC parliamentary caucus and the informal labour caucus within the ANC caucus (ie former COSATU office-bearers or members) to include provision for compulsory centralised bargaining in the bill. The parliamentary portfolio committee on labour heard submissions on a bill already submitted to NEDLAC.

A last-minute government-labour deal prevented a public spat in this committee, reducing the hearings, according to opposition MPs, to a sham.²⁴¹ Even ANC portfolio committee members 'wondered aloud why they were bothering to discuss

the bill, as they were under a party injunction to leave it unchanged'.²⁴²

According to Neil Coleman, head of COSATU's parliamentary office, COSATU's negotiating 'weaknesses' had emerged because:

- the policy process was 'dominated by technocrats' who drafted legislation;
- the labour ministry was not 'transparent';
- civil society submissions to the parliamentary committee were haphazard and ineffectual; and
- in the 'final instance' government simply insisted on party loyalty and unity in parliament (through the caucus and the parliamentary whips).²⁴³

Coleman suggests that COSATU had learnt its lesson. It had to strengthen its links in the policy-making chain by creating a stronger parliamentary office. It would:

- train parliamentary interns;
- improve links with departments and ministries;
- appoint permanent parliamentary liaison officers;
- build up COSATU parliamentary 'files' of key COSATU policy documents and proposed legislation for circulation among parliamentarians;
- set up an 'alert' system on labour matters before parliament for NGOs and affiliates; and
- establish a full time co-ordinator between the alliance's labour caucus and NEDLAC's labour representative.²⁴⁴

COSATU's general secretary, Mbhazima Shilowa, saw these developments as vital since 'it was doubtful whether COSATU was getting value for money from the people the unions sent to parliament on an ANC ticket'.²⁴⁵

sations, particularly those with full-time parliamentary lobbyists, of the importance of influencing the policy-making process outside of parliament.¹⁷ Two institutions in particular were mentioned by the organisations' lobbyists:

- *The executive.* One lobbyist had strong views on this topic in 1997: '... parliament unfortunately is largely a rubber stamp. Policy and legislation tends to be written in government ministries and pushed through parliament, which seldom presents a substantial challenge to the government's agenda ... While believing that a vigorous and independent-minded parliament is an ideal worth striving for, we have increasingly focused our energies on the place where power actually lies, namely with ministers and their departments and advisers.'¹⁸ Ease of access to the executive varies widely, and it is generally described as difficult to influence. Relevant factors include the specific department or ministry involved, and how open it is to external influence; informal links with senior people in the department or ministry; and whether or not there is a significant element within the department or ministry already predisposed to the group's particular point of view on the issue at hand.
- *NEDLAC.* A few organisations made the point that it is extremely difficult to have any impact on policy that has already been negotiated in NEDLAC, and that they would therefore like to become involved in the NEDLAC process. There are two major factors militating against these groups having any impact on NEDLAC decisions: the widely recognised weakness of the development chamber (see section on NEDLAC), and the fact that, with the exception of the disabled lobby, those groups which are represented in the development chamber (eg the Women's National Coalition, the National Rural Development Forum, Disabled People of South Africa, the South African National Civics Organisation, or SANCO, and the nascent National Council of Youth Organisations) are different organisations from those involved in parliamentary lobbying.

Although South Africa is a long way from the highly developed lobbying industry found in the United States or western Europe, it has grown from almost nothing in 1994 to what can best be described as a 'cottage industry'

Flexible strategies

The strategies employed by these organisations are diverse and flexible, and depend largely on the particular issue involved. An example is the comment of one lobbyist on when to use the press – in the early stages of the policy-making process, bringing in the press is a bad idea, as pre-empting government departments can lead to a tense relationship. Later, if you're not getting anywhere, then you use the press.¹⁹

Taken together, this disparate group of organisations interested in broad policy issues represents a significant collection of extra-parliamentary voices in the policy-making process. Their success has been uneven. They have proved in one case (see box: **The controversial child support grant**, page 33) that if some organisations act in concert, they are capable of taking on a government department and making it change its position.

However, individual organisations have shown that well-researched interventions can also have considerable impact. For example, the purpose of the SAIRR parliamentary office is to 'monitor the legislative and policy-making process to identify potential threats to and opportunities to promote the Institute's [liberal] principles, and then to embark on research and advocacy initiatives to minimise such threats and take advantage of such opportunities'.²⁰ It sees itself as 'a small but important component of the young democracy, placing the political and legislative process under critical, non-partisan scrutiny while also providing the government and legislators with ideas, arguments and facts which enrich policy development along liberal lines'.²¹

One of the successes of this liberal lobby group, as they see it, was an initiative to promote the protection of civil liberties in criminal justice policy while at the same time advocating more effective management of the criminal justice system. It opposed a proposal from the minister of justice that the bill of rights be amended to enable him to enact legislation compelling the courts to deny bail to people accused of certain offences. In trying to persuade the minister to withdraw this amendment, the SAIRR undertook and then publicised research which 'redefined' the problem; communicated its research to MPs and senior civil servants; offered to assist opposition MPs in understanding the issues; presented their findings directly to the minister; and wrote articles in the media on the topic. In the end it was partially suc-

successful; the draft bill omitted most of the provisions to which the institute had objected. On the basis of this experience the institute concluded that 'it is both possible and worthwhile' to use research, sound argument, and personal contacts to influence policy-makers.²⁵²

Some like-minded civil society organisations are starting to collaborate; examples are the coalitions formed over the child welfare benefit and the Open Democracy Bill. More generally, in 1996 three organisations (IDASA's PIMS, the Black Sash and the Human Rights Committee) established the parliamentary monitoring group (PMG), sharing responsibility for training, coordinating and administering volunteer monitors.

In 1998 the PMG trained 170 volunteers, enabling it to cover most parliamentary committees and, with separate funding for a separate office, to create a website providing reports of committee meetings within 48 hours. Finally, in partnership with its sister programme, IDASA's budget information service, PIMS provides a specialist support service to civil society organisations involved in 'social justice advocacy'. This includes training in lobbying and advice on submissions to parliamentary committees and media strategy.²⁵³

Before concluding this section, two points must be noted: the first philosophical and conceptual, the second practical and political.

Most protagonists of 'civil society' portray the institutions and organisations that comprise it in a certain way – as though all these institutions share a common view of 'the public good' and are all beneficial for society. This is misleading. As Peter Berger has put it: 'Not all intermediate institutions contribute to civil society ... there are "good" and "bad" intermediate institutions. Thus one must go beyond a structural analysis of these institutions and must explore the values that animate them One must go from the concept of civil society to a concept of civic virtues – that means, to the values that enhance civility and democratic citizenship. In my own case this insight was greatly strengthened while serving as a consultant to the Bertelsmann Foundation's 11-country study of "normative conflicts" (that is, conflicts not just between vested interests but between different value systems, moralities and notions of societal identity). One of the most striking findings of this study was that, in some cases, intermediate institutions do indeed mediate – 'civilise' – such conflicts, but in other cases they aggravate them and thus polarise society.'²⁵⁴

What does this mean in the South African context of lobbying? First it is striking what kind of organisations have seized the opportunities democracy provides, and engaged in lobbying parliament. By and large these are left of centre organisations that are generally opposed to or critical of market forces. Second, it is noteworthy that the plethora of older NGOs and welfare groups are not well represented.²⁵⁵ And third, the absence or minimal presence of business organisations and business-funded organisations on issues other than those that immediately affect the workplace is noticeable. Parliament is being lobbied primarily by new players from left of centre. In the particular circumstances of Cape Town, these organisations have considerable influence which will indubitably change if parliament were to move to Pretoria.

Professional lobbyists

Although South Africa is a long way from the highly developed lobbying industry found in the United States or western Europe, it has grown from almost nothing in 1994 to what can best be described as a 'cottage industry'. Again, this sector can be subdivided into distinct categories.

One category provides services connected to or necessary for lobbying. This includes the sort of information provided by PIMS or SACOB, as well as the legislation tracking service offered by Legilink. Legilink essentially spends a lot of time collecting documents in parliament and trying to follow the progress of bills, and then communicates this information to clients.

The second category may include some legislative tracking or analysis, but will do so as part of a wider package of goods, most of which relates more to economics and/or investment issues, and often with an obvious eye on the overseas market. Examples include BusinessMap, Omega Investment Research, and Vitalcom. Typically, these enterprises either utilise retired academics or provide working academics with an additional source of income.

The more expert a lobbyist is, the greater the chance you have to persuade policy-makers, especially where those policy-makers are not experts and do not have the time or means to become experts on the topic in question

For many in the ANC the reality of the global economy and the constraints it places on domestic policy-makers has been a significant new dimension of the policy process

The third category conforms more to the American/European model of lobbying, in that it tends to sell itself more on its contacts and its proclaimed ability to 'mind-read' or second-guess policy-makers than on more general 'hands-off' analysis. This is the smallest sector of the industry, and tends to revolve around particular individuals. Much of the work is contextual or involves specific strategic advice, but may include face-to-face lobbying on behalf of the client. This, however, is the exception rather than the rule.

The industry is still a long way away from the Washington DC model of hundreds of professional lobbyists seeking to speak to members of Congress on behalf of their clients, although it is currently rumoured that at least two individuals are lobbying in parliament on behalf of specific commercial clients.²⁵⁶ Some would argue that that sort of lobbying is neither productive nor desirable, especially in a wholly unregulated market such as South Africa's.

Ethical Lobbying in South Africa (ELISA) represents a final variant of this commercialisation of lobbying. It has its own code of ethics to govern its conduct and its relationship both with clients and policy-makers. It has formed a partnership with Westminster Strategy, a leading public affairs company in London and Brussels, and offers contextual analysis and strategic advice based on its intimate knowledge of policy-makers and their *modus operandi* in decision-making and, more so, on its credibility within government and ANC circles.²⁵⁷

Potential strategies

Credibility is one of a number of common themes cutting across all these different categories. People working in the lobbying 'industry' all concede that, in order to lobby effectively, credibility is essential. This is the case both in terms of getting information about the policy-making process and with respect to using this information on behalf of clients.

The other major common theme (which tends to divide the serious players from the amateurs) is knowledge of when and where decisions are taken in government, and an understanding that the earlier in the policy-making loop the intervention takes place, the greater are its prospects of success. Equally, knowing how the relevant individuals in government are thinking is critically important. There is consensus that, whatever the tactics, the overriding strategy is to find out early and to seek to intervene early.

The case of the tobacco industry in respect of the 1998 Tobacco Products Control Amendment Bill tends to support this thesis. According to reports, the tobacco lobby feels it has been totally left out of any policy process, and that the minister of health was determined not to hear their arguments.²⁵⁸ This mirrors earlier complaints by the pharmaceutical industry. In both cases, the private sector was not given the opportunity of reacting to the draft policy at the policy formulation stage. Once the policy was published it was faced with a strategic difficulty; it was very hard to engage the government without appearing to be adversarial and hostile.²⁵⁹

In general, it is reasonable to argue that the more expert a lobbyist is, the greater the chance you have to persuade policy-makers, especially where those policy-makers are not experts and do not have the time or means to become experts on the topic in question. An illustration of this is IDASA's campaign for a system of parliamentary ethics. It is argued that the lack of expertise and out-of-date report prepared by the parliamentary staff allowed IDASA to step into the breach, and create what can best be described as a 'culture of dependency' within the parliamentary committee. A very sophisticated version of this strategy was used to greatest effect by the Urban Foundation in its campaign against influx control in the 1980s. Such an approach requires early preparation to seize the high ground on an issue, and then to ensure that the material and definition of the issue shapes the public debate.²⁶⁰ This kind of strategy can sometimes backfire when the organisation involved is seen as a 'know-it-all'; in such a case its very expertise alienates people rather than builds allies. Generally, such a negative reaction does not last long, and real expertise tends to be needed or referred to as time goes by. However, style of communication is an important component of effective lobbying.

Finally, in most of the effective examples of lobbying, the importance of strategic alliances has shone through. The case of the proposed new child welfare benefit in 1997 illustrates this

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point. Those civil society organisations opposed to the minister's action not only put together a carefully constructed coalition, but also combined research (carried out by University of the Western Cape) with oral submissions from rural women's groups. They cleverly orchestrated the public hearings to their own benefit by insisting that they, and not parliament, determine the running order. Thus their story unfolded in front of the MPs, who were persuaded that the minister had got it wrong.²⁶¹

The approach and effectiveness of the liquor industry stands as a useful comparison, especially with the tobacco case. An in-house lobbyist for a major player in the liquor industry argues: "The tobacco industry is really a example of how not to do things. They woke up far too late to what was going on. And now they have ended up in a highly confrontational situation with government. In contrast, we have been doing preparatory work for years. We set up, for example, an industry health committee 11 years ago, and a code of practice. We began engaging with the new government even before they came to power. Since they came to power, we have been pleased with the amount of access we have had.

"This is partly due to the way in which we have supported government initiatives, and I think our advertising and sponsorship have played an important role, but it is also due to the fact that we prepare ourselves fully – we never meet with government without being 110 per cent prepared, and where necessary we bring in outside experts to help us put our case. All in all, we find them very open, certainly more so than the previous government."²⁶²

In terms of parliament, he adds: "The committees are important because they can change things; for example, on the Competition Bill we think the committee may well respond positively to what we have said. However, it is better to get in earlier, and that is where having the right contacts is important."²⁶³

A trade union lobbyist has a different perspective on the importance and function of lobbying: "We take parliament very seriously, not so much because we can necessarily win big victories there, but more because we want everyone, especially business, to take it seriously. Tactically, by making submissions we force business to do the same, which enables us to see the general direction they are taking. It does not give us sight of their whole hand, but it tells us the general framework and it encourages transparency. Our strategy therefore is to coax them into the formal arena – and it probably works both ways."²⁶⁴

Conclusion

The lobbying terrain is still uncertain. For lobbyists from all sectors it is a complex and nuanced political world. Few believe that they have a monopoly of insight into policy-making. Most are experimenting with a variety of tactics and strategies. What is clear is that a flexible approach is needed. In the absence of regulation, and with the stakes so high, given the importance of much of the policy that is emerging from government, the space for legitimate influence is tight. It seems possible that some interest groups are resorting to tactics that may in the longer term be counterproductive to them and to the country. In the meantime, those who forge meaningful relationships in government, create strategic alliances, carry out serious expert research, use the media and parliament wisely as part of a wide-ranging lobbying strategy, and engage experts who can help guide them through this minefield will be in a stronger position than those who do not.

OTHER POLICY INFLUENCES

Besides more formal, constitutionally mediated processes located in government institutions, this study has also identified other factors and processes situated outside formal processes which are perhaps no less important in shaping and moulding the ways in which government is making policy. The research also suggests how complex the policy-making process really is. This is true even where the constitution stipulates formal procedures to be followed by government. Weaknesses can be traced to the relationship between parliament and the executive. Where parliament's own system of checks and balances fail to operate effectively, the executive's influence is enhanced. This also occurs when the ruling party's own internal structures

Those who forge meaningful relationships in government, create strategic alliances, carry out serious expert research, use the media and parliament wisely as part of a wide-ranging lobbying strategy, and engage experts who can help guide them through this minefield will be in a stronger position than those who do not

fail to make their influence felt over the executive. Despite these problems, it is clear that there is no single convincing institutional explanation for the unevenness of government policy over the past four years.

Looking for other influences on the policy process beyond formal structures and institutions of government leads one to 'the subtle ways' in which the legislature and government are influenced when they make public policy. Many of these influences cannot be traced directly with any certainty, but what is clear is that civil society organisations and institutions and influential individuals, together with the myriad of global organisations and associated 'experts', need some recognition for their impact on the process. The mushrooming of the South African 'lobbying' industry surrounding parliament, especially since 1996, suggests the growing confidence of some important civil society actors and business organisations in this (for South Africa) expanded engagement with the legislature.

Besides the formal and informal domestic influences on policy in South Africa, there are other policy influences as well.

For many in the ANC the reality of the global economy and the constraints it places on domestic policy-makers has been a significant new dimension of the policy process. One of the ANC interviewees put it this way: 'Is policy really formulated through national political parties and representative bodies? How can political parties be policy actors and decision-makers in a global environment?'

International consultants have found South Africa to be a lucrative hunting ground. Their influence stretches into almost every government department – from transport to finance to land affairs. In the view of another interviewee, the areas of privatisation, deregulation and trade policy had become the domain of international consultancies and management groups which were 'importing a kind of global orthodoxy'. Much of it in his view was being 'swallowed blind': on the outsourcing of government services, for example, international financial analysts, lawyers and bankers were essentially calling the shots.³⁶⁰

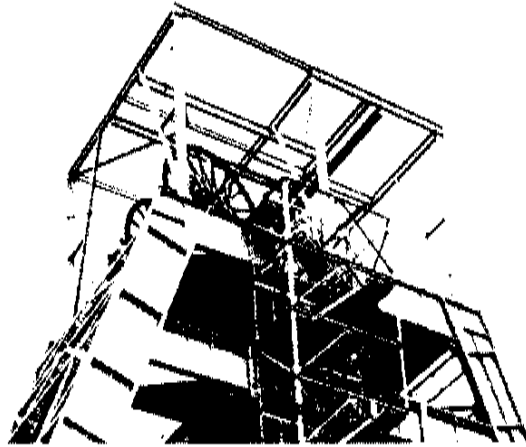
He felt that Mandela had described privatisation as fundamental ANC policy despite the fact that it had been 'driven by national political leaders, departments and an army of international consultants' rather than by a process within the ANC.³⁶¹

International aid organisations are also making their presence felt in the South African policy arena. As with most aid, foreign aid in South Africa is primarily used to fund consultants and NGOs from the donor country to undertake work in the host country. Thus, from the United States to Australia to Sweden, foreign professionals sometimes based in South Africa but mainly living in their own country are in and out of government departments, provincial governments and legislatures, and local authorities. South Africans will be intrigued to know that our urban policy framework document was finally written by a team of Canadians funded by the Canadian aid organisation, the IDRC.

Multilateral institutions are also participants in the policy process. From the ILO to the World Bank to UNICEF or the IMF, policy papers and varied inputs are being made. Many of these organisations have offices in the country and have chosen policy areas in which to make a contribution. It has to be noted that some of these organisations have had less influence than they initially anticipated: the World Bank in particular has struggled to find an appropriate place in the complex South African policy terrain.

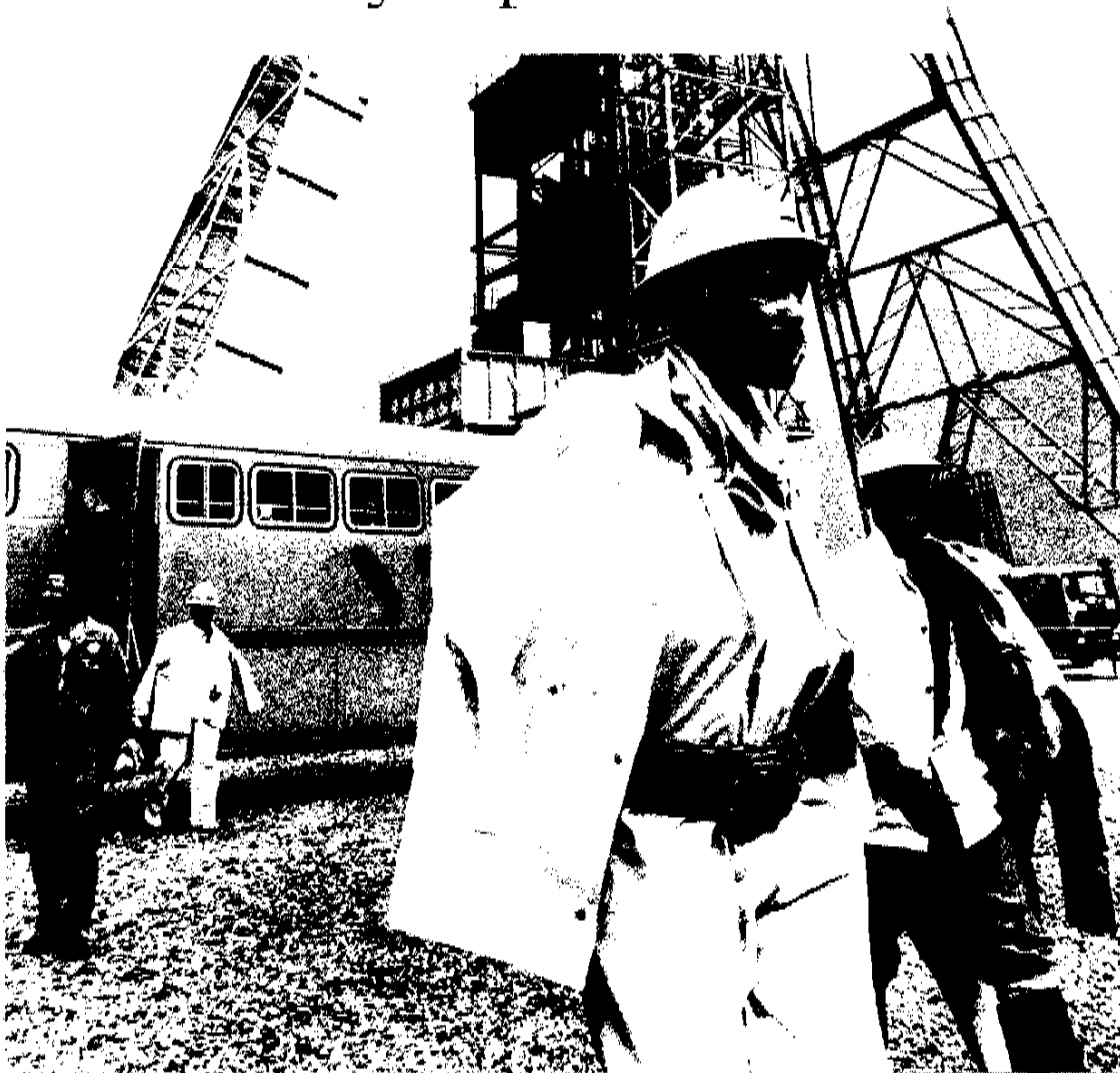
Last but not least, foreign governments and their diplomats have also played a role in developing policy. Excellent ambassadors have been able to insert their country's experience and policy lessons into the domestic debate. The Chilean ambassador from 1994–8 was a particularly noteworthy example. These governments have brought international experts to the country, and have helped to expose South African policy-makers to relevant (and sometimes irrelevant) expertise in their home countries.

Looking for other influences on the policy process beyond formal structures and institutions of government leads one to 'the subtle ways' in which the legislature and government are influenced when they make public policy



SECTION 2

Policy implementation



The two case studies were chosen because of their intrinsic importance, as well as their centrality to the government's programme and South Africa's success. Other areas of government policy – including migration policy, local government, universities, urban and rural strategy, and the development of small towns – have been analysed in depth in other CDE publications

In this section we examine two critical areas of policy implementation: public service transformation, and the government's macro-economic Growth, Employment and Redistribution (GEAR) strategy. These examples were chosen because of their intrinsic importance, as well as their centrality to the government's programme. Other areas of government policy – including migration policy, local government, universities, urban strategy, rural strategy, and the development of small towns – have been analysed in depth in other CDE publications.¹

CASE STUDY 1: PUBLIC SERVICE TRANSFORMATION

Introduction

The public service which the new government inherited in 1994 was designed to support the old order, and was largely geared to serving the interests of the white minority. Its complex activities and bloated structures reflected the labyrinthine racial and ethnic logic of apartheid. Attempts to address its worst features began in the last decade of apartheid rule. Nevertheless, at the conclusion of minority rule, its principal features included the following:

- rigid racial and ethnic segregation;
- fragmentation, duplication and waste;
- poor and outdated management practices;
- a regulatory bureaucratic culture;
- lack of accountability and transparency;
- poorly paid and demotivated staff; and
- conflictual labour relations.²

The new government's enormous task was to transform the public service from an instrument of control, domination, segregation and patronage into an enabling agency serving the ends of nation-building, reconstruction and development, and democracy (see box: **South Africa's public service at a glance**, this page).

At the same time, the new government set out to run the public service in an entirely different way. In his annual report for 1996 the director-general of the new department of public service and administration (DPSA), Dr Paseka Ncholo, described how new officials were 'faced with the multiple challenges of restructuring the public service while simultaneously trimming it down and extending the reach of the public service to previously underserved communities, while adhering to fiscal discipline and simultaneously creating representivity'.³

In 1996 the government outlined its vision for the public sector in its white paper on the transformation of the public service. It stated: 'The government of national unity is committed to continually improving the lives of the people of South Africa by a transformed public service which is representative, coherent, transparent, efficient, effective, accountable, and responsive to the needs of all.'⁴

The mission of the new public service was to become 'people-centred and people-driven'.⁵ To achieve this goal, the government identified eight priorities:

- transforming service delivery to meet basic needs and redress past imbalances;
- rationalising and restructuring the public service, to make it leaner and improve its integration;
- institution-building and management reforms to promote greater accountability and more effective organisation and management;
- representivity and affirmative action;
- the democratisation of the state;
- human resource development;
- improved employment conditions and labour relations; and
- the promotion of a professional service ethos.⁶

Policy documents distinguished between 'transformation'

South Africa's public service at a glance³

In December 1998 the public service employed the following people:

- national and provincial government: 1,225-million employees, costing close to R83 billion a year;
- local authorities: 233 383 employees, costing R13,5 billion a year;
- other government institutions (universities, technikons and parastatals): 93 161 employees, costing R7,3 billion a year;
- total number of public servants: 1,552 million at a cost of R103,6 billion a year.⁴

Note: The analysis in this section focuses on national and provincial public servants, and excludes those employed by local authorities, parastatals, public corporations, universities, and so on. The Presidential Review Commission (PRC) also excluded these groups of employees.⁵

and 'reform'. Transformation was defined as 'a dramatic, focused, and relatively short-term process designed to fundamentally reshape the public service for its appointed role in the new dispensation'.¹⁰ Reform, on the other hand, meant administrative reform, involving a broader, longer-term and continuing process which would ensure that the South African public service kept in step with changing international and domestic contexts.¹¹

In the course of its 'strategic approach to administrative reform' the government also explicitly rejected what it described as 'traditional bureaucratic and neo-liberal models'.¹² Instead, it opted for a 'strategic change management or strategic developmental approach'. It felt this was more appropriate to the functions that were evolving in articulating people's needs in terms of the new RDP framework.¹³ Thus the new public service was to be:

- needs-based, to meet the needs of all citizen-customers rather than those of a small minority or of the bureaucracy itself;
- mission-driven and results-oriented, focusing on goal-based services and outputs;
- strategic in focus, emphasising strategic planning to achieve goals and to anticipate and prevent problems rather than crisis management;
- based on a facilitative rather than a controlling state, aimed at mobilising the potential of civil society instead of allowing it to rely exclusively on public sector resources, thus empowering citizens to share in the responsibilities of governance; and
- committed to quality services aimed at ensuring excellence and equity, as well as value for money for both the state and taxpayers.¹⁴

Change management

The new public service would also be structured in a very different way. The strategic change management approach involved 'a major shift from the former mechanical model of public and development administration (with its emphasis on centralisation, hierarchy, the procedural observance of rules and regulations, and insulation from the public) towards a more organic, integrative, and adaptive model of corporate governance'.¹⁵ This meant:

- the decentralisation and devolution of decision-making;
- managerial responsibility and accountability for results;
- democratising work procedures;
- flatter organisations;
- introducing improved forms of co-operation and co-ordination (vertical and horizontal);
- teamwork and a project – or programme-based approach to work;
- task-related (rather than rule-based) work cultures; and
- incorporating civil society bodies into the governance process.¹⁶

Significant progress has been made towards achieving some of these ambitious goals. The huge task of amalgamating the previously segregated racial/ethnic administrations and creating entirely new structures in line with the new constitution has been completed. Discriminatory and inequitable personnel practices have been addressed, and legislation has been drafted to create an entirely new human resources and management framework. However, questions still remain.

In February 1997 president Nelson Mandela asked: 'Are we making any headway in transforming the civil service into a public service?'¹⁷ His answer was: 'no'. In February 1998 he returned to this problem, and his conclusions were depressingly similar: 'There has been some reduction of staff in certain departments. But it is not nearly enough ... There have been commendable savings from better cash flow management. But this is limited ... [We] cannot use the proceeds of privatisation to fund salaries and other consumption expenditure.' His intentions were clear:

'Put in simple terms, we need to cut spending on personnel ... Government is not an employment agency. This year, we shall go into this question without equivocation. Frankly put, we shall need to start comprehensive discussions with the unions on retrenchments ...'¹⁸

In February 1999 the president was again unable to report substantive progress: 'Last year, we spoke of the need to cut expenditure on personnel, as part of reducing a bloated civil service and changing its orientation. That commitment remains. The new civil service regu-

In February 1997 president Mandela asked: 'Are we making any headway in transforming the civil service into a public service?'¹⁷ His answer was: 'no'. In February 1998 he returned to this problem, and his conclusions were depressingly similar.

In February 1999 the president was again unable to report substantive progress

SECTION 2: POLICY IMPLEMENTATION

lations based on each individual's output, especially management, rather than just the observance of rules, should see to the improvement of service to the public ... But let us emphasise that none of the parties in these negotiations will or should be allowed to use these processes [agreements on re-deployment and retrenchment] to delay decisive action on this issue."¹⁹

What do we know about the public service?

Two recent government investigations have tackled this vexed question. Both reports are controversial and candid.

The first is the Provincial Review Report, headed by Ncholo. Presented to the government in August 1997, the report focused on provincial government, where more than 60 per cent of public servants are employed. Some of its more worrying observations are that:

- 'new policies are often set at national level without due consideration to the organisational, financial and service delivery implications in the provinces';²⁰
- '[many departments] do not know how well they are doing their job';²¹
- 'current public service regulations work against excellence in service delivery instead of encouraging it';²²
- 'national financial regulations limit the efficient use of the state's resources';²³
- 'national departments are not adequately supporting provincial departments in the performance of their jobs';²⁴
- 'the centralisation of functions in the provinces, particularly financial and personnel management, has a negative effect on the ability of departments to deliver services';²⁵
- 'political interference hampers the administration of provincial departments throughout the country';²⁶
- 'human resource capacity in the provinces continues to pose a serious challenge';²⁷
- 'the lack of discipline and the prevalence of misconduct (such as fraud and theft) are major problems for many departments and provincial administrations';²⁸ and
- 'there is a critical shortage in provincial departments of skilled and qualified staff who can manage finances, or who have adequate understanding of the role of financial management in the good delivery of services to the public.'²⁹

The report identified urgent priority areas:

- increased staff skills, especially 'greater capacity to manage finances';
- ensuring accountability for actions; and
- dealing with misconduct to reduce corruption."³⁰ (For an overview of the findings, see box:

The provincial review report, page 68).

The more ambitious task of outlining the 'operation, transformation and development of the South African public service' in order to develop 'a new culture of governance' informed the report of the 1998 Presidential Review Commission (PRC), chaired by Dr Vincent Maphai.³¹ The PRC considered governance in the new South Africa in its entirety. This is reflected in many of its more startling observations, ranging from the functioning of the executive, intergovernmental relations, decision-making in government, and budget reform. Its findings include:

Problems in the offices of the president and deputy president

- 'Functionally, there exists what many have described to us as a vacuum at the centre of government. Somewhere between the offices of the president and the deputy president and between these and the departments lies a space ...'³²
- '[The office of the president] should be the core and apex of the whole system of governance in South Africa. But currently it is not providing the necessary support required for the head of state or for the effective running of government as a whole.'³³

Problems in the cabinet

- 'The evidence ... left us in no doubt but that the current process of policy formulation and decision-making by the cabinet and ministers is unsatisfactory.'³⁴

The Ncholo report identified urgent priority areas: increased staff skills, especially 'greater capacity to manage finances'; ensuring accountability for actions; and dealing with misconduct to reduce corruption

- 'Concerns about weaknesses at the centre of government were a recurring theme [especially] in the structures and practices of intergovernmental relations. This has led to poor co-ordination within and between different departments and spheres of government, creating an incapacity to implement national programmes and a consequent failure to deliver basic services.'³⁹

The provincial review report

*'Public service director-general Paseka Ncholo ... said the report would be "damning and very explicit – quite terrible, actually".'*⁴⁰

*'Report exposes provincial chaos ... provincial system needs a rethink ...'*⁴¹

*'The report says there is little effective co-ordination or leadership of provincial administration, no accurate provincial management data to inform strategic planning and routine management decision-making and no linkage between budgetary process and strategic planning.'*⁴²

In October 1996, the minister of public service and administration, Dr Zola Skweyiya, requested a rapid review of the administration of the nine new provinces. It was headed by the department's director-general, Dr Paseka Ncholo, and the report was completed in August 1997. The key findings include:

On national departments

- 'new policies are often set at national level without due consideration to the organisation, financial and service delivery implications in provinces.'⁴³
- 'they... do not know how well they are doing their job.'⁴⁴
- 'current public service regulations work against excellence in service delivery instead of encouraging it.'⁴⁵
- 'national regulations work against managers being held accountable for their performance. There is no culture of accountability being upheld.'⁴⁶
- 'national departments are not adequately supporting provincial departments in the performance of their tasks.'⁴⁷
- 'good management and discipline is inhibited, not supported by the current procedures to deal with staff misconduct.'⁴⁸

On provincial departments

- 'political interference hampers the administration of provincial departments throughout the country.'⁴⁹
- 'there is an over-centralisation of management control in the provinces. This causes inefficiency in line departments, resulting from too much time spent away from the people who receive services.'⁵⁰
- 'strategic planning at provincial level is often weak and poorly implemented.'⁵¹

- 'national human resource policies are poorly communicated to the provinces.'⁵²
- 'departments and provincial governments cannot match their organisational arrangements to service delivery requirements and the budget available.'⁵³
- 'provincial administrations are not supported sufficiently by central government departments when they bargain with employee representatives.'⁵⁴
- 'lack of service delivery targets and monitoring.'⁵⁵
- 'lack of staff capacity leads to over-burdened staff and impacts on service delivery.'⁵⁶
- 'the voluntary severance package has not allowed the public service to be reduced. There is no well-developed action plan.'⁵⁷
- 'the lack of discipline and the prevalence of misconduct are major problems in many departments across all provincial administrations.'⁵⁸

Specific departments were sharply criticised. Departments of education across the board lacked adequate financial controls; lacked properly qualified teachers; experienced various personnel problems (tensions between heads of departments and MECs, no personnel files, etc); allocated their resources poorly; and had severe problems with budgeting.⁵⁹

Confused response

Many MECs and provincial officials felt the Ncholo report had portrayed them wrongly as abject 'failures' rather than as people in an extremely difficult position 'struggling to come to terms with an enormous set of challenges'.⁶⁰ They questioned Ncholo's methodology, and whether a performance audit by a national government department was constitutional.

The government has been uncertain about how to proceed. The PRC reported that initially 'cabinet [had] decided that each line ministry should take responsibility for its corresponding departments at the provincial level, and most of the implementation is taking place at that level'.⁶¹ Subsequently the DPSA decided to meet provincial directors-general to deal with the problem areas, discuss interventions, and so on.⁶² It appears that the provinces now have to present their responses to the parliamentary standing committee on public services and administration.

In March 1999 deputy president Thabo Mbeki stated that 'the strengths and weaknesses highlighted by [these] reports ... should be dealt with in a forthright manner'.⁶³

No common vision

- '[T]here does not seem to be a common and shared vision. Instead, departments and provinces have developed a plethora of visions, often quite different from each other in content, context and direction.'⁶⁰
- 'Variations in vision statements appear to have been inspired by different interpretations of the new constitution, the RDP, the white paper on the transformation of the public service, and, more recently, GEAR.'⁶¹

The PRC also confirmed many of the Ncholo report's findings on problems in the provinces. These included 'widespread confusion over the differing roles of the political and administrative leadership',⁶² a lack of 'accountability',⁶³ a lack of 'skilled staff capacity, high vacancy rates, poorly managed disciplinary and misconduct procedures, protracted appointment procedures',⁶⁴ and so on (for an outline of the PRC's major findings and recommendations see box: **Presidential Review Commission**, page 70)

Managing the size of the public service

Compared to other middle-income countries, South Africa is among the world's biggest spenders on public service salaries and wages.⁶⁵ In 1998/9 public service salaries (as a percentage of non-interest spending) totalled about 49.5 per cent of overall government current expenditure.⁶⁶ The PRC has estimated that 320 000 of the then 1,17-million public servants must be retrenched if South Africa is to follow international norms.⁶⁷ The GEAR document of 1996 estimated that public service 'restructuring' on this scale would release an additional 8 per cent a year in the budget for discretionary RDP capital projects.⁶⁸

The RDP white paper of November 1994, the white paper on the transformation of the public service and the GEAR document all emphasise the need for reducing consumption expenditure (especially public sector wages) as a proportion of government expenditure. This, it is argued, would help to reduce public debt and release resources for productive investment in RDP-related initiatives.⁶⁹ Besides the savings involved, it was hoped that the government's re-prioritisation would create a leaner and more responsive public service. Thus the PRC stated that the new development paradigm should force all departments and administrations to review their personnel requirements and staffing structures, in order to 'realign them more closely towards the delivery of services to clients, and to meeting the outputs required by the RDP'.⁷⁰ The likely results of this new budgeting system and the restructuring of departmental expenditure would be 'downsizing' in some departments or sections and 'upsizing' in others, 'with the overall parameters of a leaner service over time'.⁷¹ Displaced staff would be offered redeployment and retraining opportunities as well as retrenchment and early retirement packages where appropriate (to minimise the loss of key personnel).⁷² Thus the right-sizing exercise was expected to align the public service to government's new policies and budgetary priorities.

A number of policy measures have been introduced that have had a major bearing on the size of the public service, both in terms of personnel and cost. These include:

- a cabinet ceiling in 1996 on new recruitment as a quid pro quo for the delegation of personnel management powers from the public service commission to individual departments and provincial administrations. Neither the number of approved posts nor the salary bill of a department at the date of devolution could be exceeded, except for salary adjustments;
- a cabinet right-sizing target (June 1996) for national departments and provincial administrations reflecting personnel requirements for effective service delivery, in line with the goals of a leaner public service;
- efforts to abolish funded staff vacancies (approximately 60 000 unfilled posts);
- efforts to reduce the estimated 54 000 supernumeraries in the public service who are still on the payroll but surplus to current requirements (largely due to the amalgamation of ex-homeland and RSA civil services);
- efforts to identify and eradicate the estimated 40 000 ghost workers (people on the government payroll but no longer working for the state);
- the introduction in May 1996 of a voluntary severance package (VSP) scheme. This fol-

'The evidence ... left us [the PRC] in no doubt but that the current process of policy formulation and decision-making by the cabinet and ministers is unsatisfactory'

lowed the public sector union's endorsement of a new grading system and a three-year package for improving service conditions, as well as a government moratorium on compulsory retrenchments.⁸⁵

How effective have government's right-sizing efforts been? The PRC notes that 'some positive results have been achieved'.⁸⁶ For example, VSPs have allowed some departments to 'dispense with a number of employees whose services were no longer required'.⁸⁷ And, to some extent, right-sizing has created capacity to promote representivity. This was particularly true of two initiatives: the first, the abortive 1994 'jobs for all' programme, promised 11 000 jobs in the public service to black South Africans. In the end some 4 000 posts were filled.⁸⁸ The second, the VSPs, expected to create space at management level for the achievement of the representivity targets set in the white paper – the idea was that, by 1999, 50 per cent of management

The Presidential Review Commission

*'It has proposed ... that the government – and the presidency in particular – "get a grip".'*⁸⁹

*'[The PRC] was a total waste of time ... seven months of shoddy work ... it was a very good idea. But it started 15 months too late; its thinking was completely unstrategic ... it looks like a list of items with no prioritisation.'*⁹⁰

The PRC was appointed by presidential proclamation in April 1996, and its report was published in February 1998.

Its mandate was to examine the structures and functions of the public service; audit all ministries, departments, provincial administrations, and other organs of the public service (excluding public institutions such as local authorities, universities and parastatals); and review planning, budgeting and financial systems in the public service.⁹¹

The report is an enormous, exhaustive review of the current status of the public service. Its recommendations are far-reaching. A number of key recommendations stand out:

International experience

The PRC's recommendations were influenced by detailed case studies of other public services, particularly of some Commonwealth countries as well as the United Kingdom. It called for the establishment of:

- a cabinet office;⁹²
- a clear national vision;⁹³
- a corps of professional senior public servants;⁹⁴ and
- a formal contract between government and 'the people' where government commits to targets, levels of service, etc.⁹⁵

Focus on the executive

The PRC identified an absence of strong central leadership, vision and co-ordination from the office of the president. To address these weaknesses, the PRC envisages a transformed office of the president to consist of four separate entities:

- **the president's private office**, managing day-to-day requirements;

- **the office of the cabinet secretariat**, for overall policy co-ordination and planning;
- **the office of public management**, replacing the department of public service and administration; and
- **the office of the public service commission**, replacing the present public service commission with a lean, independent public service monitoring and assessment body.⁹⁶

Government is too big and too expensive

The PRC argues that the public service is too big, inefficient, and lacks co-ordination. It recommends:

- abolishing two ministries (state enterprises and sport);
- reconfiguring, disestablishing and combining national ministries and departments in an effort to 'enhance efficiency, effectiveness and more effective interdepartmental co-ordination';
- eliminating surplus deputy ministers; and
- rationalising many senior managers.⁹⁷

Service delivery

The PRC identifies an urgent need for improved service delivery, and suggests alternative modes of delivery. It argues that the public service needs a more delivery-focused approach by departments and officials; alternative forms of service delivery (outsourcing, public-private and public-community partnerships); and 'one-stop' service delivery shops.⁹⁸

Professionalism

The commission believes 'it is essential for government to invest in the long-term development of a professional managerial corps throughout the public service'.⁹⁹

The public service should:

- abandon traditional career-based models for public service management, and adopt contract-based models;
- develop 'all-round managers with experience in a range of portfolios by creating opportunities for greater mobility'; and
- encourage managerial *esprit de corps*.¹⁰⁰

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posts would be held by black South Africans.⁸⁹ Despite considerable movement, this is not yet the case (see box: **Race and skills in the public service**, this page).

Overall however, it appears as if the government's right-sizing policy, as envisaged in the white paper has failed to achieve nearly all its stated aims. Moreover, the right-sizing initiative has in fact had some very serious and adverse effects:

- It has often been at the expense of service delivery: for example, most provinces fail to prioritise their budgets in accordance with their policy objectives and activities. 'As a result, when cuts are made (through, say, VSPs), they are often carried out in an arbitrary manner without real consideration for the effects on service delivery.'⁹¹
- Right-sizing has done little or nothing to produce a leaner, more cost-effective service, such as stimulating 'efficiency savings, improved productivity, and the elimination of waste and corruption'.⁹² A recent study shows that while the government has managed to reduce the total number of public servants by 9,8 per cent (124 441) since 1995, the remaining 1 151 203 public servants have increased their consumption of non-interest spending from 46,5 per cent in 1996/7 to 49,5 per cent in 1998/9. This is because of significant across-the-board salary increases and adjustments.⁹³
- It has failed to deliver meaningful cost savings: the government's initial target was to reduce the public service by 100 000 posts during 1996/7, and in each of the next two successive years. Most of the expected R5 billion savings would be set aside to top up the new conditions-of-service package. In fact only 18 140 funded vacancies were abolished during 1996/7. Similarly, by the end of 1997 some 39 501 people had agreed to leave the service by taking VSPs. But heads of departments offered up only a tiny number (1 015) of these posts for termination.⁹⁴ 'The short-term costs of VSPs have been severe on department budgets. The current freeze on compulsory retrenchments has meant that supernumeraries have hardly been reduced (the debate on breaking this logjam between public sector trade unions and government negotiators is continuing⁹⁵).
- Right-sizing has affected staff morale, motivation and productivity by fostering continuing anxiety and uncertainty among public servants.
- It has also affected service delivery by leading to the loss of skilled personnel and rendering the public service less able to redeploy staff to areas of greatest need.
- Placing ceilings on the recruitment of new staff has adversely affected affirmative action and representivity.
- The stop-start nature of several right-sizing measures has affected departmental planning and generated uncertainty.
- Mainly through poor implementation of the VSPs, right-sizing has worsened the loss of skilled personnel in key areas, and failed to address the question of supernumeraries.
- Right-sizing has led to the proliferation of 'external' and expensive consultants and advisers (sometimes rehired retired officials).⁹⁶

It is clear that the government's formulation and implementation of right-sizing policies has

Does the ANC government distinguish clearly enough between the political organisation which is 'temporarily in government' and the South African state?

Race and skills in the public service⁹⁰

In 1994, 94 per cent of the public service's management echelon (director to director-general) was white. By October 1997 this had changed radically so that:

- 42,4 per cent of senior management was white, compared to 46,1 per cent black;
- the proportion of personnel in management below senior management remained skewed at 70,4 per cent whites to 23,5 per cent blacks;
- whites retained 65,8 per cent of all managerial posts (director, chief director, deputy director-general);
- blacks held 62,5 per cent and whites 24,7 per cent of skilled and highly skilled jobs;
- blacks held 86,6 per cent and whites 3,4 per cent of lower skilled jobs;
- women occupied a little more than half the posts in the public service as a whole;
- women made up 13,3 per cent of senior management and 8,5 per cent of management below senior management;
- women held 52,4 per cent of skilled jobs, and 43,5 per cent of highly skilled jobs.

