

**AFRICA**

ISSN 0276-1654

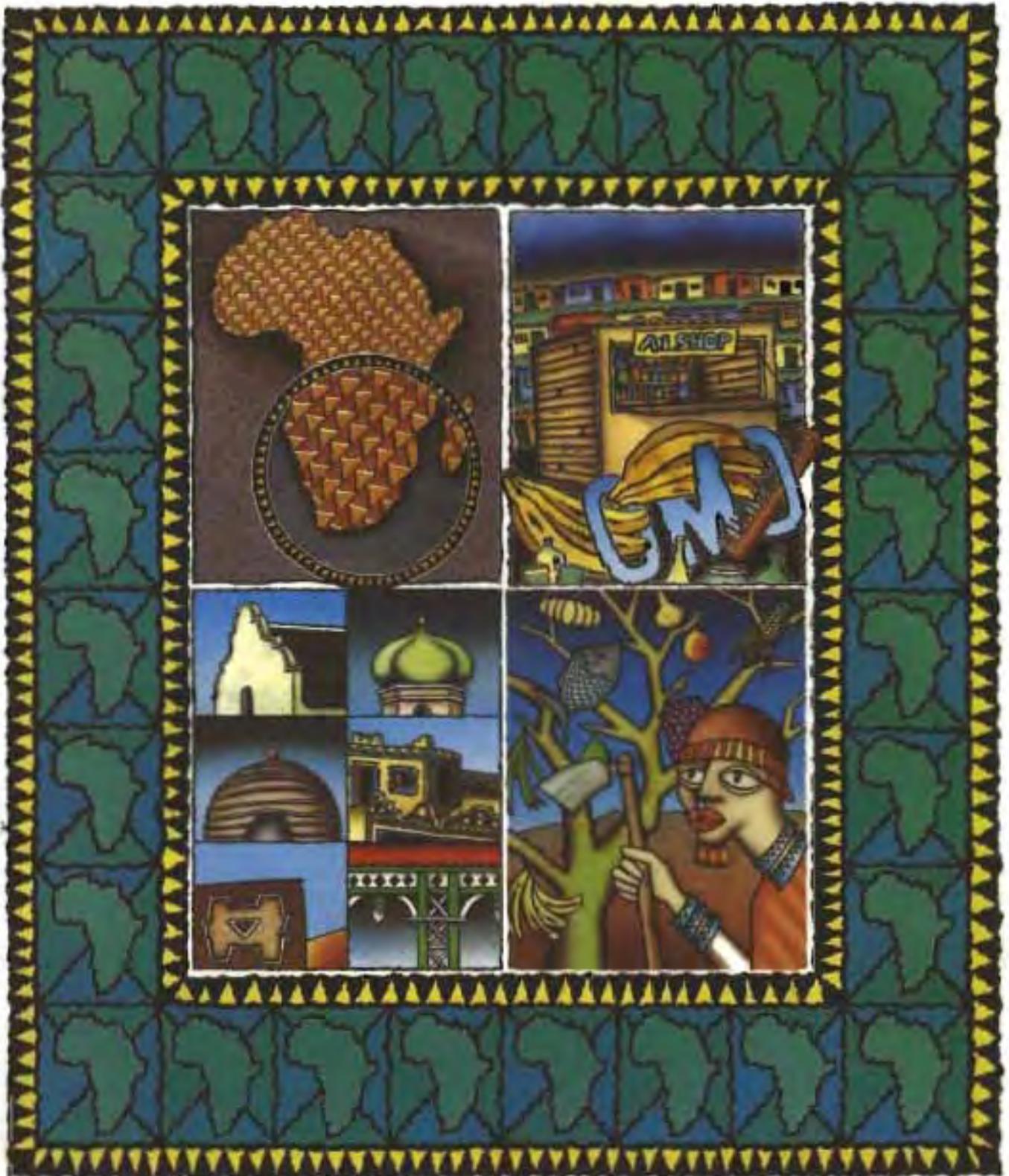
vol 28 • no 1/2 • 1998

Mag. No. 4-1998/03/98

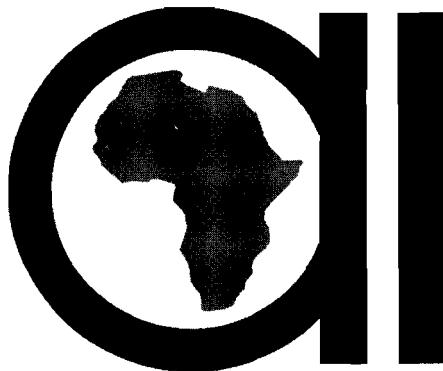
# INSIGHT

an independent publication which promotes insight into the process of change in Africa

R20,00 (VAT included)



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ISSN 0256 2804

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**Africa Insight** (incorporating the *AI Bulletin*) is published quarterly by the Africa Institute of South Africa, an independent study centre concerned with African affairs.

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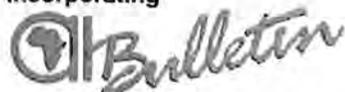
Layout: The Rustica Press

Printed and bound by The Rustica Press

D6661

## Contents

Incorporating



ISSN 0256-2804

Reg. No 61/400002/08

<b>Sustainable democracy in sub-Saharan Africa: the interface between politics and economics</b>	2
Comment <i>Dr Denis Venter</i>	
<b>A deepening of democracy? Establishing provincial government in South Africa</b>	5
<i>Professor Roger Southall</i>	
<b>Paradoxes and challenges in South African commercial bank microfinancing</b>	19
<i>Professor Fred Ahwireng-Obeng</i>	
<b>Macroeconomic strategies, agriculture and rural poverty in post-apartheid South Africa</b>	25
<i>Charles Mather and Asghar Adelzadeh</i>	
<b>African perceptions of time and economic development</b>	36
<i>Dr Erich Leistner</i>	
<b>Environmental security in Africa: some theoretical concerns and emerging issues</b>	41
<i>Dr Cyril I Obi</i>	
<b>The evolution of Zambia's relations with China</b>	47
<i>Ian Taylor</i>	
<b>Rural SMME development in South Africa: the White River area</b>	53
<i>Professor C M Rogerson</i>	
<b>Development planning in Swaziland: a historical overview</b>	65
<i>Mlaniseni Sihlongonyane</i>	
<b>Accountability and oversight in the new South African intelligence community: a preliminary assessment</b>	76
<i>Moses B Khanyile</i>	
<b>The impact of societal forces on receptiveness to trade unions in the SANDF</b>	84
<i>Lindy Heinecken</i>	
<b>Eritrea - Ethiopia: family feud</b>	90
<i>Pieter Esterhuysen</i>	
<b>Bookshelf</b>	93