It is clear that the government's formulation and implementation of right-sizing policies has been seriously flawed. Its implementation says the PRC, has been 'ad hoc, fragmented, and unco-ordinated'

been seriously flawed. Its implementation has been 'ad hoc, fragmented and unco-ordinated'.⁹⁷ The policy formulation process has been beset with similar weaknesses. The PRC commented that: 'Instead of the well-planned, co-ordinated and consultative approach recommended by the [white paper], the right-sizing process to date has been characterised by a series of poorly conceived, unco-ordinated and largely unsuccessful initiatives, based on insufficient consultation and agreements struck in the Central Bargaining Chamber without much transparency.'⁹⁸

Overall, therefore, the government's attempts at right-sizing over the past four years have had largely negative results. The government is now faced with four pressing demands regarding right-sizing:

- get the incentives right and prioritise efficiency at least in the short to medium term;
- uphold merit – appointments must be based on what an incumbent can bring to the job in terms of skill and experience rather than his or her racial or political identity;
- manage right-sizing politically: acknowledge publicly that right-sizing is unavoidable, and move decisively to manage the political fallout;
- tailor policies to budgets – within the plethora of new policies on and approaches to the public service, government must prioritise, establish key policy outcomes, budget and strategise for their success, and pursue them determinedly. Policy has to be based on limitations.

Getting the incentives right

Unlike many other developing countries, South Africa's public service personnel have not suffered salary and wage cuts due to the macro-economic pressures of the 1990s. In fact, the reverse is true – public sector wages in real aggregate terms have increased well in advance of the GDP from 1996 onwards.⁹⁹ This has been a deliberate policy choice. Initially, it was aimed at putting public servants at ease during the amalgamation of the various administrations, by guaranteeing their jobs and pay. A second reason was the government's commitment to uniform conditions of service within the public service. This involved the removal of what amounted to discrimination on racial grounds between public service 'officers' (predominately white) and 'employees' (predominately black, previously referred to as categories A and B in the old civil service), as well as narrowing the wage gap among all public servants ('internal equity'). A third and often ignored reason for competitive public sector wages was the government's determination to give public servants material incentives for increased loyalty, productivity and honesty.

These strong reasons aside, there is nevertheless considerable evidence that in many respects government has not got the balance quite right. There are continuing skilled and specialist staff shortages in both provincial and national departments, while complaints by public sector managers of poor staff capacity and productivity among the rank and file remain. 'Supernumeraries' clustered at staff levels 1 and 2 – the lowest levels – (among the major beneficiaries of a narrowing wage gap) are in abundance in many departments. It seems that the government's commitment to raising public sector wages in general has had the effect of retaining the historically distorted structure of incentives within the service as opposed to fundamentally altering them. What is required 'is to link rewards to productivity, not just to raise everyone's level of rewards'.¹⁰⁰ This does not appear to be happening.

For some years now the department has been working on a coherent system to link job performance to the management of staff at all levels. However, this has been immeasurably complicated by the fact that service conditions are negotiated centrally (in the public sector bargaining chambers) while the management of staff is being decentralised.¹⁰¹ In addition, new systems of personnel administration and remuneration based on the principle of 'equitably and fairly determining the relative value of jobs'¹⁰² might also have the perverse effect of focusing material incentives unevenly.

The government's commitment to closing the public service wage gap has also led to the elimination of 'special' service benefits. This process has contributed to making public sector jobs less attractive for the highly skilled, experienced and specialised professionals at whom such incentives are usually targeted.

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A fourth justification for competitive public service salaries is their contribution to increased public service professionalism, productivity, and good public management practices (including the elimination of corruption). The progress made toward each of these long-term goals is unclear. However, if then deputy president Thabo Mbeki's sentiments about the lack of professionalism and honesty of public educators expressed at the September 1998 congress of the South African Democratic Teachers Union are a yardstick, there is cause for concern.¹⁰³

The merit principle

The government has used right-sizing as a means of fast-tracking appropriately qualified blacks into managerial posts. Where this has occurred, their performance has been uneven. The PRC notes that these 'new senior managers ... do not appear to be contributing sufficiently to changing the institutional mindset of the service. To a disturbing extent, it appears that they are adopting the core values, systems and policies of the "old" public service.'¹⁰⁴

Understandably, the ANC has appointed new senior public servants from within its 'loyal political ranks'.¹⁰⁵ What is the impact on governance of government ministers and appointed public servants sharing a personal history of 'struggle'? The PRC notes that many provincial appointments have not been based on skill alone. In national departments, it found, 'senior public service appointments ... generally reflected the ethnic or racial composition of the minister [concerned]'.¹⁰⁶ A rather more sinister but associated problem has arisen from some public officials' reluctance to unmask corrupt practices and misconduct amongst their colleagues, for whatever reasons.¹⁰⁷

The relations that have emerged between appointed public servants and their political 'bosses' – the elected public officials – are also a problem. Party officials elected to public office, such as MECs in the provinces, appear to believe that appointed public servants with ANC party membership cards are responsible first to the party (read themselves) and only then to the constitution. In November 1996 the then ANC national chairperson, Jacob Zuma, was reported to have said that ANC leaders in government should not regard South Africa's constitution as being 'more important' than the ANC, because 'once you begin to feel you are above the ANC you are in trouble'.¹⁰⁸ Does this mean that public servants are expected to act on party orders?

According to the PRC, elected heads often lack the necessary skills to translate slogans into 'deliverable policies': instead, they 'hamper' appointed provincial department heads 'throughout the country'.¹⁰⁹ The Ncholo report outlines how MECs come to 'bypass normal and appropriate channels of management and become involved in recruitment and the day-to-day running of departments. In some cases, they even see themselves as accounting officers.'¹¹⁰ Where MECs become strongly involved in running departments, their functioning 'can become paralysed for months following a change of MEC'. Interference by elected party officials impacts negatively on public service 'administration, morale and service delivery'.¹¹¹ This has necessitated the recent changes to the Public Service Act to clearly delineate where politics ends and administration begins.

Loyalty, as the PRC clearly states, is not a compelling reason for appointments within the public service. Nevertheless, the fact that shortages of experienced and highly skilled public sector staff and managers can coexist with a rapid increase in numbers of black South Africans in these echelons is an important warning signal to government: it needs to improve its management of the process of opening up the public service to all South Africans.¹¹² The ANC's view that government's efforts at transformation have been fatally undermined by the so-called sunset clauses in the 1993 interim constitution¹¹³ (guaranteeing all public service jobs for a five-year period) is clearly counterproductive.¹¹⁴ Are 'old guard' counterrevolutionaries with a reactionary agenda the real reason why the government has not been able to fill these posts?

Perhaps the perception of promotional inequities and the apparent failure to reward merit has resulted in many scarce, highly skilled and experienced public service managers being lost to the private sector. That some have found their way back as highly paid consultants casts doubt on the premise that a political purge is all that is required for radical

The government has used right-sizing as a means of fast-tracking appropriately qualified blacks into managerial posts. Where this has occurred, their performance – as assessed by the government's own investigations – has been uneven

transformation to occur (see box: **The ANC government and the South African state**, this page).

A challenge of a different kind is posed by the appointment of senior public servants from the tripartite alliance's 'loyal political ranks'. Thus the PIC candidly observed that 'some of those new appointees have not been able to offer much beyond political loyalty, due to lack of skills'. It recommended that in future 'skills and competence, rather than political loyalty, should be the guiding norm ... especially as the threat of political sabotage diminishes'.¹¹¹

It is important to note the observations of a noted development scholar on public service developments in Ghana. He argues that in Ghana's public service 'the merit system disintegrated because of promotions based on seniority or favouritism and not on evaluations of performance'.

This pernicious process of 'internal adjustment' or manipulating undeserved or premature promotions has 'undermined not only the meaning of working hard, but the very concept of a civil service as a career service where staff are recruited and promoted on the basis of merit'.¹¹² Clearly, the government should take these cautionary remarks very seriously.

Attempts to manage the process politically

The ANC is committed to transparent, accountable, and participatory government. It has established a host of consultative structures to ensure that its efforts are 'founded upon effective consultation with public service staff and unions, and civil society stakeholders'.¹¹³ This is an important and in many respects a welcome development. There are nonetheless real limits to participative government, and the question must be asked whether this government has found the right balance between maintaining its employees' existing rights and exercising its fiscal and other responsibilities on behalf of all citizens. The government's continued failure to reach agreement with the public sector trade unions on right-sizing are worrying. On the other hand, what government in the world would contemplate the wholesale rationalisation of governing party supporters in an election year?

A more disturbing possibility, given the existing shape of the ANC alliance and the growing significance of public sector trade unions within COSATU, is that the government will struggle

The ANC government and the South African state¹¹⁷

In a 1998 discussion document published by the ANC's department of political education and training, it is argued that the ANC – and the more broadly defined national liberation movement (NLM) – needs to make 'capturing the state' a priority.

In the document, the state is defined as political institutions as well as 'state machinery': the civil service, army, police, judiciary, regulatory agencies, etc.¹¹⁸ It is also argued that the state is '... not a neutral, non-partisan entity; but it is an instrument that is used to pursue the interests of a class or group of classes'.¹¹⁹ In South Africa '... the instruments of the state such as the army, police and judiciary remain largely in the hands of forces that were (and some still are) opposed to social transformation'.¹²⁰ Those 'who serve the interests of the old order will resist change both from within and outside the state'.¹²¹ In this context the document poses the question: 'Have we not allowed ourselves to be distracted [from training and deploying personnel in strategic areas within the state] by the shallow protestations of the opposition, backed up by the media?'¹²²

It goes on to argue that there is a need to capture and trans-

form the state if it is to become '... a true representative of the classes and strata that have brought about democratic change'.¹²³

This involves, first and foremost, '... extending the power of the NLM over all levers of power: the army, the police, the bureaucracy, intelligence structures, the judiciary, parastatals, and agencies such as regulatory bodies, the public broadcaster, the central bank, and so on'.¹²⁴

The document highlights the tension between the revolutionary language used within (and mindset apparent in) the ANC, and the realities and constraints of governing a country based on an essentially liberal constitution. The approach in the document raises two important questions:

- does the ANC in government appreciate the importance of separation of powers between the judiciary, other institutions, and the executive?; and
- does the ANC government distinguish clearly enough between the political organisation which is 'temporarily in government' and the South African state?

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to implement its plans for a transformed public service (see box: **Public sector trade unions at a glance**, this page).

According to one source, by encouraging unionisation and simplifying union registration processes the Labour Relations Act has given 'a massive legislative boost' to union recruitment in the previously unorganised government, agricultural and domestic sectors.¹²⁷ Eighty per cent of South Africa's public employees now belong to a trade union and almost half of these are members of COSATU-affiliated unions. Public servants are joining COSATU unions faster than any other occupational group. Between 1994 and 1998 their numbers have increased from 291 000 to roughly half a million (COSATU now represents 1.9 million workers).¹²⁸ More than 40 per cent of all union members belong to unions which operate in the public sector. Unionised public servants will become even more important to COSATU as global market forces continue to undermine employment in its present strongholds in mining and manufacturing.¹²⁹

Recently there have been fundamental and far-reaching changes to the labour relations regime in the public service. Public servants now fall within the ambit of both the Labour Relations Act and the Basic Conditions of Employment Act. A new public service act and a revised public service staff code have further defined internal public service procedures and practices. Public service managers are obliged to negotiate wages and service conditions centrally (in the public service co-ordinating bargaining council). This applies to all government employees: all teachers; all nurses; all municipal workers; all transport workers; etc. In addition, public service managers find it increasingly difficult to manage staff in terms of all the human resource training and development demands now placed on them.¹³⁰ According to the Ncholo report, these acts are 'limiting the ability of the public service managers to provide services'.¹³¹ They also compound the inability or reluctance of managers to conduct disciplinary hearings.¹³²

The extent to which growing unionisation impacts on these internal public service dynamics is unclear, and needs to be investigated further. What is clear is that conflicting priorities between the government and COSATU's public sector unions have created new tensions in the ANC alliance. The South African Municipal Workers Union (SAMWU) took the minister of local government and constitutional affairs to task for campaigning for municipal outsourcing and privatisation – both declared government policies. The minister's angry response showed his understanding that the union was abusing its 'special relationship' with the ANC through the alliance.¹³³ In this instance it appears that both the minister and the union believed there was an understanding between them. The question that must be asked is: how does the ANC as government, acting in the interests of the country as a whole, determine its terms and strategies for bargaining with the unions in the central chamber?

This final point is critical to understanding the full weight of the charge that the ANC will find it very difficult to negotiate satisfactory terms for the transformation of the public service through 'effective consultation with public service staff and unions, and civil society stakeholders'.¹³⁴

The above highlights two key considerations for the future. The first is that attempts at reducing public employment are politically very sensitive. The second is that the government has managed the political dimensions of right-sizing badly. It has not provided vigorous leadership on this issue nor secured the necessary buy-in from its employees, and has yet to develop practical measures to assess progress.

Linking policies to budgets

Our final observation about the fundamentals of public sector reform relates to the central importance of budgets and budget planning to the policy process. This complex dynamic has profoundly undercut the efficacy of government's ambitious policy objectives (see box: **The integrated justice sector: expanding budgets and**

Conflicting priorities between the government and COSATU's public sector unions have created new tensions in the ANC alliance

Public sector trade unions at a glance ¹²⁶

- The number of unionised public workers has doubled since 1994.
- Around one million – ie about 80 per cent – of the public sector's 1.2 million workers are unionised.
- More than 40 per cent of all union members in the country belong to unions which operate in the public sector.

poor performance, this page). The provinces have often been harshly judged for failures in this area, but one has to be sympathetic to their plight. They have been portrayed as 'failing' to deal with these problems, but in many respects they could be portrayed as bravely 'battling to cope with the enormous challenges facing them'.¹³⁵

Amalgamating all 10 'bantustans' and the coloured, Indian and white administrations into one unified national public service has perhaps been the single most difficult task facing government. It is still creating huge problems in the provinces, where 60 per cent of public servants (excluding the uniformed services) are employed.¹³⁶

According to the then Free State premier, the province's 'enormous numbers' of supernumerary staff were a big problem 'because we have to abide by national policy and there is no national policy'

The Free State is a good example. In 1998 its then premier, Dr Ivy Matsepe-Casaburri, argued that because national government 'has not yet produced its much-vaunted retrenchment tool to enable provinces to rid themselves of surplus and costly public servants', four years of ANC governance in the province had been seriously compromised. Personnel costs were devouring 98 per cent of the province's education budget. The health department would save R250 million a year if it were allowed to retrench surplus staff. The province's 'enormous numbers' of supernumerary staff were a big problem, 'because we have to abide by national policy and there is no national policy'. A novel way of reducing personnel spending – by placing temporary teachers in adult basic education and training projects – was abandoned when national government agreed to union demands for a moratorium on the retrenchment of temporary teachers. According to the premier, eliminating corruption amongst public servants remained a slow and tortuous process.¹³⁷

In general, it appears that provinces are still struggling to find places for existing staff in their new organisational structures. Some have not even created these new structures nor performed the staff audits required by parliament for national funding transfers. Provincial over-staffing ('bloating') and poor hiring practices continue. An unknown number of 'ghost workers' and 54 000 supernumeraries are still on government payrolls.¹³⁸ The PRC comments that: 'Despite the lack of a full picture on the management of service delivery, the evidence that does exist points to a major gap between policy objectives and implementing and achieving successful outcomes'.¹³⁹ As a result, many provincial departments have struggled to keep up with

The integrated justice sector: expanding budgets and poor performance

The 1998 medium-term expenditure review of the integrated justice sector (IJS – the police service, justice, and correctional services) undertaken by the department of finance describes three departments experiencing increasing fiscal pressure and performing poorly despite 'ever increasing budgetary resources'.¹³⁷ 'Personnel policies appear to be out of synch with existing and projected resource envelopes.'¹⁴⁰ This has resulted in cuts on non-personnel spending, 'leading to low levels of investment and purchases of equipment'.¹⁴¹ All three departments now find themselves in something of a budgetary bind, having no funds to invest in modernising the sector to raise productivity, which could in turn ease future planning to rationalise their workforce. Indeed, 'departments are likely to require additional allocations just to maintain their existing establishments and finance their basic operating costs'.¹⁴⁰

Rising personnel costs

The problem of exorbitant personnel costs has been most prevalent in the South African Police Service (SAPS). However all three departments have been incapacitated to some extent by recent increases in average real remuneration levels, which have effectively absorbed any increases in their budgets.

In the SAPS, personnel costs since 1994/5 have hovered around 80 per cent of the entire police budget. They are set to exceed that figure over the coming four years, rising marginally to a projected 81 per cent in 2001/2 despite the continuing significant rationalisation of personnel numbers since 1994/5.

High SAPS personnel costs are attributed to:

- increases in the basic salaries of police officers negotiated in the public service;
- the effects of the normal promotion process;
- the effects of the process designed to redress past imbalances in promotion opportunities, which involved rapidly promoting a large number of individuals; and
- growths in the budget and expenditure of the SAPS medical aid scheme.¹⁴²

These high costs have had the effect of 'forcing the SAPS to reduce its establishment ... [and] squeezing non-personnel spending down to dangerous levels' where it 'will be extremely difficult to raise productivity levels meaningfully'.¹⁴³

This trend in the SAPS reflects a larger problem common to all three IJS departments identified in the review – that is, their tendency to adopt new policies and processes without adequately assessing

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demand for services. The PRC notes, for example, 'a near-crisis situation' in education, safety and security, correctional services and justice.¹⁶³ Where they have grasped the nettle, their efforts are often marked by poor implementation and weak planning (see box: **The provincial review report**, page 68).

The 'enormous challenges' of amalgamation have clearly been too great for the provinces. But it would be one-sided to harp only on their shortcomings. National departments also have constitutional responsibilities towards the provinces. They must ensure that both the capacity to deliver and actual resources are available before they devolve responsibility to the provinces. National government's management of this process is one of the problems affecting this crucial tier of government (see box: **Mismatch between policies and budgets in the provincial health sector**, page 78).

Provinces have demanded that national government grant them 'real' powers; they resent being 'treated as bantustans' of national government.¹⁶⁴ A senior cabinet minister described how, in 1994, 'all the premiers were shouting: "Give me my powers!" So we had to rush and work very fast to devolve powers directly to the provinces, and from then onwards they didn't want anybody from national government. What they expected from national government was money and nothing else but money.'¹⁶⁴

As the PRC delicately puts it, the results have been 'deleterious to the public service in the provinces'; the rapid devolution of powers has 'tended to consolidate the bloated civil service of the bantustans and the various apartheid administrations. Furthermore, given the poor financial control culture of some of these former administrations, it is not in the least surprising that the controls currently in place ... are in many ways seriously defective.'¹⁶⁵

From the outset government was aware that there were problems, but when it approached the provincial premiers 'they all maintained there were no problems'.¹⁶⁶ But there were, and continue to be. Those in the Eastern Cape and Northern Province have been so serious that the PRC recommended that national departments stop devolving additional powers to them. To do otherwise could be considered a dereliction of duty.¹⁶⁷

A thumbnail sketch helps to illustrate how decentralisation has led to problems in the key

whether they are affordable and sustainable.¹⁴³ Thus 'investment in policing is likely to fall as a proportion of departmental spending'.¹⁴⁴

Rising personnel costs and low productivity levels have been linked to the performance of the SAPS over the past few years. The 'figures indicate that there has been a fall of 10 per cent in the number of cases successfully completed ... It is estimated that about 65 per cent of the decline in the number of cases successfully completed is due to the reduction in police personnel levels, while 35 per cent of the decline is due to a fall in the productivity of the service.'¹⁴⁵ The above decline may have also coincided with a fall in the quality of completed cases – between 1996 and 1997 the proportion of cases finalised in court dropped from 45 per cent to 43 per cent which, 'although modest, is cause for concern'.¹⁴⁶

Overspending

Over much of the past 15 years, funding of the IJS has grown steadily relative to the national budget. In real terms, 'the allocation of resources to the IJS grew by an average of 10 per cent compounded annually between 1986/7 and 1998/9. Continued growth at this rate is clearly unsustainable.'¹⁴⁷ All three IJS departments have overspent their original parliamentary appropriations

since 1995/6. In the SAPS, this overspend has been attributed to 'the lack of affordability of the present police establishment'.¹⁴⁸

The SAPS has consistently overshot its initial budget vote by between 6 per cent and as much as 18 per cent between 1994/5 and 1998/9. Due to rising 'unit costs' in the SAPS in 1997/8, the personnel budget was overspent. It was then partly financed by using non-personnel allocations and rolling over debt to the following year, which placed increasing pressure on the next budget.¹⁴⁹

Special allocations

A number of allocations designed to increase investment in policing infrastructure were sacrificed in 1997/8 and 1998/9 due to rising operational costs at a time of no growth in the real police budget. In 1997/8 and 1998/9 special allocations worth R795 million were made to finance the construction of community safety centres, the integrated justice programme, programme management, an automated fingerprint identification system, and a community policing programme. This money was never fully spent on these projects because of overspending on personnel.¹⁵⁰ Therefore, departmental raiding of funds destined for modernising the sector has taken place at the cost of agreed sectoral priorities.

area of public service job performance. Provincial directors-general (D-Gs) – initially chief accounting officers for the provinces – have clashed with departmental heads and heads of premiers' secretariats when they have tried to oversee budgets and hiring practices. The heads of departments regard the D-Gs as representing the national department of public service and administration (and the Public Service Commission) and not their direct political bosses, the members of the executive councils (MECs) and the premier. The result is that these important officials fail to work together. Locked in a turf battle, they 'administer the rules of the public service rather than provide effective strategic direction, guidance and leadership'.¹⁶⁸ Neglecting important high-level tasks, provincial administrations have tended to focus on 'low-level administrative matters' rather than creating 'organisations appropriate to their tasks'.¹⁶⁹ (Neholo lists cases of D-Gs personally approving the appointment of junior staff 'down to the level of clerks and food service aids (people who make tea)').¹⁷⁰ Staff performance-based evaluations are neglected, overall discipline is weak, and, importantly, 'they are also not being held accountable for the way they spend public money'.¹⁷¹

This disregard for the way in which public money is spent is perhaps the most damning consequence of the process of public service amalgamation and decentralisation. Transformation is conceived as bringing government closer to the people, to allow greater control over the way public money is spent on the basket of public goods that government has promised.

Despite obvious exceptions and some successes, it must be concluded that this particular argument for closer government has failed to deliver the goods. The effects of this neglect are

Mismatch between policies and budgets in the provincial health sector

The 1998 medium-term expenditure review of the health services undertaken by the department of finance provides a glimpse of provincial spending trends in terms of the overall policy aims of the department of health.¹⁵⁵ The health review team identified 'a mismatch between policy-making and budget setting for the health sector'.¹⁵⁶

Unsustainable expenditure on personnel

Consolidated provincial health personnel expenditure increased from 58,4 per cent in 1995/6 to 64,4 per cent in 1998/9. The growth of personnel spending has been particularly rapid in KwaZulu-Natal, Mpumalanga and Northern Province. Overall, personnel costs increased by an estimated 30 per cent in 1996/7 and 13,5 per cent in 1997/8. This was 'largely the result of a realignment of remuneration of health personnel' along with increased expenditure on the clinic building programme and other efforts to strengthen primary health care.¹⁵⁷

The three-year agreement on public sector wages reached in 1996 included real salary increases in 1996/7 with 'particularly advantageous settlements for health service personnel'. The results for provinces have been perverse: 'Provinces with more skilled staff have faced marked salary cost increases, while their total budgets were declining. Simultaneously, the provinces with less skilled staff have found it difficult to attract skilled staff, as they become increasingly less affordable'.¹⁵⁸

Provinces have had to bear many of the costs of improved conditions of services negotiated in the public sector central bargaining chamber. Promotions for nurses and other health sector

personnel further exacerbated the problem, 'as they were implemented without adequate consultation with the provinces'.¹⁵⁹ Voluntary severance packages (VSPs) also contributed to costs, and in addition 'their bluntness left provinces with limited means to control their staff mix and total size'.¹⁶⁰

Budget imbalances brought about by the primary health care paradigm

In 1996-9, in almost all provinces providing these services, expenditure on primary care grew while expenditure on tertiary hospitals declined. Much of this shift in expenditure has resulted from the personnel costs of the national department's clinic building programme.

The sectoral team comments: 'The policy shift towards primary health care services and refocusing services to the previously disadvantaged and underserved areas, in the context of limited increases in government budgets, are leading to increased financial pressure on public hospitals ... The result of this is that provinces are reporting a decline in the state of hospital infrastructure, and an inability to deliver the services required by national policy'.¹⁶¹

Crowding-out of essential health expenditure

The sectoral team also remarks that excessive personnel costs are 'crowding out ... complementary expenditure on items such as pharmaceuticals, medical equipment and maintenance of facilities'. This threatens budget sustainability, quality of care and efficiency.¹⁶²

felt at the level that counts most to South Africa's poorest people: service delivery in the provinces.

Conclusion

Despite repeated public commitments to its fundamental transformation by president Mandela himself, the public service, the government's key instrument for policy implementation, remains bloated, weak, and inefficient. To its credit, the ANC has been on a steep learning curve on this issue. It has commissioned two far-reaching reports (the Ncholo report and the PRC) which have identified critical problems in forthright terms. It must now have a much clearer understanding of the issues that underpin the underperforming public sector nationally and in the provinces.

Some of these problems can still be traced to the legacy of the labyrinthine apartheid state, and other problems relate to the 1994 constitutional settlement. Nevertheless, by failing to grasp the fundamentals and move decisively and comprehensively towards a leaner, merit-based and performance-tested public service, government has done damage all of its own. An already entrenched 'culture of entitlement' among public servants has been reinforced, ironically by the very processes that are seeking a new 'people-driven' South African public service.

The ANC government inherited a public service with serious deficiencies and problems. The past five years have witnessed the development of a remarkably bold and ambitious programme of reform, encompassing many diverse objectives. The critical challenge for the new government after the 1999 elections will be to appreciate and then build on the important lessons of the past five years, the insights and recommendations of its own two investigations – Ncholo and the PRC – and devise a workable plan for the effective transformation of the public service. Like other areas of policy change, the government would do well to build on these key principles:

- understand the system thoroughly before trying to change it;
- think through the consequences of intervention before implementing radical change;
- prioritise policy choices within budgets;
- devise a workable plan with a few manageable objectives;
- get the incentives right;
- uphold merit criteria at all costs;
- do not re-establish the public service as a place for employment based on patronage;
- build a new culture of public service and accountability rather than entitlement;
- communicate the approach clearly and simply to all who have to implement it; and
- act boldly, confident in the knowledge that the vast majority of South Africans share the goals and objectives the government is trying to achieve.

CASE STUDY 2: GEAR AND THE COHERENCE OF GOVERNMENT POLICY

This case study assesses the government's approach to macro-economic reform – the content of the GEAR policy package, its marketing, its implementation, and its linkages with other government policies – and the politics around macro-economic reform. It is written from a perspective that strongly favours markets and global competitiveness as the only route to greater development opportunities and better prospects for South Africa's poorer citizens. The significance of the ANC's bold step in a new economic direction is also recognised.

Before discussing GEAR in detail, we will briefly review other countries' experiences of economic reform, and the necessary components for success that emerge from these experiences.

www.anc.org.za/anc/news/2000/06/06060001.htm

An already entrenched 'culture of entitlement' among public servants has been reinforced, ironically by the very processes that are seeking a new 'people-driven' South African public service

Economic reform: the international experience

In 1994 an international conference was held to examine 13 different countries which had, since the 1960s, implemented both successful and unsuccessful processes of economic reform: they were Australia, Chile, Colombia, Indonesia, Korea, Mexico, New Zealand, Poland, Portugal, Spain, Turkey, Brazil and Peru.¹⁷¹ The conference pointed to a growing consensus on the economics of reform. Although participants found that the core principles needed to be tailored to the particular circumstances of individual countries, the principles and policies on which economic reform should be based were fairly widely agreed. However, there was 'much less understanding, let alone consensus, on the political process through which economic reform can be achieved'.¹⁷¹

Reading through the case studies and discussions around each country, one is struck by the numerous areas of agreement that seem to resonate with the South African experience. Some of these are briefly discussed below:

Successful economic reform requires a political strategy

Participants noted that, as the benefits of economic reform were much less widely acknowledged by politicians than by economists, and even less widely supported by the general public (let alone by the specific interest groups that stood to lose by them), the strategy adopted for introducing economic reform became critically important.¹⁷¹ Besides a practical economic programme, an effective political strategy is needed if economic reforms are to be successfully implemented.

Early benefits are important

The most difficult part of a reform programme, participants noted, was not introducing the reforms but sustaining them until they had a chance to 'bear fruit and thus secure political support from the potential beneficiaries'. How difficult this is depends on the lag between the initial reform and the emergence of politically significant beneficiaries.¹⁷²

Numerous participants suggested that economic reform programmes should be designed in such a way that they ensured the early emergence of such beneficiaries. Thus participants at the conference noted that the chances of successful reform will be enhanced if the losers are provided with compensation, rather than abandoned to become impoverished and embittered opponents. Haggard and Webb (1992) report that in their World Bank project on adjustment in new democracies, compensation broadly conceived was crucial for securing support for programmes. But in the more successful cases in their multi-country study – Chile, Mexico, Spain and Thailand – compensation came in the form of "complementary reforms": measures such as those in the Mexican Solidarity programme that provided benefits to a wide segment of the community, but that did so while enhancing welfare and economic opportunity over the longer term and minimising rent seeking opportunities.¹⁷⁶

The political scientist Joan Nelson argued that: 'A key political problem of sustaining support for reform programmes is the long delay in reaping visible benefits for much of the population. That problem is compounded by the history, in many countries, of protracted fiscal crisis and the virtual disintegration of fundamental public utilities and services, from law and order to garbage collection to basic health care and education. The result is not only a greatly deteriorated quality of life, but widespread alienation from government and politics at all levels.'

'Economic reform programmes might prove more sustainable if they were accompanied by a high-priority drive for rapid improvement in one or two selected basic services or utilities, particularly if they target the urban working and middle classes. The idea of rapid returns does not imply favouritism or subsidies, but rather heightened priority for doing whatever is required ... to demonstrate concrete progress on some aspect of life that matters to most people ... The services or utilities chosen should probably be ones that can be significantly improved fairly quickly. Such a program might help to dissipate the widespread sense of hopelessness and alienation that has often slowed, and then derailed, reform efforts.'¹⁷⁷

This case study is written from a perspective that strongly favours markets and global competitiveness as the only route to greater development opportunities and better prospects for South Africa's poorer citizens. The significance of the ANC's bold step in a new economic direction is also recognised

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Another participant noted that the chances of success would be improved by creating an institutional basis of knowledge, support, and 'national learning' around economic and social reform. "Think-tanks that produce and communicate knowledge, trained cadres of professionals to nourish it and form policy teams, and the linkage of these to political parties and other policy-influencing organisations such as the media are among the more useful institutional ingredients to accomplish this objective."¹⁷⁸

One key lesson derived from the study of Peru was the critical importance of having a state with the capacity not just to devise but to implement reforms.¹⁷⁹

A core team is essential

One of the essential ingredients for success in many of the countries under review was found to be the presence in government of a team of people (mainly economists) with a common view of what needed to be done – 'a team of policy-makers with a coherent and convergent strategy for economic reform'.¹⁸⁰ As José Piñera, a cabinet minister in Pinochet's Chile, commented, 'it may seem only common sense that those who share responsibility for making economic policy should agree on the fundamentals. Yet all too often one sees the opposite.'¹⁸¹

During a panel discussion, Nelson drew some broad conclusions from an earlier study, conducted by herself, of the politics of economic reform in 17 countries. Commenting on the political factors that permitted effective economic stabilisation, she noted that 'the cases of clear failure all traced collapse in large part to deeply divided economic teams'.¹⁸² But she argued that the need was broader than simply that such economic teams should be intellectually united: they should also command the instruments of concentrated executive authority. The critical question was where this team was positioned in the 'institutional matrix of decision-making'.¹⁸³

So a 'virtual prerequisite for successful reform' was a 'coherent economic team enjoying strong executive support, having effective control over the main levels of policy, and with the bureaucratic authority to design an appropriate programme'. It was essential for institutional arrangements to be 'conducive to the coherence and consistency of policy, rather than generating contradictory signals emerging from different policy centres, or cycling among a variety of mutually contradictory efforts'.¹⁸⁴

Visionary leadership is needed

Participants also found that a government instituting fundamental economic reforms had to have at its apex a leader with a vision beyond merely the next election, a 'political leadership with an adequately long time horizon'.¹⁸⁵

Thus Nelson argued that leaders of democratic states should offer some modest tangible returns, plus a credible vision of the future. 'In place of the discredited visions of communist, or populist, or African socialist societies, people need a credible image of a reasonably just and attractive society. In Central Europe the plausible prospect of becoming like Western Europe serves that purpose.

In Russia that prospect appears neither as unambiguously attractive nor as plausible. And in a Bolivia or a Zambia, the marketplace looks less than magical to most of the population (including much of the middle classes). In her view, leaders must offer a better developed vision of the society they hope to build in order to sustain support.¹⁸⁶

From Mexico came the view that 'people must not only see decency, honesty, efficiency, and the absence of corruption: they must also perceive that the political leadership is behind the process of change'.¹⁸⁷

Reform must be rapid and comprehensive

Successful reform, it was found, required a reasonably comprehensive programme for transforming the economy radically as well as rapidly. Chile offered a striking example: 'We often heard businessmen complain that it would take a generation to make their industries com-

One of the essential ingredients for success in many of the countries under review was found to be the presence in government of 'a team of policy-makers with a coherent and convergent strategy for economic reform'

petitive in world markets. We gave them five years. From the highly differentiated tariff system we inherited in 1974, with rates as high as 500 per cent or more, we moved to a single uniform tariff of 10 per cent by 1979.¹⁸⁸ Piñera argued that, besides the economic reasons for this radical reform, there was also a political motive for swift action, for 'giving a reform's opponents time to adjust also gives them time to orchestrate a political counterattack'.¹⁸⁹

Most commentators agreed that 'liberalisation is intended to cover all markets, not just trade or the capital market but also the labour market'.¹⁹⁰

In Piñera's words: 'The detoxification of a state-hobbled economy not only must be swift but must advance on all fronts simultaneously. It is no use freeing trade and opening up the capital markets if one is going to leave the labour markets untouched. Yet all too often the enormous power of the trade unions determines just such a strategy. Liberalising an economy is, after all, a matter of changing the allocation of resources toward a position of greater efficiency, and one simply cannot finish the job if rigidities are allowed to remain in so important a part of the economy as the labour market.'¹⁹¹

Successful reform requires new political allies

It was noted that governments that had switched their economic policies, such as those in Asia (eg Korea), Latin America (eg Chile), or the former socialist countries (eg Hungary), had first changed their political base.¹⁹²

In the difficult circumstances that surrounded fundamental economic reform and its political spin-offs, the Mexican experience raised an important question: 'Who are the allies of change, and how are such alliances to be built?'¹⁹³

Economic reform must be linked with social policy

Participants from numerous countries and institutions stressed the importance of the link between successful economic reform and social policies.

Mexico: 'Any successful economic reform programme must include a clear and effective social policy. The urgent need to solve economic problems ... must not entail the neglect of those groups in society most affected by reform ... Deliberate social programs are of key importance to give immediate benefits to those most vulnerable, bridge the time gap between the introduction of reforms and the widespread distribution of their benefits, and thus gain the popular confidence and support needed to maintain the momentum for change ... In Mexico, enhanced social policies have been put into practice simultaneously with deeper economic reforms ...

'The Salinas government put forward a two-tier social policy: it sought to strengthen the existing social security network, and it put in place a non-bureaucratic program of community mobilisation to fight poverty, called Solidarity, subject to new rules for the allocation of resources. The most important features of the new social policy were that it would be subject to the fiscal discipline required by the stabilisation program (thus ruling out populist initiatives); that it would promote the grassroots organisation of rural communities and low-income neighbourhoods to allow for greater autonomy and a permanent improvement in their situation (thus ruling out paternalism); and that a close link would be established between the general policies of structural change and the direct benefits for the communities, in order to lay the groundwork for new social bases of support of the reform process.'¹⁹⁴

Chile: '... those most severely affected [by reform] are the poorest members of the society, who likewise suffered the most from the inequalities of the old regime. But it is possible and desirable ... to subsidise those with low incomes during the turbulent period of transition when resources are being reallocated. When looked at in present-value terms, the summed adjustment costs of a few years of rapid transition are surely less than the costs of an adjustment spread over decades during which severe distortions and inefficiencies are allowed to persist.'¹⁹⁵

Inter-American Development Bank: 'We are trying to approach social reform in Latin America as a complement -- a deeply rooted one -- to the concept of economic reform. It would be a mistake to try to design social policies in isolation from the new economic model.'¹⁹⁶

Governments that had switched their economic policies, such as those in Asia (eg Korea), Latin America (eg Chile), or the former socialist countries (eg Hungary), had first changed their political base

The concerns of the middle class should be addressed

A number of commentators stressed the importance of the middle class to the success of economic reform. It was essential to enlarge the consensus in support of change (and its inevitable upheavals) by addressing the concerns of middle-class citizens as well as of poorer and weaker groups in society. Thus reforming governments would do well to concentrate on one or two areas of critical importance to middle-class people in managing the politics of economic reform.¹⁹⁷

The goals of economic reform must be effectively communicated

One of the four features of the Chilean experience that Piñera identified as crucial to its success was excellent communication: '... the will and the ability to appeal to the general public through the media, bypassing vested interests'. He argued that the mobilisation of public support was vital even at the time when Chile was ruled by Pinochet, and one would therefore expect it to be vastly more important in a democracy. He argued strongly that 'theoretical merit and internal consistency in a reform programme are not enough to generate political support: the programme also needs an upwelling of popular enthusiasm if it is to overcome the resistance of entrenched interests.'¹⁹⁸

Notwithstanding the importance of this point, we would do well to heed Nelson's warning that persuasion through the media 'may indeed ease the introduction of specific reforms, but in fairly short order people will judge reforms by their perceived results'.¹⁹⁹

Concluding remarks

The Mexican experience provides a useful summary:

'... Economic reform must be the result of a firm but flexible decision-making process: reformers must be able to learn from their mistakes and be ready to face new conditions; they must take advantage of existing institutional resources and establish links between diverse government activities; and they must learn to incorporate society at large in sharing the responsibility for decisions. Reforms must be built on a broad and deep-rooted social policy that pays attention to timing and pacing, so that change neither advances more quickly than the population can tolerate, causing fear and resistance, nor proceeds so slowly as to create impatience for results. Achievement of the goals of reform must open opportunities for people, who in turn must recognise those opportunities.'²⁰⁰

South African economic reform*GEAR – a bold policy shift*

Throughout the 1990s the ANC's economic policies have shown a clear shift towards greater acceptance of the market. They were first comprehensively articulated in the original Reconstruction and Development Programme (RDP), published prior to the 1994 elections. (The RDP itself was an expanded and popularised version of the proposals advanced by the COSATU-driven macro-economic research group MERG in 1993). These policies were modified in the RDP white paper of September 1994, the government's draft National Growth and Development Strategy of February 1996, and finally the Growth, Employment and Redistribution (GEAR) proposals of June 1996.

The evolution of the ANC's policy position was further influenced by foreign perceptions and pressures (from foreign investors, potential investors, the World Bank, IMF and others). Other important policy influences were the *Growth For All* document of the South Africa Foundation (representing the country's 50 largest corporations) published in February 1996, and organised labour's response to business in the *Social Equity and Job Creation* document of April 1996. The sharp devaluation of the rand in March–April 1996 was also an important factor.

Reforming governments would do well to concentrate on one or two areas of critical importance to middle-class people in managing the politics of economic reform

Thus GEAR was introduced in June 1996 in the context of considerable pressure on the South African currency, and an increased political debate on economic strategies among key interest groups inside the country.

What is GEAR?

Proposals outlining the programme for restructuring state assets are distinguished by their vagueness. Privatisation constitutes only one of the three components, with the remaining two leaving considerable scope for less reliance on market mechanisms

Many critics and analysts of GEAR have come to label the proposals as 'neo-liberal' in character. This means that the strategy for growth has three distinguishing features: reliance on market mechanisms wherever possible, rather than government intervening in and regulating the growth process; maintenance of fiscal and monetary policy restraint; and opening up the economy to international competitive forces.

In broad terms, this characterisation is only partially accurate. The strategy rests on a number of distinct proposals which do not all comfortably fit the 'neo-liberal' description. The core GEAR proposals are:

- fiscal reform aimed at reducing the size of the government deficit, lowering inflationary pressure, and reducing the 'crowd-out' of private sector investment expenditure;
- monetary policy aimed at stabilising the real effective exchange rate and relative prices;
- the reduction of tariffs and gradual relaxation of exchange controls;
- a restructuring of state assets, which includes developing guidelines for the governance, regulation and financing of public corporations, the sale of non-strategic assets, and the creation of public-private partnerships;
- industrial policy which provides tax incentives to labour-absorbing investment, a strengthening of competition policy, and the development of an industrial cluster support programme.³⁹⁴

Fiscal and monetary policies both emphasise restraint and the maintenance of stable macro-economic conditions. Trade policy appears to be opening up the economy to increased foreign competition. The restructuring of state assets includes a privatisation component. Industrial policy identifies the need to strengthen the efficient functioning of markets through competition policy, emphasising the importance of market mechanisms.³⁹⁵ Yet a closer examination of the proposals suggests that:

- the proposed opening of the economy relies primarily on tariff reduction and relatively little on the relaxation of exchange controls;
- proposals outlining the programme for restructuring state assets are distinguished by their vagueness. Privatisation constitutes only one of the three components, with the remaining two leaving considerable scope for less reliance on market mechanisms. Talking about the 'restructuring' of state assets, GEAR says that this could involve total or partial sale of an asset, or the sale of an asset with the government retaining a strategic interest. Section 7.2 also says the sale of state assets must take place in a phased manner, and passes responsibility for specifics on to the relevant ministers;³⁹⁶
- while according with international best practice in form, the actual changes in the governance, financing and regulation of public corporations as well as the implementation of public-private partnerships do not indicate a convincing embrace of the market in substance. Industrial policy similarly carries with it the potential for an interventionist stance by the state.³⁹⁷
- GEAR actively embraces the Labour Relations Act (which came into effect in November 1996, after the publication of GEAR). The act introduces a single industrial relations system for all employees, promotes collective bargaining on an industry-wide basis, and introduces workplace forums. It was hailed by its drafters as 'the Rolls Royce' of labour legislation internationally. (Subsequent legislation in the form of the Basic Conditions of Employment Act and the Employment Equity Act confirms the government's inadequate commitment to labour market flexibility.) The net effect is what GEAR terms 'regulated flexibility'. The objective is to extend the protection and stability claimed to be the outcome of the LRA to all employees in the labour market, albeit at the discretion of the minister of labour. According to research commissioned by (DE), this package of legislation '... falls outside the scope of what would conventionally be understood as a reliance on free and

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flexible labour markets, as does the continued reliance on minimum wage policy, collective bargaining and the arbitrary relaxation of minimum wage agreements in the case of young workers'¹⁹¹ (see box: **GEAR versus the minister of labour**, this page)

Economic reform programmes in developing countries

As a form of voluntary economic reform, GEAR is a fairly standard package of policies in the current world economy. It follows the pattern of many other countries that have had to correct the effects of excessive government deficit budgeting and borrowing, and bring down the state debt burden, in order to lower the cost of investment capital and strengthen investor confidence in the currency and the economy in general.

The demands of economic reform on governments and on the societies they govern are normally severe. The accumulation of a deficit necessitates a sharp departure in government policy

GEAR versus the minister of labour²⁴²

In projecting strong employment growth, GEAR not only assumes strong output growth but also rising labour intensity. The policies that GEAR identifies as supportive of greater labour intensity include supply-side measures (such as tax holidays for targeted projects) and labour market reforms. One third of the 270 000 new jobs per annum envisaged in GEAR were to arise from institutional reforms in the labour market (the remainder coming from economic growth and government programmes).²⁴³

Although the section on labour market policy is thin, there are clear policy recommendations. Chief among these are:

- greater ministerial discretion in extending collective agreements to non-participants in the bargaining process; and
- the promotion of 'regulated flexibility' – that is, greater wage variation within the existing wage determination system.²⁴⁴

However, CDE commissioned research indicates 'there is a fundamental inconsistency between the policies pursued by the ministry of labour and the vision embedded in GEAR':²⁴⁵

- Under the previous *Labour Relations Act* (LRA), parties to a bargaining council could request the minister to declare the terms of their agreement binding on non-party firms. In terms of the new LRA, the minister of labour is obliged to extend agreements. A recent analysis of the situation concludes: 'It is extremely inappropriate for an economy with high unemployment like South Africa to operate with an industrial relations system predicated on eliminating low-wage competition.'²⁴⁶ The provisions relating to hiring and firing employees increase the risk associated with hiring unsuitable employees. As such the act introduces further rigidities in the labour market, and encourages employers to invest in capital rather than additional labour.
- The *Basic Conditions of Employment Act* significantly raises the non-wage costs to employers of hiring labour, through longer annual maternity and family responsibility

leave, reduced hours of work and a 12 per cent increase in the overtime premium (which also now starts at 45 rather than 48 hours).²⁴⁷ In addition, the legislation gives preference to regulation via collective bargaining at industry level and legislative or regulatory fiat, over individual employment contracts and enterprise level bargaining.²⁴⁸

- The provisions relating to lowering income differentials in the *Employment Equity Act* have the potential to induce employers to cut lower paid (and lower productivity) jobs by eliminating or outsourcing these activities.²⁴⁹ The administrative requirements of the act place additional burdens on both the state and employers. All but the smallest of employers will have to draft and implement employment equity plans, do employment analyses, implement affirmative action and report on a regular basis to the department of labour. All this further raises the costs of employment.²⁵⁰

Trade and labour market reform is not sufficiently co-ordinated. International evidence suggests that labour policies and institutions that protect the wages of low-paid workers are likely to lead to job losses as international competition increases. It is a cause for concern that the ministry of labour is injecting greater rigidity into minimum wage determination at a time when South Africa's trade barriers are coming down rapidly.

The policies being followed by the department of labour fit broadly into the high-wage, high-productivity (and consequent low-employment) growth strategy favoured by COSATU and others on the 'left'. As such, they contradict the GEAR goals of labour-intensive growth and rapidly expanding job opportunities for the poor, the vast majority of whom are unskilled and hence need low skill, low-productivity jobs.

Finally, labour policy favours large firms over SMMEs. Big companies have a voice in the highly centralised bargaining structures, and are better able to absorb the high cost of labour (both in wage and non-wage costs). This contradicts GEAR's commitment to prioritising SMME growth.

and practice to reduce spending, much of it on salaries in state administration and on social services. Reductions in spending must be coupled with making spending more cost-effective.

The latter usually means reducing the size of the public sector. In most developing countries the role of government social spending and the proportion of state employment are much more important than they are in more developed societies, where the private economy is more dominant. The 1990s have shown that, even in developed countries, when the state starts to cut back on both services and employment without the right policy mix, social turbulence results. This is an indication of the kind of pain that a society with a dominant state sector will have to confront.

Besides the scale of impact, developing countries normally have to achieve more ambitious growth targets. In order to be globally competitive their targets have to take into account higher population growth rates, higher unemployment rates, and lower levels of technology and education. South Africa's GEAR policy illustrates these factors. The initial growth targets were high, the aim being 4.9 per cent real GDP growth a year by 1999 (6.1 per cent by 2000).³⁰⁶ In a more developed country, sustained growth of 4 per cent would be a basis for solving most problems, but here it has to be higher.

In the face of adverse changes in the domestic and international economic environment since the publication of GEAR in 1996, the government's growth projections have been lowered on successive occasions. First, the December 1997 Medium-Term Budget Policy Statement (MTBPS) lowered the 1999 target to 4 per cent, rising to 5 per cent in 2000/1.³⁰⁷ Next, following the crises in the global financial markets the November 1998 MTBPS revised this figure down to 2 per cent, and projected real GDP growth for the 1998 financial year at 0.2 per cent.³⁰⁸ And the 1999 budget, published in February, made a preliminary estimate of 1998 growth of negative 0.1 per cent, projected 1999 growth to be around 1.8 per cent, and set a target of just 3.8 per cent growth by the 2001 financial year.³⁰⁹

GEAR and the poor

In the context of South African politics and ANC history, there is no doubt that the government's adoption of GEAR was an important and brave step. Its courage in embracing its own form of structural adjustment has been widely recognised. It is also widely believed that South Africa has been able to withstand the Asian economic crisis as well as it has because of the government's firm commitment to sound macro-economic policies.

As Joan Nelson points out, 'where market-oriented economic reforms are carried out simultaneously with political opening, the two processes interact in complex ways that are in part complementary but in part also conflicting. The uncertainties of both transitions compound each other. The political transition normally disrupts and weakens the authority of already severely eroded state institutions, just as the economic reforms are generating extraordinary demands for state initiative and efficiency. The early effect of economic reforms increase insecurity, inequality, and apparent foreign influence, just as major sectors of the population begin to find themselves empowered politically. The point is not that economic and political liberalisation cannot proceed in tandem, but that the attempt does pose special problems.'³¹⁰

Many commentators have highlighted the dilemma facing the South African government, namely the simultaneous need to grow the economy, consolidate democracy, and satisfy aspirant, mainly poor supporters. Equally well debated is the polarisation of views around this dilemma.

At first glance there is a structural tension built into the South African transition. Simply put, democracy promises equality for all citizens, and a market economy appears to deliver inequality. But, in order to bring about greater equality as promised by democracy, the state needs the wealth generated by a competitive market economy to meet the demands for a greater equality of services, for example in education, health and housing. In the short term, economic reforms necessary to improve the performance of the economy might well increase inequalities before they lead to a greater distribution of wealth – an outcome which cannot be guaranteed.

In the context of South African politics and ANC history, there is no doubt that the government's adoption of GEAR was an important and brave step. Its courage in embracing its own form of structural adjustment has been widely recognised

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In assessing this understanding of South Africa's challenges, it is important to be clear about what we mean by democracy promising equality for all citizens. The political leadership can determine how that equality is interpreted. Is it seen as equality of outcomes, or equality of opportunity? If the emphasis is on equality of opportunity, then it is quite possible for a market-based economy to offer increased access to opportunities to those previously denied them. Outcomes will inevitably be unequal, but access to entrepreneurial, education, training and many other opportunities could be progressively and rapidly expanded.

This approach requires a firm commitment to and understanding of the workings of a market-based economy and the necessary public interventions to ensure expanding opportunities for more and more South Africans. GEAR needs to be understood within this context.

Some interest groups insist that tight fiscal and monetary discipline is not essential for growing the economy. They argue for strategic state spending aimed at a demand-led 'growth path', even though it might imply a higher deficit and higher inflation for a period. They assert that the higher initial growth that would result from this approach will attract more capital and investment, and that the economy could grow itself out of its state debt.

This view is strongly challenged by adherents of the current mainstream approach to sound economics. They maintain that state spending crowds out private capital and that the conditions for attracting international capital – essential for South African growth – are low inflation, declining state debt, and an economy that does not need direct state intervention to maintain its growth rate.

There is a third – but not very frequently articulated – view that the government must pursue a growth strategy based on international competitiveness and a simultaneous strategy of social reform and development.³¹¹ This is the position that CDE would strongly support and which informs this report. Such an approach will only be possible if the development and socio-economic strategies complement the macro-economic strategy. This means they need to be highly selective, well planned, cost-effective, involve the private sector extensively, and contribute to South Africa's competitiveness.

They also need to take place within the fiscal limits of the macro-economic strategy. To be effective, such socio-economic reforms will require a substantial reallocation of and more efficient state expenditure, and a clarification of the socio-economic priorities that will assist economic growth in the short and medium term.

Assessing GEAR

According to GEAR, South Africa is pursuing a set of 'integrated', 'coherent' and 'technically sound' policies which add up to a consistent and investor-friendly framework.³¹² Assessing GEAR involves looking not only at progress related to the specific details itemised in the GEAR programme, but also at the broader components of government policy. Does the government's overall approach reveal:

- an understanding of the choices inherent in GEAR, and the benefits for all South Africans of adhering to its vision as much as to the detail?; and
- an appreciation of the effects of surrounding state responses and policies on the achievement of economic policy goals?

In assessing GEAR we will examine its achievements, areas of mixed success and ambivalence, and failures in the implementation of the strategy itself; other areas of government policy that contradict or undermine GEAR's objectives; areas of policy omission; and features of the domestic environment that make its successful implementation more difficult.

In doing so, we wish to emphasise that CDE fully supports the thrust of GEAR, and recognises the government's courage and determination in maintaining its commitment to these macro-economic objectives in difficult political and economic circumstances.

Achievements

The failures in implementation, policy contradictions and omissions discussed later need to be balanced against GEAR's achievements. The government's commitment to and success in

The government's commitment to and success in achieving certain aspects of the GEAR strategy should not be underestimated

achieving certain aspects of the GEAR strategy should not be underestimated (see box: **GEAR score card**, facing page). For example:

It is quite possible for a market-based economy to offer increased access to opportunities to those previously denied them. Outcomes will inevitably be unequal, but access to entrepreneurial, education, training and many other opportunities could be progressively and rapidly expanded

- GEAR's greatest success has been to reduce the **budget deficit**. Despite sustained attacks from the 'left', the department of finance has steadily reduced the deficit since 1996, and seems set to continue the trend. While not quite reaching GEAR's stated goal of a phased reduction to 3 per cent of GDP by financial year 1999, the actual deficit has been close to target. More importantly, the trend has been firmly in the right direction. The 1999 budget review estimated a deficit of 3.7 per cent in 1998, projected a 3.5 per cent deficit for 1999, and planned to reach the 3 per cent target in 2000, just one year behind schedule.²¹¹ The department of finance recently announced that it had bettered its 1999 budget estimate and achieved an actual deficit of just 3.3 per cent in 1998.²¹²
- GEAR aims at maintaining the 'long-term real effective **exchange rate stability**' of the rand at a 'competitive level'.²¹³ After the rapid fall in the value of the rand that occurred just before GEAR was announced, the currency's exchange value did stabilise.²¹⁶ Furthermore, while dropping fairly sharply during successive shocks caused by the emerging markets crises in 1998, the currency and the economy arguably withstood these external fluctuations well – certainly better than those of many other 'emerging markets'.²¹⁷
- GEAR has recognised and continued to **reprioritise expenditure** on welfare and social services. This process had already begun before 1994 and was accelerated by the RDP. With GEAR, government has managed to retain this priority while simultaneously ensuring that welfare expenditure does not expand so quickly as to seriously threaten the fiscus. Social services expenditure (education, health, social security, welfare and housing) accounted for about 60.5 per cent of non-interest expenditure (15.1 per cent of GDP) in 1998/9. While it is set to increase in both nominal and real terms, it is budgeted to decrease slightly as a percentage of non-interest expenditure from about 60.6 per cent in 1999/2000 to 58.5 per cent in 2001/2.²¹⁸ Social services expenditure, particularly on education and health, is high by international standards and looks set to remain a priority. This is appropriate in the light of South Africa's history.
- The 1998 and 1999 **budgets** were broadly in line with the priorities and programmes set out in GEAR. As important as the actual expenditure allocations, however, has been **reform of the budgeting process**. The introduction of the Medium Term Expenditure Framework (MTEF) in 1998 brought in three-year budgeting plans which should allow for the easier implementation of medium-term projects by line departments, as they will now have an indication of what their budgets will look like over an expanded time horizon. It should also facilitate more accurate feedback to the fiscus, and ultimately greatly improve the quality of the budgeting process. The process was further refined in 1999 with the introduction of the national expenditure survey,²¹⁹ which attempts to link reported expenditure in the budget to the delivery of specific programmes by line departments – ie, it links departmental expenditure with outputs. According to the minister of finance, this accompaniment to the usual budget review and budget speech 'empowers parliament and the nation as a whole to monitor what we deliver with the resources available'.²²⁰

Areas of mixed success and ambivalence

- Success in the area of **tax policy** has been mixed. In line with GEAR proposals, the South African Revenue Service has greatly improved the efficiency of tax collection (see box: **The South African Revenue Service's 'quiet revolution'**, page 90). GEAR also promises a drop in both personal and corporate taxation on the basis of the extra revenue expected from rapid economic growth.²²² In both the 1998 and 1999 budgets, measures were introduced to reduce the effect of fiscal drag on personal income tax, particularly for middle-income earners. In the 1999 budget corporate tax rates were lowered from 35 per cent to 30 per cent. With the 12.5 per cent secondary tax on the distribution of profits, this means the total tax on a company that distributes all its profits has come down from 42.2 per cent to 37.8 per cent.²²³ While they are an improvement, these rates remain high in relation to competitor nations.²²⁴ Lowering tax rates further might well boost private

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GEAR score card ²²¹

This score card is an attempt by CDE to assess the major elements of the GEAR policy. Because some aspects of performance have been well beyond the government's control, the achievement rating must be complemented by an assessment of the commitment of the government to improve, maintain or defend the performance or the objectives, as set out or implied in the GEAR policy. This is not an exercise in precision but rather an attempt to gain a bird's eye view, in the very broadest terms, of the policy and its implementation.

	Achievement	Commitment	Comment	What do you think? Add your comments here ...
ECONOMIC ELEMENTS				
Framework and goals	✓	✓	If anything too optimistic	
Deficit targets	✓	✓	Improved revenue collection	
Lower interest cost	✗	?	Plans to manage interest rates	
CPI / inflation	✓	✓	But plans for inflation targets create uncertainty	
Government dissaving	✗	?	Efficiency targets compromised	
Government investment expenditure / policy	✗	✗	Economic infrastructure static or deteriorating	
Private savings	✗	?	Tax on retirement funds / high personal taxes	
Tax as % of GDP	✗	✗	Government tends to add taxes and levies to basic tax / income tax high for middle incomes	
Corporate taxes	✓	✓	Recently reduced to 30%	
Government wage bill	✗	?	Efficiency and transformation not always compatible / downsizing sluggish	
Export growth	✗	?	Requires more competitive production	
Privatisation	✗	?	Too many conditionalities for rapid progress	
Employment growth	✗	✗	Labour laws neutralise objectives	
GDP growth	✗	✓	Disappointing, but government not solely to blame	
SUPPORTING POLICY AND PROCESSES				
Investor confidence	✗	?	Allows political rhetoric to create uncertainty	
Human resource development	✗	?	Very mixed objectives in education policy / poor performance / training initiatives belated	
Access to efficient health care	✗	?	Overloaded agenda and mixed objectives reduce performance	
Sustainable welfare	✓	✓	Very disciplined approach	
Housing	✓	✓	As positive as can reasonably be expected	
SMME development	✗	✗	Revenue service penalises business in VAT regulations. State schemes not effective	
Promotion of tourism	✓	?	Support for SATOUR disappointing	
Skills retention	✗	✗	Government appear complacent about the brain drain	
Rural development	✗	✗	Land reform emphasises redistribution rather than agricultural development	
Crime and corruption	✗	?	Policy generally positive but high priority initiatives not sustained	
KEY: Positive: ✓ Negative: ✗ Ambiguous/uncertain: ?				

domestic investment and help attract foreign direct investment. Inappropriate taxation policy can shut down the growth process, and create incentive structures within the economy which discourage investors from moving beyond a very low level of capital per labour hour, hence preventing the realisation of high levels of labour productivity. Small, open economies faced with mobile capital are particularly vulnerable to such development traps.

- Government relaxed **exchange controls** in the 1997 and 1998 budgets, although the pace of the process has been debated. No further relaxation was announced in the 1999 budget speech. However, the minister of finance has stated that the government expects to be in a position to announce a further relaxation later this year (1999).²²⁹
- Mirroring GEAR's ambivalent commitment to **privatisation**, this process has been slow and unsteady. The sale of SABC radio stations and the partial privatisation of Telkom gave the process a relatively solid start, but since then only four privatisation deals have gone through, three of which are relatively minor: Aeroporti Ci Roma has bought a stake in the Airports Company, and Sun Air, Aventura (since delayed) and Denel's Sybase have been sold to local buyers.²³⁰ In the face of significant labour opposition, the government's com-

The South African Revenue Service's 'quiet revolution'

During 1998/9 the South African Revenue Service (SARS) 'exceeded all expectations by collecting R183,6 billion, which is R4,4 billion above its original budget of R179,2 billion'.²³¹

In 1994 less than 12 per cent of economically active people in South Africa paid income tax. Estimates of lost revenue range from R20 billion to R25 billion a year. In 1997 some 50 per cent of small businesses in the Western Cape were not registered for VAT and PAYE, and the SARS has estimated that in 1997/8 some 60 per cent of taxpayers in KwaZulu-Natal were dodging tax in one way or another.²³²

A senior tax partner at Arthur Anderson and Associates argues that a 'quiet revolution' has transformed South Africa's tax collection services since late 1997, when the SARS became an autonomous public institution.²³¹ Since that time the SARS has enhanced its tax collection capacity and improved tax compliance in line with international 'best practice':

- **Broadening the tax base:** A 'tax base broadening campaign' brought more than 50 000 citizens on to the tax records within 16 months. It is argued that this achievement helped the minister of finance to 'channel about R6,5 billion into income tax relief over the past two financial years'.²³² Between October 1997 and December 1998, some 760 606 income tax, VAT and PAYE cases had been evaluated, and 181 000 proved eligible for registration. Ongoing efforts at tightening up tax collection continue, including the opening of the first service point in Soweto and the development of the Sandton Corporate Centre, a special office set up to assess large companies.²³³
- **VAT administration:** Tax evasions relating to fictitious exports to neighbouring countries have been tackled. 'Up to 90 per cent of the losses previously suffered on VAT refunds on indirect exports to Botswana, Lesotho, Namibia and Swaziland (BLNS) have already been staunched. [This previously] cost the country R100 million a month.'²³⁴ Under

the new scheme, the SARS is refunding about R9 million of VAT a month. Since January 1999 collection of VAT on goods imported from BLNS countries has taken place at 17 newly designated border posts, representing 90 per cent of the commercial traffic between South Africa and these countries. This had not been done since VAT was introduced in 1991. By April 1999 it was estimated that R35 million in VAT had been collected through these border posts.²³⁵

- **Tax compliance:** The SARS is moving decisively to clamp down on tax fraud in a number of high-profile cases; more than 250 criminal cases initiated by SARS are currently in process. A billion rand of additional revenue has been generated from 'concerted in-house forensic investigations'.
- **Reducing tax debt:** The SARS has used the recent demutualisation of South Africa's two largest insurance companies to recoup tax. R98 million in outstanding tax debt has been recovered in the first four months of 1999 from Sanlam beneficiaries, and some 35 000 Old Mutual policy-holders have been informed that they owe SARS tax to the tune of R300 million.²³⁶
- **Rationalising the tax system:** Since June 1994 the Katz Commission has been involved in an ongoing review of the tax system, aimed at simplifying and rationalising it. The commission has been working on the basis that 'sensible long-term reform of the South African tax system requires an holistic evaluation of the tax system. Short-term ad hoc adjustments which are not part of a well crafted structure ... are unlikely to produce an optimum system'.²³⁷ It has therefore been working systematically through the tax system, periodically submitting interim reports to the minister of finance and advising on reforms. To date the commission has completed nine reviews on areas as diverse as capital transfer tax (fourth interim report), and taxes on NGOs (ninth interim report).

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mitment to privatisation has been unconvincing. The 1999 budget review promised only one additional privatisation initiative this year (the sale of the SA Forestry Company), although it did also promise the conversion of the SASRIA fund into a public company as well as 'restructuring initiatives' involving Alexcor, Eskom, South African Airways, Transnet and Denel.¹⁷⁷

- The government's struggle, since the announcement of GEAR, to control **local and provincial government spending** places a great deal of pressure on the fiscus, and threatens to undermine the government's ability to sustain its success in keeping the deficit down. The 1999 budget has been encouraging in this respect -- the reported provincial deficit (overspend) of R5,9 billion recorded in 1997/8 has dropped to a preliminary estimate of a surplus of R0,6 billion in 1998/9.¹⁷⁸

Failure to implement GEAR proposals

The government has not delivered on the promise to increase public sector investment. Total capital spending by government has increased moderately from 6,4 per cent of non-interest spending in 1995/6 to 8,5 per cent in 1998/9, but is projected to hold steady at this proportion from 1999 to 2001.¹⁷⁸ The government has not indicated what precisely the source of the projected increase might be, and has not announced any major projects. Significantly, the governor of the Reserve Bank noted in a recent speech that, since 1994, the central government budget had gradually been adjusted by switching priorities and diverting wasteful expenditure (on defence, for example) to social programmes. 'In the process, unfortunately, capital investment in infrastructure and expenditure on some essential economic services were also cut.'¹⁷⁹

Policy contradictions

A careful analysis of the policy process shows that a number of government departments are implementing policies that cast doubt on whether some of GEAR's crucial aspects are being appropriately co-ordinated and integrated. For example:

- The department of labour has consistently encouraged rigidities in the labour market, in direct opposition to GEAR's vision of fostering labour-intensive growth and a more flexible labour market, albeit via the ambiguous concept of 'regulated flexibility' (see box: **GEAR versus the minister of labour**, page 85).
- The department of health has sponsored policies hostile to an industrial sector (pharmaceuticals) in which South Africa has a recognised competitive advantage and is experiencing high levels of FDI, so crucial to the success of GEAR (see box: **GEAR versus the minister of health**, page 92).
- Education policy remains a problem area, and might well represent the biggest threat to GEAR's long-term success. The formal education system is the primary site of investment in human capital, and success in this area is a precondition for any sustainable growth strategy. Furthermore, a concentration on improving human capital development is likely to be supported by GEAR's supporters and detractors alike (see box: **GEAR versus the minister of education**, page 93). However, broadly speaking the policy initiatives of the national department of education have harmed rather than facilitated the objectives of GEAR. Matric pass rates fell between 1994 and 1997 (although the 1998 results indicate that this trend might be stabilising), per capita costs are rising, much of the resources of Model C schools have been lost, and the national department is focused on equality and not performance. Besides this the Curriculum 2005 outcomes-based system is inappropriate to many South African schools (its 10-year phasing-in period also means that it is not synchronised with GEAR). Also, staff costs are high, while their performance (especially administrative) is low.²⁰⁰ Given the high expenditure on education, the focus should be on restructuring the sector, thus posing little threat to fiscal and monetary discipline.
- Current immigration policy remains confused and contradictory on how to tackle the problem of a net outflow of skilled people. While the issue is not directly mentioned in GEAR, it

The pharmaceutical sector is one example of a more general failure in the health department to achieve the optimum relationship between the public and private sectors for effective delivery; and achieve the right balance between the needs of the poor and international competitiveness

represents a missed opportunity to help overcome one of the major obstacles to its success, namely an acute lack of skills in the economy (see box: **GEAR versus the minister of home affairs**, page 94). From 1940 to 1995 South Africa experienced a net inflow of skilled people. However, current figures indicate that since 1995 the country has experienced a net outflow of skilled people. This is extremely worrying, because the South African economy has previously depended on a net inflow of skilled immigrants. Also, a skills

GEAR versus the minister of health: the pharmaceutical industry²⁵¹

When the ANC took over government in 1994 health was already a much more developed area of policy than most others. In May 1994 the party published *A National Health Plan for South Africa*, a relatively comprehensive policy document envisaging a major overhaul of the South African health system.²⁵² The plan was widely accepted in the health sector, and centred around a shift from tertiary (curative) to primary (preventive) health care, extending health care to all South Africans, and restructuring and decentralising the administration of health. The department of health has stuck to this broad framework for reform of the health sector, and can point to some success in dealing with direct health issues and in the ongoing process of systemic reform.

However, where the imperatives of health policy and those of GEAR have clashed, the actions of the department of health point to a highly ambivalent, and in some cases contradictory attitude on the part of the government towards the GEAR approach. The department's recently announced initiatives to control and regulate the pharmaceutical industry provide an illuminating example. A key aspect of GEAR is to encourage foreign direct investment (FDI), and the pharmaceutical industry is an excellent example of already high – and potentially higher – levels of FDI. However, according to a specially commissioned research paper for CDE, the department of health has done 'everything possible' to discourage this investment.²⁵³

Potentially lucrative industry

In 1981 the OECD noted that South Africa was a 'location of choice' for clinical research by multinational pharmaceutical companies. Large companies (eg Eli Lilly and Glaxo Wellcome) spend disproportionate amounts of money in South Africa. For some companies, 25 per cent of patients participating in clinical trials are drawn from this country, and some 80 per cent of the industry's turnover in South Africa originates from FDI.²⁵⁴

Attempts to eliminate brand names

In 1996 the department of health ruled that scripts by doctors would only be legal if the non-proprietary (or chemical) name of the medication was written. This would have practically eliminated brand names.

This ban on freely negotiated legal and moral contractual agreements was unconstitutional, and the government's ruling was withdrawn hours before a court case.²⁵⁵

Parallel importation and generic substitution

Despite controversy over the statistics, the department maintained that prices of drugs were too high. The Medicines and Related Substances Control Amendment Act (passed in December 1997 despite representations from the industry) grants the minister powers to abrogate patent rights and permit parallel importation. The law also mandates pharmacists to initiate generic substitution and gives the minister powers to overrule recommendations by the Medicines Control Council. This in effect renders intellectual property law ineffective.²⁵⁶

DTI attempts to boost industry

In 1996 the department of trade and industry (DTI) established a pharmaceutical cluster study 'to identify and remove constraints to international competitiveness'. By June 1999 the department of health had declined to participate and the study has now been abandoned.²⁵⁷ However, since early 1999 the department has been involved in a second initiative co-ordinated by the DTI, which seeks to investigate ways in which the government can assist local pharmaceutical manufacturers to increase their manufacturing capacity and competitiveness.²⁵⁸

Adverse effects on South Africa

The pharmaceutical industry is undergoing a global rationalisation, with multinational companies concentrating production in a few strategic countries which then supply the rest of the world. Between 1996 and 1998 more than ten South African pharmaceutical plants closed down, and a number of plans for new investments (both for upgrading existing plants and building new ones) have been shelved. In all an estimated 3 000 jobs have been lost. In this difficult climate the legislation and actions of the department of health have 'worsened the investment climate by fuelling uncertainty and resentment among multinationals.'²⁵⁹ In addition, the act prompted the United States to put South Africa on a watch list of 32 countries that appear to violate intellectual property rights.²⁶⁰

General problems

The pharmaceutical sector is one example of a more general failure in the health department to achieve the optimum relationship between the public and private sectors for effective delivery; and achieve the right balance between the needs of the poor and international competitiveness.

GEAR versus the minister of education

The GEAR document commits the government to 'sustained improvements in the quality of public schooling available to the poor, and greater equity in the flow of students through secondary and tertiary education ...'¹⁷

Education policy has been driven by a concern with the principle of equity. However, in its pursuit of this principle the department has both undermined the government's ability to reach short-term GEAR targets and failed to appreciate or fully utilise (and at times threatened) those areas of excellence that do exist in the system. The successful continuation and expansion of these areas are crucial to the long term ability of the South African economy to become and remain competitive.

In the short term, the department of education's attempts to equalise teacher-pupil ratios (and deal with an overall surplus of teachers) have jeopardised GEAR's immediate fiscal goal of controlling the government's wage bill. The abortive policy of offering voluntary severance packages proved far more expensive than originally planned, and had to be abandoned in December 1997. The subsequent attempt to deal with the problem by passing it on to the provinces resulted in a threatened strike by teachers' unions. Finally, the deal brokered with the unions to avert the strike included a provision recognising that '... there are no constitutional imperatives that place a ceiling on the education budget'.¹⁸

In the provinces, the attempt to deal with the wage bill and stay within budget has meant that the proportion of expenditure on school text books and stationery has declined by a third since 1995/6 (from 1,5 per cent to 1,0 per cent of provincial education budgets in 1998/9).¹⁹

In the longer term, education policy has failed to develop a convincing and sustainable human resource development strategy:

- At the school level, there is little evidence of an improvement in the standard of schooling available to the poor. The decline in the matric pass rate prior to 1998 continued a steadily declining trend since 1979, which the department has not yet convincingly reversed.²⁰ The primary driving factor behind this trend has always been students in the previous department of education and training (DET) and TBVC schools – the figures tell us little about what is happening in previously white, coloured or Indian schools. However, they do clearly indicate declining performance in the bulk of the old DET and TBVC schools, ie precisely those schools serving the poor. A recent report by the President's Education Initiative found a number of areas of 'malfunction' in the school system:²¹ a small number of teachers and other officials 'abusing public trust and misappropriating state funds'²²; a poor work ethic endemic among teachers (one example being school principals reporting during time management exercises that their teachers lose an average of 170 out of a possible 191 tuition days per year);²³ a poor level of conceptual knowledge about their subjects among teach-

ers, resulting in an inability to interpret and adapt the new materials and methods required by Curriculum 2005;²⁴ an unacceptably low level of conceptual knowledge among students in all grades;²⁵ poor use and misuse of textbooks and other materials (when available) on the part of teachers;²⁶ and a lack of competence on the part of both teachers and learners in the language of instruction (usually English), as well as lack of competency by teachers in learners' mother tongues.²⁷

- At the tertiary level, there are no public expenditure priorities to encourage the development of the high level skills needed in a competitive global economy. While some rationalisation is indeed taking place within individual universities, there is no co-ordination or discussion about who is cutting what.²⁸ Between 1985 and 1995 student numbers grew much faster than available funds, resulting in real increases in fees (these have been partly financed by the Tertiary Education Fund of South Africa). While the *Draft white paper on higher education* of April 1997 announced a new policy of prospective funding based on university and technikon plans, progress towards the new system has been slow.²⁹ Finally, it is unrealistic to assume that the same degree of excellence can be achieved by all 21 universities in South Africa. The government has until very recently failed to make decisions about expensive and inefficient institutions that absorb large amounts of public funds.³⁰
- Despite further education and training (FET) being the sector of the education system with the most immediate link to increasing economic productivity, the Presidential Review Commission reported that the department of education was showing little interest in building a relationship with the department of labour in this area.³¹

Since 1994 the department of education has been prolific in policy-making, sending at least eight pieces of legislation to parliament (excluding private acts relating to individual universities) and publishing four white papers, in addition to producing a large number of other policy documents.³² The evidence suggests that little of this policy has managed to come to grips with the crises facing all levels of the education sector. The state is struggling to implement much of the policy package, and little progress has been made towards furthering either of the goals mentioned in GEAR (improvement of both quality and equity in education).

Two critical questions must be asked about the department of education:

- Does the department have the capacity to implement its own ambitious plans?
- Has it achieved the right balance 'between developing excellence for competing in the global economy on the one hand, and expanding real educational opportunity on the other'?

shortage is cited as a major reason why small and medium-sized companies in Gauteng are not expanding their operations.²⁷¹

Areas of omission

The question of how best to develop human capital in this society needs to be more seriously addressed, as this is integral to sustainable and real redistribution of wealth in South Africa. A major weakness of the GEAR strategy is that it has not tried to utilise a strategy of investment in human capital as a way of improving South Africa's international competitiveness. A study commissioned for this project points out that: 'It is startling that the factor which can be argued to constitute the very foundation of modern growth theory is effectively sidelined not only in GEAR, but in the wider debate on growth in South Africa also. Investment in human capital and above all improvement in the quality of human capital is vital to long run growth prospects. Yet South Africa's record in this vital dimension is patchy at best, without showing signs of rapid improvement.'²⁷²

The surprising feature of the growth debate in South Africa is that mention of the human capital dimension of growth is virtually absent (see box: **Economic growth and human capital**, facing page). Although there are encouraging initiatives regarding boosting workplace training, it is important to note that – because they are not part of an identifiable pressure group – the unemployed have been left out of priority training programmes.²⁷³

The formal education system is the primary site of investment in human capital, and success in this area is a precondition for the sustainability of any growth strategy. Furthermore, a concentration on improving human capital development is likely to find support among both GEAR supporters and its detractors. All parties to the debate stand to gain from a far more serious engagement of the question of how best to develop human capital in the economy.

Human capital and improvements in the quality of human capital deserve a much more central place in the debate. According to a study commissioned by CDE: 'If human capital had been placed at the core of all growth proposals, it could have united the interests of the vari-

GEAR versus the minister of home affairs: skilled migration²⁷⁸

South Africa faces a severe skills crisis. Part of this crisis is that 1998 was the fourth successive year in which the country experienced a net outflow of skilled people – something that hasn't happened since World War 2.

The current government position with respect to skilled migration involves strict controls over the entry of skilled people into South Africa. The view is that skilled people should only be allowed into the country in professions or technical areas where a shortage of such people can be demonstrated. The way in which such a shortage is identified is through government statistics and through consultation with the professional or technical bodies representing that group of skilled people already in South Africa. Besides potential migrants with these formal skills, individuals with substantial amounts of money (a R1,5 million guideline amount, with R700 000 invested for three years) to invest in the country are also eligible for immigration.

A number of different reasons are given to support this position, which severely limits the entry of skilled migrants into the country:

- There are many black South Africans who can either do the job required or who should be trained to do it, and the

importation of foreign skills would hamper this process of affirmative action.

- South Africa should only allow skilled people into the country 'where there is an identified shortage, and we need those skills'. There is not much discussion around how this shortage will be identified, as it seems to be assumed that this is a simple, self-evident process easily handled via bureaucratic channels.
- South Africa should not denude its neighbouring countries of their skilled people, and should therefore not recruit in the SADC for any of the skills we need.

The contrary position which CDE supports is that the country's doors should be opened to all the skilled people who would like to come here, irrespective of where they come from. Also, those arguing this position believe that 'skilled' should be broadly defined, and include informal entrepreneurial skills.

The government released a new white paper on migration in March 1999. In principle it does address some of the issues relevant to the skills shortage; but does not go far enough in removing obstacles to skilled immigration and has yet to be translated into legislation.²⁷⁴

ous parties to the debate: labour because of the redistributive and improved wage earnings of improved human capital, business because of the unit cost implications of improved human capital.²⁸⁹

Like health, education should be seen as more than a long-term concern to be attended to once a range of more pressing issues have been addressed. Rather, it may well be a prerequisite if South Africa is to make a transition to a higher growth path than it currently enjoys. The matter is pressing (see box: **Why is human capital investment not a higher priority for government and business?**, page 96).

What is needed is not more expenditure on health and education, but the restructuring of current available expenditure to ensure that the quality of education and health services improves.

A further omission in the GEAR document is its failure to communicate how macro-economic reform would affect social and development strategy. This has left it extremely vulnerable. Tight fiscal discipline would obviously have serious consequences for ministers and MECs. If one considers the wish-list nature of the RDP document and of the popular understanding of the role of government in delivering social services, it was a grave error to avoid this set of issues.

The government's lack of communication regarding the implications of GEAR for social and welfare policies allowed it to be caught off guard when particular issues flared up, continually putting it on the defensive. When one considers that the core challenge in social reform in South Africa is not generally the amount of money available to each department but, much more importantly, how resources are allocated within departmental expenditure (and as leverage for increased private sector expenditure in that sector), it is even harder to see why this gaping hole was left for GEAR's opponents to exploit.

The government should have dealt positively and forcefully with these issues at the outset.

If key government policy on local government is unclear on the need for increased investment and private sector involvement in privatisation and service delivery, it is not surprising that GEAR is on rocky shores

Economic growth and human capital²⁸²

The quality as well as the quantity of education matters to the long-term growth of the economy.

In a research report commissioned by CDE, Fedderke has demonstrated a strong correlation between national primary school enrolment rates and the subsequent growth performance of national economies for a sample of 114 countries.²⁹¹ He has also pointed to research which indicates that the elasticity of output with respect to human capital was of the same order as the responsiveness of output to increases in physical capital.²⁹²

It is not only quantity of human capital development that shows a strong correlation with economic performance. A 1995 study by Hanushek and Kim showed that quality has a consistent, stable and strong influence on economic growth. According to them, 'the impact of quality indicates that one standard deviation in mathematics and science skills translates into one percentage point in average annual real growth. This growth effect is larger than would be obtained from over eight years in average schooling.'²⁹³

The importance of human capital development on firm-level competitiveness has also been demonstrated by more micro-based studies. On the basis of a detailed sectoral study in the United States, Caballero and Jaffe conclude that technology is subject to constant 'creative destruction' of the sort Schumpeter identified as being of the essence to economic progress under

capitalist economic systems. They estimate that:

- A firm that does not successfully invest in research and development (ie that does not invent) sees its value decline by an average of 4 per cent a year;
- while ideas diffuse quite rapidly, the annual rate of depreciation of ideas (ie the rate at which knowledge or technology becomes obsolete) has been high in the 20th century, and rising. While the rate of depreciation was estimated to be 3 per cent at the beginning of the century, it was as high as 10-12 per cent by 1990.²⁹⁴

Fedderke argues that studies such as these not only imply that investment in human capital is essential if firms are to survive in the international environment but also that the rising rate of depreciation of technology imposes a requirement for rising investment in technology and human capital.²⁹⁷ It is crucial to increase the inherent capacity of a society to absorb advances in technology, and to do so at a rate that keeps pace with the increasing speed of technological change.

These studies show that the development of the human capital upon which a society can draw ranks very highly among the factors influencing economic growth. Human capital must be developed as fully as possible if a country is to stand any chance of being internationally competitive.²⁹⁸

rather than hoping that they would not arise and then having to deal with them off the back foot. This did not occur. For example, as late as May 1998 it was hard to discern the impact of GEAR on the government's approach to local government in its white paper, which was marked by an ambivalent and negative attitude to private sector involvement in development.²⁹⁹ If key government policy on local government is unclear on the need for increased investment and private sector involvement in privatisation and service delivery, it is not surprising that GEAR is on rocky shores.

In the medium term, GEAR's neglect of social and development implications and future strategic priorities has consequences that are as serious as the neglect of human capital development.

Aspects of the domestic environment that undermine GEAR

Schlemmer has identified several other factors defining the policy and policy-making environment in which GEAR was formulated which have had an impact on its implementation:³⁰⁰

- **Corruption and irregularities in the public sector**

While the public sector may not be more corrupt than under the previous regime, corruption is certainly more visible. Estimates of the cost of public sector fraud between 1994 and 1997 range from R5 billion to more than R20 billion. Fraud also undermines public confidence and causes general cynicism. If public sector fraud was reduced to the levels found in a well-administered country, the state would be in a position to reduce taxation by 3–6%, which would significantly benefit GEAR.³⁰¹

- **Capital wastage: the deterioration of inner city buildings and infrastructure**

According to some calculations, Johannesburg's CBD has lost more than 70 per cent of its previous tenants (mostly to its northern suburbs), and Pretoria is experiencing a similar move to its eastern suburbs. While this may boost construction and other activities, it also drains capital away from fixed investment in manufacturing and contributes to high levels of credit extension to the private sector. Effectively the assets acquired through previous capital expenditure are being sharply devalued. The phasing out of the CBDs of two of South Africa's largest

Why is human capital investment not a higher priority for government and business?

The absolute numbers of apprenticeship contracts registered in South Africa has declined steadily since their peak in the early 1970s. Even in the presence of a growing population, the absolute number of apprenticeship contracts issued has steadily diminished.³⁰²

In *Social Equity and Job Creation*, COSATU claimed that South African business on average invests only 1 per cent of its payroll in training.³⁰³ A 1996 survey commissioned by NEDLAC estimated this figure at 3,3 per cent,³⁰⁴ and a recent CDE survey of large corporations has found that South Africa's big companies are spending about 3,5 per cent of their wage bill on training.³⁰⁵ Whatever the exact figure, this is even less than the averages for industrialised OECD countries with established quality education systems (4 per cent), not to mention the 7 per cent average for the Asian Tiger economies.³⁰⁶

The 1997 World Development Report ranked South Africa 90th out of 175 countries surveyed in terms of human develop-

ment,³⁰⁷ and the 1997 Global Competitiveness Report ranked South African labour 52nd out of 53 countries in terms of labour skills and productivity.³⁰⁸ In the *Third International Mathematics and Science Study* by the International Association for the Evaluation of Educational Achievement (1998), South African matric pupils came last out of the 21 (mostly industrialised) countries measured.³⁰⁹

Fedderke cites a 1995 survey in which 34 per cent of 1 000 South African organisations surveyed were unable to find the skilled or managerial staff they sought.³¹⁰

This issue is not only serious and pressing, but also deserves a far more central place in the debate on South Africa's growth strategy. Human capital development should be seen as more than a long-term concern, to be attended to once a range of more pressing issues have been addressed. Rather, it may well be one of the essential prerequisites for South Africa to realise a transition to a higher growth path than it currently enjoys.

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cities is affecting fixed investment patterns. It also illustrates some of the costs of the breakdown in policing, which was the original cause of the problem.³⁰²

• The quality of the administration

The personnel bill of South Africa's public service in 1998 was some R103,6 billion (39,5 per cent of the national budget).³⁰³ The 1999 *Budget Review* states that provincial spending on personnel has increased from 53,1 per cent of 1995/6 spending to 59,2 per cent of expected 1998/9 expenditure.³⁰⁴ Yet there is a general perception (and substantial evidence) that government administration is poor, and deteriorating. Surveys point towards general pessimism in the business community, and an IMF report has described the civil service as in a situation of chaos.³⁰⁵ The Ncholo report and the PRC both pointed to an alarmingly high level of incapacity in the public service.³⁰⁶ Moreover, the public service is not shrinking and is becoming more expensive. This means that state capacity for implementing complex new policies is very limited (see case study 1 in this section)

• Crime

Crime is a major problem in South Africa, and it significantly affects investor confidence. The specific features of crime in South Africa are well known: the average South African police officer is underskilled, has low morale, and is four times more likely to be murdered than the average citizen. A culture of violent crime prevails. The government does not appear to be making the issue of crime a high enough priority. Although there are some encouraging signs that crime is beginning to be controlled, radical reductions will be necessary for GEAR to benefit from people's changed *perceptions*. Also, growth levels are well below the average of other emerging markets, which means that crime detracts hugely from FDI.³⁰⁷

Assessing GEAR: key findings

To summarise, a comprehensive assessment of GEAR as a package of policies meant to stimulate economic growth leads to the following conclusions:

- The adoption of GEAR was a major step in the right direction for economic policy, and represented a brave change of direction by the ANC's leaders.
- Unfortunately the plan itself was hastily constructed, using weak models and setting unrealistic targets.
- In implementing GEAR, the government has notched up some significant achievements. Overall, however, there has been a serious lack of follow-through in respect of key issues such as labour market flexibility, privatisation, cutting the public sector wage bill, and increased government investment. The government has also allowed the adoption of numerous other policies that directly contradict the aims and objectives of the GEAR strategy.
- GEAR suffers from significant omissions such as a focus on human capital development and a complementary development strategy, both of which could have been used to build bridges with those most likely to oppose economic reform.
- The government has failed to adequately prioritise those aspects of the domestic environment that threaten to derail GEAR.
- Strategically, the introduction and continued implementation of GEAR has been weak. Until very recently there has been no real strategy to sell GEAR and neutralise its opponents. Possible criticisms and vulnerabilities to attack from the political left were insufficiently thought through and poorly anticipated. A communication strategy with respect to GEAR and its implications was not developed or implemented for other components of government or the ANC as a movement. As a result, the government has been on the defensive from the start.
- GEAR is an important policy initiative, but is not the core factor driving the ANC government and its leaders.

In implementing GEAR, the government has notched up some significant achievements. Overall, however, there has been a serious lack of follow-through in respect of key issues

The need for continuing economic reform

In order to place the debate about GEAR into its appropriate context, it is important to understand the seriousness of South Africa's economic situation. According to Dr Chris Stals, governor of the South African Reserve Bank, the opening of the South African 'siege' economy since 1994 has revealed some serious structural weaknesses which 'require urgent attention'.⁹⁸

GEAR is an important policy initiative, but is not the core factor driving the ANC government and its leaders

Key economic indicators, 1989–93 versus 1994–8

- In the decade from 1988 to 1998, growth in gross domestic product increased from 0 per cent in 1989–93 to 2 per cent in 1994–8. Over the same period, growth in gross domestic expenditure increased from a negative 0.5 per cent to 3.5 per cent a year. Demand cannot, for obvious reasons, be allowed to grow so much faster than production for too long. A big challenge for the South African economy is therefore not to stimulate demand but to increase the production capacity of the economy. We have a supply-side problem.⁹⁹
- At the same time, total fixed investment swung from an average decline of 2 per cent a year in the first period to positive growth of 7.5 per cent in the second. 'In 1998 gross domestic fixed investment was equal to 18 per cent of GDP, which was not enough to create jobs for the natural annual increase of more than 2 per cent in the labour force. We need to invest about 23 per cent of GDP every year to keep up with the growth in population.'¹⁰⁰ Over the past five years gross domestic savings as a percentage of GDP has declined from 19 per cent to 16 per cent. In 1998 total savings had declined to only 14 per cent of GDP. 'The gap between the minimum required fixed investment and domestic saving is therefore increasing. South Africa is becoming more and more a nation of consumers that do not save enough to finance economic development in the country.'¹⁰¹
- As a result of these structural trends in domestic production, expenditure and saving, imports are rising as a percentage of total national income, and the deficit on the current account of the balance of payments is increasing. From 1989 to 1993 the current account showed an average annual surplus equal to R5.2 billion, but over the succeeding five years it changed into a deficit of R8.1 billion.¹⁰²
- South Africa is becoming increasingly dependent on net inflows of capital to fill the growing saving/investment gap and balance of payment deficit. This is making the economy more vulnerable to periodic net capital outflows (as experienced in 1998).¹⁰³
- One of the more serious consequences of these structural deficiencies is found in the employment record. Under the adverse conditions of 1989–93, total employment declined by 1.3 per cent a year. Despite the more favourable environment of the past five years, employment has declined by 1.6 per cent a year.¹⁰⁴
- Nonetheless, increases in real salaries and wages have accelerated from 1.8 per cent a year to 3.9 per cent a year (i.e. above the rate of inflation). On this path, 'the only way for South Africa to remain labour-competitive in a very progressive world environment is therefore to reduce the number of workers and force productivity per worker higher through retrenchment'.¹⁰⁵
- Although relatively strict monetary and fiscal policies were applied over the past five years, there is no reason for complacency. The average annual budget deficit has increased from 4.3 per cent of GDP in 1989–93 to 5.7 per cent over the next five years. Government revenue as a percentage of GDP (the tax burden) increased from 24.9 per cent to 25.6 per cent, and government expenditure from 29.2 per cent to 31.3 per cent. This means that in 1994–9 the government's total involvement in the economy increased further.¹⁰⁶
- The average rate of inflation declined from 13.6 per cent in 1989–93 to 8.1 per cent in 1994–8, but at the level of about 8 per cent a year inflation in South Africa is still about three times higher than in the major industrial countries of the world – from where South Africa imports the bulk of the goods and services it cannot produce itself.¹⁰⁷
- In light of the relatively high domestic consumption, the relatively high increases in average wages and salaries, the continuing budget deficit and the high inflation rate, monetary

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policy must remain restrictive. Prime overdraft rate of banking institutions has therefore averaged 19 per cent throughout the past ten years.¹¹⁸

These economic realities have serious policy implications. In the governor's view, 'these structural deficiencies need urgent attention ... The economic challenges for the country have now become of much greater importance than the need for socio-political reform.'¹¹⁹

In his view it needs to be accepted that 'the longer-term solution for the South African economic dilemma does not lie in the restoration of stability in the world financial markets, or in a new upswing phase of the business cycle, or in the stimulation of demand through an easier monetary policy, but rather in fundamental structural economic reforms.'¹²⁰ He would argue that GEAR provides a sound basis and consistent programme for economic restructuring, but in the words of a prominent international banking group - the programmes will have to be implemented 'with less timidity and more aggression'. And 'the need for speedy implementation has increased substantially since the proposals were first tabled in 1996. The global economic environment in which we must now operate is more demanding than before'¹²¹ (see box: **Reserve Bank governor issues strong warning**, this page).

A question of leadership

Most criticisms of GEAR have come from the left, from those fundamentally opposed to a market-based approach for South Africa's economy. They do not agree with the broad framework of macro-economic reform the government has adopted, which are requirements for South Africa to become a competitive player in an increasingly globalised world economy. They have managed to position themselves - inaccurately - as advocates of the poor, pitted against a government which they portray as ruthlessly cutting back on its promises to the electorate.¹²² The government has allowed this perception to develop. As economic reform is never going to be easy to implement or immediately popular, strong political leadership is required to push it through.