# Sustainable democracy in sub-Saharan Africa:

the interface between politics and economics

*Denis Venter, Executive Director and Head, Academic Programmes, Africa Institute*

There has been dramatic change in the international system since the early 1990s. Africa's politico-strategic and economic marginalization, and the search for a new foreign policy rationale by the major Western industrial democracies to replace anti-communism, have meant that economic conditionality has been joined by "good governance" – which is being transformed into a political conditionality focusing on the promotion of democracy, under the assumption that economic liberalization and political reform must go hand in hand. The convergence of these two policy thrusts (one largely technocratic, the other distinctly political) poses a real dilemma for African leaders committed to economic liberalization. Political conditionality greatly increases African dependence on external actors. Many African leaders fear such a situation, including some who are committed to economic liberalization, as they are being pushed by internal societal pressures: as events in Senegal, Nigeria, Côte d'Ivoire, Zaïre/Congo-Kinshasa, Madagascar, Zambia and Malawi, among others, demonstrated vividly over the last couple of years. Some leaders resist energetically, others stall, and still others play charades with both internal and external critics.

The solution of Africa's economic crisis seems deceptively simple: foster greater productivity and thereby growth. Africa's structural adjustment programmes are intended to correct the underlying economic deficiencies and imbalances, while the current emphasis on governance is designed to address the corrupt, capricious, and arbitrary practices which seem to afflict Africa's politicians and bureaucrats.

However, there is an inherent dilemma in trying to impose conditionality on African countries. In the short term, the strict tying of further resource flows to proposed democratic reforms will probably be necessary because the political incentives not to implement a structural adjustment programme, or to do so haltingly, are very strong. At the same time, for African leaders to carry out a programme which is so politically risky requires assurance of long-term flows of concessional aid. Both bilateral and multi-lateral aid donors, therefore, will have to walk a very dangerous tightrope between nudging African leaders towards democracy and assuring them that politically dangerous reforms will be rewarded in the medium to longer term.

With growth of 6–7% required in sub-Saharan Africa between now and 2010 to put its economies back on track, it is believed that Africa must have major external debt relief if it is to grow. While nobody speaks of defaults, another threat is implicit: without substantial debt write-offs (cancelled or drastically reduced debt), African democracy may well be smothered at birth. Clearly, if private foreign investment in Africa's economies is not likely to be forthcoming, and if further assistance and financial support are conditional on economic and political reforms which are themselves problematic, then Africa's crisis may indeed be insoluble. If structural adjustment packages are not sustained, because of regime exhaustion or social opposition, on the one hand, or external indifference or protectionism, on the other, then Africa may once again be thrown back onto its own devices.

The imposition of political condi-

tionality seems to be flawed on several counts. First, the concept sometimes comes across as rather unfocused. African leaders are correct in rejecting the facile distinction between multi-partyism and single-party states; there is far more to a free society than multi-party elections. As single-party rule has signally failed to prevent tribalism and regionalism from degenerating into civil conflict, it is now time to seek alternative mechanisms: proportional representation, decentralization, federalism. Only in South Africa is there any serious discussion of a constitutional framework that, hopefully, will counter the worst excesses of African governments. Second, there is the problem of objective measurement. How much reform is enough? How far does a government have to step out of line before political conditionality is cited as justification for withholding aid? Third, for all their sermonizing on governance, donors still remain rather reluctant to translate their verbal sabre-rattling into any sort of action and apply the yardsticks of political conditionality: Daniel arap Moi's Kenya and Kamuzu Banda's Malawi are among the few exceptions, and with US equivocation over Mobutu Sese Seko's Zaïre perhaps the best example that conditionality decisions are far from uni-dimensional. Finally, there is the aid lobby's complaint that it is wrong to punish a country's poor and underprivileged for the misdeeds of its government. This argument is unconvincing, since there are many ways in which aid can be provided to a country in a manner that expressly demonstrates disapproval of the ruling regime.

A major contradiction between economic and political conditionality may also exist. The primary assumptions

appear to be that economic structural adjustment and political reform are mutually reinforcing processes and that since authoritarian politics in large part caused the economic malaise, democratic politics can help change it. These assumptions may be incorrect, however. Evidence from the Third World in the 1980s does not support optimism about the mutually reinforcing character of economic liberalization and political reform. This is not to say that authoritarian regimes can guarantee economic liberalization or, very often, even produce it. Nor is it to say that economic liberalization under democratic conditions is impossible; it is just very difficult. There is evidence from other regions of the Third World that economic liberalization can take place in existing democracies: Costa Rica and Jamaica. Evidence also exists that new democracies that replace hated and inefficient authoritarian regimes may have a honeymoon period that can be used to launch, if not sustain, major economic reform measures: the Philippines, Argentina and Brazil. Military regimes already engaging in successful economic liberalization can become democratic: Turkey and Chile. But, in all cases, institutions and circumstances that reinforce executive autonomy and controlled opposition appear essential.

Almost imperceptibly, the narrower concerns of governance have shifted to the more expansive notion of democracy. However, without stable and developed economies and some degree of industrialization, a literate and educated citizenry, a sophisticated communications network, and a relatively homogenous civic culture, it is difficult to see how democracy will ever truly flourish in Africa. Nevertheless, seemingly without much debate, there developed a Western consensus that in Africa, democracy is to be *the* human rights issue of the 1990s. This consensus threatens to foreclose (or, at least, limit) the possibilities for cultural, ideological and political diversity in a democratic and pluralistic new world order. Although one might wish to argue that the decline of ideology inaugurates an era in which each nation can follow its own path to development and democracy, unfortunately this is not likely to be realized in practice. No longer preoccupied by national security considerations, Western donor countries are pushing aggressively for "democracy". This open resort to political conditionality

may well preempt distinctive local paths to democracy.