This should be supported by effective communication and education on the necessity of far-reaching, market-based economic reforms as the precondition for sustainable growth, development and poverty alleviation.

It is necessary to ask whether the ANC leadership ever had an effective and strategic game plan for implementing and 'selling' GEAR. Did it think through all the ramifications of each step it was proposing as part of the GEAR package? Was GEAR really a core priority for the first ANC government? Or was it merely one of many things which had to be done, and central only to one ministry (finance), supported by transport and trade and industry?

The 1994 election dividend has been spent. South African and international circumstances require the government to revisit its programme for macro-economic reform.

Reserve Bank governor issues strong warning

*'Government can force business people to do many things, but it cannot force anybody to stay in business.'*¹²³

The more aggressive implementation of structural reform programmes will in its own right contribute to an improvement in overall confidence. This is however not the full panacea.

'Trust and confidence are being eroded on a continuing basis by the escalation of crime and violence; by the almost regular occurrence of corruption and rumours of corruption in public service; by increasing threats of more government regulation of, and controls over, the economy; by uncertainties about longer-term economic objectives and policies.'¹²⁴

According to Stals recent threats for example to regulate the margins of banking institutions; to force banks to make more loans available to small businesses or for housing purposes ('cronyism'); to impinge on the independence of the Reserve Bank in the execution of its stated mandate to protect the value of the currency, all contribute to the decay of trust and confidence. Many more examples of a similar nature can be quoted in respect of other sectors of the economy.

*'South Africa needs an early and unequivocal commitment from its new government, after 2 June 1999, to the principles of the market economy.'*¹²⁴

The longer-term solution for the South African economic dilemma does not lie in the restoration of stability in the world financial markets, or in a new upswing phase of the business cycle, or in the stimulation of demand through an easier monetary policy, but rather in fundamental structural economic reforms'

It is useful to repeat the key lessons of international experience dealt with earlier. The following were identified as critically important to successful reform:

- effective economic reform requires a political strategy as well as a practical economic programme;
- introducing the reforms is less difficult than sustaining political commitment to a tough programme. Try to ensure the early emergence of politically significant beneficiaries as allies for reform. Facilitate a wider institutional climate of opinion and expertise in public and private sectors (media, think-tanks, professionals, universities) to support and give impetus to the reform process;
- a core professional policy team, unequivocally committed to the reform programme and its principles, must operate in powerful and influential positions in government. The team must be committed to a coherent and convergent strategy;
- a political leader committed to reform, unambiguously opposed to corruption and able to communicate a credible vision of what the reformed society will look like is essential to sustain support;
- successful reform requires a comprehensive programme which is rapidly implemented;
- governments that have changed their economic policies successfully have built new political alliances;
- there is a critical link between economic reform and social policies for the poor;
- the middle class is an essential group if reform is to be sustained and succeed;
- powerful communication strategies, using the entire cabinet, are important ingredients of success;
- reform must open new opportunities for citizens, and they in turn must know about these opportunities and credit the reform policies with change.

Is it possible to get 5–6 per cent growth while haemorrhaging professional skills and making it difficult and costly for foreign skilled people to participate in the economy?

New approach required

The South African economy will not grow at the speed and scale essential for development, racial reconciliation and poverty reduction unless the country is firmly committed to market-oriented economic growth. For South Africa to implement a successful programme of economic reform a new strategic approach is required. This must include sound economics, a committed team, a clear delineation of priorities for government, and complementary social and development policies combined with a clever political strategy. South Africa can only go forward now in terms of economic growth if some major decisions are faced up to and if an effective policy implementation and political game plan is developed. Some important questions need to be asked:

- Is it possible to achieve 5–6 per cent sustained growth with what is probably the developing world's most powerful and protected labour movement?
- In whose interests does the ANC govern – an urban-based elite or the mass of urban and rural South Africans, the majority of whom are unemployed?
- Is it possible to get 5–6 per cent growth while haemorrhaging professional skills and making it difficult and costly for foreign skilled people to participate in the economy?
- Is speedy growth possible if race is a more important criterion than merit? (see box: **Employment equity and empowerment**, page 128)
- Is there a new kind of political constituency that the ANC can build, organise and consolidate that will support GEAR-type policies?

In order to achieve sustained and high economic growth the government has to:

- make South Africa one of the most competitive emerging markets in the world;
- show that it is *unambiguously* committed to market-based growth;
- reverse the legislation that discourages employment, especially that of young first-time employees;
- unequivocally encourage all skilled professionals to stay in South Africa and demonstrate the positive contribution they can make, while enthusiastically seeking out and welcoming skilled foreigners;
- ensure that there is a core team in government committed to economic reform and that at

SECTION 2: POLICY IMPLEMENTATION

minimum the ministers (and top public servants) in key non-economic portfolios understand the relationship between economic growth and social policy;

- although it might be politically convenient to stress the links between GEAR and the RDP, it might have proved more effective for leaders to forcefully redefine the parameters of the development debate in the country and create new allies for its economic strategy.

Conclusion

In adopting GEAR, government took a welcome, brave and bold step. In some important areas it has steadfastly held the line for fiscal discipline, and the importance of these achievements should not be underestimated. However, in other critical areas of its own package of policies it has failed to follow through and ensure compliance with its own stated objectives. In the wider context of the rest of government policies, it has often adopted and implemented policies that directly undermine GEAR strategy or do not support it sufficiently.

The achievements in the fiscal field are contradicted by increased labour rigidity, very slow progress in privatisation and in human resource development and an investment policy which lacks real thrust, dynamism and flexibility. The painfully slow progress in increasing the productivity needed for global competitiveness has been achieved largely as a result of labour rationalisation. The promotion of small business and entrepreneurship has been limp and instead of a drive towards excellence, an emphasis on the premature promotion of scores of inexperienced people in key strategic state roles in the economy. Government has depended far too much on elaborate and complex spatial development and corridor initiatives, some of them in remote parts of the country, while the urban centres of the economy are experiencing deteriorating or insufficient infrastructure and under-utilised fixed investment. Equally slow progress characterises the implementation of public-private sector partnerships, with the consequence that private capacity is under-utilised.

Consequently, and most importantly, GEAR has not been able to stem the haemorrhaging of formal jobs in the South African economy nor has it occasioned a new stream of either domestic or international investment in productive activities in the country's economy.

If we look at other societies and the way in which leaders have implemented significant new policy paradigms or shifts, one of the critical issues has been the importance of getting every member of the cabinet 'on line'. And if they act in ways that are 'off line', the negative consequences for them should be immediate. This is what is required in South Africa if macro-economic reform is to have any real chance of succeeding.

The new government will require a more intensive and comprehensive economic strategy without unrealistic targets that set the government up for failure. The link between tough macro-economic reforms and sound development strategies for the poor must be thought through and spelt out. The necessity for the middle classes to buy into the programme needs to be accepted and its consequences dealt with. The link between economic policy and all other government policies must be defined and enforced. And the government must seize 'the high ground' from the outset.

The new government will require a more intensive and comprehensive economic strategy without unrealistic targets that set the government up for failure

SECTION 3
The ANC and
its president



The key question now is whether the ANC can
build on its strengths in order to deal
successfully with the challenges of governing
a complex and racially divided society

In this section we examine the ANC as well as its leader and South Africa's new president, Thabo Mbeki. Given that the ANC is the country's most important political organisation, destined to lead South Africa for at least the next five years, it is important to understand its strengths and weaknesses as well as the strains and tensions that run through it. We have had to be selective in our choice of material, and have concerned ourselves mainly with issues pertinent to the key questions posed in this document. Thus we deal with issues relevant to the ANC's position as the country's ruling political organisation, and the challenge of leading South Africa into the 21st century.

AN ORGANISATION IN TRANSITION

Introduction

Much of the commentary on the ANC ignores South Africa's history as well as that of the organisation, and therefore the dynamics within which it operates as a political movement and the country's government. As a liberation movement the ANC has reached many of its most important goals: seen in this light, its accomplishments are impressive. As the ANC itself has noted: 'The smooth change-over of government in 1994 was one of the most outstanding achievements of liberation struggles this century.'¹ Given South Africa's history – of harsh conflict, racial division and brutal discrimination – it is remarkable that an organisation such as the ANC did emerge in 1912 and managed to survive and triumph. To list only two of its important characteristics, its demonstrated commitment to non-racialism and its depth of multi-ethnic leadership have propelled it to an impressive and unique place in South Africa's history and that of the continent.

The key question now is whether this movement can build on its strengths in order to deal successfully with the challenges of governing a complex and racially divided society.

In this section we will ask what the ANC will need to be and do to govern the country effectively and provide the required leadership for the country as a whole. As South Africa enters the 21st century, it needs political parties that:

- have the popular support needed to govern;
- provide a clear policy direction for the executive;
- facilitate a system of effective and honest governance throughout the country;
- are accountable to voters;
- make progress in meeting the enormous challenges facing South Africa as a developing country, namely to consolidate a democratic society, attain sustained economic growth, ensure stability, and improve the lot of all South Africans, especially the poorest; and
- effectively communicate to the country and its citizens the reasons for the difficult and sometimes painful choices that the challenges of governing will impose.

An ambitious organisational pioneer

At the outset it is important to note the ambitious project that lies at the heart of the ANC as a political organisation at the close of the 20th century. For the first time in South Africa's history a political movement is attempting to create and establish a nation-wide mass political party, something the country has not seen before. (The political parties participating in previous 'whites-only' politics were legally restricted to representing only a small proportion of the population.) And when the ANC went underground in 1961, it was a relatively small organisation when measured against the size of the population (see box: **How many members does the ANC have?**, this page).

The ANC is attempting to be a very broad political movement. It is not a narrow, sectional party such as

How many members does the ANC have?²

- Its foundation meeting in 1912 was attended by 69 delegates.
- Subscribed members prior to World War 2 numbered 2 000.
- In 1947 ANC membership had grown to 5 517.
- At its peak during the 1952/3 Defiance Campaign the ANC claimed 30 000 members.
- In 1984 the size of its military wing, UmKhonto weSizwe, was estimated at 7 000.
- In 1994 the ANC claimed 1 million members.
- In 1998 it claimed 450 000 paid-up members and a further 500 000 non-paying members.

How does a former liberation movement imbued with a socialist world view transform itself into a political party that will turn South Africa into, in Mbeki's words, 'the world's most promising and exciting emerging market'?

many others in Africa and elsewhere (eg KANU in Kenya), nor a more focused, interest-based movement appealing only to a particular geographical area, sectoral or ethnic group, or other clearly identified interests. What the ANC is attempting is to consolidate itself as a broad-based nationalist movement, albeit a non-racial one. It is attempting to appeal to all Africans throughout the country, and to other groups as well. In many respects the ANC would like to be 'the natural' ruling party in South Africa. It wants to embody 'the nation' and the nation's aspirations. This is why its ambitions are so large.

The ANC's ambitious project is to build a countrywide political movement that will function within a multiparty democracy and operate as the ruling political party. It is an organisation with a large and bold domestic agenda, as well as far-reaching continental and global ambitions. It has set itself up to lead Africa's most powerful economy into the 21st century, and to oversee South Africa's legal, institutional and political transition away from apartheid. It has a long history that includes divisions between internal, exile and prison wings. And it has to govern a large and complex country with a diverse and unruly population.

Range of new issues

The ANC's mission and composition means it has to deal with a range of issues that are new to South Africa. Some of these are:

- How to build a mass political party in a large developing country?
- How to entrench democracy in the country and the party when probably half the voters are illiterate?
- What does large-scale poverty mean for democracy and party-political organisation?
- How does a party deal with corruption and undemocratic practices in local communities when one of the only routes out of poverty is politics?
- How does a party develop mechanisms of accountability between voters and MPs elected on a proportional list system, and when the proportion of voters to MPs is far larger than it has ever been in the past?
- What does it mean to have a movement whose supporters range from South Africa's poorest and most deprived people to its wealthiest, living in anything from unserviced shacks to large homes in modern suburbs?
- How does one build a party that has to deal with the latest international notions of roles and rights as well as rural chiefs and their supporters, with firmly held beliefs of patriarchy and authority?
- How does one build and run a truly national party in an ethnically diverse, multiclass and multi-faith society?
- How does a former liberation movement imbued with a socialist world view transform itself into a political party that will turn South Africa into, in Mbeki's words, 'the world's most promising and exciting emerging market'?

And all these issues surround a movement that is learning on the run: a movement – comprising many diverse parts – with a history of exile, banning, imprisonment and censorship, that has had to quickly take control of government and play a leadership role internationally and on the subcontinent; a movement at the forefront of interpreting and then applying South Africa's new constitution, with its requirement for new institutions and new relationships between leaders and led, citizens and state.

Given these factors, commentators have frequently failed to appreciate the pioneering nature of many of the ANC's activities and dilemmas. It has certainly not had many role models to learn from – even if it had the time to do so – either in South Africa or beyond. And it often has to deal with issues at a speed and on a scale that is qualitatively different from the issues that face other political parties in the country. Whatever its imperfections, the ANC's size, scope, and depth makes it a political pioneer.

Therefore, in assessing the ANC it is important to take account of the experimental nature of many of the situations in which it finds itself, and to place these in the context of South Africa's exclusionary, undemocratic, and often unhelpful history.

The nature of the ANC as a political movement

The ANC is not a political party built around common values and principles. It is a loose alliance formed around a common opposition to apartheid, white rule, black indignity and deprivation, and common support for a vision of a better life. A product of its time and its anti-apartheid experience, its language, self-perception, and interpretation of events is rooted in the idiom of revolutionary marxist and third-world dependency literature (applied to the 'special circumstances' of South Africa).

In this context it is instructive to note what recent ANC documents have been saying, and to assess the implications of these perspectives for the ANC in government. The quotes that follow have been extracted from four documents: a 1997 discussion document entitled Draft strategy and tactics of the African National Congress; a document entitled Strategy and tactics as amended at the 50th national conference, December 1997; a 1997 document entitled The character of the ANC; and a document entitled The state, property relations and social transformation, drafted in 1998.⁴

On the ANC's mission

The movement's strategic objective is the 'the creation of a united, non-racial, non-sexist and democratic society. This, in essence, means the liberation of Africans in particular and black people in general from political and economic bondage. It means uplifting the quality of life of all South Africans, especially the poor, the majority of whom are African and female.'

However, while 'the nature of democracy that the ANC pursues leans towards the poor ... The ANC recognises the central and leading role of the working class in the project of social transformation.' This is because 'South Africa is a society in which the great majority of our people have been (and remain) the victims of sustained national oppression but in which the majority class force is the working class. The deep interconnectedness between national and gender oppression and class exploitation remains the core objective circumstance underpinning the tripartite alliance.'

On the character of the ANC

The ANC is a 'broad movement, at the heart of a complex series of alliances and mass democratic formations'. The character of the ANC is determined by a number of factors, including:

- a commitment to a mass approach whereby the ANC 'seeks to be more than a party of mass support and more than an electoral machine. It also seeks to be a movement of mass participation';⁸
- its efforts to build a 'broad church' and 'hegemonic' organisation that 'does not seek to define itself in exclusivist or narrow ideological terms ... The ANC has been and necessarily remains home to a variety of progressive ideological currents - nationalist, Africanist, socialist - and a variety of different classes and strata, all united behind a common commitment to national democratic transformation. The multiclass, multistrata character of the ANC does not however mean that the ANC neglects the significance of class. The ANC is a multiclass/multistrata movement with a bias or leaning towards the black working class and the rural and urban poor. This bias is based on our conviction that it is these social forces that make up the major motive force for ongoing transformation. This bias does not however mean that we give up a broader leadership role in regard to other social forces. In particular the ANC seeks to organise and win over to the national democratic struggle the emergent black middle and upper middle strata and capitalist strata. More broadly, the ANC from its base amongst the historically oppressed seeks to provide a broad leadership over the great majority of South Africans';⁹
- the ANC style of functioning whereby it has attempted to be 'a force for cohesion' in the centre of a broad range of allied organisations, mass democratic and community based structures.¹⁰ 'While at this stage we define ourselves as a liberation movement, it is trite to counterpose this to being "a party" ... as understood by adherents of formal bourgeois democ-

Is it really possible to implement policies biased towards the poor in a developing country and at the same time assert the 'central and leading role of the working class'? What can this mean in practice when people in formal sector jobs are a small minority of the economically active?

racy. It is our strategic objectives, the motive forces of the revolution and the character of the terrain in which we operate such as mass work, parliament and government as a whole which are central to defining our organisational character, irrespective of the formal label attached to it.¹¹

In the context of all the changes facing societies, 'the trend has been for many of the centre left parties elsewhere to become much more narrowly focused on elections, using the professional techniques of the mass media to win not activists but supporters votes. The core of the party becomes a relatively small professional group, specialising in media, image projection, polling, policy-making and fundraising. The party leadership when not in power gravitates to the parliamentary caucus and shadow cabinet. When in power it is the cabinet itself which dominates the party. The party is not really the leader of a broad movement. Social movements (the trade unions but also the 'new' social movements) interact with the party more as lobbyists and pressure groups and less as part of a single movement (for reconstruction or transformation).'¹²

'The gap between the richest ten per cent of blacks and the majority has grown very rapidly. Many of the ANC's leading cadres have benefited directly from these new realities'

On the class nature of the ANC

'The ANC is a multiclass organisation representing the interests of forces that were participants in, and broadly stood to gain from the victory of, the NDR (national democratic revolution): black workers, the black middle strata, black business in its various ramifications, the rural poor and others – all to varying extents denied opportunities under apartheid. All these classes and strata share a common interest in the advancement of the cause of social transformation. Yet, ... their interests, within this broad framework, converge and diverge. This is because the NDR is not aimed at resolving the central question of property relations: it does not seek to create a classless society.'¹³

'... the last few years have seen the rapid development of a new black, upper middle class. The gap between the richest ten per cent of blacks and the majority has grown very rapidly. Many of the ANC's leading cadres have benefited directly from these new realities.'¹⁴

'Over time, the policies of government and the tactical sensibilities of some white monopolists have precipitated a situation in which some of the black propertied classes are expanding their positions within important sectors of the economy ...

'Other sections of the black middle strata are also benefiting directly and indirectly from opportunities created by government. Indeed, the rapid advance of these sections constitutes one of the most immediate and most visible consequences of democracy ... experience in other countries has taught us that, without vigilance, elements of these new capitalist classes can become witting or unwitting tools of monopoly interests, or parasites who thrive on corruption in public office.'¹⁵

'The occupation of positions of power by individuals from the black majority and the material possibilities this offers, does create some 'social distance' between these individuals and constituencies they represent ... this could render elements in the revolutionary movement progressively lethargic to the conditions of the poor. This is ... a danger always lurking as we pursue fundamental change from the vantage point of political office.'¹⁶

'On the factory floor, a black employer and a worker will not be immune to the class contradictions that the capitalist system of social organisation engenders.'¹⁷

'The new state ... promotes the emergence of a black capitalist class. Yet if this were to be an end in itself it would be a sure way to abort the NDR ... these forces ... can easily be co-opted into the agendas of their white counterparts; and they can easily also become a source of corruption within the state. ANC leadership of these forces is therefore critical.'¹⁸

On the nature of the state

'... as a concentrated expression of social relations, as an institution wielding enormous power and resources, the state is ... the most critical area of contestation among classes: transfer of state resources is thus characterised as the most visible and critical expression of a revolution. The state guarantees and regulates property relations and rules of political economic and

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social engagement in society. In doing so it promotes specific social interests. Therefore it should in its composition and outlook reflect those interests and afford the classes and strata it represents the wherewithal to carry out their objectives.¹⁹

"Transformation of the state entails, first and foremost, extending the power of the NLM (national liberation movement) over all levers of power: the army, the police, the bureaucracy, intelligence structures, the judiciary, parastatals and agencies such as regulatory bodies, the public broadcaster, the central bank and so on. This is not in contradiction to the provisions of the constitution which characterise most of these bodies as independent and non-partisan. Control by democratic forces means that these institutions should operate on the basis of the precepts of the constitution; they should be guided by new doctrines; they should reflect in their composition the demographics of the country and they should owe allegiance to the new order."²⁰

A developmental state prioritises the interests of... the poor and disadvantaged. ... Therefore the classes and strata which stand to benefit from transformation ... should be in command of state power.

"They should be in the driving seat of policy formulation and its implementation ... ideally a developmental state and civil society should co-exist in a broad partnership of nation building and reconciliation, reconstruction and development".²¹

Views on capital and the bourgeois state

'If in the past the bourgeois state blatantly represented the interests of private capital, today its enslavement is even the more pronounced, with its policies and activities beholden to the whims of owners of stupendously large amounts of capital which is in constant flight across stocks, currencies and state boundaries ...'²²

The author then asks whether a developmental state can survive, let alone thrive under such conditions. The answer is 'yes' if it engages with capital to get as much benefit as it can; negotiates the rules and regulations of the global economy to ensure they benefit the nation state; and in concert with global forces work to improve the situation. The question is then posed: 'Should South Africa join the socialist international?'²³

'The state, the NLM and progressive civil society in general are critical in defining the terrain of discourse around matters of ideology and economic policy. To the extent that the relationship of unity exists between the state and private capital ... the latter (will) try and co-opt the NLM to its own agenda. To the extent that there is struggle between the two, to that extent will private capital use its positions of power with regard to the media of discourse to undermine the new state.'²⁴

Therefore, battles over control of the media 'are critical to social transformation.'²⁵

Perceptions of opposition

'... in examining the forces bent on undermining transformation, a word of caution is necessary. It is always tempting for revolutionary organisations in political office to characterise all opposition to their programmes as acts of counter-revolution. In general terms an opposition that pays allegiance to the constitution and the country's laws and seeks to modify the programmes of transformation or even to express a retrogressive school of thought shared by a given constituency is a legitimate actor in the contradictory processes of change. Indeed, such forces should be treated as legitimate expressions of the country's social contradictions ... Our democracy would have been shallow and incomplete if in the legislatures and even in the streets, the forces which benefited from the system of apartheid did not seek to express their disappointment or genuine apprehension with the process of change.

'Both with regard to these political forces and the mass base they exploit the overriding aim will be to derail or reverse change so as to end up with a system in which the social privileges of apartheid are retained in a somewhat modified form. As long as this is carried out within the parameters of the constitution and the law, it is a legal and robust (though broadly speaking counter-revolutionary) expression of the real contradictions within society.'²⁶

'If in the past the bourgeois state blatantly represented the interests of private capital, today its enslavement is even more pronounced'

On GEAR and the market

'Issues which have divided [the alliance partners], like GEAR, have assumed a prominence that is out of proportion to the realities of our situation.... ours is not a 'macro-economic' alliance, and agreements or disagreements on an issue like this should not be allowed to obscure the huge process of transformation which we are working towards. Nor should it obscure the vast areas of common interest and strategic agreement amongst us ...'²⁷

'We seek to create a social order in which the many positive elements of the market dovetail with the obligations of citizens one to the other.'²⁸

'... Such a society is neither a clone of an idealistic capitalist order which is hostage to rampant so-called market forces (particularly in an economy dominated by a few conglomerates) nor an egalitarian utopia of mechanical social parity. Indeed within the context of a mixed economy in which market forces have an important role to play, the state has the critical task of ensuring economic growth and development, of meeting people's social needs and of providing the requisite environment for political stability and the safety and security of citizens.'²⁹

Has the ANC in government thought through the complexities and implications of implementing a liberal constitution with their aspirations to hegemony over state, economy and society?

Difficulties and contradictions

These quotes reflect the ANC's concerns as a party, and the language in which it communicates them, both internally and externally. They also clearly point to the difficulties and contradictions that face the ANC in government in 1999. They show that, five years after assuming power, the ANC perceives itself to be at the centre of a complex series of alliances and organisations that form a revolutionary front. It is this self-perceived revolutionary organisation that constitutes the South African government, which has to operate within what can only be described as a liberal constitution, and situate South Africa in an international economy that will severely penalise anything other than a strongly market-driven approach to national economic growth.

For the first time in its history the ANC is a true mass party, representing hugely divergent interests and classes. As government, it faces the challenge of turning at least some of its rhetoric – inherently incompatible and contradictory though this may be – into practical policies.

It is within this framework that we highlight the following issues for consideration by the ANC-controlled government:

- Has the ANC in government outgrown the revolutionary rhetoric that permeates internal ANC documents and thinking?
- Has the ANC thought through the complexities and implications of implementing a liberal constitution with their aspirations to hegemony over state, economy and society?
- What are the consequences of these two very different perspectives of the state for the public service, which is tasked with implementing government policies in the interests of the public; and for those independent institutions provided for by the constitution to provide essential checks and balances of state power?
- Is it really possible to implement policies biased towards the poor in a developing country and at the same time assert the 'central and leading role of the working class'? What can this mean in practice when people in formal sector jobs are a small minority of the economically active?
- Has the ANC thought through the implications of its commitment to a multi-party political system as entrenched in the constitution, and its revolutionary perspective? The nub of a liberal constitution is that, by definition, political parties are competitors for public support, and not counterrevolutionary antagonists.
- Has the ANC thoroughly investigated and internalised the nature of parliamentary political parties and the important links between voters, party supporters and public representatives?
- Has the ANC in government thought through the differences between a public service that reflects the composition of a country's population (a desirable goal), and one that does its job competently and honestly? That there is no necessary connection between race (or ethnicity or sex) and delivery? A public service can be representative and still not deliver. And

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that racial representivity as a goal in itself contains within it apartheid assumptions about groups, their behaviour and their interests?

- Is it really possible for the ANC in government to establish South Africa as a successful market-driven economy while it has an ambiguous and suspicious approach to business people, both black and white?
- Has the ANC in government moved away from some of its old ways of thinking about the world and society? Has it outgrown some of its old associations outside the party, within the larger formal and informal movement?
- Has the ANC in government thought through the political implications of its new economic and complementary social policies? Is the political coalition that fought apartheid the exact same coalition of interests and style of politics that can and will support successful economic growth and sustainable social development?

An objective observer at the end of the 20th century has to recognise the strains and tensions within the ANC as a movement, and the realities and challenges facing the highly pragmatic government which it controls. We will return to a number of these questions later.

The alliance

When examining the alliance between the ANC, SACP and COSATU it is important to start with a clear understanding of the 'glue' that holds it together. These three organisations share a history of mutual struggle against 'the apartheid regime': blood, sweat, tears, and then victory; the strong African nationalist sympathies of the unionists and communists which often override their class perspectives; the weakness of the ANC electoral and party machine and its dependence on trade union organisation for electoral support; the ANC's continuing romance with the notion of mass participation; a common heritage of the language and ideas of 'revolutionary' opposition and socialism that imbues all three organisations; a shared and lingering notion of 'them' and 'us,' enemies against whom they must be vigilant and united even now that the ANC is in government.

It is important too, to understand that the three organisations in the alliance have overlapping membership. A very significant proportion of organised workers, particularly those in union leadership positions, are ANC members, and the overwhelming majority of communists belong to the ANC as well. For many years it has been possible for individuals to belong to two organisations in the alliance, or even all three, and never be forced to choose, or precisely think through, which of them has precedence.

Recognition of this glue notwithstanding, the ties that bind the alliance are strained. The ANC has to govern the country as a whole, and in that capacity has to think about, accommodate, and justify its actions in terms of the many different interests throughout the country. Running the government has exposed the ANC's leaders to many new influences. Critical among these have been exposure to new international realities and the thinking of international leaders of stature; the inevitable pragmatism that comes from 'getting your hands dirty' and trying to get things done; and the harsh reality of the weakness of South Africa's state as an instrument for effective action. All these have pushed the ANC leadership towards a new approach to economic issues, the role of the state and the market, respect for representative democracy, and the limitations of direct popular democracy. The result has been an increasing divergence in world view between the ANC in government and its political allies.

This difference was articulated publicly when Mandela told the ANC national conference held in December 1997 that trade unionists had every right to represent the interests of their members, but that these were not identical to those of the ANC's broader constituency and that the unions should remember that their following occupied a relatively privileged position when compared to the unemployed.⁴⁰ Mbeki, as the ANC's new president, followed this up with a strong and public attack on SACP tactics and positions (see box: **Tension between the ANC and the SACP**, page 112)

There are real organisational complications inherent in the alliance between the ANC, SACP and COSATU. Some of the most important are the following:

- *As a political party, the SACP actively recruits members. Its most fruitful hunting ground is the*

Is it really possible for the ANC in government to establish South Africa as a successful market-driven economy while it has an ambiguous and suspicious approach to business people, both black and white?

If the alliance is a 'marriage' of three organisations, it is the ANC that is organisationally in a different position from the others

ANC itself.³¹ In 1996 the SACP claimed that its members included four cabinet ministers, one deputy, two out of seven ANC provincial premiers, and 53 of the ANC's 252 MPs.³² In early 1998 the chairs of the parliamentary portfolio committees in parliament for education, constitutional affairs and provincial development, foreign affairs, and trade and industry were all SACP members.³³ At the December 1997 conference Mandela recognised this problem when he said: "The SACP is a political formation which has a responsibility to mobilise for its own political support ... the issues of the SACP's membership of the Progressive Alliance and the ANC's leadership of this alliance are precisely the difficult questions which have to be answered."³⁴

- *When grass roots branch and other structures are mobilised by ANC alliance formations, the ANC in government is often their target.* Examples include the mobilisation of trade union interests opposed to the cabinet's attempts to deregulate a highly unionised fishing industry and thus create opportunities for small coloured fishermen; community action organised by the SACP against ANC-led local authorities cutting off services to payment defaulters; support for part-time teachers facing rationalisation measures; and support for tertiary students who have not paid their fees.³⁵
- *'Elements' (who have, for instance, failed to be elected to an ANC branch executive) tend to use a SACP or SANCO branch to launch a rival claim.* This kind of activity is often bound up with interpersonal rivalries and election list processes. The ANC perceives such local political opportunism as undermining inexperienced local and provincial ANC leaders. This, it is argued, spreads confusion among the alliance's grass-roots supporters.³⁶
- *SACP members form a group within the ANC, and can act in ways that ordinary ANC members cannot.* Whether they do or not is a matter for empirical investigation; we would suggest that they sometimes do (lists of people for election at conferences; discussion groups on controversial policy issues) and sometimes do not. The point is that they have the potential to work as a group, which other ANC members do not. Peter Mokaba put it in this way in late 1997: 'SACP members act as a cabal or tribe within the ANC, influencing ANC policy, and when they can't get their way they go out and criticise the ANC.'³⁸
- *If the alliance is a 'marriage' of three organisations, it is the ANC that is organisationally in a different position from the others.* The SACP and COSATU can each meet separately, and debate

Tension between the ANC and the SACP³⁶

A simmering dispute within the ANC alliance boiled over at the 10th congress of the SACP held in Johannesburg on 1 and 2 July 1998. Mbeki, newly elected president of the ANC, delivered the sharpest rebuke yet heard to the ANC's allies:

- **On the SACP's credentials**

'[The SACP] consider themselves to be the very heart of the left that, in pursuit of an all-consuming desire to present themselves as the sole and authentic representative of the progressive movement, seem so ready to use the hostile message of the right and thus join forces with the defenders of reaction to sustain an offensive against our movement.'

- **On the SACP's critique**

'The practice within our movement to tell lies about one another must come to an end.'

'None of us should go around carrying the notion in our heads that we have a special responsibility to be a revolutionary watchdog over the ANC.'

'None of the component parts of the alliance can be truly strong and representative of their constituencies if they turn their backs on the concept and perspective represented by the alliance and the Congress movement. The idea that any of our organisations can build itself on the basis of scavenging on the carcass of a savaged ANC is wrong in the extreme.'

- **On the SACP's criticism of GEAR**

'The ANC has been very concerned by the seeming ease with which comrades within our broad movement for national liberation have levelled a charge of treachery against specifically the ANC, basing themselves on allegations that we have abandoned the RDP, which in reality they cannot prove because they are false.'

'[The SACP's documents] regurgitate, undigested, the most pessimistic assessments of our economy made by those whose class and national interests dictate that they propagate the understanding that our government has failed, as all other African governments have failed.'

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and formulate policy and strategy. The ANC, however, never has an opportunity to meet on its own and decide what its policies are, separate from and independent of its allies; its allies are an integral part of the organisation. Hence, in a debate among the three alliance partners, it is possible for a COSATU leader to say that he or she speaks on behalf of the x million members of his organisation and they favour policy y, thus influencing the outcome. But the ANC is in a different position. The question then is, when does the ANC as an organisation ever get a chance to meet on its own? How does it formulate its positions separate from and independently of those of its allies, enabling it to enter a discussion with those allies about the alliance's position?

The early 1990s have been described as the 'golden years', when all the alliance partners 'played a central role' in policy-making. Since that time joint alliance policy-making structures have been sidelined.⁹

At an alliance summit held in December 1997 this was blamed on the 'complexity and vast scope of policy-making in the new circumstances, and the disproportionality between government capacities ... and the capacities of our three allied formations'.¹⁰ For this reason, it is argued, it has been impossible for the alliance partners to draw up a joint programme of action. This has resulted in increased 'areas of complication', and a growing imbalance between 'unity in action and robust independence'.

The partners have readily engaged in 'cheap public point-scoring' and the 'opportunistic use of alliance structures'.¹¹

They have also failed to co-operate on and co-ordinate local campaigns. Although they resolved 'to make the alliance work better' at the national level, the likelihood of this happening appears remote, with no common alliance programme on key policy issues.¹² Six months after the summit the SACP commented that warnings made there had gone unheeded, widening the 'dangerous divide' between local councils elected by communities supporting the ANC and the alliance, and among ministries, social movements and trade unions.¹³

Costs and benefits

An analysis of the cost and benefits of the alliance for the ANC produces a complex answer. There can be little doubt that the involvement of non-Africans through the SACP has strengthened the commitment to non-racialism in the ANC. Also, trade union membership supplements the ANC election machine.

Some ANC leaders argue that one of the benefits of the alliance is its role of preventing a split away from the ANC to create a new socialist political party. As one of our interviewees put it, the benefits of the alliance lie in continued stability.¹⁴

On the other hand, it could be argued that the continuation of the alliance in a democratic South Africa has the following costs for the ANC:

- It allows the alliance partners to hold the ANC back from really dealing with its ambiguity about capitalism and the state, and the resultant 'snail's pace' of important programmes that will hasten delivery, eg the privatisation of municipal services, right-sizing the public service, etc.
- The ANC's reliance on COSATU and its affiliates for workers' votes gives those organisations undue leverage over it.
- It perpetuates the ANC's ambivalent relationship with the United States (and other western powers), which undermines its ability to maximise a special relationship with the world's most powerful economy and state.
- It conveys a negative image to outsiders (foreign investors, other states, etc) who cannot understand the history and tensions within the alliance and who view the vestiges of the past embedded in the ANC's language and thinking as signals of the South African government's continuing ambivalence on foreign investment and market-friendly policies.
- It confuses rank-and-file representatives and members trying to work out what the ANC position in government really is on a complex range of issues.
- It makes it difficult for the ANC to develop and adopt new programmes and strategies appropriate to a parliamentary political party.

When does the ANC as an organisation ever get a chance to meet on its own? How does it formulate its positions separate from and independently of those of its allies, enabling it to enter a discussion with those allies about the alliance's position?

Organisational strains

As a political machine,
the ANC is rather weak
as an organisation

South Africa was extremely fortunate that, when the apartheid rulers were ready to negotiate with its opponents, the ANC existed and was strong enough to marshal the resources, leadership, and domestic and international support to help lead the country's reasonably peaceful transition. The alternative scenario with numerous, relatively weak and warring groups vying to represent the previously disenfranchised would have resulted in a far more negative outcome for the country. Having said that, it is important to understand that, as a political machine, the ANC today is rather weak as an organisation. This is partly a consequence of its history, and the multiple and onerous demands on the organisation since its unbanning in 1990. It is also partly a function of inexperience in the business of building a modern political party in a parliamentary democracy.

Cheryl Carolus, then acting secretary-general of the ANC, outlined some of the party's organisational 'challenges' and 'shortcomings' in her report to the national conference held in December 1997.⁴¹ Major challenges included 'inadequate ... organisational practices and strategies'; 'ensuring that the institutions and mechanisms of governance [are] adequately equipped'; '[maintaining] a balance between deployment [of ANC cadres] into government and into organisational structures'; 'cohesion and unity of the organisation'; 'resource constraints'; and 'reduced number of leadership available for further ANC work'.

These formidable challenges resulted in many organisational shortcomings. Among these Carolus noted: 'diminished ... induction, political education and training of new recruits and new leaders'; 'poor discipline'; 'flouting of democratic principles and practices'; 'lack of proper co-ordination' between the organisation's structures; 'the organisation's leadership is detached from activists on the ground'; 'weak ... relations between ANC cadres deployed as public representatives and [in] the constitutional structures of the movement'; 'personal differences and bitter power struggles'; 'open and violent conflict' between 'elected public representatives and the movement's constitutional structures'; 'competition within the organisation for positions in government'; 'unsatisfactory representation of all our provinces in ANC structures'; 'the ANC has not developed a coherent approach to the alliance'; 'the withdrawal of ANC cadres from interacting with and providing leadership to communities'; 'reactionary and opportunistic groupings [mobilising] in support of their narrow interests'; and the awareness among 'certain cultural and ethnic communities ... that they are not adequately represented in our senior structures'.⁴²

'Recipe for confusion'

She argued that, while some of these 'deficiencies' were 'the direct result of the changed conditions the organisation finds itself in'; 'most, however, are the result of the organisation's inability to respond adequately to new challenges and circumstances.' In her view this situation was a 'recipe for confusion, disgruntlement, and a lack of shared understanding of where we should be going'.⁴³

Six months later, in June 1998, the new secretary-general, Kgalema Motlanthe, warned that the ANC was becoming 'top-heavy, weakened by careerism, with signs of a growing divide between the leadership and "the people"'.⁴⁴ Attention was not being paid to building branches and developing membership, cadres and political programmes. As a result, the ANC's national executive committee (NEC) had proposed a comprehensive programme for each province to build branches and strengthen ANC cohesion. Interestingly, Motlanthe's suggested remedy revealed to what extent the ANC had not been playing this role since its unbanning. He called on ANC structures to play a more active local role around issues of development, actively engaging with communities. In his view, ANC structures should:

- help pensioners to access social grants;
- help communities to play an active role on school governance bodies and in housing programmes;
- focus organisers, parliamentarians and various organisational structures on reconnecting and strengthening links with the grass roots; and

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- listen to what the people want from transformation, and be taught by them.
- Provincial leaders, he asserted, should pay attention to:
- healing divisions and encouraging open, constructive and honest discussions within provincial structures;
 - narrowing the distance between political leadership and 'the people', including members at branch level;
 - building branches and raising political consciousness to build a strong cadreship; and
 - rebuilding the alliance partnership through joint programmes.

The ANC's dominance at the polls has advantages as well as disadvantages. The advantages are obvious: most black voters continue to see the ANC as their political and spiritual home and will continue to vote for it even if they are unhappy with its policies or performance. In the 1999 elections the ANC scored an impressive victory, with a slightly increased majority.

However, such dominance can lead to organisational laziness and infighting, with little pressure on the organisation to build and consolidate its branch structures and its relations with voters. The situation is exacerbated by the country's constitution that does not allow for MPs to be elected directly (thus ensuring direct accountability between MPs and voters). If MPs do not perform in a constituency system they can be voted out by their local electorate. Repeated calls from the ANC leadership for MPs to voluntarily establish constituency offices as effective points of contact with the public reflect a concern with establishing direct accountability to voters.

'Careerism and petty rivalries'

Mandela claimed in 1997 that ANC members and leaders were succumbing to 'individualism, mindless careerism and petty rivalries'.⁴⁹ He suggested to the ANC that this happened 'when personal competition starts to absorb all one's energies, when political programmes are forgotten, and when solid grass roots work is neglected'.⁵⁰ 'Thus it is clear that the organisation is concerned about inadequate consultation between members and leaders.'⁵¹ Contacts between senior representatives and members are said to be limited.⁵² After reaching one million in 1994, ANC membership showed a worrying downturn to a claimed (but unaudited) figure of 450 000 paid-up members in December 1998.⁵³ Survey evidence prior to the 1999 election campaign pointed to growing disenchantment among potential voters.⁵⁴

Moreover, the organisation is weak at its core. Members have criticised the frequent absences of important officials from the ANC headquarters at Shell House in Johannesburg. Overstretched party functionaries have been unable to cope with competing demands on their time.⁵⁵ Many of the more than 1 000 local ANC branches are said to be in a weak state. There are reports that at least half are dysfunctional.⁵⁶ The organisation has noted that the scarcity of experienced leaders is felt most keenly at branch level. It has also claimed that membership of branches is often nominal, with underresourced and inadequately skilled branch staff struggling to maintain membership levels and carry out constituency work.⁵⁷ There is reported to be poor communication between the organisation and communities in which it operates.⁵⁸

In the branch executive committees, elected representatives are often at odds with organisational directives.⁵⁹ Ambitious individuals are using alliance structures to launch rival leadership claims – ie, if you lose in the ANC you can try again from within the SACP!⁶⁰ The ANC itself reports a low level of political awareness among this crucial second layer of leadership.⁶¹ People in leadership positions are ignorant of lines of accountability within the organisation, and are often not formally mandated.⁶² Integrating local ANC branch representatives into provincial offices is a complicated and tense activity.⁶³ ANC local councillors have also been threatened with exclusion from nomination lists should they not uphold caucus decisions.⁶⁴ According to party reports, ANC local structures are often involved in conflicts with ANC elected representatives, while ANC regional branches are at odds with ANC provincial executives or ANC-appointed officials. At the national level there are conflicts over authority and jurisdiction among national and provincial ANC politicians.⁶⁵

Policy-making bodies at the ANC's head office communicate poorly with ANC parliamen-

The ANC's dominance at the polls has advantages as well as disadvantages

.....

'If we are going to transform from a movement to a parliamentary political party, then the issue of the tripartite alliance will have to be resolved. Until then it is going to be difficult for the ANC to be a conventional parliamentary party'

tarians.⁶⁶ ANC activists 'deployed' in the public service and the private sector are increasingly isolated from the organisation.⁶⁷ The women's and youth leagues seem to be ineffectual, and are riven with rivalries and tensions.⁶⁸ Internal disciplinary codes are also often indifferently and unevenly implemented.⁶⁹ Regulations and rules for monitoring leadership elections are unclear, while firm procedures for selection and appointment of party officials are absent.⁷⁰ A clear and distinctive political programme that all members can understand, subscribe to and apply does not exist.⁷¹ As the secretary-general noted earlier, there is little 'induction, political education and training'.⁷² Local structures and branches have failed to impart organisational discipline, implement the provisions of the internal code of conduct, correctly mandate office bearers, and sign up card-carrying (and paying) members.⁷³

As is the case with most political parties, fund-raising is a perennial problem. Since 1994 there have been reports of leaders berating party members and structures for financial problems and indiscipline.⁷⁴ At the 1997 conference the secretary-general noted that the ANC had not responded well to its diminishing sources of income. While some provinces had made some efforts to raise funds, the movement in general had failed to develop fund-raising strategies and mechanisms to sustain its programme. In addition the organisation's use of available resources was not as effective as it could have been: 'The failure to implement proper budgeting resulted in many programmes being started and then abandoned due to lack of resources'.⁷⁵

What is discernible is an organisation operating in a new context and faced with numerous new challenges involving relationships among leaders, cabinet members, MPs, provincial leaders, senior public servants and members/followers in a representative parliamentary democracy. The ANC is struggling to make the transition to become a political party, and to develop the appropriate roles, language and relationships necessary for a parliamentary party in government. The challenge for the ANC is no longer how to mobilise large numbers of people for opposition; its task is different, and in some respects harder. It has to build a democratic party based on strong and functioning branch structures, provincial congresses, and a representative national conference operating within a parliamentary system in which the ANC controls most of the organs of government. All the evidence indicates that the outgoing secretary-general was correct when she said, at the 1997 ANC conference, that in the new democratic dispensation '... it has taken the organisation some time to determine how to operate ...'.⁷⁶

Organisational weaknesses identified and analysed by the ANC at the Mafikeng congress in December 1997 have engaged the organisation's energies following Mbeki's election as ANC president. Informal reports indicate that the national working committee has visited every provincial structure in an attempt to bring 'grassroots' and the new leadership closer together. The ANC's 1999 election campaign and resultant electoral successes have helped to strengthen the organisation and its structures. Nonetheless the ANC's popular appeal among the majority of voters might still obscure organisational weaknesses in other key areas, including continuing rank-and-file participation in party structures, links between senior national leadership and provincial and local level leaders and supporters, and internal policy-making and communication processes at all levels.

ANC policy-making: 'a democratic charade'?

Formally, party structures in the ANC make policy, and government turns this into legislation and implements it. One of our interviewees described the government's role as 'filling in the gaps'. In reality there is far more of a top-down process in which much policy originates in government, often with the help of outside experts. In addition, what capacity there is in the party is largely concentrated in the ANC's national policy department and the NEC's subcommittees on economic transformation, social needs and governance. There are counterpart structures in the provinces, where the party has policy departments and policy units in various fields headed by provincial executive committee members and comprising representatives from the provincial caucuses, regions and branches. For the most part the provinces are implementers of policy formulated at national level. All of this diminishes the role of the party rank and file in policy-making in practice.

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One of our interviewees described the process as a 'democratic charade', with actual policy formulation being conducted by small groups of people 'who know what is going on' – often members of the SACP with a strong ethic of work and service. Much the same thing happened in respect of the new constitution: huge and costly consultative processes were launched, but in reality they were driven by specialists.⁷⁷

In general the provincial parties tend to defer to national structures on policy, particularly when a national competency is involved. Leadership, resources, skills and political experience are concentrated in the NEC, giving it a policy-making head start. What one interviewee described as the 'organicist' nature of party caucuses, in which ministers sit cheek by jowl with rural councillors, also helps to entrench policy orthodoxy at all levels of government.