Whatever its merits, political conditionality has proved particularly controversial and unpopular in Africa. Western efforts to dictate the form and speed of democratization (to usurp, in other words, the role of determining local political change) while overlapping to some degree with the aspirations of democratic movements in Africa, have come into conflict with local sentiment and proved to be largely counter-productive. Therefore, the final product of these transitions, in spite of the attempts of external forces to read their own agenda into them, may yet take distinctive national forms. Moreover, the pro-democracy changes that have taken place all over the continent will take time to consolidate and stabilize. And Africans should also not take these moves towards liberalization and reform for granted; rather, they should seek to institutionalize change and prevent a return to the past.

What, then, are the prospects that these changes might lead to the *consolidation* (or *sustainability*) of reasonably fair and enduring multi-party democracies in at least an appreciable number of African countries? It may be necessary to use a broad definition of multi-party democracy to mean any system in which opposition parties are allowed to form and peacefully contest elections – even if, in practice, there is only one dominant party whose electoral victory can almost be taken for granted: the BDP in Botswana, until 1994. Is there any reason to believe that the newly installed democracies will prove to be longer lasting than their post-independence predecessors? The dismal record of democracy in Africa, until recently at least, raises the question of whether there is anything about sub-Saharan Africa that makes it inherently difficult, even impossible, to sustain democracy.

Two arguments have been put forward in this regard: one derives from the political structure of the continent, and the other from its economies. First, the political argument suggests that in artificial African states, democracy must inevitably lead to the mobilization of ethnic identities, which will then, in turn, split the state into its constituent ethnic communities and render impossible any form of government based on popular consent. Evidence, however, strongly indicates that multi-party democracy is much more likely

to promote national unity than to destroy it; whereas, conversely, those regimes which have nearly destroyed the unity (Sani Abacha's Nigeria and Hassan al-Bashir's Sudan) or even the very existence of their states (Samuel Doe's Liberia and Siyad Barre's Somalia) have all been autocratic. And second, the economic argument holds that democracies lead to economic degeneration, on the grounds that elected governments have to keep their electorates happy, and that this encourages high levels of consumption; while elected politicians need to raid the state coffers in order to lay their hands on the funds they need to maintain local patronage networks. Again, non-elected or authoritarian regimes have fared no better and quite a number of them have been unmitigated economic disasters, with grotesque levels of economic inefficiency and corruption (Mobutu Sese Seko's Zaïre, Mengistu Haile Mariam's Ethiopia, and Ibrahim Babangida's Nigeria).

If democracy in African countries is to be strengthened and eventually sustained, it is imperative that African economies – which are in their most desperate state ever – be resuscitated, otherwise a backlash and, possibly, a reversal of the democratization process is almost inevitable (note the return of Didier Ratsiraka in Madagascar and Mathieu Kérékou in Benin, through the ballot box, and Denis Sassou-Nguesso in Congo-Brazzaville, by way of what was essentially a *coup d'état*). Africans feel that multi-party systems are in place, with democratically elected governments; and, very unrealistically, they want to see immediate benefits: new jobs, transformed education, improved housing, new health-care facilities, increased disposable income. Economic growth and sustained development are, therefore, of the essence in supporting Africa's fledgling democracies and preventing a tragic relapse into despotism and authoritarianism. Democracy has to be carefully nurtured, because democratic values (such as political tolerance) cannot be inculcated in African societies overnight; and relatively sound economies (to provide basic human needs) seem to be essential ingredients for the ultimate success of a democratic order in Africa.

Finally, throughout the 1990s there has been a disturbing phenomenon in international life: the rise of illiberal democracy. Democracy is *liberal*, because it draws on the Greek philo-

sophical strain that emphasizes individual liberty; it is *constitutional*, because it rests on the Roman tradition of the rule of law. As a political system, democracy is marked not only by "free and fair", multi-party elections – a rather "mechanistic" conception, so prevalent in the phoney, or sham, or pseudo democracies in Africa and elsewhere, and fuelled by the current fad of election monitoring and observation – but also by what might be termed *constitutional liberalism*: the rule of law, a separation of powers, and protection of the basic civil liberties of freedom of speech, assembly and religion, as well as the right to property. Today, the two strands of liberal democracy are coming apart: democracy, seen in the context of multi-party elections and rule of the majority, is flourishing; constitutional liberalism is not – while the arduous task of inculcating democratic values in society is

almost totally neglected. It is, perhaps, salutary to note that constitutional liberalism is about the limitation of power; democracy (in its over-simplified form) about the accumulation and use, or misuse, of power. One should be mindful of the Actonian dictum that power corrupts – and that absolute power corrupts absolutely. Therefore, democracy stripped of constitutional liberalism is not simply inadequate, but dangerous. Clearly, the challenge for the next millennium is not "to make the world safe for democracy", but to make democracy safe for the world.

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### Erratum

We regret that in the previous issue of *Africa Insight* (no 4 of 1997) some errors occurred in a data panel on Lesotho; see page 241. An updated and corrected version of the relevant section is given below. (Editor)

LESOTHO

POLITICAL

Head of State:

King Letsie III since 1996 (b 1963)

Heads of government:

PM Ntsu Mokhehle (b 1918), 1993 – 1998

PM Pakalitha Mosisili since May 1998

# A deepening of democracy?

## Establishing provincial government in South Africa

*Roger Southall, Professor of Political Studies at Rhodes University, examines the emergent provincial system and concludes that the jury is still out on cooperative government*