And there can be little doubt that the ANC's natural tendency towards centralisation has been accentuated by a mistrust among 'insiders' of the new cadres drawn into the party post 1990 who are perceived to not be fully in tune with the movement's culture and values.

In theory the ANC's policy-making establishment consists of three sets of processes: those focused around the NEC's sub-committees; those based on the ANC's parliamentary study groups; and the permanent or professionally staffed policy units or departments at Shell House (now directed by then minister of public works, now of public enterprises, Jeff Radebe, and formerly by Tito Mboweni in his capacity as the NEC's policy head).⁷⁸

In practice the most important individuals influencing policy formation are cabinet ministers and their deputies (who constitute more than half of the NEC), their directors-general in the public service, the chairs of NEC subcommittees (often ministers), and some ANC parliamentary caucus study group and portfolio committee chairs.⁷⁹ As the SACP's Jeremy Cronin puts it, because the 'key policy-makers' are now located in government 'the ANC's ability to impact on policy making has been massively weakened since April 1994.'⁸⁰ While lip service is paid to the idea of policy-making within the ANC, many informed sceptics take the view that the ANC has no real policy-making capacity, and that this never amounted to more than 'two administrators trying to co-ordinate a non-existent policy-making capability'.⁸¹

However, the pre-eminent role of national leaders in policy-making does not mean that they can adopt any policy they wish, or that the compliance of members can be taken for granted.⁸² Wherever policy might be made, it must still be piloted through the party's constitutional structures for a mandate. 'Even if you're right, if you don't persuade, if you don't get your resolution adopted you're out of the water', remarked one interviewee. In theory, the lowliest of branch members can test whether any particular proposal chimes with the ANC's broad vision, thus ensuring a measure of democratic control.

The ANC's official mechanisms for making policy are best understood against the backdrop of its overall constitutional structure (see box: **The ANC's constitutional structure**, page 118).

Three departments

The ANC has also established three important internal departments:

- *Political education department (PED)*. The PED's former head, Joel Netshitenzhe (NEC and NWC member and current head of the Government Communication and Information Service), describes its objectives as expanding the ANC's organisational capacity by building more politically informed and activist leadership cadres at all levels. The department's activities have included running training programmes for 4 000 ANC local councillors (planning, budgeting, management and consultation), 4 000 ANC branch delegates (branch executive committee roles, objectives of the Masakhane campaign, branch political education), and 900 regional executive committee members (programmes of action for branches, political planning). The department is thinking of establishing a political education centre to co-ordinate ANC cadre development and training and to implement a new national cadre policy.
- *Information and Publicity Department (IPD)*. Headed by Pallo Jordan (former minister for environmental affairs and tourism and NEC and NWC member), till late 1998 the IPD is mandated to control the flow of information within the organisation and outside of it. Jordan's department attempts to maintain the ANC's public image and profile and to liaise

There can be little doubt that the ANC's natural tendency towards centralisation has been accentuated by a mistrust among 'insiders' of the new cadres drawn into the party past 1990 who are perceived to not be fully in tune with the movement's culture and values

with the media. It also produces official ANC literature while co-ordinating information-gathering and communication within the organisation.

- *Organisation department (OD)*. Formerly headed by Steve Tshwete (former minister of sport, now safety and security, and NEC and KWC member), its main role is to build the ANC organisationally. Tshwete's department has been responsible for addressing the weak presence of the ANC at the grass roots. It has attempted to do so by developing and running local-level campaigns such as those for the local government elections. The OD also trains

The ANC's constitutional structure

NATIONAL STRUCTURES

National working committee

Controls the day-to-day functioning of the organisation

Members: President, deputy president, national chair, secretary-general, deputy secretary-general, treasurer-general; additional members elected by the NEC; one elected representative of the ANC Women's League and the ANC Youth League

National executive committee

Highest organ of the ANC between conferences

Members: President, deputy president, national chair, the secretary-general, deputy secretary-general, treasurer-general; 60 additional elected members; chair and secretary of each PEC; national president and secretary of the ANC Women's League; national president and secretary of ANC Youth League; a maximum of five additional members to be co-opted ad hoc.

National conference

Supreme ruling and controlling body of the ANC, convened every five years.

A total of 90 per cent of voting delegates from branches, in proportion to paid-up membership.

The number of delegates elected to the national conference by each province is fixed by the NEC in proportion to the paid-up membership of each province.

10 per cent of voting delegates allocated by the NEC from among the PECs, ANC Women's League, and the ANC Youth League.

All members of the NEC attend ex officio.

The NEC may invite individuals to attend as non-voting delegates

National general council

Convened by the NEC not later than 30 months after the national conference.

This body determines and reviews policies and proposals.

Electoral commission

Appointed by the NEC.

National finance committee

Appointed by the NEC.

PROVINCIAL STRUCTURES

Provincial working committee

Members: Chair, secretary and treasurer of the province plus the chair or secretary of the ANC Women's League and ANC Youth League in that province.

Provincial executive committee

Members: Provincial chair, deputy chair, secretary, deputy secretary, treasurer, and no more than 13 other people elected by the provincial conference.

Provincial conference

Highest organ of the ANC in each province.

Attended by delegates elected by all branches in the province with representation in proportion to membership.

Members of the PEC will attend.

Representatives of the ANC Women's League and ANC Youth League shall also attend.

Provincial general council

Convened between provincial conferences.

Consists of all members of the PEC plus at least one delegate per branch.

LOCAL STRUCTURES

Every member of the ANC belongs to a branch, which is the basic unit of the ANC.

Branch executive committee

Elected by the branch at an annual branch meeting.

Members: Chair, deputy chair, secretary, deputy secretary, treasurer, and three to ten other members.

The Women's League and Youth League are entitled to two representatives on the BEC.

Various zonal structures and subregions are also entitled to representation.

Source: Constitution of the ANC as amended and adapted by the ANC National Conference, December 1997.

national, provincial and local party organisers, administrators and membership officers. In late 1998 personnel in all three departments changed. PID is now led by Naph Manana; the IPD (now called the Department of Information and Publicity, or DIP) by Smuts Ngonyama; and OD by ka Mandla Shabangu.

Comparative experience in democratic political systems elsewhere suggests that, despite its historical commitment to 'people's power' in South Africa, the ruling party's activist community will play a declining role in government decision-making. (see box: **What effects does a long term in office have on political parties?**, this page). It is likely to bear out a universal paradox that 'the greater a party's electoral success, the weaker it becomes vis-à-vis its own leadership'.⁸²

The ANC in parliament

Understandably, it is in parliament that the ANC is experiencing some of its most telling tensions between its earlier and emerging self (see box: **From 'revolution in the streets' to parliament's benches**, page 120).

- It has had to adapt old characteristics – such as secrecy and loyalty – to the new demands of parliamentary politics, where transparency and public accountability are required as a part of government policy and in terms of the new constitution. It has at times emitted a number of conflicting signals in its media relations, in its approach to transparency, and in its management of the complex relationship between the duties of a majority party as the elected representative of the majority of the country's citizens, and its duty to be loyal and supportive of the ANC-in-government.⁸⁴
- In the view of many ANC MPs the party has 'not yet fully understood nor resolved its ongoing transition from liberation movement to parliamentary political party'.
- It has had to develop 'very clear policies' as opposed to its broad action programme that, in the words of an ANC member, 'appealed to the broadest cross-section of our movement'. As a result of having to define ANC policy on issues ranging from abortion to macro-economic development, local government and so on, inter-alliance 'differences are beginning to emerge. Once you are in parliament, you have to have very clear policies.'⁸⁵

The obvious result is that the ANC is experiencing a change in its substance. Yunus Carrim, an ANC MP and member of the SACP, has argued that the conversion into a party would 'tame' the ANC and preoccupy it with "parliamentarianism", [because] if it were a political party the ANC would have to be more ideologically cohesive, with a narrower base'.⁸⁶

'Climate of fear'?

In many respects the increased power of the cabinet and associated structures over the party is an inevitable consequence of assuming power. However, there is another dimension to policy-making and debate in the ANC that might have more sinister overtones. In October 1996 media reports indicated a 'climate of fear' among ordinary ANC MPs that inhibited criticism of the party, its policies or its ministers.⁸⁷ The causes have variously been attributed to ambition; the need to remain in good standing with the top leadership that requires obedience; and the party's leadership style under Mandela and now Mbeki.⁸⁸ In the view of one ANC source, 'there has been a merging of government and the organisation. The government takes a decision and it becomes an ANC decision. Internal democracy gets crushed.'⁸⁹

Strikingly, ANC MPs indicate that it is easier for opposition MPs to question ministers in parliament than it is for ANC MPs to do so. In Carrim's view:

What effects does a long term in office have on political parties?⁸³

Post-war European history suggests that political systems dominated for long periods by one party progressively limit the influence of the party machine on government's activities and in policy formulation. The experience is that party leaders in government:

- rely less and less on a mobilised party to gather electoral support;
- rely increasingly more on corporatist decision-making institutions to make policy;
- tend to marginalise supportive organisations such as trade unions;
- focus on transforming political parties into vote-getting 'catch-all' agencies.

'The conversion into a party would "tame" the ANC and preoccupy it with "parliamentarianism", [because] if it were a political party the ANC would have to be more ideologically cohesive, with a narrower base'

'Obviously if you have a constituency system then you have a greater degree of latitude to challenge your party leadership. But ... we are a new regime – there is an understandable tendency which is not destructive of democracy, that we feel we cannot confront our own leadership because it exposes us as a party and as a movement. And it is not fair to expect any better than we are doing given the particular historical conjuncture ... an attack on our executive is an attack on blacks by whites. We are very sensitive about this; perhaps too sensitive about it. Some people feel that we are increasingly passive, increasingly docile in parliament, partly it is because it is more difficult for backbenchers in the majority party to raise questions of their own ministers than it is for the opposition parties.'⁸²

'An attack on our executive is an attack on blacks by whites. We are very sensitive about this; perhaps too sensitive about it ... It is more difficult for backbenchers in the majority party to raise questions of their own ministers than it is for the opposition parties'

South Africa needs a strong parliament with MPs who are clear and confident about their role as representatives of voters and their concerns. The simple proportional list system that was agreed to in the 1994 negotiations will characterise the 1999–2004 parliament as well. Whatever the merits of this form of representation, the negative consequences relate to two important areas. Without constituencies to represent and constituency voters to elect MPs or throw them out, a critical component of representative democracy is missing in the South African system. There is too little incentive for ANC office bearers to really make the effort to listen to ordinary voters (this holds true for other political parties as well).

It is probable that a lack of interaction between parliamentarians, other ANC office bearers and voters around the country is reflected in the party's declining membership figures. Thus, according to a party report, ANC membership in Gauteng declined from 120 000 in 1994 to 44 000 in 1998.⁸³ In the words of a political analyst, 'there has been a sharp decline in membership in provinces such as the Eastern Cape where its support base has always been assumed to be the strongest, and Gauteng, where its organisation has been regarded as superior.'⁸⁴ (see box: **MPs and voters: making a second-best system work better**, facing page)

Building a democracy

Since its inception, the ANC has been one of the key protagonists of democracy in South Africa. Nonetheless, it is true that the constraints of exile and underground movements led it – almost of necessity – to operate in undemocratic ways. In exile the ANC was a centralist organisation strongly influenced by Leninist organisational ideology and philosophy. On the other hand the

From 'revolution in the streets' to parliament's benches

In the view of Ian Phillips, former ANC MP and SACP member, the ANC has faced great difficulties in redefining its role as the majority party in a parliamentary democracy:

'It is an uneven development; there are certain times when the organisation operates more as a political party than as a liberation movement and there are others when it operates more as a liberation movement ... Where it still operates as a liberation movement is in the interaction between the ANC parliamentary caucus and the informal constituencies that we have. Most of the time when MPs are back home in constituencies their work is taken up with organisational matters, community matters. So we still find the interaction is still along the lines of public meetings and addressing issues, rather than the classic constituency issue or constituency based MP ... most people who approach an MP would come from the same political stable.'⁸⁵

In the view of another ANC MP (and SACP member), the ANC is not just converting from a liberation movement to a party but from 'an underground movement, a banned movement, into a

legal, overt liberation movement'.

'For what it is worth we still officially define ourselves as a liberation movement, we do not say that we are an electoral party in the narrow sense. The extra-parliamentary party is still very important to us. Whether that is the case in practice or not is questionable. Some would say that the parliamentary arm is far too powerful. It is parliamentarians moreover that dominate the [ANC's] NEC.

'In practice, therefore, despite what we say in theory, we are becoming a parliamentary political party. So, crudely speaking, we are an emerging parliamentary political party, with many of the features of the liberation movement.'

This latter member comments that there is one outstanding issue in this transformation from a movement to a parliamentary political party: 'If we are going to do that then the issue of the tripartite alliance will have to be resolved. Until then it is going to be difficult for the ANC to be a conventional parliamentary party.'⁸⁶

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UDF within South Africa and the trade unions developed a strong tradition of reasonably democratic debate and a tolerance of differences within the constraints of apartheid South Africa. The unification of these different traditions and styles within the ANC after its return back home and its emergence 'above ground' in the 1990s has been a complex process. And of course the ANC was one of the two most important 'midwives' of a new constitution in the mid-1990s, which firmly committed South Africa to a democratic future.

One can therefore understand the scepticism on the part of the ANC when it is attacked by critics for potentially undemocratic practices now that it is in government.

Nonetheless, it is important to bear in mind the fragility of democratic traditions in a newly instituted democracy, and it is critically important to be vigilant concerning any potential threats to the full implementation of our democratic constitution. There are therefore some important issues that need to be highlighted.

It is a mark of the ANC's success – and certainly not its fault – that it is an extremely powerful political movement in South Africa today. However, its dominant position does raise certain potential dangers for the country. The literature on dominant parties highlights the following issues worthy of concern for democrats:

- It cannot simply be assumed that dominant parties brought to power through elections will be benign bridge-builders facilitating the development of a competitive liberal democratic regime.⁵⁵
- In one of the most comprehensive cross-country studies conducted in recent times, the authors insist on the alternation of political parties in office before classifying a regime as democratic.⁵⁶
- For a competitive democratic system to come about, some analysts suggest that it is necessary for a dominant party to break up into a variety of organisations that represent the different interests and conflicts of a real country, rather than of an idealised 'oppressed nation'.⁵⁷

MPs and voters: making a second-best system work better

It is widely believed that many MPs have done no work in their constituencies, or that their constituency offices – paid for with public money – are inoperative or ineffective. Many voters reportedly do not know who their MPs are, what they are supposed to do, or where they might be found. The story is told that the ANC's MPs on the East Rand were very pleased with the fact that all their offices were in the same building! Is there anything that can be done to redress this situation within the current system?

Each party should divide the country into constituencies relevant to their number of representatives. The ANC should:

- divide the country into specific, well-defined constituencies;
- allocate MPs to each constituency;
- clearly define exactly what MPs are required to do in their constituencies;
- indicate that constituency performance will be a critical indicator in future selection as an ANC MP;
- constituency allocations should be made public, together with the address of and contact numbers for each MP and his or her constituency office; this should also include the days of the week when the MP will be holding 'constituency clinics';
- MPs should be strongly encouraged to live in their con-

stituencies or at least have a base there;

- parliament could make public the quarterly reports from each MP so that voters and organisations can check up on their MP and the kind of job they are doing.

Good constituency MPs will learn things in their constituencies that are relevant to their work in parliament. In this way legislation and parliamentary debates should be infused with practical discussion of the consequences of legislation and government policy for individual citizens and the places where they live. A good constituency MP will also have a base off which to debate and consider ANC policies and talk about their impact on local communities. In this way – within the constraints of the current simple PR system – MPs could be forced to interact more and account for what they and the ANC are doing in parliament. Parliament itself will be strengthened, as MPs will be far more aware of how the work of parliament affects ordinary people's lives and concerns. Constituency offices should be places of information and communication about parliament and the particular political party the MPs represent.

In addition to these immediate practical steps to make MPs more accountable and available to voters, serious and urgent thought must go into the feasibility and mechanics of a mixed PR and constituency system for South Africa.

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Does the ANC believe that the bulk of voters are 'mature enough' to know what is best for them and which local and national leaders should represent them?

- One of the features of entrenching dominance is the steady elimination of the dividing line between ruling party and the state, with the result that the ruling party comes to be seen and sees itself as the state rather than the temporary government.⁹⁸
- A common feature of many dominant parties is the tendency to 'demonise' their opposition and portray them as opponents of 'the national project'. There is often a 'hardening of the line between the dominant party, which claims to be the regime and the opposition'.⁹⁹ This often leads to a situation in which voters see the competition between political parties 'not as between parties to become government, but between government and others'.¹⁰⁰
- Dominant parties may be more prone to corruption and maladministration since they are partly insulated from voter rejection.¹⁰¹

For the ANC, which has been the key architect and thus important custodian of democracy in South Africa, these are issues to consider with great seriousness.

'Illiberal democracy'

In an important recent article the editor of *Foreign Affairs*, Fareed Zakaria, argues that the current wave of democracy around the globe is throwing up some strange paradoxes. Regular elections are taking place in many of the 193 countries that are now democratic, but there is growing unease over what happens after the multiparty elections in many countries.¹⁰²

Richard Holbrooke, US negotiator in Bosnia, formulated this dilemma as follows: how should one react if the elections were declared free and fair but the victors were 'racists, fascists, separatists'?¹⁰³

For almost a century, western democracy has meant liberal democracy – 'a political system marked not only by free and fair elections, but also by the rule of law, a separation of powers, and the protection of basic liberties of speech, assembly, religion and property'. Zakaria terms this latter 'bundle of freedoms' constitutional liberalism, something which is 'theoretically different and historically distinct from democracy'. Although democracy and constitutional liberalism are not inextricably linked, they have come to be associated with each other in the world's more established democracies. In many countries the link between democracy and constitutional liberalism has become severed or distorted. Thus while 'democracy' is flourishing, constitutional liberalism is not. He terms the resultant situation one of 'illiberal democracy' where there is popular participation in selecting governments but the civil rights of the population are violated and the checks and balances involved in the separation of powers (eg the executive and judiciary or legislature, a bill of rights, and the rule of law) are abrogated.¹⁰⁴

Only one ANC

The importance for a new democracy such as South Africa's of entrenching a real separation of powers and a network of independent institutions can be seen. A clear dividing line between the political party temporarily in power (the ANC) and the South African state is essential. Hence the importance of full public debate about the party-political independence of people appointed to constitutionally independent institutions; the independence and vibrancy of debate within parliament and parliamentary caucuses; and the necessity for the lines between the judiciary and the state to be steel-plated.

The ANC is often at the forefront of grappling with the complexity of instituting democracy, both for the country and the movement, in the kind of developing society that South Africa has become. As the country's largest political party, with the most poor and illiterate members and supporters, some fundamental questions nonetheless need to be dealt with in respect of the political movement itself. Four philosophical but intensely practical questions arise:

- Does the ANC really trust voters to do what is best for them and the country most of the time? Or, to put it another way, does the ANC believe that the bulk of voters are 'mature enough' to know what is best for them and which local and national leaders should represent them?
- Is there something about *large-scale poverty and illiteracy* that makes citizens more susceptible to self-seeking rogues who use politics as a means of self-enrichment and personal

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aggrandisement? And if this is the case, what – if anything – does a democratic state and political party do about it?

- How important is it for political parties in a democracy to be *democratic in their own internal constitution and practices*?
- *What is the role of leaders and leadership* in a democratic country and in a political party?

The ANC is a very large organisation. After the first democratic elections it spanned some 252 MPs and 60 NCOP delegates drawn from throughout South Africa; 274 provincial representatives in the country's nine provinces; and representation in almost all of the country's 843 municipalities. Corraling and leading such a multiple and enormous organisation throws up many issues and challenges for its leadership, influenced by a centralising ethos.

In her address to the 1997 conference, acting secretary general Carolus pointed out that branch activists had not understood decisions taken at provincial and national levels, and that national leaders had often been surprised by developments in provinces and branches. Ministers and MECs had complained of becoming isolated from one another, being overwhelmed by work, and being unable to develop a strategic political vision. While the party aims to be a truly national organisation claiming substantial support in all areas of the country, senior ANC officials have acknowledged that:

- 'representation of all [the] provinces in [ANC] structures throughout the organisation is still unsatisfactory';¹⁰⁵
- party structures are required to take decisions 'without the benefit of knowledge of the peculiarities of vast parts of our country';¹⁰⁶
- as a result, there is a 'lack of sensitivity to problems in the provinces'; and 'certain cultural and ethnic communities feel that they are not adequately represented in our senior structures'.¹⁰⁷

There have been numerous occasions over the past five years where the ANC at a national level has decided to impose its will on local ANC structures. Incidents can be drawn from almost every province and at every level in the organisation,¹⁰⁸ (see box: **Tension between ANC national structures and local leaders**, page 124)

The ANC's response to the difficulties of running a national organisation in a complex and large country has been to strengthen centralised authority and decision-making. The party has emphasised that there is only 'one ANC, irrespective of the many and varied sectors in which cadres are deployed'.¹⁰⁹ Thus the ANC's national leadership now has the power to:

- nominate 75 per cent of the candidates for national and provincial elections;
- nominate provincial premiers rather than allow candidates to be chosen by the provincial bodies which actually 'elect' them;
- nominate candidates standing for local councils;¹¹⁰
- set up central committees to promote political and organisational education within the ANC; and
- centralise and impose national uniformity with respect to ANC policy-making.

This highly centralised approach to party organisation and leadership has the following consequences:

- it can inhibit genuine local initiative and experiments;
- it can prevent the emergence of authentic local leadership;
- it can lead to distance between the national leadership and local communities, with the result that national leaders do not know how they and their policies are being received in communities around the country; and
- it can provoke disaffection with and rebellion against the party leadership and in time the movement as a whole.

ANC leaders in Shell House and the Union Buildings will become more distanced from its members and less able to know of and respond to their supporters' concerns.

However, this approach immediately raises the issue of the seeming contradiction between wanting strong national leadership of the ANC and yet greater internal democracy as well. It is important to understand and deal with the dilemma the ANC faces.

In a large and fractious nation such as South Africa's, political parties and governments have to make some hard choices. A fundamental one concerns democracy and the tolerance

How does a political party deal with different points of view within its ranks? And, similarly, how does a government deal with different approaches to fundamental policy questions in different tiers of government or different parts of the country?

of difference, or pluralism. How does a political party deal with different points of view within its ranks? And, similarly, how does a government deal with different approaches to fundamental policy questions in different tiers of government or different parts of the country? How does a leadership deal with the reality that local people and communities will sometimes vote for leaders and policies that have different views from national leadership and are sometimes clearly not committed to honest and accountable government?

Risks of centralisation

The approach which is most obvious is to centralise, as the ANC has done. This involves restricting internal democracy within the party, and allocates greater powers to leadership at the centre. This approach is based on the assumption that those at the centre know what is best for the country in every region, city, town, village and farm, and that there is the capacity at the centre to enforce national decisions, national policies, and nationally imposed leadership. Whatever the intentions, this approach is one that has little faith in democratic processes and their outcomes, and inherently does not trust party members or citizens to make decisions that are best for them ('the voters are not yet mature enough'). At the extreme end of this approach lies 'vanguardism' and democratic centralism, the notion of a small group of people operating in the name of democracy but in fact taking decisions and enforcing them without a democratic mandate.

It is from within this centralist framework that national leaders are concerned when there is more than one candidate for office within the ANC, whether this is for national leadership positions, as at its 1997 national conference, or for provincial premierships. Considerable energy and effort is poured into finding the one candidate who can satisfy numerous different

Tension between ANC national structures and local leaders

Free State

In November 1996, following ongoing conflict between premier Patrick Lekota and his provincial executive committee, the ANC national leadership intervened in the Free State.¹¹¹ Lekota was redeployed to the NCOP, and his rivals, Pat Matosa and Ace Magashule, to the national assembly as MPs. Lekota had insisted on his right to use his constitutional prerogative to hire and fire MECs unilaterally, despite efforts by the national level to moderate his influence. ANC national chair Jacob Zuma warned Lekota and other ANC leaders against regarding the country's constitution as 'more important' than the ANC. 'Once you begin to feel you are above the ANC you are in trouble,' said Zuma.¹¹²

Western Cape

MEC Ebrahim Rasool received a fax from the minister of finance, Trevor Manuel, warning that it would be considered uncomradely if he stood against Dullah Omar for Western Cape party leadership.¹¹³

Northern Province

The NEC intervened in the provincial elections in December 1996 in an effort to ensure that Ngoako Ramatlodi was unopposed in his bid for party chair. Both Peter Mokaba, nominated by the Youth League and Women's League, and Joe Phaahla stepped down under pressure from the party's national executive. The

grass roots structures refused to support Ramatlodi, however, electing instead last-minute candidate George Mashamba. Ramatlodi did however regain the chair in June 1998.¹¹⁴

Gauteng

In the premiership race in Gauteng in July 1997 the NEC opposed the election of Mathole Motshekga; the national leadership seemed intent on blocking Motshekga's election. Motshekga commented: 'My experience is that the ANC branch leadership is the body that decides on the question of leadership. They are so matured and developed that they know who will be the right person at the right time.'¹¹⁵

National Conference, Mafikeng, December 1997

At the ANC's national conference in December 1997, only two ballots were held for national leadership positions. 'Behind-the-scenes' activities ensured that only candidates approved by the leadership stood for the other positions. Nevertheless the results of these two ballots showed that the leadership's favourite was beaten: Patrick Lekota, elbowed out of the Free State premiership, won in a landslide over Steve Tshwete (who was seen to have done the elbowing), while the SACP's Thenjwe Mthintso beat Mavivi Myakayaka-Manzini. Analysts claimed that this was 'no flash in the pan – during 1997, every time the leadership backed a candidate in open elections the other contender won.'¹¹⁶

internal constituencies, or into trying to impose a national leadership candidate to somehow supersede all others. Internal competition for leadership positions – embodying personal rivalries and/or differing views on party priorities – is seen as threatening for the party and inimical to party unity. Thus we have Mandela congratulating the ANC on its unanimous selection of Thabo Mbeki as the new president of the organisation, as he sees one candidate for this office as a sign of the ANC's strength. He compared this unanimity to the situation in other political parties, such as the National Party, that always had heated internal contests for leadership.¹¹⁷ Why this interpretation of democracy is better than a competitive one is not explained.

The other approach is to decentralise and deepen democracy within the organisation. Within the framework of strong national leadership and some agreed values, objectives, codes and goals, the organisation could decentralise itself and allow for greater provincial and local diversity to flourish within this broad framework. This approach has greater faith in democratic process and in the ability of ordinary party members and citizens to – most of the time – make the best decisions for their own good. It is an approach that strengthens local leadership and organisation, and allows the diversity of a large country to emerge and start to influence regional and national policies and trends. It assumes a different kind of style and approach to leadership at national level, and great commitment to building a strong organisation rooted in democratic practices and local branches. It builds the party from the bottom up, within the framework of strong national values and goals as shaped by leadership. And if bad leaders are elected whose delinquencies stop short of the infringement of the law or internal party codes of conduct, and who consequently cannot be removed, then the role of the national leadership is to ensure free and fair internal elections at the appropriate time so that the local voters and party members can choose to 'throw the rascals out' if they want.

In the realities of everyday life, nearly everyone with power and responsibility is tempted to go the centralising route – it always seems simpler and more efficient, and sometimes actually is. There are many examples of this in large private organisations as well. And while there may be occasions when this is necessary, the pursuit of democracy requires the balance to weigh heavily in the direction of decentralisation.

The decentralized approach appears to be the more risky alternative – weak, dishonest or populist leaders can be chosen and bring the national movement into disrepute – but centralisation has its risks too. National leadership can be out of touch with local supporters; they can become deaf to the different views, ideas and concerns of those who live far from the centre or who just have a different point of view. And continual intervention by outsiders does not help to build strong and vibrant branch structures for the organisation – which are after all the best protection against corruption. It is significant that, during 1997, every time the ANC national leadership backed a candidate in internal elections, the other contender won.¹¹⁸

Conflicts of interest

An emerging issue of concern for the ANC is the question of 'fair procedure' appropriate to a democracy in the appointment of key personnel.

An organisation with the ANC's background – clandestine, underground activities, banning, exile, repression, etc. – is built around people being willing to commit themselves to what are generally risky endeavours. In this context it is not surprising that many family members criss-cross ANC structures and leadership positions. While this was probably an inevitable feature of exile and resistance politics, this approach has obvious dangers and causes complications in an open, democratic system.

What are the rules for participating in discussions concerning the performance or appointment of family members or spouses within the ANC? Does a husband excuse himself from a discussion at the NEC or a selection committee for an ambassadorship when the person being discussed is his wife or ex-wife? How does the presence of one powerful ANC leader (related to another by birth, marriage, or extended family ties) affect free debate and discussion about that person by others within ANC decision-making structures?

The ANC as an organisation in government needs to have clear rules and codes with respect to conflicts of interest. One sees the absence of these clear rules of procedure and fairness in

The ANC as an organisation in government needs to have clear rules and codes with respect to conflicts of interest

Is there a fundamental understanding and acceptance by at least the senior ANC leadership of the way in which markets work to produce and allocate goods and services? And the implications of this acceptance?

many of the controversies that have plagued the provincial structures of government, but they are present within national structures and appointments as well. It is important to draw clear lines and distinctions concerning acceptable and unacceptable situations. For example, it is perfectly fair and in accordance with open democratic procedure if two members of the same family are freely elected to leadership positions within the organisation, or for public office. That is a different situation from a person sitting on an appointment committee for a party position or government appointment that affects another member of the same family. One of the characteristics of a democratic and constitutional government and of the political parties that participate in competitive democracies is a concern with clear lines of accountability, the separation of party and state, and the encouragement of free debate, dissent, and open competition for elected positions. The ANC needs to clarify these issues within the movement and in respect of public office.

It is a short step from nepotism within a political party to corruption in public life and a failure to draw clear lines of demarcation between the movement and the state, leading to confusion, patronage, and the inevitable abuse of public money and positions.

There can be little doubt that the nature and depth of internal democracy and clear rules concerning conflict of interest within the ANC will have important consequences for the organisation and its future development, as well as for the country as a whole.

Where is the ANC's new ideology or political programme?

If one looks carefully at the content of ANC policies, programmes, internal documents and public speeches, the observer starts to feel schizophrenic. Perhaps this is no wonder when, for example, the minister of trade and industry, who currently chairs UNCTAD and is passionately committed to expanding free trade, is a member of the SACP. Similarly, the minister of transport from 1994–9, who has radically privatised this sector and slashed his department, has been a life-long communist, albeit now a lapsed one.

The ANC has accepted the emerging global consensus on sound economic policies: fiscal discipline, removal of barriers to trade, openness to international capital and investment. The ministers of finance, trade and industry and the former minister of transport, as well as president Mandela and now president Mbeki, are all committed to capitalist growth in a global economy. They have adopted the language of the global market economy and implemented some policies to this effect. But one has yet to sense a real commitment and deep appreciation of the processes and dynamics that underlie this ideological shift. Some of the language is there now, some policies too, but how deep does this commitment really go? Is there a fundamental understanding and acceptance by at least the senior ANC leadership of the way in which markets work to produce and allocate goods and services? And the implications of this acceptance?

Firm commitment needed

It is significant that the report of the alliance summit of mid-1997 quotes Mandela as saying that 'the national democratic revolution was a transformational engagement with the continuous tendencies of capitalist accumulation to exploit and oppress', and hence that the government and the ANC should work 'with and against the profit-seeking logic of private capitalism'.¹³⁹ More recently Mbeki argued that the 'victory of the African Renaissance' can only be assured by 'challenging the notion of "the market" as the modern god' by means of interventions 'into this market by other human beings in pursuit of the measurable objectives of ending poverty and underdevelopment', rather than by the agendas of the International Monetary Fund, the World Bank and the World Trade Organisation.¹⁴⁰ The issue is not that one has to accept the role of the IMF or World Bank - many free market advocates actually oppose their interventions - but what one is looking for is clarity and a firm commitment to and appreciation of the essence of a market-driven society and the benefits for all, rich and poor, of such a society. That requires a real acceptance of how markets work and how they act to allocate goods, services and opportunities, and that is lacking from the ANC.

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There is an interesting contradiction in the comments of one of our senior government interviewees, known to be very close to Mbeki, which is revealing.¹²¹ At one point he says: '... in the South African society which is emerging, no political party could expect to survive without substantial support from the private sector and the privately owned mass media, as in most mature democracies'. And then, a few sentences later, he says: "The SACP is more valuable than the Democratic Party or the National Party as an opposition – they're in touch with people on the ground, and bring real issues to the table rather than just pandering to minority interests.' But what of private sector interests, and who best represents them?

South Africa has a constitution that entrenches human rights and multiparty democracy. In many respects it is seen as a model for Africa and many other countries for its negotiated 'revolution' and its constitutional state. And yet Mandela's speech to the 1997 ANC national conference – reputed to be the best summary of ANC leadership thinking and perceptions at the time – illustrates the movement's continuing adherence to the language and thinking of an earlier era. The 'revolutionary', 'struggle' and 'national democratic' phraseology makes it difficult to locate any form of political opposition – whether by a political party or from within civil society – in the ANC's world view. "The ANC's perception of the challenges facing the movement and itself as the movement's leader makes it difficult to view opposition as constructive, legitimate or patriotic."¹²² In many respects it has to be noted that Africa's new champion for democracy finds it difficult to deal with the notion of independent organisations working in the public interest, and separate from and sometimes in opposition to the ANC.

In practical terms the past four to six years has seen the phenomenal growth of a black privileged class. In politics, the public sector and the private sector a group of black South Africans has been enriched very rapidly and on an individual basis. Whatever one thinks of this phenomenon and its impact on the country, there can be no doubt that its significance for the ANC as a political movement is profound. The organisation and its allies have an inherently ambiguous attitude to wealth, to business and to privilege. The ANC's rhetoric and ideology of the past has been focused on uplifting all black people, removing the restrictions on their freedom, and dealing with poverty. There was very little discussion within the movement on *how* this would all take place, other than a vague and ambiguous commitment to socialism, the Freedom Charter, the RDP, etc. The ANC now has to rethink its attitudes, ideology and programmes with respect to this new reality of a black privileged group. If you are in favour of it, as one deputy minister said, no black person should be ashamed of wanting to become 'filthy rich'.¹²³ However, how does this relate to the ANC's broader objectives for the poor? What does it say about the 'how' of development in South Africa? What too does it tell us about where to focus energy and effort if you want results – on the poorest of the poor, or on those who can make something happen? In yet another way it raises the question about the ANC's fundamental commitment to capitalist development, economic reform, and the nature of socio-economic development, timing, sequencing and so on.

A final challenge for the ANC relates to its tactics for achieving a non-racial future. It now finds itself in a situation where the legislation it has adopted with the intention of changing the institutions and practices of South Africa's discriminatory past will force it to:

- keep a population register – ie classify South Africans on the basis of their race (Employment Equity Act, National Empowerment Fund Act etc);
- reintroduce racial discrimination at the workplace and universities in order to provide preferential access for black South Africans (Employment Equity Act);
- evaluate South African institutions and organisations on the basis of their racial practices (Employment Equity Act);
- claim that in order to compete in the global economy we need to draw on all the skills of all our people, but then exclude some (white, mainly male) South Africans in giving preference to Africans;¹²⁴ and
- claim that the days of job reservation are now over as we reintroduce a new form of job discrimination.¹²⁵

The ANC government is using the rhetoric of non-racialism to pursue explicitly racial policies, albeit with the best of intentions. There are compelling reasons why race continues to be a 'marker' for inequalities embedded in our society.

In many respects it has to be noted that Africa's new champion for democracy finds it difficult to deal with the notion of independent organisations working in the public interest, and separate from and sometimes in opposition to the ANC

Nevertheless, it needs to made much clearer just what constitutes fair 'corrective action' and what constitutes unfair discrimination (see box, **Employment equity and empowerment – necessities, risks and opportunities**, this page).

In general, one interviewee states, all ANC policy must satisfy what he calls the 'three categorical imperatives': policy must be centrally driven, nationally uniform, and address racial imbalances. The idea of an interventionist state undoing the wrongs of the past was first enshrined in the 1955 Freedom Charter – which, although not often invoked in contemporary

Employment equity and empowerment: necessities, risks and opportunities

*The debate is not whether one should have a programme to redress ethnic inequalities, but what kind of programme should be adopted to address these issues.*¹²⁶

Given the job reservation and wider discrimination of the past, it would be impossible to imagine post-apartheid South Africa without some form of equity and affirmative action policy. It has taken its place in South Africa alongside surprisingly few other policies of positive redress. But, across the range of transformation policies, employment equity involves the greatest gamble on the medium and longer-term outcomes. It is a necessary gamble, but – given the potential losses – skillful hedging tactics are vitally important.

Why is this gamble necessary? There are more good reasons than the policy debate has recorded up to now. These include:

- the obvious benefit: the deepening of the pool of managerial, professional and supervisory human resources in our private economy;
- the expansion of the emerging middle class as a bulwark against pressures from labour and mass constituencies for more populist policies. The greatest single source of radical activism in societies is a frustrated and blocked elite and middle class;
- blurring the racial isolation of business ownership and management in South Africa, an isolation which makes business vulnerable to political pressure and attack;
- the practical benefits to business of an increased black presence in respect of marketing and race relations within the workplace, and in respect of relations between business and government;
- the significant benefits to the economy of an expanded tax-paying segment in the economy; a segment which, after an adjustment to middle-class lifestyles, will also have a higher propensity to save; and
- the benefits to race relations in the wider society when the correspondence between skin colour and socio-economic conditions becomes blurred.

These potential spin-offs of employment equity are all vital to the normalisation of our society after decades in which race and ethnic divisions became deeply entrenched, creating dangerous eth-

nic fault-lines in the process. Equally, however, employment equity and empowerment policies, as forms of racial redress, carry some quite severe risks, as research in a number of countries has shown.¹²⁷ Among the greatest risks are:

- Successful economies are generally those that have established high standards of achievement, stringent criteria of merit and excellence, and a strong work ethic. If the easier success afforded by affirmative action erodes such values, the economy in general becomes less productive. South Africa may already be paying the price of affirmative action for minorities in the past.
- In all societies, formerly privileged groups and minorities with a long-standing tradition of educational achievement tend to contribute significantly to creativity, high skills, and technical excellence. They also have the most experience of management, administration and production processes. The earlier reasons for and circumstance of their success notwithstanding, if they become alienated by the promotion of new elites, they can withdraw their skills and resources through emigration or by turning inwards to their own communities, causing a net loss to the economy.
- Affirmative action and special empowerment measures are usually launched as temporary measures, with the intention of being phased out. The experience in India and other countries is that affirmative action can promote a spirit of entitlement that will lobby for its continuation in perpetuity.
- Special empowerment policies and affirmative action can become forms of crony capitalism or insider promotion, known previously in South Africa as 'boetie-boetie' policies. If such policies are accompanied by the relaxation of criteria in the extension of credit or state tender procedures, serious crises for the economy may follow, as recent examples in Malaysia, Indonesia and elsewhere in east Asia have illustrated.
- If special empowerment policies and the goal of redress govern all or most appointments to important and highly visible positions, the effect on minorities can be to create the feeling among them of being a second-class category of citizenship. People with this concept of their situation will become inclined to exploit society rather than contributing to its development, as is sometimes the case with Asian and Lebanese ethnic minorities in East and West Africa.

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policy debates, still underpins most ANC thinking – and then elaborated in the RDP. 'The stress on national uniformity and the bias towards centralism are deeply ingrained responses to the divide-and-rule tactics of the apartheid state.'¹¹¹

The ANC operates as such a broad political movement that attempts to characterise it need to reflect numerous dimensions if the picture to be drawn is to be an accurate one. In trying to understand where the ANC stands as a political grouping, one is continually dealing with multiple layers of language and policy, both in terms of content and its communication. The

- The goal of representativeness in empowerment policies and affirmative action can overlook the fact that socio-economic success and upward mobility in virtually all societies are due as much to the shaping and socialisation of children within the established middle-class family system as they are to privilege and unfair advantage. The success of Chinese, Jewish, Muslim, Indian, Calvinist and other minorities is due in part to closely knit and intense family relationships. It usually takes rather longer for the family systems of disadvantaged groups to acquire these characteristics than the goals of representativeness allow for, and hence flexibility of such policies is important.
- If employment equity policies are too rigidly imposed, the morale of existing senior personnel within state and private sector organisations can become undermined, leading in turn to a loss of efficiency which, by damaging the economy and service delivery systems, can harm the very people that the policies are intended to help.

For these and other reasons, special empowerment, employment equity and affirmative action are simultaneously highly necessary and potentially highly damaging to an economy. Such policies must be formulated with the balance of advantages and risks in mind.

South Africa's new employment equity legislation is gratifyingly flexible in some respects, since it allows employing organisations to set achievable policies for themselves. Its implementation, and the implementation of related policies and programmes such as tendering criteria and special empowerment programmes, should be equally cautious in the light of the longer-term potential risks to the economy. Furthermore, the following in particular must be considered when policies of these types are implemented:

- Research in the United States and observations all over the world suggest that changes in political leadership usually work informally to promote formerly disadvantaged people, thus reducing the need for bureaucratic strategies.
- Considerable progress has already been made in South Africa's employment status structure and, with or without legislation, this progress will be more rapid from now on, also reducing the need for rigid guidelines in policy. For example, in its survey of top companies, the Breakwater Monitor of the graduate school of business of the University

of Cape Town has found that the number of black people in managerial positions increased by 60 per cent between 1994 and 1996, and that some 70 per cent of all new management recruits in South Africa's top companies in 1996 were African, compared with 20 per cent in 1994.¹²⁸

- Too rapid a promotion of affirmative action in industry and commerce can be counterproductive. The FSA Contact review of employment equity has shown that, in 1996/7, the commitment to affirmative action among managers in companies weakened, partly because of the failure of affirmative action strategies, the growth of inflated expectations among black employees, and a reported deterioration in standards of work quality due to affirmative action.¹²⁹
- The main reasons for the failure of company affirmative action programmes is the shortage of skilled black recruits. Some indication of the pressure on skills and education is that in 1996 there were nearly 104 African managers and professions for every 100 Africans of 20 years and older with post-standard 10 qualifications.¹³⁰ Until the schools and tertiary training institutions can rapidly increase the output of well-trained Africans, too intensive or rigid an implementation of employment equity programmes could generate more resistance and failure. In this regard it should be noted that the numbers of Africans undergoing tertiary training has increased rapidly. In 1997, for example, university and technikon enrolments totalled 581 801, with the African proportion of this at 56 per cent.¹³¹

In the light of the cautionary facts presented above, employment equity and empowerment programmes would probably have more positive medium and longer-term effects if they were to place more emphasis on training, mentoring and small business development than on targets of representativeness at this stage. Above all, the way in which these programmes are tackled must be mindful of the need to maintain confidence in general standards and criteria of performance in the South African economy.

*'The costs of affirmative action are made higher when policy-makers neglect an essential feature of any programme to reduce inequality; not just eliminating disabilities, but creating abilities.'*¹³²

organisation is led by people who voluntarily and courageously adopt a stringent macro-economic reform programme that puts considerable faith in market dynamics to drive the South African economy, and simultaneously produce internal party documents that are written in the concepts and language of revolutionary marxism. It is important, therefore, to understand that the ANC is a movement in transition which will exhibit a mixture of formal positions and what might be called incipient tendencies, often very close to the surface.

Who is charged with thinking through the ANC's approach to growth and development, and the complex strategic and political considerations that must affect policy, tactics and priorities?

Current policy

Non-racialism
Market economics
Democratic party
Recognition of limits
Bias towards the poor
Liberal constitution

Incipient tendency

Racism for blacks, against whites/coloureds/Asians
Anti-capitalism
Democratic centralism
Knee-jerk populism
Paternalism, political elite knows best
No distinction between party and state

Moving beyond this multifaceted world of disjuncture, stated policies and incipient tendencies will be difficult. How the leadership deals with it is the critical challenge.

A new vision required

In thinking about the ANC and its mixture of ideologies and policies, two important issues arise. The first relates to the ANC and its knowledge of South African society. Up to 1994 the organisation was taken up with opposition to apartheid policies that were so obviously bad and destructive that not too much detailed knowledge of society was required to demonstrate their ill effects. A democratic South Africa is a different matter altogether.

Like all other policy actors in South Africa, the ANC needs a much more detailed and nuanced understanding of the nature of South African society than it has ever had before. When the Masakhane campaign – designed primarily to persuade people to pay for services – fails dismally, it tells us something not only about organisation and implementation capacities but about the ANC's understanding and knowledge of why people – mainly its own constituents – behave as they do. What does the ANC really know of the divisions in townships and informal settlements between employed and unemployed people? Has it commissioned research or taken account of the minimum levels at which unemployed people are prepared to work in urban and rural areas? When Mbeki speaks of 'much of what is happening in our country ... is producing rage among millions of people', how does he know? On what does he base his assertion that 'we are faced with the danger of a mounting rage to which we must respond seriously'?¹¹¹

When Mbeki speaks of a nation divided in two parts – rich whites and poor blacks – his rhetorical flourish hides the realities of the country he governs and the enormous strides that certain groups of blacks have been making.¹¹⁵ It ignores the fact that the gap within black society is practically as great now as that between whites and blacks.¹¹⁶

Does the ANC have evidence that contradicts the surveys of opinions of ordinary people, which show their support for incremental change, their remarkable realism, and their understanding of the difficulties of changing South Africa overnight?¹¹⁷ (see box: **Is there an expectations crisis?**, page 144).

The second issue relates to the coherence of government policy and strategy (see the earlier section on GEAR). One wonders where and when the ANC gets together to look at its overall game plan. As the country's dominant political party, the leader of the alliance, the key actor at the intersection of many and complex new pressures and demands, has the ANC put it all together? Does it have a new mobilising vision for the party and its representatives? One that explains the linkages between different policy items, and protects the ANC in government from its left?

It is notable in this regard that the National Institute for Economic Policy, the think-tank established to provide intellectual resource and back-up to the ANC, and which is partly funded by the United States Agency for International Development (USAID)¹¹⁸ – has in fact turned out to be one of the government's harshest critics from the left. Irrespective of the politics of

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how this has been allowed to happen, the point is that the ANC in government does not have the support and back-up the NIEP was designed to provide. What has been done to provide another resource? Who is charged with thinking through the ANC's approach to growth and development, and the complex strategic and political considerations that must affect policy, tactics and priorities?

Conclusion

At the turn of the 20th century, South Africa faces some critical and challenging issues. The ANC will form the country's government for at least the next five years, and will need to lead the country in responding to these difficult challenges.

In this section we have attempted to understand and assess developments in the ANC in order to identify the characteristics and changes required for it to govern South Africa better. How does this political movement build on its considerable achievements and respond to the changes in its own composition and environment?

These observations are in a sense made under a disadvantage. One of the striking things revealed by this study is how little is known and written about the ANC in South Africa. Although the ANC is adept at generating images of itself in its propaganda, as the country's leading political organisation it has been less successful in communicating the real substance of its analysis, agenda, goal-setting and movement. The nature of the transition has resulted in very few analysts and commentators of national credibility and independent intellectual integrity who are close to the ANC. This is clearly not the fault of the ANC, but an issue worth noting and one that can start to be rectified. In so doing the government would position itself more powerfully as the leader of the country as a whole. It surely does not serve the common national goal of growth and development to have such a wide gap in knowledge, understanding and perceptions of economic, political and related social issues as is currently the case between Johannesburg (representing the business centre) and Pretoria/Cape Town (representing government).

What the country and the ANC need are independent analysts who can participate in the public debate with a detailed and well-informed understanding of the organisation and the views, perspectives and concerns of its national and regional leaders. These should not be propagandists or sycophants of the ANC, but individuals of integrity who make it their business to really know who is who and what is happening in the ANC. There needs to be debate among these analysts in interpreting the ANC and its actions, as well as among these commentators and those who are less close to the ANC.

Most South Africans no longer dispute the key goals of an ANC government, which broadly can be summarised as:

- improving the quality of life of all South Africans, particularly the poorest;
- consolidating the democratic institutions and practices embodied in the constitution;
- eradicating the strong correlation of race with opportunity and income in the country (provided that the strategy does not end up benefiting an elite more than the disadvantaged, hence widening overall inequality); and
- building South Africa into an African success story.

The kernel of national debate now concerns the means by which this is all to be achieved. *How to do all these things?* It is in response to this question that the lack of coherence in the ANC becomes most apparent and worrying. The question of *how to tackle the key national issues* referred to above is also the dominant political debate in the country at large, and among business and the investment fraternity.

Instead of a reasonably clear and coherent position, some nine years after this organisation was unbanned, the ANC in government remains a paradox. It is simultaneously a very strong and weak organisation. Its electoral strength is immense, and without real challenge for the foreseeable future. Its political sophistication is considerable, and probably unparalleled in South Africa's history. The organisation's national and international stature is strong. Its ambitions both domestically and abroad are large. And yet the ANC is a weak organisational machine in the midst of a complex transition along a number of intertwined dimensions –

Some nine years after this organisation was unbanned, the ANC in government remains a paradox. It is simultaneously a very strong and weak organisation

structural and ideological. The formal structures of the organisation are weak when it comes to policy-making. In common with many other political parties in government, ANC policy is now predominantly made by ministers and their departments, and they do not consistently operate within a framework supportive of the economy. The role of head office and the party branches in formulating, evaluating or amending policy is minimal. It is said, with some justification, that the ANC has strong political leaders but weak political management.

The organisation does not have a developed and articulated theory of economic growth, nor a strategy for using the benefits of such growth to cut through the structural conditions that produce large-scale poverty. This has serious implications

The 1999 election saw the ANC run a smart campaign and receive a resounding mandate from the electorate. However, it is important not to confuse good electoral politics with the ability to get to grips with the very difficult challenges of governing South Africa. It is critical for the country's future that this large mandate and routing of the extremes in South African politics is seen as an opportunity to be seized by the new government. Now is the time to take risks and pursue the bold policy initiatives essential for South Africa's success.

We have attempted to understand and assess developments in the ANC in order to identify the characteristics and changes required for it to govern South Africa better. How does this political movement build on its achievements, and respond to the changes in its own composition and environment?

We have concluded that organisationally the ANC is in transition somewhere along the continuum from a liberation movement comprising many different components to the dominant political party in a representative multiparty parliamentary democracy, and that this has numerous practical, organisational, policy and conceptual implications. But we cannot say that the transition is nearly complete. Ideologically, the ANC is moving from a broad socialist heritage to a market-oriented and pragmatic base for South Africa's polity, but it is dragging far too many of the old ideological components and concepts of itself along with it. The two dimensions of the ANC's transition – structural and ideological – are not necessarily always in tandem, nor is the outcome of this transitional phase inevitable or easy to predict, with underlying consequences for investor confidence.

The test of the necessary coherence and political focus lies in South Africa's most serious problem, the loss of 500 000 jobs since 1994 and the highest rate of recorded unemployment in a serious economy in the world. Yet an exhaustive reading of ANC literature leads one to conclude that the organisation does not have a developed and articulated theory of economic growth, nor a strategy for using the benefits of such growth to cut through the structural conditions that produce large-scale poverty. This too has serious implications for the organisation, its leadership, its sense of identity and its unity of purpose.

What the country needs is a new centre of gravity for the ANC as the leading political party in South Africa's government. What is the fulcrum of policies and ideas that will inform the new government and its leadership, and provide the base around which to organise the party and a new partnership for growth and development?

The role of its top leadership is vital in how the ANC will respond to the challenges it faces; therefore, we now turn to its president, Thabo Mbeki.

THABO MBEKI – ANC PRESIDENT

Introduction

Any attempt to assess Thabo Mbeki's performance as deputy president, and derive some predictive insights from this for his likely performance as president, must recognise the constraints under which he and his office operated in the first two years of the government of national unity, and must also keep in mind the relatively brief time he has had in which to make his mark in office. It is indeed only since 1996 that he has been in a position to shape his office in relative freedom, and to define his priorities as deputy president in and for government.

The 1996 constitution does not spell out the functions of the deputy president. It states merely that he or she will be appointed by the president from among the members of the national assembly, and 'must assist the president in the execution of the functions of government'. The differences in their personal styles, political predilections and ages, their different circumstances and ambitions resulted in a division of labour between Mandela and Mbeki

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which saw the latter assume more and more of the functions of a prime minister. However, it is quite clear that Mbeki now intends to draw together the powers vesting in the president's office and extend them by instituting a more effective system of co-ordination – and therefore of control – horizontally over the operations of the cabinet, and vertically from the national level to the provinces.

Office of the deputy president

There was no historical precedent for an executive deputy president in South Africa. Mbeki's office started from a zero base. As the Reverend Frank Chikane, the top civil servant in the deputy president's office, puts it, "There was no office, there were no staff, there was absolutely nothing. We didn't even know where the office was going to be."¹³⁹ The initial establishment was tentative and relied heavily on advisers. In July 1994 the office had 50 posts, and was headed by a chief director. Following Chikane's appointment in November 1995 as effective chief of staff, capacity problems were assessed and a development plan instituted. In July 1996 Chikane was made director-general, in charge of communications staff, management services, programmes and projects.

Despite being the second most important political office in the country, it initially commanded only a small budget – R9.3 million in 1996. However, the budget for 1997/8 showed a 29 per cent increase. By April 1997 Mbeki's staff had grown to 96, and his intention to increase the numbers substantially had been reported in the press. By July 1998 there were 133 establishment posts in the office of the deputy president, of which 100 had been filled.

Some have argued that it is significant that all the high-profile posts in and around Mbeki's office have been filled by blacks, until very recently, when Willie Hofmeyr, ANC MP and SACP member, became his parliamentary adviser.

The most significant development in the office of the deputy president itself was the approval given by the cabinet in June 1997 for the establishment of the Co-ordination and Implementation Unit (CIU) in the deputy president's office, to co-ordinate the management and implementation of policy. Initial proposals were even more ambitious, envisaging a planning function for the unit as well, but this was rejected by the relevant cabinet committee. (It will be important to see how this continuing debate is addressed in the government's response to the recommendations of the Presidential Review Commission on the reorganisation of the office of the president.) Six senior posts were created for the CIU, and seven further posts for support staff, with these positions being filled from August 1997 onwards. The unit was fully operational by mid-1998.

Headed by a deputy director-general (Pundy Pillay), the CIU encompasses four different sections: a social sector, a justice system sector, an economic and development sector, and an international relations sector. Although the unit fell within the deputy president's office, it has moved with Mbeki to the office of the president. As Chikane told the PRC, "We restructured with the view that the incumbents (of the presidency) would change ... and determine what gets delegated ... What we have done is to create a structure which you can shift, an intact system, depending on who is president or deputy president."¹⁴⁰

To date the CIU is the most significant development in the evolution of the presidency as a whole. An important administrative initiative with substantial potential implications for the processes of governance, it is also a telling indication of the managerial style which Mbeki will bring to bear as president, exercising control not so much through personal force as by means of a carefully constructed system of management.

Whether the level of capacity in the CIU will enable it to perform the kind of policy analysis and co-ordination function that is needed in government is a critical question. Thus far indications and perceptions are mixed within government itself.¹⁴¹

The new president's office

If the recommendations of the PRC are taken up, the president's office will look very different than it did during Mandela's time. According to the PRC, Mandela's office was plagued with too

Whether the level of capacity in the CIU will enable it to perform the kind of policy analysis and co-ordination function that is needed in government is a critical question

many and varied vision statements, poor administration, and an absence of co-ordination mechanisms between government's various activities and functions.¹¹² The cabinet too suffered from various shortcomings, including an unsatisfactory process of policy formulation and decision-making by the cabinet and ministers, ineffective executive support for ministers, and an overall absence of policy co-ordination across departments and between national departments and the provinces¹¹³ (see section one).

Given his record, Mbeki's presidency will likely see stronger managerial control over government as well as the ANC, and there is likely to be greater coherence in strategic planning and in the implementation of policy

Should Mbeki follow the PRC's advice, the activities and functions of the president's office will be radically overhauled:

- One D-C will be appointed to take charge of both the president's and the deputy president's offices;
- the deputy president's office will be substantially reduced in size and functions;
- the CIO will be transferred to the office of the president;
- the CIO will be integrated into a significant new institution in the office of the president: an office of the cabinet secretariat, with the power to draw up cabinet agendas, prioritise policies and legislation, and call cabinet ministers and their departments to account.¹¹⁴
- The three important cabinet committees (on economic affairs, social and administrative affairs, and security and intelligence affairs) run by Mbeki as deputy president could be shifted to the president's office.

The PRC expected the deputy president to play a less prominent role than was the case in the latter years of Mandela's presidency. If the recommendations of the PRC are adopted, we might see the president's office being made up of the following in due course:

- **the private office**, to meet the president's day-to-day requirements;
- **the office of the cabinet secretariat** (OCS), to support and service meetings of cabinet ministers, whether chaired by the president, deputy president, or any other minister;
- **the office of public management** (OPM) would replace the DPSA. According to the PRC, its role would be 'to discharge the responsibility of the president for the efficient and effective co-ordination and direction of the public service'.¹¹⁵ Interestingly, the OPM was also seen as providing support to the cabinet secretariat 'for the purpose of the co-ordinated implementation of government policies'. It was envisaged that two units then situated in the office of the deputy president – the office on the status of women, and the office on the status of disabled persons – would be transferred to the OPM (an odd recommendation, since their concerns are broader than public management). The OPM would be under the direction and oversight of a minister, thus separating the president from its day-to-day operations;
- **the office of the Public Service Commission**, which would replace the existing Public Service Commission, would be a small independent body monitoring the public service and making recommendations to the president, parliament and provincial governments in this regard.

The PRC also recommended the creation of three new executive agencies within the office of the president:

- a co-ordinating agency for intergovernmental relations, which would take over the co-ordinating functions currently carried out by the department of constitutional development (except for local government) – though this might also be done by the CIO;
- an organisational review agency within the OPM, with responsibility for the ongoing process of evaluating and reconfiguring the structures of government; and
- an information management and systems agency to co-ordinate all public information management services.

It remains to be seen to what extent these recommendations will be adopted, and, if they are, whether they will operate as smoothly, rationally and efficiently as the PRC envisaged.

Two interesting comments emerged from CDE's interviews with key government officials regarding the PRC's recommendations. One thought that putting the key area of public administration into the president's office would mean it would fall under the president, and this would make internal criticism of government impossible. A second commented that, far from making the president more powerful, the overloading of his office with responsibilities would render him ineffective.¹¹⁶

No government can be entirely successful in co-ordinating its operations. And in South Africa there are likely to be critical gaps in experience and skill in the public service for many years to come. We may well find that, while power is concentrated in the office of the president, it operates erratically and in unpredictable ways. Nevertheless, given his record, Mbeki's presidency will likely see stronger managerial control over government as well as the ANC, and there is likely to be greater coherence in strategic planning and in the implementation of policy.

Thabo Mbeki – an enigma?

As a preface to any discussion on Thabo Mbeki the person, it should be emphasised that there is no reliable 'science' or proven research method that can accurately capture a personality. The account to follow – even based as it is on the many sources available – should be read in the knowledge that the characterisation is incomplete. Moreover, in undertaking an assessment of Mbeki as a leader, it should be recognised that this is being done because there is considerable public interest in the country's leader and not for any political purpose or to contribute to a 'cult of personality' approach to South African politics.

Observers often describe Mbeki as 'enigmatic'. There are widely differing views about his abilities, his character, and his fundamental values. He has been seen as a cerebral visionary (but with an eye for populist constituencies), eloquent (or a smooth talker), pragmatic, a skilled diplomat, a skilled politician, duplicitous, a back-room operator, high-handed, unforgiving of his political enemies, oversensitive to criticism, and given to surrounding himself with yes-men and personal allies, with loyalty counting for more than competence. On the one hand he can be viewed as a moderate (in the early days of negotiations, in meetings outside South Africa and at Kempton Park in a senior foreign journalist's words, '[he] preferred to charm whites all the way to defeat'¹⁴⁷); and more recently in relation to GEAR (though he had kept his distance from it until his strong speech in defence of the strategy at the SACP congress in July 1998). On the other hand, there are growing perceptions of him in some constituencies as an ideological Africanist whose leadership bodes ill for minorities after Mandela's departure.

Private reports on him by business leaders who have met him are mainly positive. However, he has been dogged by image problems in the press. In some measure this may stem from the fact that he is an intensely private man; partly because he is compared (even if only by implication) with the national icon, Nelson Mandela, and partly too because of the circumstances in which he has had to operate as an ambitious politician. As one analyst puts it: 'The unbanning of the ANC "threw the organisation into chaos, bringing together exiles, former Robben Islanders, UDF activists (who supported and practised a democratic decision-making that was insupportable in the ANC in exile) in a huge clash of styles and personalities and an inevitable jockeying for position and turf battles, all based on patronage ... He would never have survived within the organisation had he not honed the skills that make him a consummate politician, a committee man rather than a leader at the barricades, a fixer and a smoother, an arch-diplomat who considers every angle before moving.'¹⁴⁸

Thabo Mbeki – an 'Africanist?'

In 1996 the *New York Times* reported that 'Mbeki remains plagued by what some political analysts here call the "trust factor" – a sense that no one really knows who he is.'¹⁴⁹ When he returned to South Africa he was the darling of the media: portrayed as suave, diplomatic, urbane. But after 1994 the relationship became much more adversarial. He was seen as a bungler in the Boesak affair, and in handling Winnie Madikizela-Mandela's departure from government. He was said to be disorganised, and late for appointments (presumably at least partly explained by inadequate support in his office, because, according to Davis, he 'has a prodigious memory and a reputation for fine attention to detail and a capacity to follow through'.¹⁵⁰) Criticisms such as these now have fallen away.

Unease continues, however, perhaps particularly in relation to his perceived 'Africanism' which fuels minority insecurities. Maphai makes an important – and revealing – comment in this connection: 'I think there is a malicious intent in calling him an Africanist – it's racism in

... ..

A CDE interviewee

commented that, 'far from making the president more powerful, the overloading of his office with responsibilities would render him ineffective'

reverse. He is an Africanist in the fundamental sense that he's a fan of Africa; he's determined it should get its act together. He's uncompromising in that sense of Africanism and in proving the Afro-pessimists wrong. My worry is that there is this subtle message from the English media that except for Madiba all African ministers are a disaster, but that the non-African ministers are doing very well.¹³¹

Questioned on being an 'Africanist', Mbeki himself has denied that it has any sinister meaning: 'I haven't heard anyone define what is meant by Africanist. To the extent that we talk about the need to address the problems that face the African continent, sure. But sometimes I sense it is used to mean that what needs to be done is to pursue those matters that are in the exclusive interests of African South Africans. To that extent it is a racist thing.'¹³² These are reassuring words for minorities in South Africa, but it would be naive not to recognise the political appeal of 'Africanism'; after all, Africans comprise something like 90 per cent of the ANC's support base.

Mbeki as politician

Mbeki's rise to power may seem irresistible, but he has had to exercise very considerable political skills to get where he is – an ability to caucus, bring different constituencies together, and secure personal loyalties even where different convictions presumably run deep (as with some of his supporters in the SACP).

His family is, of course, part of the aristocracy of the ANC and the liberation struggle. He joined the ANC Youth League at the age of 14, in the year that his father, Govan, was elected as the ANC's national chairman. It is significant that the authorised introductory biography in a recent book of Mbeki's speeches makes no mention of his membership of the SACP, which, it is rumoured, he allowed to lapse in the late 1980s.¹³³ During his 30 years in exile he became one of ANC president Oliver Tambo's right-hand men, and played a major role in the developing dialogue with apartheid South Africa in the 1980s and early 1990s. He returned to South Africa with no obvious domestic political constituency.

He had to build support for himself, and did so by skilfully pulling together a diverse array of followers, including some of the ANC's most sophisticated thinkers, businessmen, trade unionists, Africanists-cum-nationalists, current and former communists, and populists – securing the crucial support of two powerful populist blocs, the ANC Youth League and the Womens' League. (His lines of communication with the latter two organisations were subsequently consolidated by the location of the office on the status of women and the National Youth Commission in the office of the deputy president.) He moved swiftly, and by 1993 had put together a powerful coalition which secured him the national chairmanship of the ANC. The assassination of Chris Hani in the same year removed his most significant rival for the deputy presidency of the ANC.

His supporters cut across many divisions of ideology and background in the ANC and the alliance. His friendships with Aziz and Essop Pahad (on the SACP central committee) go back far into the exile years. Other members of his Lusaka network include the minister of housing, Sankie Mthembu-Mahanyele; the former minister of public administration, now welfare and population development, Zola Skweyiya; Jacob Zuma (now deputy president); the deputy speaker, Baleka Kgotsisile, the head of the Gender Commission, Thenjiwe Mthintso (a member of the SACP central committee), the former minister of sport, now safety and security, Steve Tshwete; and ANC MP Wally Serote. He has a line to the populists through Peter Mokaba, former deputy minister for environmental affairs and tourism.¹³⁴

Notwithstanding his skill in attracting support from diverse quarters, Mbeki has also demonstrated a capacity for drawing a line between those who are perceived as being for or against him – and then carrying the battle into enemy territory (as Cyril Ramaphosa, Tokyo Sexwale and Patrick Lekota can testify). It is worth noting an unscripted point made by Mandela during his closing address at the Mafikeng congress in December 1997: 'There is a heavy burden on a leader elected unopposed. The temptation is to use the power to settle scores, get rid of detractors, surround oneself with yes-men. The first duty of such a leader is to allay concerns of fellow leaders, to allow them to discuss freely within the structures. A

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leader must keep the organisation together – he can't do it without allowing dissent, or allowing criticism without fear or favour.' Mandela went on to say that Mbeki understood such things very well. But the admonition was barely concealed.¹⁵⁵ The significance of this remark by Mandela is heightened by the events at the conference where Ramaphosa topped the poll in the popular elections for the NEC, and Lekota soundly defeated the leadership's candidate for national chairman, the third most senior post in the in the ANC.

A senior source in government regarded as being close to Mbeki concedes that the latter has a tendency towards 'paranoia', but that this is explained by the fact that he has had many enemies in the ANC who have sought to marginalise him.¹⁵⁶ He is after all a man who has 'grown up' in the movement; sent away from his parents at an early age 'for the sake of the movement'; and in the course of his exile and return to South Africa the stakes of political infighting must at all times have been incredibly high. His tenure as Mandela's deputy must have been fraught with difficulty. South Africa's international saint and 'teflon' president inevitably received all the credit for any achievements, and Mbeki 'the ordinary political mortal' was seen as the one responsible for most of the mistakes.

He is also described by those close to him as the most substantial African intellectual to have emerged in the ANC, who has had to contend over a long period with the 'intellectual hegemony' of non-Africans such as Joe Slovo and others – including unionists and members of the SACP who have dominated theoretical debates in the movement.¹⁵⁷ These same sources now see him as having become more 'settled' and confident as he has replaced Mandela at the centre of the political stage. His dressing down of the SACP at its congress in June 1998 was taken as a sign of this new-found confidence. Mbeki is increasingly seen as prepared 'to enter the fray'.

A recurring allegation against Mbeki is that he cannot tolerate independent-minded people around him and that he surrounds himself with 'yes-men' – people dependent on him and unlikely to challenge his views. Mojanku Gumbi, a lawyer who serves as an adviser to Mbeki, rejects these charges. Her role as counsellor in Mbeki's inner entourage tells its own tale: though not a member of the ANC, she was asked to serve because Mbeki wanted the input of an outsider not beholden to the ANC.¹⁵⁸ However, she is only one of a large staff, it is unclear how significant her differences with mainstream ANC thinking are, and her functions might centre on legal issues rather than core domestic policy matters. Vincent Maphai, formerly a professor and now with South African Breweries, says his experience as independent chair of the PRC also illustrates Mbeki's ability to deal with strong people who hold different views from his own.¹⁵⁹

Nonetheless, the worrying questions remain for many observers. According to Fine these questions are: 'How competent are those he surrounds himself with? Does he base his selection on loyalty, competence, or a desire to maintain a balance among different constituencies? Is the tendency to appoint less than competent people – which is still a fairly widespread criticism among critics – a consistent pattern, if it is indeed a correct perception? Is this tendency an indication of bad judgement of people rather than a desire for compliant staff? How will he deal with non-performers from the cabinet down? Will his new-found assertiveness and confidence effect his future cabinet and staff appointments?'¹⁶⁰

Centralised decision-making

A number of interviewees said Mbeki spends considerable time 'micro-managing' the work of cabinet ministers who are generally seen as being close to him but not as being very competent. 'The stuff ministers take to the deputy president is becoming ridiculous. Will he build a strong team, so that he can take a less hands-on approach?'¹⁶¹ Said one senior source: 'It is not encouraging that ministers and deputy ministers close to him who were not performing ... seemed impregnable.'¹⁶² It is significant that the only cabinet minister who was fired during Mandela's presidency was Pallo Jordan, and that was apparently not for incompetence but for insubordination. 'If he has the right kind of people working with him it will be good; if not, it will be bad. If he were to appoint 10 extremely competent people, this could add 50 per cent to the quality of government's performance. He needs people to specialise in three to four of the most impor-

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tant issues of the day – education, public service reform, the administration of justice ... So it's not about the individual, Thabo, but about the people he collects around him.¹⁶¹

A related and equally worrying concern is the increasing centralisation of decision-making within the ANC. The recently established 'deployment committee' headed by ANC chair and Mbeki confidant Jacob Zuma creates a centralised party mechanism through which the party hierarchy will have extraordinary influence over 'the appointment of ANC members to government jobs at all levels apart from the cabinet'.¹⁶² Operating under the ANC's core leadership (the national working committee), the Zuma 'deployment' committee was to screen all but the top quadrant of electoral lists to ensure that candidates meet certain criteria, including the 'right mix of experience and new blood, and ethnic, gender and regional balances'. Its brief also includes the allocation of ANC members to all 'transformation projects', including the upper reaches of the state and parastatal sectors. In addition to this power to vet all state appointments, the ANC recently decided that provincial premiers would be picked by the president and the NEC.¹⁶³

Whatever the reasons for this move towards greater centralisation, it does concentrate enormous powers of patronage in the party bosses, with concomitant worrying implications for internal pluralism and democratic debate. There is little doubt that these processes will enormously strengthen Mbeki's sway over the party and government, and could fray the already thin line between party and state.

It has been argued that one of Mbeki's great strengths is that he is 'willing to entertain new ideas'.¹⁶⁴ A senior cabinet member says: 'He has huge depth, competence and ability. He takes things in, listens to everything he hears, distils them in his own mind, and reaches a decision ... There is a lot of quality in him, but there is a danger that some things he says that sound profound are actually quite superficial.'¹⁶⁵

Mbeki as policy actor

Mbeki is a tough, strategic and successful politician. It is important to start a discussion of his policy views by noting that he has shown intellectual and political courage over the past 10–12 years:

- In the 1980s he argued for a negotiated settlement with the apartheid regime, risking the wrath of ANC/MK and other militants.
- Also in the 1980s he led the secret, sensitive and politically risky meetings with representatives of the apartheid government.
- In 1991, at the ANC's first conference back on South African soil, when the organisation was being torn apart by differences over the need to call a halt to sanctions, Mbeki delivered a speech spelling out the options and espousing a moderate line which reportedly caused those who had been banging defiantly on tables to stand up and applaud him instead.¹⁶⁶
- In 1996 he pressed for the adoption of GEAR as the cornerstone of ANC economic policy.
- In tandem with Mandela he faced down a threatened revolt against GEAR at the SACP's 10th congress in July 1998, and took the organisation to task for its performance as a member of the alliance.
- During his 1998 budget speech in parliament he made one of the toughest statements to the ANC's constituency yet heard from any government leader when he said: 'The time has come to call and impose a halt to the abuse of freedom in the name of entitlement said to arise naturally from our having been the victims of apartheid, especially by those elements among the black elite which have a voice, precisely because they are better off. Clearly these seek to hijack the sacrifices which millions of ordinary people made to liberate our country for noble purposes, in order to satisfy a seemingly insatiable and morally unbound greed and personal thirst for wealth and individual comfort, regardless of the cost to our society.'¹⁶⁷
- In 1998 he strongly criticised teachers in the South African Democratic Teachers Union when he said that: 'If we had the courage to be honest with ourselves, we would admit that many of the best-run schools in the country and many of the best teachers are, respec-

Whatever the reasons for this move towards greater centralisation, it does concentrate enormous powers of patronage in the party bosses, with concomitant worrying implications for internal pluralism and democratic debate

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tively, managed by and belong to the older teachers and the teachers' organisations which we view as reactionary simply because they do not know the revolutionary-sounding phrases which many among us are very competent at shouting out aloud ... Compared to the devoted and competent professionals who manage to produce these results, we, the members of SADTU, stand out as competent practitioners of the toyi-toyi. We come across as militant fighters for a better pay cheque at the end of the month ... greatly inspired by the value system which motivates the traitor and the criminal.¹⁷⁰

In the past two years Mbeki has initiated two potentially far-reaching and bold policy actions. The first was the appointment of a leading businessman, Meyer Kahn, as head of the South African Police Service. The second is the intricate manoeuvring around a rapprochement with the Inkatha Freedom Party and the important consequences of this for peace in a major region of the country. This cannot be an easy package to sell to very many ANC supporters, who come out of a bitter history of violent domestic conflict with the IFP in KwaZulu-Natal and Gauteng. There can be little doubt that Mbeki will need similar courage and bold action if he is to successfully steer South Africa into the next millennium.

In order to get a more detailed feel of Mbeki and the issues he has raised, we have selected six important policy areas for examination: transformation; affirmative action; two nations; business; opposition and freedom of the press; and foreign policy.

Transformation

Any thoughtful and honest South African must have considerable sympathy for Mbeki's concern with the transformation of this society. He is reported to have expressed his unease to a friend about the assumption gaining currency that 'normality' had been achieved in South Africa – comparing this with Zimbabwe, where Mugabe had initially been at pains to preserve some features of the old order only to be faced with pressing demands for transformation some years later.¹⁷¹

He said in an interview in 1996: 'You really have to revamp everything. This is difficult, because you have people with vested interests and you do not want to turn them into enemies of the process of change ... At the same time you cannot maintain the status quo of the socio-economic situation. If you do, I think you are asking for trouble ... Reconciliation is very important, critical, to success but so also is transformation.'¹⁷² In another speech he said: '... We must indeed embark on the transformation of our economy to achieve a radical departure from the past of the inequitable distribution of wealth, income and opportunity based on racial discrimination and domination.'¹⁷³

At no time, however, does Mbeki define exactly what he means. What exactly is 'everything'? And how is this 'transformation' to be achieved?

Transformation has become the new South Africa's favourite word. It is used by different components of the alliance to apply to the country as a whole or to particular institutions (the public service, a particular department, an organisation, a university) – but this broad injunction is insufficient as a guide for action. For those South Africans who want to change South Africa away from its past of discrimination and injustice, many important questions need to be answered. How will we 'transform' the country, and into what exactly? How will we know when we have arrived at this vague goal and been 'transformed'? What does 'redistribution of wealth' really mean? When will we know when we have reached this ideal state? Surely it is clear by now that we cannot change everything at once. Of course, there is a certain virtue in operating politically within a framework of ideas that appeals to 'a broad church' and provides space for manoeuvre. But behind these tactics there must be a set of preferences and priorities. So what are Mbeki's priorities?

Different definitions of 'transformation' litter South African public life. Some examples include:

- Mbeki in 1997: '[The] process of sustained development and transformation from which our government will not depart, remains still the provision of a better life for all and the comprehensive deracialisation of our country, among other things, by facilitating the achievement of high and sustained rates of economic growth, further creating the condi-

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tion for the integration of our economy into the world economy, promoting the creation of new jobs, providing land, clean water and sanitation, making progress towards the elimination of hunger and poverty, improving the quality of and access to educational, welfare and health services, ensuring the availability of affordable and sustainable energy and the provision of affordable housing.¹⁵⁴

- COSATU's September commission of 1997: 'Fundamental transformation depends on the extent to which the working class exercises its leadership.'¹⁵⁵
- The deputy minister of finance, 1998: 'The reality is that the transformation of our society is about overcoming the poverty divide in this country.'¹⁵⁶
- According to a senior journalist in 1998: 'The overused and poorly articulated new catchword of our politics, "transformation" has been used recently to target the auditor-general, the Reserve Bank and other institutions which are guaranteed independence in the Constitution ... the ANC must resist the temptation to take aim at hard won constitutional safeguards as being obstacles to transformation.'¹⁵⁷
- In a workshop held in an informal settlement in 1998, an ANC MP, now an adviser to Mbeki, found that for these citizens transformation meant job opportunities for the unemployed, provincial and local government channelling money into infrastructural development in the informal settlements, and effective crime prevention measures.¹⁵⁸
- With respect to the public service, Mbeki said in 1998 that '... we have to take all necessary steps to transform the machinery of state to ensure that it serves the people efficiently, effectively and with dedication'.¹⁵⁹

As can be seen, there are a vast range of different meanings and interpretations of the core concept at the heart of government policy as well as Mbeki's political thrust. It is also possible to think of others. For example:

- Equality of opportunity in all South African public institutions, supported by the new constitution and bill of rights. This approach focuses attention on education, and expanding opportunities for training and experience.
- Racial representivity in the leadership and senior management of all South African institutions (will this have to be in proportion to the latest census figures in the country as a whole, or a particular region, city or province?)
- Ethnic representivity in the leadership and senior management of all South African institutions (will we start asking how many Venda, Tswana, Shangaan and other ethnic groups in South Africa have appropriate/equivalent/proportionate representation with all other ethnic groups?)
- Racial and ethnic diversity more akin to the nature of South African society?
- The process of growth and development, coupled with equality of opportunity and massively increasing education training, employment and entrepreneurial opportunities for black South Africans.

Transformation not only has implications for what we are trying to achieve, but how we intend to do so. Thus a serious proponent of transformation must take a view on the pace and method of change as well. The all or nothing perspective contained in the ANC's initial notion of transformation is starting to erode in the light of the ANC's experience of the reality of change.

Increasingly the successful cabinet ministers and departments are starting to talk in terms reminiscent of incremental change rather than a revolutionary notion of fundamental transformation. A leading businessman is reported to have said: "'Transformation" is not possible in a developing country like South Africa - not with our history, our incompetent public service, and inexperienced politicians. One should question whether "transformation" is necessary at all. Change requires strategic thinking, a programmatic approach, a real marshalling of resources.'¹⁶⁰ It is interesting that, in a speech at the University of Fort Hare in 1997, Mbeki called on students to give careful consideration to words that were being bandied about. 'One of these words is "transformation". It is our task as students to rescue this word from becoming a dead word, a word that has no substance, by ensuring that we liberate it from misuse and give it its proper content based on meaningful debate and careful interrogation.'¹⁶¹ This advice could usefully be applied to the notion of 'transformation' that will guide the new ANC government in future.

Affirmative action

Affirmative action in South Africa over the past few years has largely focused on the workplace, educational institutions, parastatals, and the public service. As Mbeki put it in 1995: 'By affirmative action we understand a process which would inter alia focus on the preparation of the disadvantaged majority to catch up with its advantaged compatriots. Among other things this must mean the creation of possibilities for that majority to obtain such education and training as would give them the capacity to compete for jobs as directors-general in the public service, as university professors, as judges, as financial managers in large corporations, as generals in the National Defence Force and so on.'¹⁸⁷

Few would disagree with this commitment to education and training and the opening of doors previously bolted to black South Africans. This has not, however, been the primary focus of the government's affirmative action efforts. Like India and other countries, South Africa has followed the pattern of focusing attention on the needs of the aspiring better-off in the disadvantaged group rather than the poor.¹⁸⁸ The effect of the ANC promoted legislation and policy thrust has been to speed up the promotion of a class of individuals who would have been the beneficiaries of a deracialising South Africa in any case.

This is not a strategy to deal with poverty in any way. After all, it is individuals and their families who benefit from affirmative action policies, and no one has made a compelling case for the 'trickle-down' effects of these policies to the millions of South Africans who do not have jobs. As one savvy commentator on South Africa has put it: 'Jobs are not given to races, they are given to individuals. The individual benefits, the individual's nuclear family benefits, and there may be benefit to more distant relatives, but there is simply no way that this benefit "trickles down" to everybody of the same colour.'¹⁸⁹

Not one opinion poll has found that affirmative action – as expressed in current South African legislation – is one of the priorities mentioned by black South Africans, nor is there any reason to believe that – operating within a democratic constitution and bill of rights – black bureaucrats, businessmen or educators will be any more efficient or humane than those of any other group.

A danger is that all those who receive their positions by any other process than an ability to do the job are more likely to depend on pleasing their superiors at all costs, and this will detract from their effective performance of their functions [see case study one in section 2 on the transformation of the public service].

And yet Mbeki has also stated that affirmative action should take into account 'the unequal social and economic opportunities open to urban as against rural communities'.¹⁹⁰ This point of principle is important, but the question should be asked: how exactly? And why – if we look at what government has actually done – is this a lower government priority than accelerated job promotion for the black middle and professional class? If one considers how few resources government has put into an effective strategy for rural development and growth compared to the considerable resources poured into affirmative action legislation, one has to ask, why? And therefore, just how serious are the ritual utterances about the poor?

Impact on delivery

Another issue is the impact of affirmative action on delivery and the quality of people being educated. One of our senior ANC interviewees reports that '... over the next five years racial transformation will be prioritised over almost everything else. The quality of people employed in top government positions will decline because, due to our apartheid history, skills and experience among black Africans are more scarce.'¹⁹¹ It is reported that the cabinet recently discussed the appointment of a new director-general. A cabinet minister objected at the individual's lack of experience and expertise, but was overridden by Mbeki, who commented that it had been agreed that technical expertise was not required at that level.¹⁹²

If technical expertise and experience are not the key requirements for senior jobs, then what are the criteria? Is it race alone, or also allegiance to the political party or senior leader? And how will that person's performance be measured?

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There is undoubtedly a need to redress apartheid era imbalances, but there are trade-offs involved when an explicit focus on merit falls away. The first trade-off is in the cost of the appointment and the competence of the performance – i.e. the delivery that ensues. As Rachel Jalta has put it: 'The question is whether the use of race as a criterion for redress will enhance the prospects for the non-racial [delivery] that the constitution enshrines.'¹⁸⁸ She goes on to ask whether government resources might be better spent in 'preventing the creation of a future generation of affirmative action candidates rather than in creating a new bureaucracy to police affirmative action programmes for middle and senior managers who could use their relatively superior resources to realise their objectives'.¹⁸⁹ Michael O'Dowd put it this way: 'It follows that if the government damages the efficiency of the state service whether by real affirmative action or patronage under cover of affirmative action, the chief losers will be the poor. By the same token, if the government improves the quality of the state service by eliminating both the narrow recruitment base and the featherbedding practices of the old regime, if it creates a public service genuinely open to competitive recruitment on merit and demanding real performance on the job, the poor will be the main gainers. There have so far been moves in both directions and it remains to be seen which will prevail.'¹⁹⁰

The second trade-off involved in racially based affirmative action involves a slide towards greater possibilities of corruption. The journalist Maja Mokoena, writing in 1998 about the lessons for South Africa of the Asian crisis, had this to say: 'We know today that economic privilege [in South Africa], manifested in government appointments and government contracts is extended to those in close proximity to the political elite, regardless of subject matter expertise. Top jobs in government are seemingly considered on ethnic and party affiliation ... This is at the expense of quality of service and misallocation of well-qualified resources outside the said ethnic group ... So South Africa, beware the dangers of crony capitalism.'¹⁹¹

And finally there is another difficult trade-off involved in the present focus on and definition of affirmative action. Is it really possible to build a country that, in Mbeki's admirable words, refuses to 'acquiesce in the oppression, marginalisation and deprivation of any person, regardless of their cultural origin, gender, colour, race, creed, age or physical condition'¹⁹² and at the same time to use race and race-based legislation to promote certain individuals over others? (see box: **Employment equity and empowerment**, page 128).

'Two nations'

In May 1998 Mbeki described South Africa as a country of 'two nations': affluent whites and poor blacks. 'The second and larger nation of South Africa is black and poor, with the worst affected being women in the rural areas, the black rural population in general and the disabled'.¹⁹³ He called for a new patriotism to help build a non-racial country, and asked what affluent white South Africans were contributing to the gross disparities in standard of living and quality of life of poorer citizens. In reflecting on these important issues, there are a number of critical questions to raise about Mbeki's world view and how this could affect his approach to political priorities.

Mbeki is normally the first to admonish government critics for not acknowledging the progress the democratic government has already made in improving conditions and circumstances of hundreds of thousands if not millions of South Africans.¹⁹⁴ In February 1998 he told a meeting of the National Union of Mineworkers: 'Our enemies want to deny that any [change promised by the ANC] has happened and if this does not succeed they try their best to hide the truth from both ourselves and the rest of the world.'¹⁹⁵ And yet his own 'two nations' speech could have been written in 1990, because it gives the ANC-led government no credit for improving the situation at all.

This raises a fundamental question on how Mbeki would define progress away from the disparities of the past. In other words, when would he say that – bearing in mind the terrible legacy of apartheid – South Africa has started to move towards the more equitable society we want it to become? What does he think would have been the reasonable progress we as a society should have made by now? And why have we not been able to achieve this progress? (see box: **Is there an expectations crisis?**, page 144).

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It is significant that Mbeki's 'two nations' speech does not deal with the uncomfortable reality that income disparities are now as wide within black society as they are between blacks and whites. And, as importantly, this is a growing trend. The significance of this reality is not to win debating points or to justify the discrimination of the past, but to recognise and respond to an important new phenomenon in South Africa's social stratification. The growth of a new black elite in the public and private sectors is one which the ANC government has helped to accelerate.

Mbeki is right to draw attention to continued inequality. South Africa must have a serious public conversation about inequality. This discussion needs to focus on its root causes, and then, most importantly, what can be done to break the cycle of grinding poverty for millions of citizens. What is required, therefore, from the country's senior leadership is a policy debate about the choices that face the country, if we are seriously to deal with probably the most important cleavage line in South Africa: the divide between those with skills and those without; those with access to educational and economic opportunity, and those without. This debate is less and less about race. A recent analysis of unemployment in South Africa concluded: 'Almost two million jobs have been lost over the past two decades as a result of investment being channelled increasingly into capital-intensive sectors and technologies ... Unemployment is now a major determinant of poverty and inequality ... Employment in manufacturing and services has to be at the heart of any sustainable and significant anti-poverty programme.'²⁹

It would be a lot more constructive if all South African leaders (in the different political parties and elsewhere) moved away from talking about racial groups as though they were homogeneous entities. It is time to leave this apartheid notion behind. It certainly does not reflect the realities of South Africa today. The leader of the ANC needs to disaggregate both black South Africa and white South Africa much more in his speeches and analysis – it's a lot more complex than 'whites', 'business' and 'Afrikaners', which are the three categories most often used in public speeches.

In this 'two nations' speech, as elsewhere, Mbeki asks what white South Africans are doing to contribute to building a new nation and if they are doing enough. Again, a pertinent and valid question. However, it is not helpful for him continually to raise this issue without putting some practical suggestions on the table, which thus far he has not done. What exactly does he want people to do? How precisely does he see 'redistribution'? And what is the role he expects privileged groups (black and white) to play with respect to redistribution?

The role of business

Invariably Mbeki asks the redistribution and contribution question of business, and challenges its commitment to the 'new patriotism'.

It is significant that a close reading of Mbeki's speeches over the past four years reveals a profound ambiguity about the profit-making enterprise. The ANC, with Mbeki in the lead, has accepted the important role of the private sector in economic and social development, and it has accepted that the country needs to do all it can to attract foreign direct investment. As Mbeki put it in 1995:

"The government is only too aware that without new fixed investment there will be no new jobs, and that in the long run it is mainly the private business sector and not the government that can create sustainable employment opportunities."³⁰

And yet in few speeches or ANC documents is there an explanation for ANC members of how the market works, the phenomenal achievements of market-driven development, and the contribution that business makes to South Africa.³¹ Or why the ANC government is now convinced that market-based development is the best and only way for South Africa to succeed. Not only is this conviction and understanding of market dynamics missing from the ANC's and its leaders' public repertoire, but considerable attention is generally paid to the imperfections of the market and the inadequacies of the South African business sector.

This surely raises the question as to whether the ANC leadership is really convinced about market-based growth for South Africa, and if so, surely the time has come to become a more

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persuasive and committed spokesperson for the 'amorphous', imperfect, but nonetheless best system ever devised for the production and allocation of goods and services. It is hard to see South Africa ever becoming, in Mbeki's words, 'the world's most promising and exciting emerging market'¹⁹⁷ without such conviction and leadership (see case study on GEAR in section 2).

It is interesting in this context that Mbeki is at the forefront of pushing for the promotion of a black business class. He has been forceful in supporting the black empowerment initiatives

Is there an expectations crisis?¹⁹⁶

Supposedly informed debate would have it that the relatively newly enfranchised majority in South Africa is seriously disappointed and disillusioned with the performance of the new system. The notion that either a crisis of expectations or at least mounting disillusionment exists among black South Africans has become conventional wisdom. The government itself concedes that the rate of reform and change in the lives of the majority has not met early expectations. Various economic indicators show that per capita incomes have fallen since 1996, that unemployment has risen, that the numbers of people living in shacks has risen, and that diseases of poverty have increased.

Social reality, however, is usually more complex than political debate and economic statistics. Attitudes and expectations are often fluid and unpredictable. After five years of open democracy, is there really an expectations crisis?

A few keynote indicators from studies of attitudes illustrate the complexity of the issue:

- In 1995 a senior researcher conducted a qualitative investigation of expectations for the Centre for Policy Studies, based on focus group discussions. He concluded that the black discussants cherished 'considerable hope' for change and improvements in their lives, and that there was 'widespread demand for faster, tangible social and economic change. He observed, however, that the discussants were aware of constraints on government and that 'meeting expectations may well prove to be far more achievable than is generally realised.'¹⁹⁸
- A similar conclusion emerged from a nationwide MarkData survey conducted in December 1994. While more black interviewees stated that the performance of the new government was 'worse than expected' than those who felt that it had been 'as expected' or 'better than expected' (45 per cent as opposed to 39 per cent – the rest were uncertain), more people than not understood and accepted that the government was constrained by a lack of money and resources (48 per cent versus 31 per cent).¹⁹⁹ These and other investigations at the time were suggesting that the black population was indeed highly aspirant, but that its reactions were qualified by a strong sense of what was possible. The government clearly was being given time.
- A third set of evidence has been assembled which complicates the picture even further – broadly comparable results from MarkData surveys on general life satisfaction among blacks over time. In 1983, 44 per cent declared themselves to be 'very

satisfied' or 'satisfied', but by 1988, as the hope for liberation from apartheid gained momentum, this proportion declined to 32 per cent. In 1994, at the time of the first democratic elections, it skyrocketed to 80 per cent, only to subside very rapidly to an average of 40 per cent in 1995. By 1997 the 'expectations hangover' lifted somewhat, with 45 per cent feeling very satisfied or satisfied. This same pattern was reflected by other nationwide MarkData evidence over time. The perception that life in all aspects was 'getting better' rather than worse characterised 49 per cent of blacks in 1983, 34 per cent in 1988, 33 per cent in 1995, and 37 per cent by October 1996.²⁰⁰

In these patterns we see a very sobering fact: perceptions of life satisfaction have returned to the levels they were in the bad old days of mid-1980s apartheid. Clearly a sense of scope and opportunity is at least as important as objective conditions in determining expectations – what sociologists often call 'relative deprivation'. The harsh realities that constrained expectations in the 1980s after a very brief euphoria have given way to an equivalent awareness of the limitations of the new government.

No government should expect that its supporters will feel better for very long because it makes promises of change and reform. After the 'new society' rhetoric has become commonplace, the perception soon takes hold that government, after all is said and done, is merely government. Ironically, it is no easier for the democratic government to please the masses than it was for a previous government which was expected to discriminate against them.