The establishment of nine new provinces<sup>1</sup> as a second level of government constitutes the most neglected aspect of academic commentary upon the transition to democracy in South Africa. This apparent lack of interest is remarkable, for at least three reasons. The first is that the whole issue of whether South Africa should remain a unitary or adopt a federal system of government was one of the most contentious issues of the negotiation process,<sup>2</sup> with the preference of the African National Congress (ANC) for the former constitutional mode being opposed by the (then) ruling National Party (NP), as also by other parties which, for one reason or another, sought to contain majoritarianism. Secondly, to the extent that the transition was theorized, the pro-federalist position was buttressed by a liberal lobby, headed by the small Democratic Party (DP), which emphasized the virtues of a constitutional dispersal of power (albeit qualified by a Bill of Rights) as likely to protect democracy against the perceived centralizing, if not authoritarian, instincts of the ANC.<sup>3</sup> Thirdly, the devolution of power to South Africa's provinces has been cited approvingly by theorists who have argued that a system of devolved regional government is likely to enhance democratic sustainability, especially in countries which are ethnically or regionally divided.<sup>4</sup>

Despite all this, discussion of the powers, capacities and institutions of the provinces has been very largely omitted from the academic debate upon the present direction of politics in South Africa. To be sure, there has been much celebration of the arrival of democracy, and much agonizing about its quality and prospects, yet even in that context, the focus has been upon analysis of the constitution, the reshaping of the party system and the re-

positioning of a newly democratic South Africa in the global and regional systems of power rather than upon any discussion of the provinces. To some extent, this may reflect the lack of data available on the new provinces,<sup>5</sup> although more likely, it merely reproduces established bias towards analysis of the central state. It may be rather more the case, however, that if there is an emergent preoccupation among social scientists, it is with the consideration and consequences of the shift by the ANC-in-power away from a socially redistributionist and popularly based political project, towards a neo-liberal agenda which sees free market capitalism as South Africa's unavoidable route to competitive engagement in the global economy.<sup>6</sup> Although, within this context, there is now some discussion of the merits of the decentralization of industry,<sup>7</sup> the role of the provinces in all this remains almost wholly unexplored.

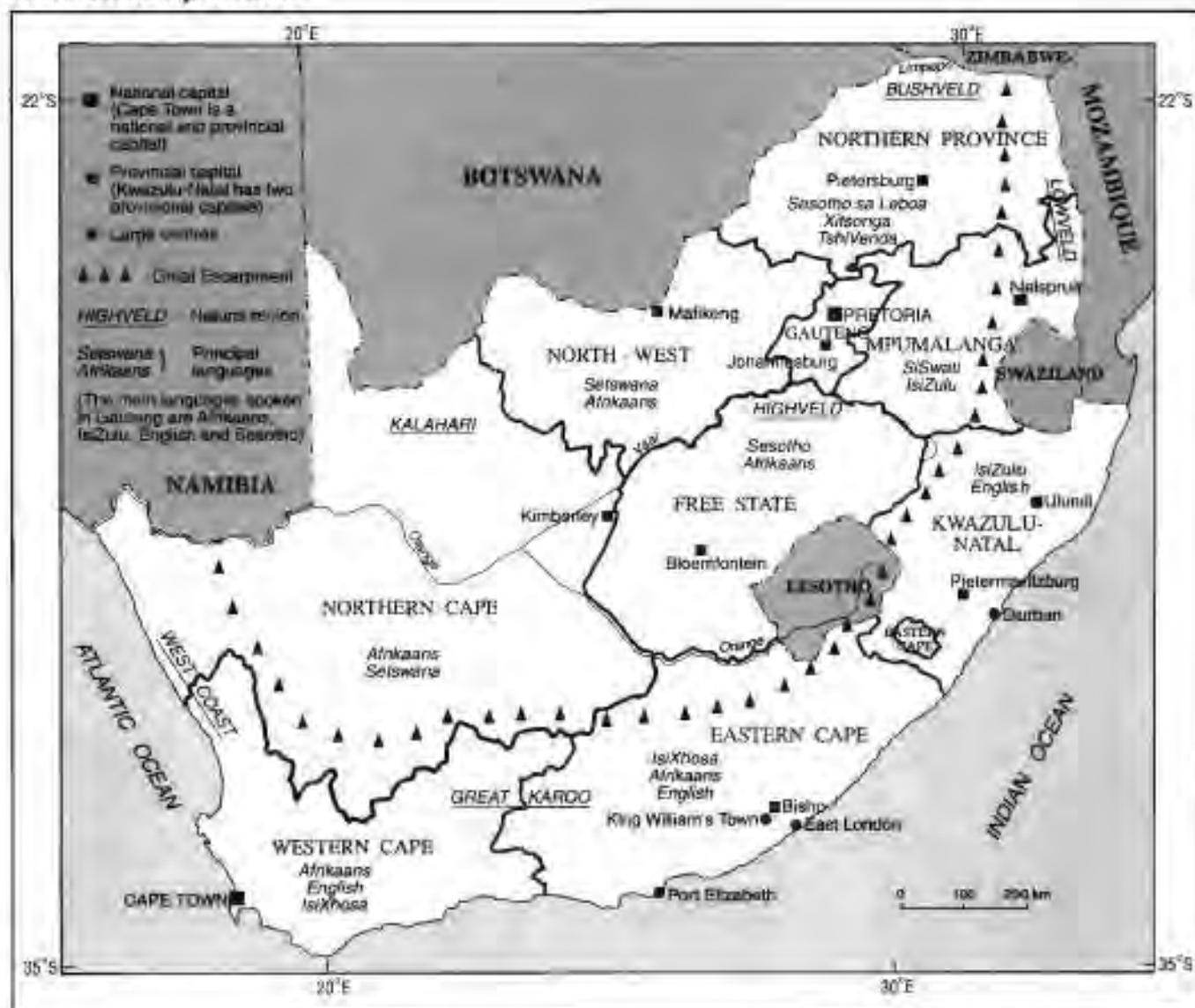
If social scientists are ignoring the provinces, then the media are not. Indeed, stories abound dealing with such subjects as relations between the central and provincial governments, disputes between the national and emergent provincial organizations of the ANC, the ambitions and persona of provincial premiers, and notably, the alleged incapacity of the provinces to deliver services.<sup>8</sup> Numerous news items and letters in the press lament the inefficiency of provincial governments, while relaying allegations of widespread corruption and waste.<sup>9</sup> Nor are the politicians unconcerned, if only because the new vested interests which the provincial systems now represent fear an attempted claw-back of powers and functions by the central government. All in all, central-provincial government relationships constitute a fundamental aspect of contemporary South African politics which now requires serious attention.