In this tough context of evaluation, the government has actually not done badly at all, as some recent evidence shows.

- In October 1998 a national MarkData survey found that, when asked about reactions to the performance of government, some 53 per cent of blacks declared themselves satisfied as opposed to 45 per cent who were dissatisfied, with the remainder being uncertain.²⁰¹
- In a MarkData survey in February 1999, 57 per cent of blacks felt that the performance of government had 'improved' over the past five years. Some 45 per cent felt that their financial circumstances had improved, as opposed to a lower proportion of 36 per cent who felt that they had deteriorated.²⁰²

Very recently, in March 1999 – in the run-up to the 1999 election, when a particularly powerful ANC campaign might have rekindled a mood of buoyant anticipation – an even more positive balance of responses emerged to the following question in a

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which have resulted in a small group of black South Africans acquiring control of or at least a significant portion of some of South Africa's largest companies. As Professor William Makgoba has put it, 'the people who are most advantaged by the new South Africa are the black elite.'¹⁰⁸

The opening of the formerly closed white elite to black South Africans has been a signal achievement. However, new questions now arise: what developmental role does Mbeki want

MarkData Omnibus poll: 'Taking everything into account, how has the government performed since 1994 in running the country?' Some 24 per cent of all Africans felt it had performed 'very well', 22 per cent felt its performance was 'better than expected', and 12 per cent felt it had performed as expected. Altogether, therefore, 58 per cent of Africans felt positive about the government's performance, which was almost twice as many as the 31 per cent feeling disappointed and negative (the balance was neutral). Whether based on reality, anticipation or promises, the government's performance has been impressive.

The differences according to types of areas are interesting. The highest level of positive responses occurred among shack dwellers (66 per cent) and among people in commercial farming areas (65 per cent), the former having benefited or hoping to benefit from housing subsidies, and the latter from improvements to security of tenure and hopes of labour protection. By contrast, in the deep rural areas, the level of positive responses was 52 per cent, and among people in urban and suburban areas only 48 per cent.

The pattern of results in the traditional rural areas are complex, however. While these African respondents have a relatively low evaluation of the performance of government, they are slightly more optimistic about the future than township residents. This pattern corresponds with the findings of a survey conducted by Prof Valerie Moller in KwaZulu-Natal in 1995. Whether this is largely due to aspects of their social and political consciousness or due to the anticipation of benefits such as electrification and water services is difficult to say, but the rather successful campaigns by the government and parastatal agencies to extend service infrastructure must be having some effect in creating optimism.

The detailed survey results reflect some other objective geographic and economic realities. There are nodes of clear majority dissatisfaction – particularly in the Eastern Cape and KwaZulu-Natal – among the unemployed, among those with no income in the informal sector, and among the increasing numbers of people who live outside townships in inner city areas or in marginal accommodation in crumbling former white areas. Among Africans with tertiary educational qualifications, material circumstances are favourable, but they are much more likely than average to see a deterioration in standards of government administration.

Charney's 1995 study predicted another recent trend. He warned then that 'if their [blacks'] expectations are disappointed and their patience exhausted ... the likeliest results are depoliticisation, cynicism and anomie ... Rather than rebellion, [there will

be] a turning away from politics ... declining electoral participation, a less vigorous political system, and an increase in disorganised social protest, crime and violence.'¹⁰⁹

Confirmation of Charney's prediction is found in the fact that among the some 5 per cent of blacks in the October 1998 and February 1999 MarkData surveys who firmly said that they would not vote in the 1999 elections, 60 per cent felt that they had become poorer over the past five years, and 72 per cent were dissatisfied with the government. Almost the same levels of dissatisfaction are present among the many more people who say that they are uncertain about whom to vote for.¹¹⁰

On balance, then, there are more black people who feel that the system favours their interests than those who feel disadvantaged and disillusioned. The balance is delicate, however, and the positive perceptions of the government's performance may weaken after the first round of 1999 election euphoria. Furthermore, while the notion of majority frustration and overall delivery dissatisfaction is clearly wrong, a substantial proportion of some 30–40 per cent of the black majority feel the system is not delivering, and are not particularly optimistic about the future.

In sum, South Africa's black majority cannot be stereotyped. There is no dominant popular discontent of the kind anxiously speculated about by politicians, the media, or at suburban dinner parties. The idea of an expectations crisis is an urban myth. The government is perceived to have looked after the unionised and formal sector workers, the black lower middle class and new elite rather well. There is, however, disillusionment among very substantial minorities, particularly among those marginal to the economy and in the areas of mass rural poverty and urban dislocation. Not all the dissatisfaction is accompanied by disillusionment, however, and the rural poor are surprisingly optimistic about the future.

The large question is how long this modulated pattern will last. For how long will short-term discontent among the marginal poor remain balanced by longer-term optimism, and for how long will the genuinely good intentions of the government take the edge off the effects on individuals and families of rising unemployment? As in Zimbabwe when mass discontent was still emerging, many of the more discontented people do not turn to the democratic party system for redress, but withdraw into a political wilderness. Political apathy can in fact cushion a majority party for a long while, but the longer-term implications for stability and a healthy democracy remain matters of concern.

this form of black empowerment to play? How does it relate to overall national development and the promotion of opportunities for the poor? And what responsibilities does he envisage this new elite having?

Pallo Jordan, former minister for the environment and a senior figure in the ANC, has expressed an interesting view on the new black middle class. In late 1997 he wrote: '... should the ANC deliberately foster the emergence of a black middle class? ... [The ANC's] engagement with the emergent black bourgeoisie should involve the elaboration of certain standards of conduct, and a business ethic that will speed the realisation of the goals of the national liberation movement.'²⁰⁹ How representative his views are within the ANC is not known, nor precisely what he is looking for, but it is noteworthy that he is one of the few ANC leaders willing to raise such questions about this new elite, or talk about their role in the transformation of South Africa.

There is a lot of loose talk in black political and professional circles about the need for and emergence of a 'patriotic black bourgeoisie', 'a patriotic black business class' who will be fundamentally different from the previous all-white middle class and business sector. What does Mbeki believe about the new black business class, and what role does he want them to play? How does he reconcile his promotion of this group with his views of the market, and of the necessity to deal with poverty? Of course there is no contradiction, but the connections ought to be more explicitly stated.

It is noteworthy that the ANC and Mbeki talk far less about the very many existing black-owned and controlled enterprises -- small-scale businesses in urban and rural areas, and small-scale producers in peri-urban and rural South Africa. Black business people stretch far wider and deeper in the society than the few high-powered new businessmen. What role does he envisage for these sectors of South African business? What can he do to assist them? This group has benefited far less from democracy than the urban business elite. Potentially they could be a solid base of political support for enterprise-friendly policies.

Mbeki has had an uncomfortable relationship with white big business in South Africa. For a long time it appeared as though he was far more comfortable with international big business than with domestic tycoons and corporations. Some years ago Mbeki expressed a sense of despair over business's apparent lack of commitment to transformation. 'How committed' he asked, 'is the corporate community in this country? ... The South Africa Foundation gave us their strategy document, so we sat and listened to the presentation. You have seen the cover of the document. It is of a house -- the roof has 'growth' on it and five pillars. At the end of the meeting, I said to some of my colleagues -- just look at this house. What is missing? They looked and said, we do not see. I said, there is missing a sixth pillar -- it says absolutely nothing about what business itself commits itself to in order to achieve this "growth for all".'²¹⁰ At about the same time, a leading spokesman for business responded by saying that Mbeki seemed to forget the 'unparalleled' involvement of business in the broader society. Business, he said, felt blocked. 'There is no one in Mbeki's advisory group with whom we can effectively deal. Nor does Mbeki spend any time with us.'²¹¹

How much has changed since then? Writing in the *Sunday Times* in April 1998, Stanley Uys still could not see any real meeting of minds between the business community and Mbeki.²¹² The establishment of the Business Trust initiative late in 1998 has led to some changes in the relationship between the ANC, Mbeki and big business. And the involvement of black business leaders in the trust is a critical new ingredient in the Mbeki -- big business dynamic.²¹³ It is said that there is now some more contact, and greater meeting of minds. Certainly the government's response to the move by some of the country's leading companies to have their primary listing on the London Stock Exchange is an indication of a better understanding. How far and how deep this new-found relationship goes remains to be seen.

One critical component of the Business Trust initiative is the establishment of a consultative committee between government at the highest level and senior business leaders. This regular consultation is supposed to be chaired by Mbeki.

The success of such a form of regular consultation will depend on both the government's commitment to this channel of communication and the effectiveness, unanimity and seriousness of the business input.²¹⁴

Black business people stretch far wider and deeper in the society than the few high-powered new businessmen. This group has benefited far less from democracy than the urban business elite. Potentially they could be a solid base of political support for enterprise-friendly policies

Sensitivity to opposition

Over the past five years there have been a number of examples of what we might call ANC 'touchiness'. Generally these incidents have involved criticisms from outside of ANC ministers' actions, the race of the critic, and comments about the press.

If one looks back at South Africa's history, Mbeki's irritation with critics who doubt his and the ANC's democratic bona fides is understandable. After all, if you see almost all whites as having been complicit with apartheid it does seem insulting for those selfsame white people to question the democratic credentials of the people who helped to bring democracy to the country. But neither the past – black or white – nor the present is that simple. After all, not all whites supported apartheid – thousands voted against it. Not all blacks or even their leaders have been noted for the primacy of their liberal democratic commitments, and anyway, what people were or did in the past is not necessarily a good guide to the accuracy or validity of what they are saying or doing today.

In a revolutionary situation protagonists are seen in stark terms; you are either 'with us or against us', in the classic phrase. In a democratic parliamentary system people who were formerly enemies are now political competitors – and that conceptual change requires a fundamentally different analysis as well as tone.

It is worrying, therefore, that Mbeki and the ANC's response to criticism is often to denigrate the critic. Here are a few examples:

- Mbeki's response to critics of the Lesotho invasion, both of its validity and its implementation: 'opponents of change' with 'their hatred for the forces of genuine change on our continent and their determination to defeat us'.²¹⁵
- the government's response to court action against the minister of health's draft legislation: characterising court action by Business South Africa as 'an apparent conspiracy of intent' and 'part of a plot to foil health reforms'.²¹⁶
- Mbeki referring to the detractors of the former minister of education, Sibusiso Bengu, as necessarily 'racists'.²¹⁷

Of course, it is recognised that the critics themselves are not necessarily beyond reproach, but it is the issues that should form the stuff of democratic debate, not the critics' intentions or their race.

South Africa's new Smuts?

During the many years of exile, Mbeki developed expertise and an interest in international affairs. He has large and ambitious goals for himself and South Africa with respect to African and global affairs.

His concept of the 'African Renaissance' has enabled him to put a positive slant on how to think about Africa; provided cover for him to attack the despots, kleptocrats and other terrible forms of government that plague the continent; call on Africans to stop being passive about their lot and do something about their place in the world economy; and try to define a role for South Africa in continental affairs. He is – commendably – the man who is talking peace on a continent of warmongers.

In addition to his African agenda there are his larger international ambitions. There can be little doubt that Mbeki is playing for an African seat on the UN security council, with South Africa as its first occupant. He sees South Africa as a critical player in a south–south initiative to transform the terms of trade and power between the industrialised northern countries and those of the south. And although many of his speeches and ideas are influenced by the language and assumptions of what might be called 'third worldism', he is nonetheless carving out a distinct and positive role for South Africa compared to many other third-world leaders.

Few would argue with many of these ideals and roles. In fact, many would credit Mbeki with some visionary ideas and the courage to promote them. However, a number of important points need to be stressed. A certain romanticism is evident in Mbeki when he talks of Africa and his Africanness. This will need to be matched with a much firmer pragmatism.

Second, the role he is trying to play internationally leads him into being a champion of

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human rights and market economics in the non-aligned movement (NAM) summit and in Africa. It is interesting and probably revealing about South Africa's internal politics and how he sees them that he can be bolder and firmer about these issues as an international spokesman than domestically.

At the NAM summit in August 1998 Mbeki showed this when he stated bluntly: 'Clearly, any among us who is preoccupied with denying his or her people their democratic and human rights, who is fixated on waging wars against others, who is too busy looting the public coffers or who thinks that he or she must bow in supplication for charity to those whose wealth sets them aside as the mighty, will not have the time to participate in meeting this historic challenge.'¹⁸ And '... the untapped markets in the world economy are those of the developing world ... clearly therefore the further qualitatively new expansion of the world economy must derive from the expansion of these markets ...'¹⁹

Our international activities must be highly selective and geared around South Africa's priority economic issues.

The temptations and attractions for greater involvement in international affairs are obvious, but we need to focus ruthlessly on turning the South African economy around, and we do not have much expertise to spare

Foreign policy interests

Third, and most important, one has to raise the question of priorities. South Africa's foreign policy interests are first and foremost economic. The policies and activities of the different government departments involved need to be firmly focused on attracting investment to South Africa, expanding trade links (and ensuring international rules of trade are fair to developing countries), and attracting skilled migrants to the country. These three activities can benefit from a strong partnership with business leaders and private sector activities. South African businessmen can be excellent informal 'ambassadors' for the country and particular cities or regions, and they should be encouraged to play this role. And if the government detects a less than enthusiastic attitude among business, then some frank and hard talking is required for government to find out why business leaders or some of them might be less effective ambassadors than we need, and to deal with the problems that they raise. Without strong domestic investment we will not attract the level of international investment that we so desperately require.

As the *Financial Times* of London argued recently: 'Perhaps the biggest boost for foreign investment would be a signal from South Africa's own corporations which are investing only just enough to keep their businesses ticking over that they themselves have faith in the economy's long-term success.'²⁰

South Africa is presently chair of SADC, it will preside over the UN Conference on Trade and Development, and recently hosted the NAM summit. South Africa also plays a leading role in many other major international committees and organisations.²¹ We have senior representation on numerous international organisations. How much of Mbeki's and other senior cabinet ministers' time should be spent on international issues? The overwhelming priority is to put time and energy into South Africa and its challenges, which in themselves are very large and demanding. Our international activities must be highly selective and geared around South Africa's priority economic issues. The temptations and attractions for greater involvement in international affairs are obvious, but we need to focus ruthlessly on turning the South African economy around, and we do not have much expertise to spare.

A potentially dangerous tendency to be watched is whether Mbeki, supported by his cabinet ministers, may become – in effect – South Africa's new Smuts: the man who spent so much time and energy on international affairs that he neglected to keep in touch with his own voters and the issues that concerned them most.

Conclusion

Some commentators argue that, after a charismatic leader such as Nelson Mandela, South Africa needs a leader who is more in the mould of a technocratic manager. In one sense this is true. The greatness of Mandela was found in many characteristics, but running a country and a cabinet was not one of these. As deputy president, Mbeki has had to play a difficult role in filling these gaps. The country now needs someone who is better suited to the mechanics of government and the necessity to follow through on policies, programmes and initiatives.

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However, South Africa under Mbeki's watch will require a leader with vision as well.

The next five years will be critical ones. It is hard to picture the miracle of reconciliation continuing unless there is sustained and high economic growth. To achieve that will require a leader of the government and the ANC who has a new vision of South Africa and the ANC, and the courage of his convictions.

Britain's Tony Blair has had to lead the Labour Party away from its socialist and union-dominated past. In so doing he has put considerable energy into developing a new set of ideas for his party and the country, and he is ruthless in ensuring that key members of the cabinet and party 'toe the new line'. Mbeki will govern and lead a political party in very different circumstances from that of Britain and Blair. Nonetheless, there are some lessons to be learnt about leadership in political parties undergoing fundamental change.

Leadership requires a new direction and the language to go with it; a new philosophy and strategy that guides the new approach; a small set of priorities must be chosen and stuck to; a team of close supporters equally committed to implementing the new ideas must surround the leader; and a certain degree of toughness is then required to impose the new vision on the party and follow through with the chosen policies.

At the turn of the century, there is not much choice in South Africa. There is only one road to follow if we want to start eating away at the massive and growing unemployment figures and put the country on a sustained high growth path. The critical challenge is to achieve this as quickly as possible and with the minimum disruption necessary. Doing this will require a leadership that has firmly set its sights on this goal and is willing and able to do what it takes to get the country into a more favourable position. This will require determination and tremendous political skill. It will require agility in terms of South Africa's new political realities, and a willingness to look for allies wherever they can be found. Success will need a confident leadership committed to build a better South Africa, with room for all its diverse communities.

South Africa is fortunate to have a person of Mbeki's calibre to lead it into the next century. He is intelligent, and has shown considerable political skill, agility and courage. He will need to apply these talents and attributes in the new context of national leadership.

Global economy

One perspective concerning the Mbeki presidency is that he will apply the rules of the global economy with enthusiasm to South Africa's economy, and couple this with a dramatic push for Africanisation in every sphere of South African life. In this way, the view goes, Mbeki will make South Africa a competitive economy and simultaneously promote rapid black advancement. There is, however, a potential flaw in this way of thinking. One of the reasons why South Africa is potentially a really competitive emerging economy is because of the unusual reservoir of skilled professionals and entrepreneurs residing in the country. These are the people who manage and staff the world-class financial institutions, educational facilities, and engineering and other technical areas in which South Africa is highly competitive. Unfortunately, because of the country's history and the evil legacy of 'bantu education', most of these professionals are not African.

Success in the global economy – rather than mere conformity to its prescriptions – will require not necessarily a cosseting, but at least a full acceptance of these highly skilled people and their needs and aspirations as part of the South African diversity. It is a misunderstanding of South Africa's needs as a market economy to see competition between black and white skills as a zero sum game. Global success will require a multi-race, multiclass partnership in order to create the rapid opening of opportunities for mass black advancement. This will require a delicate balancing act – nationally and in the cities – and the country's out-migration rates of precisely these highly skilled people is a worrying indicator of imbalance.²²²

Focus on implementation

A second perspective that is heard with increasing frequency goes like this. In the past five years the government had to get rid of apartheid legislation, and establish a new policy frame-

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work. That has now been achieved, and the next five years will require an increased concentration on implementation. It is true that the first democratic government has produced a remarkable amount of policy material, and it is true that much more attention should be paid to actually getting things done.

However, a question must forcefully be raised concerning the relevance of large parts of this body of policy to the kind of economic constraints the country faces, its ongoing capacity constraints, and the remedies needed to achieve sustained growth (not all policies, but definitely certain key areas). Good policy does not exist in a vacuum. An ideal policy cannot be developed with attention only then being paid to the real-life constraints in the course of its implementation. Good policies take all these issues into consideration at the outset, and the real-life imperfections influence the nature of the policy adopted.

The country does not have a strong enough strategy for economic growth; nor does it have an effective strategy for dealing with poverty. With our current economic strategy in place, the country has lost more than 500 000 formal sector jobs. First and foremost, the new president must centre his government on a philosophy of growth and a programme of economic reform, and then realign all existing policies to ensure that they support and complement this economic strategy and do not undermine or detract from it (see case study on GEAR, section two). New policies will require new political alliances, and here again the new president will need to lead.

It has been said that the ANC has strong political leaders, but weak political management. Hence we have leaders that are on a par in representing this country and government with any across the world. Our political movement and systems backing up those leaders are far weaker, and the reach of our political leadership in educating and influencing policy development and action throughout the country is less impressive.

A key test for the Mbeki presidency will therefore lie in dealing with the weakness of political management in the ANC where there appear to be growing and real tensions between local communities and national leaders. And excessive centralisation is not evidence of strong political management in a democratic system. The irony of that approach could lie in the fact that an increasingly centralised party will have 'more and more power over less and less'.²²³ Strong political management in a democratic system is often subtle, using influence and persuasion, providing frameworks of values and principles rather than autocratic decisions. Strong political management ensures that the leadership wins most of the time, and not – as has been happening to the ANC over the past few years – that the national leadership loses more often than it should in internal conflicts.

Good management

A final statement made by ANC leaders that needs discussion is the oft-heard phrase that 'the ANC is in government but not in power'. In its second term in office, it is important that the ANC is in power and knows how to use that power. Within the framework of the constitution and the checks and balances inherent in that constitution, the government must use all the resources of this society to achieve national goals. So, for example, cabinet ministers must look to all the universities and other bodies as feeding grounds for staff and advisers, not only old acquaintances and networks.

The government must look at harnessing all the capacity of this society for the cabinet and other appointments, not just those who were involved in 'the struggle'. Most importantly perhaps, the ANC has to realise that power is not control, or a sense of ownership of society, but that in the modern global economy government 'power' rests on good management and the co-ordination of resources.

No one knew what kind of state president F W de Klerk would be, and on his record none would have predicted the bold about-turn starting with the release of Mandela and culminating in the election of South Africa's first black president under a democratic constitution. Similarly, we should be cautious about predicting too much about Mbeki's presidency from his past behaviour. We should also be cautious about many white people's seemingly knee-jerk reaction to black leaders – there is a pattern of initial demonisation, and then, all too often,

The country needs a strong democratic leader who will be decisive about the critical economic challenges facing it and the new political realities necessary to deal with those challenges

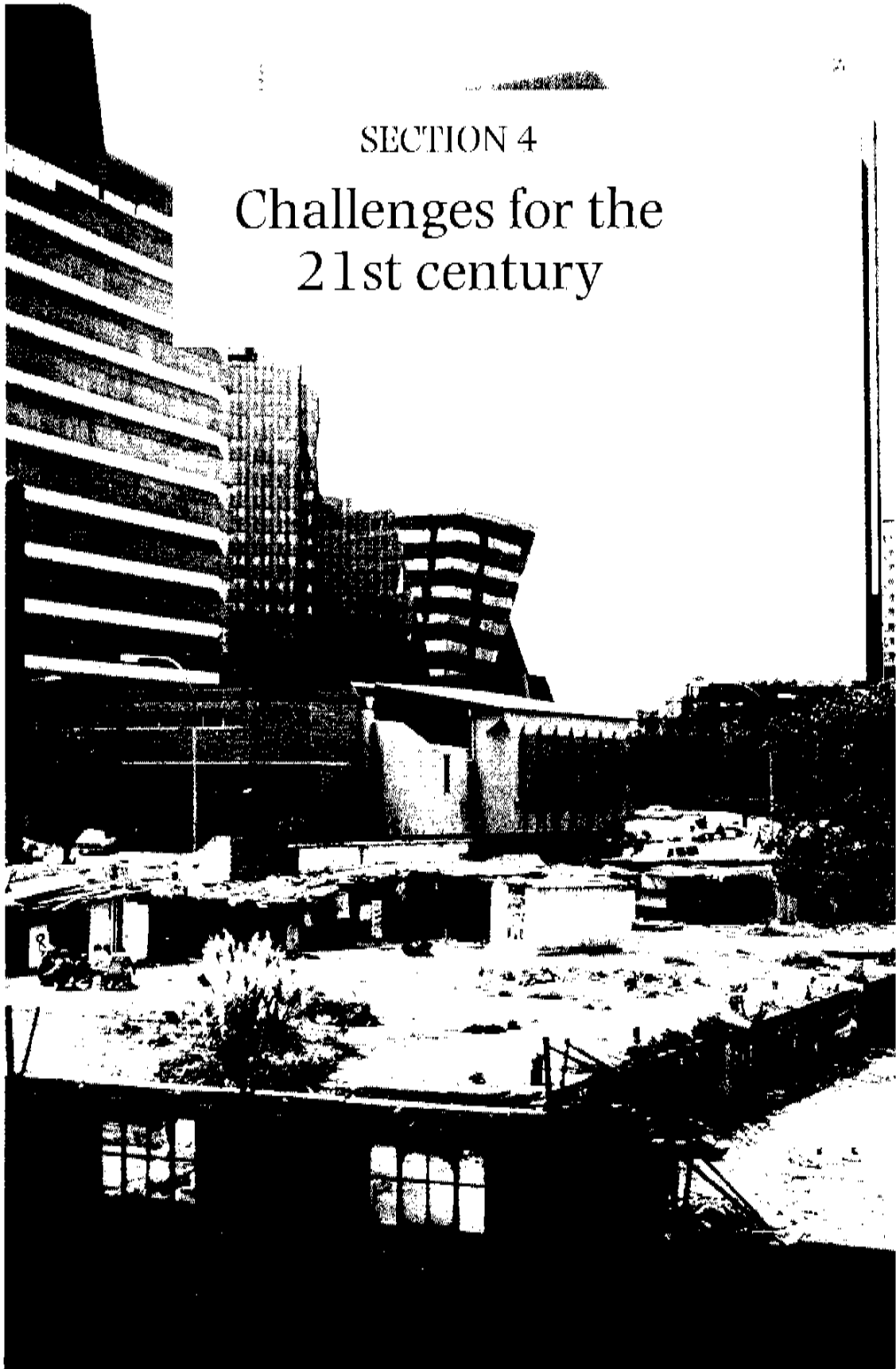
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insincere sycophancy. The challenges facing South Africa's new president are large and difficult. The country needs a strong democratic leader who will be decisive about the critical economic challenges facing it and the new political realities necessary to deal with those challenges.

We return to the issue of the necessarily imprecise nature of knowledge about people. We have reported comments or observations on Mbeki because there is public and business interest in the subject. Business leaders who have met Mbeki are positive. This corresponds to the bulk of evidence that any research method can yield. Yet it is time for the behind-the-scenes person, the person who has had 'an enigmatic curtain' placed around him by others, to emerge - and in so doing to take the courageous decisions needed if South Africa is to become the African success story he so dearly wants and all its citizens need.

SECTION 4

Challenges for the
21st century



This CDE report has been written in the belief that South Africa can be a success, and that our progress as a nation will depend on what leaders in the public and private sectors actually do over the next five to ten years

This report is about the relationship between policy-making and power in the first five years of a new democracy. It has been written in the belief that South Africa can be a success, and that our progress as a nation will depend on what leaders in the public and private sectors actually do over the next five to ten years.

In this final section we draw out the conclusions and challenges that emerge from the research.

CDE's comments in context

After the rather critical assessment of the ANC government in the preceding section, we have to refer again to the context in which this assessment has been made.

In the light of the country's past, the ANC's unavoidable inexperience in government, the appalling legacy apartheid bequeathed to the country and the difficulties surrounding transition from one regime to another, any fair observer has to give credit to a government and political leaders of which all South Africans can be proud.

Archbishop Desmond Tutu has frequently said that, 'for a bunch of rank amateurs, the ANC isn't doing too badly.' And former president Mandela has echoed these sentiments with his repeated comment that 'we were taken from the bush to come and run the country', and therefore had a lot to learn.⁴

There have been pockets of excellence, such as Mandela's numerous 'spot-on' judgement calls, the reform of the South African Revenue Service, the impressive reorganisation of the department of transport, the determination and clarity of vision of the departments of finance, welfare and others. A number of cabinet ministers are far more talented individuals than the vast majority of their apartheid counterparts ever were. There can be little doubt that, under this government, South Africa has had one of the best economic management teams of the past 50 years. Some of the best and brightest of a younger generation of South Africans have offered themselves for employment in the public service. The ANC-dominated government has been more open to outside influences and advice than any previous apartheid government. There is a willingness to learn from mistakes, and to review its own actions. All these developments are positive and hold great promise for the future.

That said, the challenges that face South Africa at the turn of the century are enormous, even daunting. The economy has shed more than 500 000 formal jobs in the past five years; unemployment is already over 30 per cent; and there are at least 250 000 new young work-seekers every year. The impact of apartheid and the fight against it have been devastating for black families and the values, disciplines and respect for human dignity that hold societies together. The consequences of this are seen in very high levels of crime, particularly violent crime, and teenage pregnancies, for example. The effects of a bankrupt and excessively powerful apartheid system have undermined the honesty and integrity of many in both the private and public sectors, resulting in high levels of corruption. The educational system is in trouble: it absorbs an unusually high percentage of the national budget, but fails to deliver satisfactorily, especially for the poorest. The health sector faces enormous challenges common to all developing countries, but compounded by the high and rising incidence of AIDS with no effective government programme in sight; and the return of virulent malaria to expanding parts of the country.

There is sufficient consensus around broad goals for the government to move ahead, secure in the knowledge of its legitimacy. We have pointed out that there is overwhelming agreement on key priorities, and all parties and interests groups, including the ANC, are emphatic that the real challenge is the effective achievement of these priorities. *National debate must now focus on the means by which these key goals are to be achieved.*

BUILDING A BETTER FUTURE – THE ECONOMIC IMPERATIVE

As South Africa enters its second five-year term of democratic rule, everyone agrees that the new government must be different. In the ten conclusions and recommendations that follow, CDE is suggesting a coherent programme of action that will – we believe – enable government

In the light of the country's past, the ANC's unavoidable inexperience in government, the appalling legacy apartheid bequeathed to the country and the difficulties surrounding transition from one regime to another, any fair observer has to give credit to a government and political leaders of which all South Africans can be proud

to achieve its own objective of massively increasing opportunities and building a better future for all South Africans. It is important to emphasise that the onus for leadership and consolidating successful fundamental change in South Africa is not the responsibility of the government alone. Thus CDE's forthcoming report on corporate South Africa will examine the role of business in meeting these same challenges.

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The second democratic government must be different – more of the same will not be good enough

The extension of the franchise to all adult South Africans inevitably pushed two issues to the top of the political agenda:

- Equality of opportunity, enabling all South Africans to reach the pinnacles of wealth, power and status. A key theme in the French revolution was 'careers open to talents'; similarly, Abraham Lincoln's presidency of the United States demonstrated the possibility of proceeding from 'log cabin to the White House'. The peculiarities of South African history have deferred the realisation of this standard value to the end of the 20th century.
- 'Social citizenship' – the requirement that all South Africans be assured of the material conditions for their effective participation in society. This requires the satisfaction of basic needs at the highest possible level.

In both fields, progress has been made since 1994. In the political and business worlds, members of formerly disadvantaged communities command significant power and wealth. And the black middle class is a clear beneficiary of changed political circumstances. Ordinary people in these communities take pride in the achievements of their most talented members. At the same time, the lives of millions of people have been improved by the provision of water, electricity, telecommunications, and other infrastructure. Central government has shifted resource allocation in the direction of social services: education, health, and income maintenance. The ANC has made its five-year record in the provision of services a central plank of its recent election campaign.

At the same time, economic growth has been anaemic. The minister of finance has pointed out that average real per capita income rose by 4.5 per cent between 1994 and 1997, but the poor performances of 1998 and 1999 will erode much of this gain. Average real per capita income is still more than 5 per cent below the peak reached in 1975. It was possible to raise the social citizenship platform between 1994 and 1999 by making the state budget more sharply redistributive and by adopting, in some spheres at least, more efficient programmes. Further progress of this sort is possible, but in the medium and long term improvements in the platform will only be possible if economic growth is far more robust.

If GDP growth were to reach 3 to 4 per cent a year, the average per capita income would rise, and state revenue would increase. Even then, under the conditions imposed by changes in production, unemployment will continue to rise, the poverty of the unskilled classes will deepen, and overall inequality will increase. There are advocates, some within the ANC, who create the hope that an expansion of demand will favour the less skilled and the unemployed, but both the government and the business community know that these more populist policies are unsustainable, will severely prejudice investor confidence, and contain the risk of higher inflation, which hits the poor most severely of all. Populist expansion of demand brings short-term gain at the cost of often sharp adjustments later on. There is no alternative to raising investor confidence, competitiveness, and achieving a higher growth rate within the broad framework imposed by the global economy.

In the words of the governor of the Reserve Bank, it needs to be accepted that 'the longer-term solution for the South African economic dilemma does not lie in the restoration of stability in world financial markets, or in a new upswing phase of the business cycle, or in the stimulation of demand through an easier monetary policy, but rather in fundamental structural economic reforms.'

South Africa has a macro-economic strategy that has set the country on a path towards the economic fundamentals essential for our goals to be achieved. However, it has not been

fully implemented, does not deal with all the structural changes that are required, and many of its essential tenets are directly contradicted by other government policies. The government has acknowledged the important role of the private sector in many aspects of service delivery, job creation, and infrastructure provision. But the policy implications of these verbal understandings have not been carried through, department by department, in any systematic or meaningful way. The government states a commitment to the privatisation of state assets, but allows sectoral policy documents to equivocate in this area. As a result, little happens. The government has privatised so few national and parastatal assets that its effect on the economy has yet to be seen, and its impact on consumer services yet to be felt. The government has adopted a policy of radical tariff liberalisation which will inevitably affect short-term employment prospects, but, contrary to sound economic advice, it has not coupled this with every imaginable freeing up of the economy so as to provide an environment in which new entrepreneurs and opportunities can flourish.¹

It is hard to see how South Africa will make significant economic and social progress without a further series of unequivocal and tough choices. If we are choosing a path to growth which involves international competitiveness and market driven forces, then we must take that road with resolution. High growth and maximum job creation must become the lodestone against which all other policies are tested.

POLICY GUIDELINES: A new, comprehensive strategy for economic growth is required. The country has to achieve high growth as quickly as possible. This growth strategy must be the benchmark against which all other policies are tested. A government resolutely focused on growth will require new social and political alliances.

If we are choosing a path to growth which involves international competitiveness and market driven forces, then we must take that road with resolution. High growth and maximum job creation must become the lodestone against which all other policies are tested



Priorities must be determined

The government's policy-making effort is huge in scope and ground-breaking in significance. Clearly, it cannot all be done at once. Thus the government must select new priorities for the new millennium. If the past five years has taught observant South Africans anything, it is the fatal error of trying to change or 'transform' everything all at once. The mismatch between the country's many challenges and its capacity to respond to all of these demands is glaringly obvious. Choices must be made. Priorities must be determined and sequenced.

In the light of the country's limited capacities, it is important to focus government on a few selected areas. The new government must choose a manageable set of priorities, and achieve lasting results in those selected areas.

Our analysis clearly shows that South Africa must set itself on an intensified new economic growth path. It must directly tackle the structures and dynamics that perpetuate poverty and inequality. This can only be achieved in the framework of an effective market economy and global economic trends. The policy of compromise and the uneasy, uneven amalgam of the ANC's socialist history and its partial market accommodations cannot deliver the growth required. More fundamental choices are needed.

Unless these choices are made and then successfully implemented, the country and the ANC's core ambitions will be fundamentally threatened. Without significant economic growth, it is difficult to see how the government will consolidate democracy, maintain racial reconciliation, establish viable local government which is critical to improving the quality of millions of people's lives, and make real inroads into the inequalities that characterise the country.

Without sufficient and sustained growth:

- South Africa becomes a society of warring interests, with too many losers and too few winners.
- The country's national sovereignty would soon be threatened as, following an economic collapse, we would need to borrow from multilateral organisations and bow to their policy demands.
- South Africa will lose many of the special features that distinguish it from other develop-

In the short term the risks of going for a tough, comprehensive and consistent economic strategy seem great. In the medium term, however, these risks will be dwarfed by the grave dangers for the country as a consequence of insufficient economic growth

ing countries. In particular the country will rapidly lose its skilled population, which will take two generations to replace; it will also witness a rapid decline in its relatively superior infrastructure.

- The impressive and sensible leadership of the ANC will come under increasing threat from more radical and populist elements in the movement. This pressure will in time serve to undermine the organisation's bold ambitions: to build a modern and exemplary African-led political party; to lead a democratic country which is an African success story; to drive a rebirth of the continent.

POLICY GUIDELINES: There are risks for the ANC and the country, whichever route is chosen. In the short term the risks of going for a tough, comprehensive and consistent economic strategy seem great. In the medium term, however, these risks will be dwarfed by the grave dangers for the country as a consequence of insufficient economic growth. The results of the 1999 election gave the government a strong mandate for bold action. In the interests of the country, the region and all its people, the government must act decisively, formulate and adopt a comprehensive economic strategy with the determination to really implement it, and build the political growth coalition necessary to sustain it.

3 South Africa's comparative advantages must be exploited

The entire programme will fail unless it is built on South Africa's comparative advantages. South Africa is a potential 'African lion', and one of the most significant of all developing countries. What does the country have that makes us special in the developing world? We suggest the list includes some of the following factors:

- a democratic constitution and bill of rights protecting citizens and foreign investors;
- powerful and impressive political leadership;
- a population that increasingly shares many cultural characteristics, and is unlikely to be divided by religious or ethnic violence;
- a well-developed infrastructure and urban system;
- urban environments that are world class, offering managers and professionals a competitive lifestyle to that available in other comparable global cities;
- a relatively highly skilled and established middle class;
- a strong and vibrant business community, with untapped potential for growth domestically and globally; and
- a highly developed financial sector that works well and is managed independently of state influences.

South Africa's strengths compared to other emerging markets must be identified and built upon, not under any circumstances undermined. Probably the most immediate need is to reverse the emigration trend of skilled middle-class South Africans with policies and effective reassurances which will give the disillusioned among them more hope for the future. This reversal must be coupled with measures to facilitate the immigration of skilled people. More broadly, it also means that the government will have to build alliances with the professional, business and community organisations of these skilled sectors. While this may be difficult to sell to some of the special interest groups in the government camp, the spin-off for government will be a more positive response from these groups to the regular appeals by government leaders for a greater commitment to social transformation. The following comments take an aspect of the issue of the skilled middle classes a little further.

4 South Africa's human capital – including its middle class – should be preserved and nurtured

As the CDE report demonstrates, many indicators show that South Africa has a pronounced deficit in human capital. Our ranking on the international Human Capital Index is much lower

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than our ranking in terms of Gross National Product per capita.⁴ Our 'people' score as a component of the World Competitiveness Index (calculated for about 47 countries) is close to the bottom.⁵ We regularly come last in international comparisons (again across about 50 countries) of literacy and numeracy among secondary school pupils.⁶ According to the standards of upper-middle-income countries, we have relatively small professional and artisan classes. And there has been a long-term deterioration in university entrance matriculation pass rates.⁷

The reasons for this are not hard to find. One of the most enduring adverse effects of apartheid policies was sharp inequality in educational and training expenditure across racial groups. Educational institutions also took a beating from political unrest in the period between 1976 and 1994. The 'culture of teaching and learning' has not yet been fully restored, and despite teachers and school principals being relatively well paid, their performance is inadequate.

The result is that South Africa has only about a million highly skilled and two million skilled workers. The remaining seven million in employment are semi-skilled or unskilled, and there are about four million unemployed.⁸ And this is at a time when, both nationally and internationally, the composition of the formal sector workforce is shifting towards the skilled and highly skilled end of the spectrum. Tragically, our skilled and highly skilled workforce seems certain to be severely affected by AIDS over the next 20 years. We need to see to it that our performance in producing skilled and highly skilled people improves dramatically. On top of that, we would do well to import skills. In that respect, it is encouraging to see the more positive proposals in the recently released white paper on this topic, although legislative and administrative change has still to take place.⁹

Cutting across nearly all these areas of strength and advantage for South Africa is the existence of an urban middle class, certainly no longer exclusively white. In all the talk of 'transformation', 'empowerment' and 'redress', is sufficient attention being paid to the needs and psychology of this group of South Africans? The dilemma the policy-makers need to grapple with is that this is the most privileged and also therefore the most mobile group in the country. And yet this is the group that is absolutely essential to the country's future if South Africa is to become an African success story. Access to middle-class status should not be seen as a zero-sum game; there is room there for everyone with intelligence and determination. It is important that the debate about affirmative action take this point on board fully.

A further implication is that the government must be sympathetic to the need to maintain our world-class living environments for senior managerial staff (good schooling, health care, well served neighbourhoods etc), and has to more actively facilitate community policing in high crime areas in co-operation with the private sector.

The future of South Africa's cities and thus the South African economy is directly related to the prospects of the middle class. They are concentrated in the cities and are directly affected by the politics, economics and management of these critical arenas for national growth. How we manage transition in those cities will also bear directly on the retention, commitment, active involvement, and growth of the middle class.¹⁰

A critical policy question for the new South African government thus concerns bridging the diverse needs of the poor, on the one hand, and the entrepreneurial middle class on the other. One commentator sees it this way: 'Public policy stands on two pillars. One is transformation, and transformation is in essence about the needs of all categories and classes except the privileged establishment. The other is growth and investment, which inevitably must address the responses of holders, savers and developers of capital, technology and high-level knowledge resources, but does so without considering the economic culture of the classes on which the response is based.'¹¹

CDB would put it slightly differently. South Africa has to have a national vision that has something substantial in it for everyone. How we achieve this new vision has to build on what all the different groups in the country have to offer. In other words, we need a multi-race, multi-class coalition for growth, development, poverty alleviation, and institutional change. Transformation has to result in an improvement of conditions for all South Africans – citizens and consumers, middle class and poor – and growth has to improve the living conditions and access to opportunities for all as well.

In all the talk of 'transformation', 'empowerment' and 'redress', is sufficient attention being paid to the needs and psychology of the middle class?

POLICY GUIDELINES: South Africa's human resource situation is one of near crisis, and extraordinary measures are required, which will have to achieve results more quickly than programmes within the government line functions. Furthermore, all policy should recognise that the growing and increasingly racially diverse middle and professional class has a huge contribution to make to the transformation of the whole society. Its energies and experience should be fully utilised. The government needs better advisers on the needs, perceptions and attitudes of the middle class.

What is essential is to choose development priorities that complement the growth strategy. Choices will need to be made about the trade-offs between different social and development priorities

SOUTH AFRICA'S PRIORITY: centre the new government around a comprehensive growth strategy

The government should focus its attention around one central objective: **to place South Africa on a high and sustainable economic growth path, with special attention given to labour absorption – particularly of young workseekers.** If we get this right, many other objectives will also be achieved.

Those national goals that do not 'naturally' follow from economic growth can be addressed sequentially. And implementing all the reforms necessary for sustained growth will in itself be a massive achievement (see box: **CDE's position should not be misunderstood.** facing page).

Successful economic reform in South Africa will require:

- A comprehensive **package of economic reforms** that are essential for South Africa's economic growth. These must be implemented aggressively, and with the necessary speed. It is essential that policies are seen to converge, and that momentum is achieved. It is dangerous to liberalise piecemeal and unevenly without an overall strategy. Otherwise, liberalising policies in, say, the trade area can be offset by, for example, labour market regulation, or intervening in the agricultural sector may lead to increased urban migration before urban policies have started to work. A comprehensive but sequential approach is essential for success. (CDE has touched on many of these in its analysis of GEAR – privatisation, labour regulation, tax levels, and freeing up state resources for additional expenditure on economic services and essential economic infrastructure. However, the actual components and details of such a comprehensive package of economic reforms is not the subject of this report).
- A **small select number of non-economic reforms** that are critical in creating the appropriate environment for growth. This package needs to be highly selective, so that maximum attention can be paid to these issues, to ensure speedy results. Clear priorities here are combating crime, minimising corruption, skilled migration, improving essential economic infrastructure, and maintaining good quality urban environments.
- A **national cabinet (and key provincial premiers) committed to the economic reform programme**, and determined to assist in its speedy implementation. The cabinet in turn must be supported by a **core team of well-placed professionals in government** tasked with developing, monitoring and implementing key components of the comprehensive growth strategy.
- **Selective, complementary (and not antagonistic) and sustainable local government, education, health, welfare and development strategies.**

The government's macro-economic strategy of 1996 did not deal with its implications for development, social policy and poverty. And this has become one of the areas where opponents of GEAR's core principles can attack the strategy, and where policies are adopted that either undermine or do not support the thrust of GEAR. It is important to note that the business proposals on macro-economics that preceded GEAR's adoption also ignored this dimension of an effective strategy.

What is essential here is to choose development priorities that complement the growth strategy. Choices will need to be made about the trade-offs between different social and development priorities. Successful economic growth will require:

- developing South Africa's human capital – this requires systems of education, training and basic health that deliver results:

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- infrastructure development. This is critical, and the priorities have to be i) infrastructure crucial for economic growth, especially transport and telecommunications; and ii) the basic infrastructure essential for small business to operate and prosper;
- identifying the constraints on enterprise development and removing these;
- identifying and then removing any barriers that prevent job creation or lead to job destruction;
- recognising that South Africa's cities and large towns are the critical arenas for national economic growth. World-class urban environments with associated security, educational, health and recreational facilities are essential to attract and keep highly skilled and mobile managers and entrepreneurs.

Within each social ministry, attention will need to be paid to the reallocation of priorities and funds. 'Crowding in' the private sector will be essential for delivery and the effective use of limited resources.

What is critical is to choose the key priorities for their complementarity in promoting economic growth. This will entail a choice about which areas to concentrate on and in what order. The government needs to identify the key structural factors in South Africa that perpetuate poverty, and attack these with well-chosen, sequenced and achievable initiatives. The link among efficient markets, sound economic policies, job creation, business development and alleviating poverty needs to be made much more explicit and persuasive.

CDE's position should not be misunderstood

Many commentators have pointed out a key dilemma facing the South African government, namely the simultaneous need to grow the economy, consolidate democracy, and satisfy aspirant, mainly poor supporters. Equally well debated is the polarisation of views around this dilemma.

At first glance there is a structural tension built into the South African transition. Simply put, democracy promises equality for all citizens, and a market economy appears to deliver inequality. But, in order to bring about greater equality as promised by democracy, the state needs the wealth generated by a competitive market economy to meet the demands for a greater equality of services, for example in education, health and housing. In the short term, the reforms needed to improve the performance of the economy might well increase inequalities before they lead to a greater distribution of wealth – an outcome that cannot be guaranteed.

In assessing this understanding of South Africa's challenges, it is important to be clear about what we mean by democracy promising equality for all citizens. The political leadership can determine how that equality is interpreted. Is it seen as equality of outcomes, or equality of opportunity? If the emphasis is on equality of opportunity, then it is quite possible for a market-based economy to offer increasing access to opportunities to those previously denied them. Outcomes will inevitably be unequal, but access to entrepreneurial, education, training and many other opportunities could be progressively and rapidly expanded.

This approach requires a firm commitment to and understanding of the workings of a market-based economy, and the necessary public interventions to ensure expanding opportunities for more and more South Africans.

Some interests insist that tight fiscal and monetary discipline is not essential for growing the economy. They argue for strategic state spending aimed at a demand-led 'growth path' even though it might imply a higher deficit and higher inflation for a period. They assert that the higher initial growth that would result from this approach will attract more capital and investment, and that the economy could grow itself out of its state debt. They also argue that those who do not support this approach are indifferent to the plight of the poor.