This paper will, accordingly, attempt to achieve two objectives. First, it will seek to outline the nature of the emergent provincial system, with particular attention to the Eastern Cape. Second, it will attempt to link the trends and tendencies identified with the wider debate about the ANC's shift to neo-liberalism and the consolidation of democracy in South Africa.

### **The formal status of the provinces**

When it adopted its divisive tricameral constitution in 1983 under the leadership of PW Botha, the NP government abolished the four provinces into which South Africa had been divided from 1910 and which had enjoyed various powers subordinate to parliament. As well as featuring the introduction of separate legislative houses for Indians and Coloureds (while firmly retaining ultimate control in white hands), this provided for a greater centralization of authority in a period of mounting challenge by the popular forces opposed to apartheid. Subsequently, while the opposition parties which eventually formed the DP in 1989 all espoused federalism, the NP remained resolutely set against it until after 1990, at which time it came face to face with the prospect of losing central power. It then underwent a remarkable conversion, discovering in federalism guarantees for both individual and minority rights. Together with an array of both liberal (DP) and conservative forces (notably the Zulu-ethnic Inkatha Freedom Party (IFP)), it made a new allocation of powers between central government and nine new provinces its major price for a settlement. For its part, the ANC – which had previously regarded federalism as a device for preserving privilege – proved willing to meet that cost, along with the concession of a constitutional court, a set of constitutional

## South African provinces



principles, and various other attributes associated with the federal model. These were embedded in the interim constitution which heralded the democratic transition in 1994,<sup>10</sup> and were to be largely endorsed by the final constitution which was adopted by the post-apartheid parliament (the House of Assembly and the Senate sitting together as the Constitutional Assembly) in late 1996.<sup>11</sup>

Under the new system, each province was equipped with a legislature, whose membership extended from 30 to 86 according to the size of the relevant provincial population. In 1994, these bodies were elected, according to the chosen electoral method of list system proportional representation, by a separate counting of the votes cast within each province for the national assembly. Once elected, each legislature was expected to elect a Premier, who in turn was charged with appoint-

ing ten Members of Executive Council (MECs), these chosen in proportion to representation in the legislatures from parties (wanting to participate in the Executive) which had obtained 10% or more of the provincial vote. In turn, these legislatures were required to elect 10 members to the national Senate, their party composition again reflective of their proportionate representation in provincial assemblies. Provincial legislatures in which there were traditional leaders and communities were also required to establish Houses of Traditional Leaders, elected or nominated by such authorities, to advise on matters relating to indigenous law and customs of their so-called "traditional communities".

The election in 1994 saw the ANC capturing an outright majority in six provinces and just under 50% in Northern Cape. This reflected its obtaining 62.6% of the vote, and thus majority

control of the coalition "Government of National Unity", at national level. ANC Premiers were therefore elected in seven provinces, the two exceptions being Western Cape, where the NP obtained 53.2% of the vote, and Kwazulu-Natal, where the IFP scraped home (by tense negotiation of the result rather than strict mathematical calculation) with 50.3% of the vote. Resulting coalition "Governments of Provincial Unity" were subsequently drawn from legislatures whose competence, as defined by the constitution, extended over a wide array of spheres, from agriculture through health and welfare services,<sup>12</sup> but these powers were simultaneously listed as concurrent with parliament and as subject to uniform norms and standards that might need to be applied throughout the country. Meanwhile, provincial taxation capacity was made dependent upon approval by parliament, while

the latter was also charged with determining what "equitable" share of national revenues, and other special financial allocations, provinces should receive.<sup>15</sup>

The post-election parliament, sitting as the Constitutional Assembly (CA), had been charged with rewriting the constitution (albeit in accord with a set of agreed principles) precisely because the transition had been negotiated by a mix of unelected and unrepresentative elites. In the event, the remaking of the constitution was to prove a troublesome exercise, with major points of contention between the ANC and the NP over, particularly, key provisions in the Bill of Rights, while the IFP withdrew entirely from the CA in April 1995 after, in its view, the ANC failed to honour a promise allegedly made in early 1994 to subject outstanding disagreements between the two parties to international mediation. Suffice it to say here that the Constitutional Court finally approved a revised text in December 1996, and the final constitution came into effect in February 1997.<sup>14</sup>

The demarcation of the nine new provinces by the interim constitution may have registered a compromise, yet overall, the proponents of federalism – and most especially the IFP, which had wanted virtually total autonomy for KwaZulu-Natal – had been disappointed by the relative weight of powers and financial leverage allocated to the political centre. In the event, their cause was to fare no better after the election, for with all the legitimacy of its substantial election victory behind it, the ANC used its predominant role in the new negotiations to resist any meaningful re-introduction of the debate about federalism. Instead, and aided by the decision of the IFP to pull out of the CA, it persuaded the NP to discuss inter-governmental relations in terms of "cooperative government" rather than federalism, thereby reducing the ideological temper of the debate and allowing concentration upon the actual content, details and overriding purpose of provincial powers. Cooperative government was described as a system where the national and provincial governments cooperate, consult and compromise with one another for the common good. In contrast, "competitive federalism" was presented as leading to a misuse of political energy, political instability and resulting economic cost.<sup>15</sup>

The overall effect of the new constitution would seem to be to allow a definite shift of power to the centre. Thus although – unlike the interim constitution – the final version does allocate what it terms some exclusive functions to the provinces,<sup>16</sup> these are minimal, and in any case may be overridden by national legislation in the interests of national security to maintain economic unity, to secure maintenance of minimal standards, and to prevent "unreasonable action" by a province.<sup>17</sup> Otherwise, although the provinces are allocated a wider array of competencies than they were in 1994, these are all held concurrently with the national parliament, which retains the right to legislate for the provinces, set minimum standards, and so on. Importantly, however, unlike in 1994 (when provincial assemblies had been constrained to remain in being until 1999 except in the circumstance that they passed a vote of no confidence in the Premier and the Executive together),<sup>18</sup> the new constitution provides for a Premier to be able to dissolve a provincial legislature, with the support of a majority of its members, albeit not until after three years into its five-year term.<sup>19</sup> Over time, therefore, there is the possibility that national and provincial elections need not be simultaneous.

Meanwhile, the idea of "cooperative government" is embodied in the replacement of the Senate by the National Council of Provinces (NCOP) as the second chamber of parliament. As already noted, the Senate had been composed of 10 members elected by each provincial assembly. In contrast, the basis of provincial representation in the NCOP is radically different, being composed of 10 "delegates". Of these, four are special delegates, being the Premier (or a designated alternate) and three others, as required from time to time and according to the nature of the business to be discussed, drawn from members of the provincial assembly. The remaining six delegates are appointed by the provincial assemblies, but cannot retain membership of those bodies if elected. Overall, the composition of both permanent and special delegates must ensure the participation of minority parties "in a manner consistent with democracy". Furthermore, in normal circumstances,<sup>20</sup> decisions by the NCOP on bills concerning the provinces will be made by the provinces voting as delegations: each province will have one

vote, which will be cast by the head of its delegation, with questions being decided by a favourable vote of five out of the nine provinces.

It has been argued elsewhere that the limited powers of the provinces and their financial dependence upon the central government will work to underpin the political dominance of the ANC.<sup>21</sup> Within that context, it also seems likely that the unequal inheritances and capacities of the nine provinces will lead to something of an asymmetrical relationship with the centre, and a growing level of regional differentiation.

### Reintegration, regionalization and differentiation

Today's provincial inequalities are, inevitably, founded upon the inequities of apartheid. These extended well beyond the well-known contrast between white affluence and black poverty to marked inequalities between (as well as within) urban and rural areas, and between the former white areas of the country and the homelands, whose primary historic function had been to serve as reserves of black labour and dumping grounds of so-called "surplus" people. Consequently, although the new political geography attempts to overcome the worst effects of this legacy, the profile of the new provinces cannot escape the past pattern of highly uneven development.

The Commission on Demarcation which made recommendations to the Multi-Party Negotiation Process in May 1993 did so on the basis of four groups of criteria relating to economic functionality, geographic coherence, institutional and administrative capacity and socio-cultural issues.<sup>22</sup> The outcome was that the new provinces absorbed the former bantustans as shown in Table 1.

The restructuring process, involving the creation of new administrations by combining former segments of former provincial structures with homeland bureaucracies (in pieces or as a whole), has been extremely difficult. While the administration of the area now covered by the Western Cape may actually have become more manageable than when the whole of the old Cape Province reached up to the border with Transkei, it tends, in fact, to be the poorer provinces, most notably the Eastern Cape, which have inherited the most complex problems of reintegration.

**Table 1** Absorption of bantustans into provinces

Western Cape	None
Gauteng	None
KwaZulu-Natal	All of KwaZulu
Free State	Districts of Bophuthatswana plus QwaQwa
Mpumalanga	Districts of Bophuthatswana, KaNgwane, KwaNdebele and Lebowa
North-West	Most districts of Bophuthatswana
Eastern Cape	All of Ciskei and Transkei
Northern	All of Gazankulu and Venda, and a district of Lebowa.
Northern-Cape	None

The relative wealth (or poverty) of the new provinces can be illustrated by reference to some basic statistics compiled by the Development Bank of Southern Africa (DBSA). Basing its analysis upon the human development index (HDI) suggested by the United Nations Development Programme, which uses life expectancy and adult literacy as an indication of people's capacities, while income is used to symbolize their opportunities, the DBSA has observed that whereas South Africa had an HDI in 1993 of 0,69 out of a possible 1,0, there is enormous differentiation among the new provinces:

The highest level of human development was measured in the Western Cape (0,76), followed by the Northern Cape and PWV. The Free State, Mpumalanga, KwaZulu/Natal and the North-West were in the 0,5 to 0,7 range. The Eastern Cape and Northern Province were at the lower end of the scale with HDIs below 0,5. Bearing in mind that

direct comparisons are not valid, the Northern Province ranked with Lesotho and Zimbabwe, while, in contrast, the Western Cape ranked with Brazil and the United Arab Emirates.<sup>23</sup>

Some further unpacking of socio-economic data allows deeper exploration of these inequalities, as in Table 2.

These rankings can be compared to the outcome of an analysis by the Foundation for Research and Development (FRD), which ranks the provinces according to their competitiveness based upon assessment of their economic strengths and their physical, human, scientific and technological resources. According to this (see Table 3), the Western Cape again came out on top.

The FRD emphasized that each province has its own comparative strengths which need to be exploited. Yet again the Western Cape comes out on top: it has 12% of South Africa's arable land, a vast potential for tourism, and the most assets "for a future development which include a manufacturing base with a significant high-technology component, a large seaport complemented by minor harbours, two major airports, a high tourism potential, productive farmlands, a variety of exploitable mineral resources, a literate workforce and an effective education system".<sup>24</sup> Meanwhile, although Gauteng ranked highest in economic strength and scientific and technological resources, it is handicapped by the small area it occupies and its subsequent lack of physical resources. In contrast, Northern Cape, which scored lowest in the rating, has less than 2% of South Africa's population, as well as a declining growth rate, and displays a high dependence on mining/quarrying and agricultural production.

**Table 2** Aspects of provincial inequity in South Africa, 1993

	HDI	Real GGP*	Personal income per capita	Unemployment rate**	Functional urbanization %
Western Cape	0,76	15 722	R4 188	13,3	95,1
Northern Cape	0,73	2 727	R2 865	16,7	78,2
Gauteng	0,71	44 634	R4 992	16,6	99,6
Free State	0,66	8 670	R2 419	15,3	73,7
Mpumalanga	0,61	10 086	R2 164	16,3	34,7
KwaZulu-Natal	0,58	17 550	R1 910	25,2	77,9
North-West	0,57	8 649	R1 789	22,3	29,5
Eastern Cape	0,48	8 937	R1 358	23,6	55,4
Northern Prov.	0,40	3 788	R 725	24,8	12,1

\* 1988 figures at constant 1985 prices

\*\* The definition of unemployment relates to "those who have no informal sector income".