This view is strongly challenged by adherents of the current mainstream approach to sound economics. They maintain that state spending crowds out private capital, and that the conditions for attracting international capital – essential for South African growth – are low inflation, declining state debt, and an economy that does not need direct state intervention to maintain its growth rate.

There is a third view, namely that government must pursue a growth strategy based on international competitiveness and simultaneously a strategy of social reform and development.¹² This is the position that CDE strongly supports, and which informs this report. Such an approach will only be possible if the development and socio-economic strategies complement the macro-economic strategy. This means they need to be highly selective, well planned, cost-effective, involve the private sector extensively, and contribute to South Africa's competitiveness. They also need to take place within the fiscal limits of the macro-economic strategy. To be effective, such socio-economic reforms will require a substantial reallocation of and far more efficient state expenditure, and a clarification of the socio-economic priorities that will assist economic growth in the short and medium term.

The government should centre its activities for the next five years on South Africa's top priority: achieving an 'economic miracle'. A compelling, comprehensive approach to economic reform and its relationship to poverty reduction must be developed and marketed. This must not be left to one or two ministries

- A **partnership for growth between government and the key players** in the society whose commitment and active buy-in is essential for the reform programme to succeed and result in economic growth. This cannot be a half-partnership or a reluctant one, but needs to be a full-blown meeting of minds and energies if economic reform is to succeed. This will have political consequences for government.
- Successful economic reform will require **different social and political allies** from those of the past. Sustaining a tough economic reform programme will need a deliberate programme of ensuring and sustaining political support for reform through alliance-building and selected initiatives. These relate to other initiatives already identified, but must include:
 - the identification of vulnerable groups, and the development of selective and sustainable anti-poverty initiatives for the urban unemployed and rural poor. The government must identify those groups most likely to suffer the pain of economic transition, and devise a special strategy to cope with this. This strategy should ideally build on the government's broad approach to change and development, ie help individuals in these affected sectors to become more self-sufficient rather than increase their dependency on the state. Here again, strategic focus and policy consistency is essential – the link between development priorities, macro-economics and sustaining reform needs to be consistent;
 - the identification of those who will inevitably benefit from the economic reforms and initiatives to ensure that their 'voice' is strengthened and heard politically.
- An **excellent communication strategy by the government as a whole** of the reasons for the reforms, their overriding importance, and the dangers of not succeeding. Once the decisions have been made about the precise nature and trade-offs involved in an effective growth, development and poverty alleviation strategy, government must devise a brilliant marketing strategy (private sector expertise could be useful here too). In this area of national life, the government and those who support the programme for economic and other associated reforms must define the terms of the public debate on these matters. The danger of not doing so is that the opponents of market reform take the gap, to the detriment of the government's credibility, and threaten the continuation of sound economic policies. Government should invest time and money in better communication with the media at all levels, including briefings for editors who can then understand the thinking of government leadership better; access for reporters, and time taken for off-the-record background briefings that are not propaganda sessions but frank discussions about the challenges that face the country. The ANC itself needs to become an instrument for marketing and selling the new approach.

The government must prioritise what needs to be done to implement the growth strategy, and to ensure that this actually happens. The components of the strategy will need to be followed through, and the implications of this approach to growth fed into each relevant ministry of state and applied.

Thus, if the growth strategy requires investors and corporations inside South Africa to respond with confidence and optimism, then how this group of people feels about the new government and their place in this new society will be an essential consideration for all policies. If a key priority is jobs, then the impact of labour market policies must be assessed in terms of job creation, and changed. If economic growth requires more skilled people, then immigration policy must be changed. If small and medium enterprise is seen as a key vehicle for job creation, then the tax, banking and regulatory systems must be reassessed and changed where necessary.

POLICY GUIDELINES: The government should centre its activities for the next five years on South Africa's top priority: achieving an 'economic miracle'. A compelling, comprehensive approach to economic reform and its relationship to poverty reduction must be developed and marketed. This must not be left to one or two ministries. A powerful government team is required, united in its commitment to the growth strategy and its success. With this new vision, the government could build a new alignment of political forces within the ANC's current constellation of support and outside its traditional base. A new political coalition, 'a new alliance' for growth and development in South Africa, is required. Excellent communications will be an important factor in success.

6 **PRIORITISATION AND ITS IMPLICATIONS: A clear shift towards strategic management in government is necessary**

The suggestions which follow would not be made if CDE was not comfortable with the deep respect for human rights that the ANC has demonstrated. The ANC in government is most unlikely to descend to the level of shallow 'technocratic' social engineering that can be found in some developing countries. Against this reassuring background, it is necessary to suggest that the government has to consolidate its gains in restructuring and reforming the society by concentrating on the management of a complex and troubled social and economic system in order to achieve strategic objectives. Unless strategic systems management succeeds, conditions in the society could well undermine the social gains that have already been made, and with them the quality of the democracy and our ability to keep pace with world development.

It is totally understandable that when the ANC assumed power, its first commitments and those of its advisers would have been to secure human rights and a new moral basis for society. Reconstruction, transformation and reform, driven by strong and legitimate moral imperatives, had to be pursued almost irrespective of the consequences. However, just as the Reconstruction and Development Programme (RDP) after a while had to be made subject to the fiscal discipline of the department of finance, so the broader social policies of government have to be re-approached within a system of management that can guarantee their sustainability and success.

POLICY GUIDELINES: The approach suggested does not require that the government abandon its humanitarian, reform and reconstruction commitments. What it does require is that the test of policy now be based on an assessment of required inputs, likely and possible consequences, mechanisms for implementation, resources for sustainability, the ability and motivation of personnel, and the impact on other policies. Political leaders should retain their moral passions and commitments to constituency interests as the underlying drivers of policy, but henceforth the primary test of their performance should be their strategic analysis and management skills.

We are not suggesting that modern revolutionaries in the global village should all have MBAs, but this is a useful analogy. This element of successful societies has been described as the 'organisational effects'. It is a theme which is vitally important for South Africa, and we will now indicate how some government policies should be adapted in this context.

Transformation

The disjuncture between idealistic (and inexperienced) calls for 'total transformation', and the convoluted and complicated realities of institutional change in the South African state has brought into sharp focus one of the key realities of effective reform in such a complex system. Successful change in any part of the South African system can only take place in carefully selected, well-thought-through, incremental steps. Anything else results in disaster, and the creation of potentially worse situations for all concerned (public servants, citizens) than those that prevailed under apartheid.

In some respects South Africa resembles what has been termed a 'suspended state' – a state in which formal authority has either not been entrenched or has only been partially established.¹³ One sees this most clearly in respect of the difficulties in enforcing law and order, from the most petty offences to the most heinous; in the struggle to enforce payments for services; the widespread evasion of tax in the formal and informal sectors; remarkable examples of corruption in government; and even in the behaviour of many elected officials. The poor motivation and performance of many public officials also attests to the phenomenon and its very negative consequences.

Transformation is essential. It is equally essential to define the concept clearly, as without such a definition 'transformation' has so many and broad meanings as to be rendered meaningless; otherwise, its looseness may also allow a new form of racial and ideological domination. In Thabo Mbeki's words: 'It is our task as students to rescue this word from becoming a

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dead word, a word that has no substance, by ensuring that we liberate it from misuse and give it its proper content based on meaningful debate and careful interrogation."¹¹ This advice could usefully be applied to the notion of transformation that will guide the Mbeki government in future.

CDE's research leads us to suggest that transformation should convey a focused, incremental approach to fundamental change that builds on individuals using their freedom and expanded new opportunities in an entrepreneurial environment.

Fundamental change has been essential in South Africa's institutions, but the approach to it should protect the sustainability of its results and the reputation and effectiveness of its beneficiaries.

Over the past five years government policy has been characterised by 'transformation idealism' at three levels: in the restructuring of state organisations to orientate them towards new goals, in the introduction of new policies to redress the disadvantages imposed by apartheid, and in changing the skewed racial composition of state and parastatal personnel. The exercise has been successful in that a large quantum of change has been achieved.

There are still vestiges of the old order, but these are no longer formally secured, and because they rest on 'lag effects' and an accumulation of resources in the family systems of privileged minorities which cannot be removed without stripping them of constitutional rights, policy as such can do little about the remnants of privilege.

Any intensification of transformation will have the following costs:

- by running ahead of state capacity to implement changes, it could set the government up to fail, or overburden budgets;
- each restructuring exercise has a learning curve built into it, and hence it will delay the improvement of delivery even if its stated objectives are to improve it;
- the aspects of transformation that reduce the role of the older, more experienced bureaucrats (provided they are committed to the new system) use only a subset of the country's human resources.

For this reason, further progress from now on in most areas (with some exceptions) depends on:

- increasing the resources available to disadvantaged South Africans ('empowerment') rather than eroding the rights of advantaged South Africans;
- getting the existing base of broad policy thrusts to work, rather than experimenting with more far-reaching legislative transformation;
- increasing the availability of skills and aptitudes among new recruits to state personnel rather than aiming at numerical targets or premature representivity. The brutal fact is that there is an excess of demand over supply for qualified black personnel in all spheres, and 'forcing the pace' will risk the reputation and the morale of the intended beneficiaries and hamper delivery;
- moving away from goals, models and policy advice for South Africa that use highly industrialised countries as their base. Policy has to be made for the conditions under which it will be implemented. It makes no sense to talk of South Africa having 'Rolls Royce' policies or the 'best labour system' in the world. If we do not have the resources or capacity to implement such sophisticated policies, they will fail. Far better to design appropriate 'Toyota' policies that can actually be implemented and achieve the intended results.

From now on transformation would be better served by a period of consolidation rather than more and more restructuring. Consolidation must place heavy emphasis on:

- the evaluation of progress in policy implementation;
- ensuring the sustainability of existing and proposed programmes;
- training, and exposing new recruits to budgeting, management techniques and co-ordinating skills;
- improving the response of both public servants and communities to the new policies in order to reduce the sluggishness of reform strategies. Here one could give the examples of the management of schools, and the management of the rates and services payment default problem – an improved Masakhane campaign;
- developing effective campaigns, within schools and with the co-operation of trade unions, churches, community organisations and the bureaucracy, to repair the damage done to

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communities by apartheid and to reduce the lack of personal discipline in our society, which imposes a huge drain of dependency, welfare problems and security costs on the state. The fact that, as the minister of social welfare pointed out some time ago, South Africa has one of the highest rates of teenage pregnancy in the world is but one illustration of the problem.

POLICY GUIDELINES: The government must prioritise strategic management, consolidation, and sustainable policy interventions. This strategic approach to governance will require a reassessment of HOW to change South Africa. Sustainable transformation must be built around five ideas: systematic selective change, entrepreneurship, follow-through, anticipation of consequences, and accountability. This will require far greater policy and budgetary skills in government, fewer priorities, and a greater realism about limitations. It is essential to stop the very negative process of continually 'setting up government to fail'.

7 PRIORITISATION AND ITS IMPLICATIONS: government must be made more efficient and coherent

A strategic approach to government will be impossible unless a reasonable degree of coherence exists within the institutions of government. Our research shows that, after five years, the new South African state remains weak in a number of areas. Most of the institutions are in place for democratic rule, but they are not sufficiently effective or efficient.

The cabinet

The Cabinet has turned out to be a body with a weak strategic focus. Indeed, the Presidential Review Commission identified what senior government people know, namely that there has been a vacuum at the apex of the South African system of government.¹⁵ Nelson Mandela is a remarkable man, an international icon, and a truly great South African, but he did not excel as the head of government.

The cabinet has not had a strategic focus, and has not pulled together around agreed joint priorities; policies are often unsustainable; policy skills and policy management capacity is in severe shortage; legislation has often been confused with action; race sensitivity has prevented a frank assessment of problems in important instances; and relationships between ministers and officials are problematic. The impact on governance and delivery is negative. The deputy president's initiatives provided 'band-aid', but were not able (or empowered to?) to change this undesirable situation.

The cabinet is a mixed bag, with pockets of excellence and incompetence. Although many provincial 'cabinets' have seen ministers fired for corruption or incompetence, thus far the central cabinet has been remarkable for its continuity. Undoubtedly, part of the reason for this has been the use of the cabinet as a balancing mechanism among parties in the government of national unity and among factions in the ANC. With respect to policies, it is often hard to reconcile the legislation and policies introduced by one minister with those of another. Most importantly, there is no clear strategic direction, with the result that policy contradictions abound and important critical initiatives such as GEAR are not properly followed through.

The new president must lead the government strategically. This does not mean that he should create an office that is effectively the ministry of everything. He needs to determine the key priorities, and the strategy of change to back this up. He then needs the right staff and support to ensure that his vision and programme is being implemented and applied throughout the cabinet and the broad government system. Some critical choices with respect to staff and functions will be needed to ensure that the president's load is manageable and related to the country's core priorities.

Probably the most important set of decisions South Africa's new president will make are his cabinet appointments. All over the world such appointments need to balance a series of competing demands in and around the governing political party, and South Africa is no dif-

The team of cabinet ministers has to be committed to the government's core vision and strategy as a condition for their appointment. They should have clear performance contracts with the president, and if they do not perform they should be dismissed

ferent. What is critical, however, is that the key appointments relevant to government's chosen priorities are excellent ones. If South Africa is to have any chance of success, and becoming all that the government wants the country to be, it is essential for a core of ministries to be managed by the best possible people. It could be worthwhile examining the feasibility of performance contracts with cabinet ministers that specify in some detail what exactly is required from their departments.

The team of cabinet ministers has to be committed to the government's core vision and strategy as a condition for their appointment. They should have clear performance contracts with the president, and if they do not perform they should be dismissed. They should also be dismissed if they promote policies or programmes that contradict the core government objective. They must know they have to keep 'on message', to use Tony Blair's phrase.

The relationship between ministers and their senior officials needs to be clarified and agreed by all parties concerned. Here again the appointment of directors-general in the core team of ministries identified above must be on the strength of their ability to do the job. If necessary use the other ministries for a range of appointments to deal with party politics, representivity and so on. These senior officials need to be the best available people in the country.

POLICY GUIDELINES: The new president must lead the government and the country with an inclusive vision and a bold, pragmatic, strategy. International experience of successful economic reform shows that it is essential for a core team (ministers and senior public servants), committed to comprehensive economic reform and its consequences, to be appointed. Performance targets need to be agreed for each minister, and delivery monitored. The necessity for results relevant to the growth strategy must be emphasised. Roles, responsibilities and accountability among ministers and senior public servants must be clarified and monitored.

The provinces

The 1994 compromise on and experiment with the provinces has proven to be difficult to implement. As a mechanism for allowing 'regional voices' to emerge in the choice and design of policies, the provinces have been weak. The provincial administrations have been ill-equipped to cope with the numerous and difficult challenges with which they were saddled. The leadership, skills and experience pool allocated to the provinces have been unable to rise above details and play a part in core debates about policies.

Central government departments have been loath to see provinces as anything other than compliant implementing mechanisms. The centralising drive of the ANC as a political party has not allowed much space for provincial leaders to find their feet and develop the regional policy and implementation experiments relevant to their own circumstances.

The cost of provinces as popularly elected but generally less than impressive implementing vehicles is exorbitant. The costs of democratic decentralisation are only worthwhile if an authentic pluralism of views, regional diversity and experimentation is allowed to take place. Delivery in the country as a whole has suffered as a result of an ill-thought-through division of South Africa into nine provinces, with an equally ill-thought-through allocation of new roles and responsibilities.

POLICY GUIDELINES: There should be a change of policy with respect to the provinces. Powers should be allocated according to capacity within clearly defined and new constitutional guidelines. Thus some provinces can and should play a greater role in policy development, and should be allowed greater leeway for experimentation within fiscal constraints. Some provinces do not have much capacity at all; they should therefore have far fewer powers and a different role altogether until there is greater capacity.

The public service

Our analysis shows that the South African public service is a weak instrument, and very expensive. Despite the government's intentions, and some progress, the South African public

There should be a change of policy with respect to the provinces. Powers should be allocated according to capacity within clearly defined and new constitutional guidelines

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service still exhibits many grave problems – many inherited from apartheid, some newly created.

The service is characterised by its huge size, its expense, poor human resources, inefficiencies in key areas, corruption, imperfect lines of accountability, tensions between elected and appointed officials, general indiscipline, and a lack of motivation. Ill-thought-through transformation attempts have only made matters worse, and little progress has been made on the necessary changes required. CDE's research and conclusions in this area have been informed by the work done by the two government-appointed commissions on the public service (see section two for a full examination of the 1997 Nchobu report on the provinces, and the 1998 Presidential Review Commission on both central and provincial governance issues).

The situation has had five negative and worrying results:

- 'the delivery of public services, their costs and quality, leave much to be desired';
- so much money is absorbed by salaries that little is left for new infrastructure development, maintenance of declining infrastructure, and other priorities;
- rather than acting as a bulwark of law and order, the poor performance of many public servants feeds into a culture of lawlessness;
- the gap between intentions and action, between ambitious policies and impact on citizens' lives is a large one; and
- missed opportunities are mounting, and some situations are deteriorating.

Many newly appointed public servants in senior positions will readily admit to their own lack of experience in running large and complex administrative systems. There have been some spectacular exceptions, but even the politicians will acknowledge this reality. Officials from the old order, some of whom had competence and experience to offer, have generally been made ineffective.

The drive to create a 'representative' public service in the senior echelons of government has in many cases established the race of senior managers as more important than merit. Frequently the best available people are not being used for the most important jobs. This has already undermined, and will continue to undermine, the effectiveness of government, as well as its commitment to a non-racial society. As elsewhere, a better balance in harnessing all of South Africa's skills has to be achieved in the public service.

There have been other factors undermining the effectiveness of the South African public service; these include the lack of clarity over the government's position on the different roles of the state and the market in providing services; and the lack of clarity over the different obligations and responsibilities of individuals and the state.

This has resulted in very different policies and approaches being followed throughout the system; far less privatisation and contracting out than is needed; drawn-out battles between the unions and tiers of government that has further delayed delivery; an unsuccessful Masakhane campaign; a deepening culture of non-payment; and continuing financial troubles in provincial and local government.

POLICY GUIDELINES: The public service must be radically downsized, and 'supernumeraries' removed. Appointments in ministries critical for successful economic reform must be made solely on merit. Policy with respect to privatisation and public – private partnerships needs to be clarified and speeded up. Unequivocal and firm action has to be taken against non-payment where offenders can afford to pay.

The public service must be radically downsized, and 'supernumeraries' removed. Appointments in ministries critical for successful economic reform must be made solely on merit

8 PRIORITISATION AND ITS IMPLICATIONS: Parliament and the ANC as dominant party

The pattern has been identified of a parliament that is marginal to the process of policy formulation and decision-making and in some respects sidelined, superficiality in the relationship between MPs and constituents, an absence of mechanisms for consultation with and feedback to citizens, critical influence by often unrepresentative lobbies and special interests, and a tendency towards a top-down centralism on the part of the top leadership in the party.

Parliament

Parliament in newly democratic South Africa remains weak as an institution. In general, parliament has been sidelined by the executive.

In a mature democratic state, parliament is normally a repository of life experience, and MPs can often play an invaluable role in drawing attention to practical difficulties in proposed policy or legislation. If MPs are close to voters they will quickly learn of the unintended consequences of legislation on individuals, households or communities.

The lack of appropriate skills and experience by many in the ANC caucus is further exacerbated by the highly centralised nature of the ANC as an organisation, and the proportional list system that makes MPs beholden to national leaders rather than directly to voters. The important function of government backbench MPs to question ministers and government policy on behalf of their own constituents – whenever necessary – has therefore been missing thus far in the democratic parliament. The electoral dominance of the ANC is a further factor in executive power.

It is significant that parliament has not been a site of heated debate around the GEAR strategy – arguably the most important policy shift the ANC has made since 1994. If the ANC MPs, many of whom did not like the strategy, had been allowed to use parliament as the debating chamber it should be, it is possible that government leaders could have ironed out a lot of its weaknesses, thought through more of its consequences, and generally marketed the strategy much better than they did. As things turned out, many MPs have quietly sided with the SACP and the unions in their opposition to the policy, and in the process created the mistaken impression in those circles that they would assist the anti-GEAR cause in parliament, prolonging the tensions within the alliance and increasing the government's vulnerability with respect to maintaining sound economic policy.

Lobbying of parliament by interests, organisations and communities has been partial and mixed. The enormous avalanche of legislative change has required considerable resources and capacity to keep up with new developments. In general, and relative to their capacity and resources, interests that support market economics and complementary social policies have been under represented in parliamentary lobbying (see box: **Implications of CDE's research for business**, page 173).

On occasion the ANC majority has been influenced by well-researched and well-organised representations to parliament, but there have also been numerous situations where, on highly controversial issues, the ANC has used its majority to rapidly push legislation through, regardless of the nature or scale of opposition. Prominent examples here include labour, health, local government, and education legislation.

POLICY GUIDELINES: ANC leadership should give the ANC caucus greater freedom to debate issues publicly. Every effort should be made to strengthen the links between voters and parliament. Urgent attention should be given to devising a mixed PR and constituency system of representation. Controversial shifts in policy will need to be dealt with strategically. Conflict avoidance will not help to sustain the necessary policy changes for South Africa to become a success. There is significant space for outsiders to influence government policy. This needs to be done timeously, professionally and strategically. Government and business have an interest in expanding and deepening the impact of organisations outside the state that support successful economic reform and complementary social policies.

The ANC as dominant party

Our analysis shows that the country's dominant party, the ANC, has a tradition of decision-making procedures that is not conducive to the really hard and sharp choices the government has to make in the next five years.

One of the characteristics of many senior people in the ANC is that they are part of a tradition in which goals were articulated at a high level of abstraction. The mobilisation of voluntary energy around these goals was critically important in the struggle for liberation. Many

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contradictions could be papered over by bridging phrases or well-honed qualifications. The sense of mission was so strong that it unified almost all difficult moral, intellectual and strategic choices. The apartheid enemy served to unify differing ideologies and beliefs, and contradictory strategies were opportunistically resolved in the same context. This included accepting aid from both capitalist and communist states; and working within official institutions such as the unions in one context while boycotting other institutions because they were official and weakened the struggle.¹⁷

There is a similar approach to tough choices in government. The ANC has used its formidable rhetorical capacities to paper over many difficult choices and contradictions. Hence GEAR is described as a policy of growth in a local and in an international economic context, and simultaneously as a policy of redistribution. Affirmative action legislation is promoted as a mechanism to deal with the situation of the rural poor when 95 per cent of its application will be in urban-based formal sector corporations and institutions. Political minorities in the urban areas are effectively disempowered in megacity legislation, and simultaneously asked to play a leading role in making the country's cities economically attractive and competitive. For many within the ANC these contradictory positions are not regarded simply as political verbal gymnastics, but actually believed.

At an organisational level the ANC is quite used to functioning as an ideological amalgam, because the liberation movement in both its external and internal programmes had to incorporate the inputs and resources of militants, nationalists, Stalinists, devout Christian clergy, film stars and reluctant capitalists. As with many post-liberation movements it is quite understandable that the same synthesis of diverse commitments is believed to be possible in governing the country. Nowhere has this been more evident than in the handling of macro-economic policy.

It is significant that the ANC conference of 1997 did not debate the GEAR strategy. In the short term this might have been a victory for the party leaders who did not want an explosive issue to blow up on the congress floor, but what it really means is that the movement as a whole, including members active in local and provincial government, was not given an opportunity to get to grips with the core implications of the policy and how it affects what they believe and what they do in their city, town or province.

A major consideration in government has been the ANC's commitment to 'democratic participation'. Generally this has been applied in two different and unfortunate ways. Some ministers did not have the confidence to be selective about the results of such participation, and instead have become overly reliant on the recommendations of policy committees and advisers. There are departments (education, land affairs initially, and others) in which the policy agenda was taken over by small groups of people who did not have the accountability to take responsible policy decisions.

The second phenomenon of 'participation' has involved large, costly processes ostensibly organised to involve key stakeholders in the design and testing of policy proposals – which are sorely needed – but which in fact turn out to be a sham. Notable examples here include the process around the white paper on local government, and the design of the new education curriculum.

Hence, the relationships between the ANC executive and both the caucus and the constituencies are imperfect. And because effective compromises between expectations cannot be reached, the strategic profile of government has been fudged and contradictory.

There is a key dilemma in this situation: can the leadership deepen democratic accountability, participation and consultation and at the same time maintain a tough, strategic approach and fiscal discipline which in the short run will frustrate the moral idealism and expectations of the party and its supporters? There are no easy answers, and it is perhaps understandable that the ANC has sought to blur its strategic profile by sending contradictory messages and by papering over the discrepancies with elaborate and often confusing 'discussion documents'.

The way to resolve the problem is by extending participation rather than by reducing it. The various elements in the representative structures of a government tend to moderate their positions when consulted and exposed to the full facts of a situation. This report points to

Government and business have an interest in expanding and deepening the impact of organisations outside the state that support successful economic reform and complementary social policies

research evidence that the rank-and-file of party supporters have a surprising degree of understanding of the difficulties that government faces. When exposed to severe challenges and tough choices, a cabinet must go to special lengths to expose its parliamentary caucus to the full realities of the choices and, through active debate, allow it to help formulate the correct strategic balance. The same applies to the components of the cabinet.

For a party faced with the strategic dilemmas of the ANC in government, it is essential that the broad strategic reconciliation of policy alternatives be prepared, as a mission statement with priorities, integrating all portfolios, *in advance* of specific groundbreaking legislation. The whole cabinet, the caucus, party structures and, through constituency meetings or feedback surveys, the supporters at large should be presented with the 'bigger picture'. This process inevitably reduces divergence and gives the top leadership more freedom to act strategically in the longer-term interests of the country.

The ANC policy machine, as evidenced by its collective output, is the most sophisticated and articulate expression of political goal-setting that this country has ever witnessed. However, the sheer verbal facility of these outputs often tend to disguise an innocence with respect to implementation and real world constraints.

Understandably, the writers and formulators of policy are often people who have seldom administered complex systems or multifaceted projects that are not driven by a sense of mission. Whenever a policy runs into trouble, the first reaction of the government is to appeal to citizens' sense of mission. This has repeatedly been the case with the Masakhane campaign; it is the essence of the campaign around a culture of learning and teaching; it forms the core of many appeals around crime and corruption; and it is the basis of most appeals to the white minority in respect of their contribution to change.

But government policy cannot rely on voluntarism – it has to work within the detailed interactions in social and economic systems. Moral exhortations are fine, but the real nub of getting those issues right lies in designing a system of incentives and disincentives to shape how people behave in government and the private sector. The nature of government policy-making has considerable moral and verbal sophistication, but it is weak in its understanding of social and economic processes. "There is a simple way of putting this problem. Changing a tyre on a motor car is quite a straightforward process, but very often there is a bolt which sticks or the jack does not work on a slope. Good policy has to assume the sticking bolt and the awkward slope."¹⁸

The ANC in government in 1999 faces a number of difficulties and contradictions as a political movement. It is an organisation that, five years after its assumption of power, perceives itself to be the leading movement at the centre of a complex series of alliances and organisations that form a revolutionary front. And it is this self-perceived revolutionary organisation that forms the South African government which has to implement and operate within what can only be called a liberal constitution (of which the ANC is a proud parent), and steer South Africa in an international economy that will severely penalise anything other than a strongly market-driven approach to national economic growth.

POLICY GUIDELINES: The ANC must move to become a powerful political party in a multi-party system as quickly as it can. It must strengthen its branches and institute effective codes of conduct to deal with corruption, conflict of interest, and nepotism. It should force MPs to work in properly allocated constituencies to strengthen the vitality of the party, the caucus, and its links with voters and communities. It must have its own firm organisational base off which to lead the country and consolidate its own constituency around a new growth and development strategy. The ANC also needs to rethink its understanding of society and what motivates people. It needs to understand South Africans better than it does. It has to reconceptualise itself as a political movement, and adopt a new language and philosophy that reflects government's views on change and politics far better than its current 'revolutionary' phraseology and related mindset.

Government policy cannot rely on voluntarism -- it has to work within the detailed interactions in social and economic systems. Moral exhortations are fine, but the real nub of getting issues right lies in designing a system of incentives and disincentives to shape how people behave in government and the private sector

PRIORITISATION AND ITS IMPLICATIONS: The presidency and new allies for growth

The presidency

The new president should play to the centre of South African politics – the broad majority of people who are not racist, who are reasonable in their expectations of government, who would support tough measures against crime and corruption, and who are in favour of opening up opportunities and economic possibilities in a massive way for all South Africans. The new president should act on a positive vision of South Africa and its future. He would do well to operate on the basis that he has more friends than enemies in developing and promoting South Africa as a new global success story. The task is to harness this positive energy.

The second ANC government should build and expand on the issues of critical national debate that Thabo Mbeki has already begun. However, for this to be effective the debate needs to become a good deal more practical.

After a careful reading of all that Mbeki has written in this area, we suggest that the discussion needs to be far more specific about what exactly he wants people to do. By stressing what has already been achieved, the new leadership can inspire people to do more in the future. What should be avoided is the setting of impossible scenarios that make most people want to give up in despair. Specific challenges need to be isolated, and modest, achievable targets for improvement set. Mbeki should define 'problems that can be solved' and ensure that the government and the country achieve 'small wins'. Collectively these will all add up to impressive changes, but they need to be presented in ways that are feasible, else people will not act. It is important to stress what has already been achieved, and not continue to paint a picture of South African and global poverty as though no progress has been made. Not only is this not true, but such an approach is likely to demotivate.

The new president has frequently asked important questions about white South Africans and their commitment to changing South Africa. These are valid questions which need public airing. There are still many whites who hold racist views, who can see no good in what the government is trying to do, and who have done very little to help change South Africa. However, these are a minority. What the new government should aim to do is harness the essential goodwill and commitment of millions of people to making South Africa a success story by:

- *making minorities really feel an important and needed part of South Africa's future.* This means not just saying it but meaning it. It means watching for the body language, the emphasis and tone of how ministers and senior leaders deal with this issue. In particular, the president and cabinet ministers should not just berate whites. Spell out what is in it for them if South Africa becomes the kind of society the government wants to create. It is no longer helpful to appeal to a sense of guilt or remorse about the past. Appeal to their interests, and spell out for them and their children what kind of a future the government is offering and trying to build.
- *creating an environment where, through incentives, all South Africans are encouraged to think in terms of the public interest.* Harness the goodwill and resources of those who have resources in South Africa through the right kind of tax and other incentive structures. And then, using well-chosen leaders, encourage by example.
- *adopting and promoting policies that empower individuals.* The key to South Africa's success will lie in the use of government resources, leadership and influence to create environments in which millions of people are able to take increasing control of their own lives and seize new opportunities. What is vital is that 'a culture of individual opportunity and responsibility' predominates rather than an attitude of entitlement and dependence on the state.

New allies for growth

As president of the country, Mbeki has to give the lead. A successful growth strategy will depend on his leadership of the country and the ANC, and his ability to drive the overall pro-

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gramme. As we have already indicated, a critical requirement for such success will be the harnessing of new partners for growth, outside the ANC's traditional conception of its allies. As the country's leader with the largest political mandate in its history, Mbeki should move boldly to construct practical partnerships for growth with the key interests in the society necessary for its economic success and political durability. These include:

The central challenge for both business and government is how to build on each other's strengths and their congruence of interests to form the kind of partnership appropriate for South Africa in the 21st century, and help lead the country towards a more prosperous and inclusive future

- *The large business sector:* Open and direct support for a growth and development strategy from business leaders and organisations in South Africa has obvious political complications for government. However, there is nothing to stop the government from drawing on individual business leaders, informal groupings, business-funded think-tanks, research capacity, successful NGOs and marketing expertise in developing, implementing and promoting a sensible combination of growth, development and poverty alleviation strategies. More thought on the government side needs to go into its relationship with the South African business sector and how this relationship can support the government's core objectives of economic growth with labour absorption. Domestic business are the government's most important allies for effective economic reform. (Business too needs to give far more attention to its relationship with government. See box: **Implications of CDE's research for business.** facing page).
- *Black business:* It is striking that the ANC has tended to ignore a large, growing and solid area of support for markets and deregulation. There are many small black enterprises that have survived despite apartheid (in some cases because of it), and that have not benefited from any of the government's business promotion strategies thus far. In addition there are many small independent black rural producers on farms and smallholdings who have also not received much attention from the government. Here are two groups that are natural ANC supporters; would back market economics; and are not looking for government handouts. In addition there are the black business and professional groups, many of which are exposed to the rigours of international competition and which are also potential allies for a new growth, poverty and development strategy.
- *Provincial leaders:* Premiers and other leadership in the provinces have a real interest in investment and job creation in their regions. They would not be impressed with the drafters of labour legislation who believe that low-wage and low-skilled jobs should be located in South Africa's neighbouring states. Think for example of the country's two most impoverished provinces (and two most loyal areas of support for the ANC) – the Eastern Cape and Northern Province. With unemployment estimated to be more than 50 per cent of the working population, political leaders in these areas are desperate for employment for their citizens and for investment and tax revenue. Regional leadership is an obvious place to start to build support for a new economic regime and a market-oriented growth and development strategy.
- *South Africa's cities and larger towns* have immediate and material interests in the success of the country's growth strategy. They should be enrolled by central government as allies in promoting and applying a new growth and development strategy.
- *The indigenous churches are potential allies* for a growth strategy. The vast majority of their members will be people who are not 'experts in the toyi-toyi', or first in the queue for entitlements.²¹ All the research seems to indicate that these are disciplined, hard-working, law-abiding citizens hungry for opportunity, not hand-outs, and eager to take advantage of new opportunities. International research also indicates that these mainly evangelical protestants are a potential source of support for modest, market-oriented reforms.²² They are a new area of potential support and organisational mechanisms for government.
- *A closer relationship with the IFP is a complex issue.* It is interesting, in the context of a new focus on growth and the political implications of that, to note that Mandela has said that 'both parties [the ANC and the IFP] share the same vision of a free market economy and importance of traditional leaders'.²³ There is no doubt that a closer relationship between the ANC and the IFP could strengthen those who favour a strong market-based approach to economics and development in the ANC; could bolster the ANC's claim that it is the movement and spokesman for the poor – especially the rural poor – in the country; and could harness traditional leaders behind the government. However, a 'ganging up' of black-dom-

inated political parties would not be a good development for the country. (Nor would a 'ganging up' of white-dominated parties be good for the country). ANC leaders' comments which imply that it is unnatural for black-dominated political parties to exist separately from the ANC is a worrying approach to political diversity and democratic pluralism. South Africa needs a competitive party-political system to keep those in power honest and to promote the democratic process. Nonetheless, in the context of building a new coalition for economic growth, an issues-based alliance with the IFP could be useful.

10 Don't get race wrong, again

South Africa has a terrible record as a country. Centuries of race discrimination denied millions of people the opportunity they deserved to make as much as they could of their lives and talents. For the first time we now have a constitution and bill of rights that entrenches the principles of non-discrimination. This is a remarkable achievement. We must take care not to undermine it.

There are still racists in South Africa, white and black. They are the exceptions, and the government should aim to keep it that way. The government cannot outlaw them, and people

Implications of CDE's research for business

*'Business has often failed to understand its changing relationship with the forces unleashed by and within a democratising social order. Business has been slow to define its social and political interests and is defensive, reactive and inept in promoting them. Business as a corporate citizen is often less than effective.'*¹⁹

In this report CDE has focused its attention on the challenges that face South Africa's new government. A forthcoming report will examine the role of corporate business in the country's transformation, and will also include a rigorous and critical analysis of large corporations, their contribution to the country, and the difficult challenges that face the private sector in helping to drive South African economic growth and democratic consolidation.²⁰

At this stage it is worth highlighting some implications of CDE's research for business leaders:

- business would do well to understand the realities of the ANC and its complexities;
- the country needs new priorities and focus for the next five years;
- in the same way that it is essential for the new government's leadership to reassess priorities, capacity and focus, so it is important for business to do the same in its very different context. Business has to be as honest and tough about its own activities and impacts as the country needs government to be about itself;
- the new global and domestic policy context is an opportunity for business. The widespread consensus that there is no

viable alternative to a market economy results in a much more positive attitude to business than would have been imaginable even a few years ago. This new situation leads to an increase in the attention paid to business and the demands placed on business from many quarters;

- business should stop drowning in a flood of policy initiatives and proposals from government. What is required is a strategic time out. Business must choose its own priorities, develop a game plan, and become a much more strategic player in public life;
- government policy can be influenced by timeous, professional and expertise-based inputs on important policy issues. At present those in favour of market-based economic reform and complementary strategies for poverty reduction and development are a lesser influence than others.

If Martians were to look at South Africa today and see the crying need for rapid economic growth coupled with high labour absorption, they would probably react by saying that government and business are the most likely partners to promote such growth.

The fact is that government and business's needs, interests and priorities around the core objective of economic growth that benefits all South Africans are actually very close to each other. It is the country's history, politics and limited visions that prevent a more fruitful partnership from emerging.

The central challenge for both business and government is how to build on each other's strengths and their congruence of interests to form the kind of partnership appropriate for South Africa in the 21st century, and help lead the country towards a more prosperous and inclusive future.

are entitled to their own points of view and prejudices, however much we might dislike those views. The bill of rights, government, public institutions and public morality will not allow discrimination against people when it comes to the use of public funds, public resources of any kind, and a myriad of other opportunities and facilities previously denied the majority of South Africans. We should keep our eyes focused on that ball.

Race is important in this country because of our past. However, the minority of racists still present in South Africa are no longer the root cause of inequality holding back black advancement. Poverty and a lack of access to the core opportunities that can enable individuals and families to break out of poverty is the real cause of structural inequality in South Africa today. We have to fix the issues that constrain people and lock them into poverty. That means we must focus on education and training, quality of schools, basic health, and issues of that kind. First and foremost we must focus on growth and employment; a job is the quickest route out of poverty.

A focus on race and a narrow approach to affirmative action (separate from merit) is a destructive 'red herring'. It is important to note that:

- Already the demand for qualified black recruits far exceeds supply, and black appointees in the private sector enjoy salary premiums at levels which reduce their relative cost effectiveness and productivity.
- Unintentionally norms and expectations can easily be created which will suggest to minority South Africans that they and their children are second class citizens, encouraging more emigration and a further loss of the skills available for creating more economic opportunity for all.
- It is crucial to avoid sentiments of special entitlement taking hold which must inevitably weaken the kind of employee motivation and standards of performance which South Africa needs to become a world class player.
- Equity policy has already run ahead of the improvement of educational output and the establishment of tested and effective national initiatives; both of which are vital for ensuring both equity and excellence.

South Africa cannot afford to spend another half century getting race wrong. Although role models are important, poverty and inequality in South Africa will not change through the hasty enrichment of a small group of black business leaders or the accelerated promotion of urban black professionals. If incompetent or inexperienced people are placed in positions of authority, the institutions designed to educate and service black South Africans in particular could suffer the most, thus ensuring the necessity for another generation of affirmatively promoted South Africans.

CONCLUDING REMARKS: BECOMING THE 'WORLD'S MOST EXCITING EMERGING MARKET'

Following Thabo Mbeki's election as president, there have been encouraging indications that the government is moving towards addressing some of the issues outlined in this report. It is far too early to know what the outcomes will be, or what other positive initiatives the new government will announce. Developments should be carefully watched, and any action taken measured against the analysis in this report.

Core conclusions

It is important to highlight the core conclusions at the base of the CDE analysis:

- The CDE report is an attempt to review the first five years of democratic rule in some depth. It provides a perspective of 'the big picture', and, while it is by no means exhaustive, it does identify broad patterns, trends, and critical fault lines. Written from an independent perspective outside government, it provides important insights on and pointers towards a general strategic direction from a non-partisan source.
- In CDE's ten areas of challenge for the country and its detailed assessment of the new gov-

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ernment, coupled with practical policy guidelines, a set of independent benchmarks are put forward against which to measure progress over the next five years.

- In the context of South Africa's limited capacity (skilled people and constrained finances), one of government's most important decisions will concern the choice of areas in which to concentrate its best energy and attention. Recognition of the reality that priorities must be determined is essential, as a weakness of the previous five years was the proliferation of programmes and a failure to make sufficient headway in the most critical areas. Conscious trade-offs will be necessary, and a focus on those areas that provide maximum return absolutely mandatory.
 - In concluding that the new government needs to centre itself on economic growth, CDE is making three essential points:
 - Key economic reforms are urgently necessary if South Africa is to develop a competitive economy. The labour market is only one of numerous areas that require attention. The package of structural changes should concentrate on: the shortage of skilled people; crime and corruption; the poor administration of provinces and cities; low investment in economic infrastructure; and changes to labour legislation.
 - Social and development policy priorities should be chosen for their complementarity to economic growth.
 - The best people in the country need to work on providing answers to the following question: At the end of the 20th century, what is South Africa's visible comparative advantage in a fiercely competitive global economy? What is our unique area of economic potential, and how do we realise and market this effectively?
- In addition to these substantive changes that are required for government to realise its own commitment to economic growth and employment creation, South Africa needs to signal this new resolve and commitment more effectively. A critical ingredient in successful economic growth is sufficient local and foreign investor confidence, to sustain rising levels of fixed investment.

The country has to stop sending ambiguous messages to investors, both domestic and foreign. This ambiguity is reflected in inconsistent attitudes to crime and corruption and necessary social and equity goals which are not reconciled with competitiveness and efficiency; in attitudes to skilled immigrants; a failure to improve the performance of education and training; or statements and signals by politicians which appear to qualify or contradict the central thrust of economic policy. This can be seen in internal and documents, certain government policy positions, and actions by the labour movement which directly undermine the president's commitment to making South Africa the 'world's most exciting emerging market'.

There is little doubt that reservations among local and foreign business people and fund managers are often based on minimal information, and almost equally often on a racist stereotyping of Africans or Africa. The country has to accept as a challenge the fact that we come from a 'weak neighbourhood' in a world influenced by Afro-pessimism.

The harsh and unjustified reality of this challenge is that South Africa's new government has to do better than a comparable government outside Africa in communicating its attractiveness and support for investment. While a Spanish or Polish cabinet minister can afford to flirt with the ILO or with some of the less practical aims of social market thinking, a South African cabinet minister does not have this luxury. We can point out that corruption, for example, is high in Brussels or Italy or elsewhere in Europe, but investors sense that there is a tough fabric of independent civil society in those countries – which South Africa and its neighbours do not yet have – which will ultimately hold things in check.

It is therefore critically important that the new cabinet (and the cabinets in the provinces and executives in the large cities) stay 'on message'. If we want South Africa to become the world's most desirable emerging market, we have to persuade investors – domestic and foreign – that this is the case. We have to take the actions necessary to become a competitive market, and we have to communicate first to ourselves as a country and then to the outside world what we are doing and why this is important for South Africa.

- The country needs strong leadership to take us successfully into the next century. However,

Key economic reforms are urgently necessary if South Africa is to develop a competitive economy. The labour market is only one of numerous areas that require attention

strong democratic leadership does not entail increasingly detailed and centralised control of all decision-making – whether this is in the office of the presidency, the national cabinet, or the anc's national leadership. What is required is the centralisation of objective-setting, targets, critical benchmarks, financial regulations, and codes of behaviour, all coupled with penalties for non-performance and malfeasance.

Within this framework of priorities, focus and performance, detailed policy development and implementation should be decentralised. Hundreds of different experiments should be encouraged, because no one really knows exactly what will take root and flourish in our unique circumstances.

Without sufficient growth the skilled population will decline, resources will shrink, and South Africa will not be able to deal with its own problems, never mind lead an African renaissance. A tough global marketplace will simply leave South Africa behind

From a 'liberation front' to a partnership for growth and development

The period 1999–2004 will be critical for South Africa. The country will either establish itself as a successful market economy, or find itself embroiled in deteriorating socio-economic conditions which will threaten the very foundations of its democracy. An already race-conscious society will either decisively move away from its destructive past, or (probably unintentionally) find itself sinking deeper into the negative politics of race. The country will either consolidate itself on the road to global and domestic success or find itself going backwards, and the consequences of that will be to set South Africa back for at least one if not two or more generations.

There are two views on the future of this society. The one perspective holds that we can muddle through and continue governing on the basis of a compromise between the competing sources of power and influence – at its starkest, a compromise between the competing visions and priorities of socialism and transformation on the one hand, and the requirements for global competitiveness on the other. This scenario sees continuity, holding the alliance together and 'a little bit for everyone' as both a possible and desirable route forward.

The second view sees South Africa as a nation, yet again faced with a series of hard choices. The country must have sustained economic growth building up to an average of at least 5 per cent a year. Without that it will be impossible to balance the competing strains of class, racial (and probably ethnic) reconciliation, and fundamental transformation away from an apartheid world. Without sufficient growth the skilled population will decline, resources will shrink, and South Africa will not be able to deal with its own problems, never mind lead an African renaissance. A tough global marketplace will simply leave South Africa behind.

For this to be avoided, the government has to make some decisive choices and resolutely go for growth. This will not be easy, but then neither will dealing with the consequences of inadequate growth.

It has been said that the generals always know how to fight the last war. The leaders of the anc played skilful and statesmanlike roles in helping to achieve South Africa's 'political miracle' of 1994, but that 'war' was not a test of skills in governance; rather, it was a contest of diplomacy and political power. The new 'war' is one of strategy, building momentum, management, and co-ordination.

What is needed now is for the new government to lay the foundations of a South African 'economic miracle'. This will require moving away from being a 'liberation front' and towards a real partnership for growth and development.

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Our analysis clearly shows that South Africa must set itself on an intensified new economic growth path. It must directly tackle the structures and dynamics that perpetuate poverty and inequality. This can only be achieved in the framework of an effective market economy and global economic trends. The policy of compromise and the uneasy, uneven amalgam of the ANC's socialist history and its partial market accommodations cannot deliver the growth required. More fundamental choices are needed

What is needed now is for the new government to lay the foundations of a South African 'economic miracle'. This will require moving away from being a 'liberation front' and towards a real partnership for growth and development.

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