Source: South Africa's nine provinces: a human development profile. Halfway House: DBSA, 1994, Table 1, p 18.

**Table 3** Provinces ranked on competitiveness

	Average rank from 1 to 9
Western Province	2,7
Gauteng	2,9
KwaZulu-Natal	4,1
Free State	4,3
Mpumalanga	5,3
North-West	6,2
Eastern Cape	6,3
Northern Province	6,5
Northern Cape	6,7

Source: Mail & Guardian, 28 July - 3 August, 1995.

According to the FRD, the competitiveness rating indicates that the provinces fall into three categories. First, Western Cape and Gauteng may be classified as *developed* provinces, likely to attract growth in high-technology manufacturing; second, the *semi-developed* provinces of KwaZulu-Natal and Free State may well encourage investment in secondary industries and niche services related to agriculture and mining; and third, Mpumalanga, North-West, Eastern Cape, Northern Province and Northern Cape constitute *developing* provinces, where investment risk is high, but where provision of basic infrastructural resources such as supply of electricity and water could lead to the growth of "home industries and small businesses".<sup>25</sup>

Although the terminology of the FRD may be disputed ("developing province" may in practice be a euphemism for "downright backward" or even "underdeveloping"), what remains clear is that the regional disparities inherited from the past will remain central features of the post-apartheid political economy.

Indeed there are good reasons why the gap between the best and the worst off provinces may increase, rather than decrease, over time, despite the intentions to the contrary of the national and provincial governments. In particular, it is the poorer provinces which are, on the whole, faced with the more complex problems of administrative reorganization, and countering the after-effects of bantustan rule.

### Provincial capacities and the public service

#### The broad picture

Under the transitional settlement, all civil servants (of the bantustans as well

as of the Republic itself) were guaranteed continued employment, at least until 1999. Apart from seeking to make the public services at all levels more demographically representative, this transformation has involved:

- the amalgamation of previously racially based administrations into a single public service split between nine provinces and the national ministries;
- the reallocation of staff and resources by the provinces into the departments identified by the constitution;
- the creation (in some cases) of new district-level services;
- the rationalization of provincial departments in line with the allocation of resources.

Officially, too, while seeking to devise ways of improving services while cutting expenditure, provincial administrations have sought to:

- reprioritize services in accordance with the policies of the new government;
- develop management skills to promote better service delivery;
- bring services closer to the people, especially in rural areas;
- re-orientate services to focus on the disadvantaged groups in society.<sup>26</sup>

According to a recent official overview, led by Paseka Ncholo (Director-General of the Department of Public Service and Administration), much progress towards these goals has been made, but numerous problems remain. So-called national issues include the following:

- many new policies are set at national levels without due consideration of delivery implications in the provinces;
- national and provincial governments are not monitoring the performance of service delivery to good effect;
- public service regulations uphold adherence to rules rather than emphasizing the provision of services, while impeding good management practice and the maintenance of discipline;
- national ministries offer conflicting guidelines to provinces;
- the redeployment of staff has not been well managed;
- there is much confusion concerning the levels to which financial accountability descends (who is accountable for what?);

- national departments have failed to provide sufficient help to provinces to assist them in building capacity;
- national departments are requiring provincial managers to spend too much time away from their more immediate jobs.<sup>27</sup> Provincial governments, complain their senior civil servants, are too often treated simply as “homelands”.<sup>28</sup>

The Ncholo Report further argued that, within the provinces:

- interference by the political leadership has commonly undermined senior provincial civil servants;
- overcentralization has created serious obstacles to efficient management;
- internal communication and strategic management is often inadequate;
- the amalgamation process has led to bloated structures, with functions duplicated within and between departments;
- many departments have not completed their staffing and redeployment process, while an excess of staff may be concealing large numbers of “ghost workers”.

Furthermore, whereas large numbers of staff with skills took advantage of the Voluntary Severance Package (designed to reduce the number of staff in the public service), a subsequent moratorium on implementation of the programme has left provinces with many staff who are not productively employed; morale and discipline amongst staff are low; financial management capacity and control in many departments is severely lacking; and finally, there is a general lack of management information, while half the provinces lack a strategy for Information Technology.<sup>29</sup>

Overall, Gauteng was found to be, in general, “a well-run province”, benefiting from its fortunate position of having access to the highest level of skill in the country. It had, accordingly, taken the lead in putting many of its systems in place, “so much so that national departments and other provinces use its resources to assist them with their development”. In Western Cape, skill levels were also deemed to be high, although administration was viewed as overcentralized. Mpumalanga, North-West, the Northern Cape and Free State were judged to have

administrations “somewhere between the best and the worst”, although in Free State, administration had been disrupted by political instability, with public servants being aligned with different political factions. Meanwhile, politicians in KwaZulu-Natal were found to have grossly interfered with the running of their departments. Together with the administrations of Eastern Cape and Northern Province, which suffered from a chronic lack of capacity, considerable resistance to change, financial mismanagement and widespread fraud, corruption and lack of discipline, that of KwaZulu-Natal was in danger of collapse unless urgent remedial action was taken.<sup>30</sup>

Over-centralization and chronic lack of capacity within the provinces are in large part a consequence of the fact that the latter are viewed by central government as primarily agencies of delivery and implementation, and as having a very limited contribution to make to policy-making. This is in spite of the fact that the constitutionally enshrined political apparatus in each province implies such a role, and in spite of the fact that the provinces are responsible for spending a large proportion of the budget (a projected 44% in 1997–98) and employ over 60% of public servants.<sup>31</sup> There is a clear tension between the administrative and political roles of the provinces which has yet to be resolved. The implication of this for the definition of “cooperative government” will be explored following a more focused review of the crisis of capacity in the Eastern Cape.

### *The Eastern Cape*

The problems of reintegration have been most acute in the Eastern Cape, which was required to amalgamate the eastern segment of the former Cape Province with the formerly “independent” homelands of Ciskei and Transkei, both of whose administrations were notoriously inefficient and corrupt. Worse, the decision to locate the capital in Bisho (the former capital of Ciskei, roughly in the centre of this sprawling province), alienated large numbers of white civil servants who had previously been administering the (old) eastern Cape from Port Elizabeth, while the loss of its homeland capital status to Umtata has been immense. Indeed, those “beneficiaries of Transkeian independence”<sup>32</sup> who feel they have lost out in the new dispensation have sporadically issued calls for the

proclamation of Transkei as a separate province, while it is their discontents which seem to be fuelling regional support for the United Democratic Movement (UDM), recently established by former Transkeian military leader Bantu Holomisa and NP outcast Roelf Meyer to challenge the ANC.

In 1994, the incoming ANC-led provincial government,<sup>33</sup> headed by the ex-Robben Islander, septuagenarian Raymond Mhlaba, inherited some 140 000 civil servants,<sup>34</sup> some 55 000 from Transkei, 20 000 from Ciskei and 65 000 from the old Cape Provincial Administration (CPA).<sup>35</sup> The Transkei's 20 departments and the Ciskei's 19 needed to be merged with those of the CPA to form the 10 departments provided for by the constitution. Meanwhile, the proportion of the provincial budget spent on salaries increased from 41% in 1994 to 45% in 1995 as against a recommended maximum of 35%.<sup>36</sup> The old administrative structures, stated Mhlaba in his second budget speech, were costing "a fortune".<sup>37</sup>

The inheritance was grim. A report commissioned from the Auditor-General by Parliament on all aspects of financial administration and control in the former independent homelands painted a picture of "rampant fraud, theft, overpayments, destruction or non-existence of vital records, absenteeism and idleness in government departments, parastatals and local authorities". The last audited reports made to the relevant authorities had been submitted for 1986–87 in Transkei, and 1990–91 in Ciskei. Theft of government vehicles had been common, there had been a serious lack of physical security measures, and there was substantial evidence of unauthorized salary increases, back payments and unnecessary appointments and unjustified promotions having been made just prior to the finalization of the negotiated settlement.<sup>38</sup> Indeed, "most" of some 4 300 people subsequently declared<sup>39</sup> to have been promoted irregularly throughout the country as a whole had been promoted in Transkei.<sup>40</sup> There were, in addition, initially reckoned to be up to 8 000 "ghost workers" (non-existent employees who nonetheless were receiving salaries) on the books,<sup>41</sup> alongside countless "ghost pensioners". Perhaps not surprisingly, the Eastern Cape initially inherited (until the central government agreed to write it off in its entirety) a R9.9 billion share of a total R15 billion homeland debt.<sup>42</sup>

Added to all this, Eastern Province is facing a long-term economic crisis, with especially the former homeland areas demoralized by chronic unemployment and decline.<sup>43</sup> Meanwhile, there is a collapse of much of the basic infrastructure of service provision (again, notably in former Transkei), and an alarmingly high level of violence against persons.

A manifest failure of the provincial government to deal with these and multiple other crises and problems led to substantial popular discontent: an early survey reported that only 19% of respondents deemed the performance of the provincial government satisfactory, with 53% viewing it as unsatisfactory.<sup>44</sup> Alarmed that this could translate into a longer-term slump in support for the ANC, the party's central leadership reacted with two key changes in personnel. First, as early as mid-1995, it redeployed Thozamile Botha, then Chair of the Commission on Provincial Government (a body which advised the Constitutional Assembly), to the position of Eastern Cape Director-General, to drive the restructuring of the provincial administration, despite his being much in demand at national level.<sup>45</sup> Then, subsequently, following despatch to the province of a team (led by Mr Chris Dreyer) by public service Minister Zola Skweyiya to tackle mounting administrative problems and corruption, it orchestrated the resignation of Mhlaba (notionally on grounds of age) and his replacement by the Revd Arnold Stofile, hitherto an MP and national treasurer of the ANC, as provincial leader of the ANC (in December 1996) and as Premier (in February 1997).<sup>46</sup>

The programme which the provincial government sought to implement had a number of key elements. First, amid the process of bureaucratic amalgamation, it sought to replace "old guard" senior civil servants with new appointees it deemed more palatable, and to reduce the number of senior appointments. A fair number of whites, notably those with marketable skills, left under the Voluntary Service scheme. This left the government, inter alia, paying the salaries (at a cost of R12 million per annum) of some 15 homeland Directors-General, and 25 Deputy DGs, who were not translated to equivalent positions in the new provincial service. Most were reportedly reluctant to serve in more junior capacities, but were similarly averse to the idea of retrenchment or early retire-

ment.<sup>47</sup> Alongside attempts to render public service conditions uniform, which required a reduction of various benefits (eg housing subsidies) previously paid within the homelands, this involved something of an attempt to actually reduce the overall size of the provincial civil service. Indeed, in July 1995, the provincial government announced that some 7 000 posts would have to go, arguing that civil service jobs were guaranteed under the interim constitution only up to the time that the rationalization and restructuring of the provincial administration was complete. Further, to effect this process, all civil servants (below DG) were going to have to re-apply for their existing jobs.<sup>48</sup>

Following administrative review, it was reckoned that the province had some 18 000 more staff than it needed.<sup>49</sup> However, vigorous resistance to proposed cuts by the South African Public Servants Association (formed by the amalgamation of the civil servants' bodies from the former Ciskei and Transkei in 1995) seriously challenged official resolve, and by late 1996, the new Premier was arguing that retrenchment was both expensive and immoral, and that rationalization would have to be achieved more slowly by not replacing those who retired.<sup>50</sup>

In similar fashion, second, the government has sought to eliminate ghost workers. This was, in part, a drive directed by the central government, which reckoned that there were some 47 000 ghost workers in the public service nationally, costing the taxpayer up to R5 billion a year. Identity documents were to be reissued to all public servants, a head count undertaken, and physical security measures put in place at the workplace.<sup>51</sup> In the event, this process proved more difficult than anticipated, and the process did not really begin in earnest until early 1997, when a special "ghost-busting" team began work alongside officials from the Ministry of Home Affairs and a police "crack squad" investigating fraud.<sup>52</sup> The Dreyer review team later reported that the final tally for ghost workers in the Eastern Cape was likely to amount to 10 000 at a cost to the provincial government of R400 million per year.<sup>53</sup>

These operations went hand in hand with wider efforts to curb corruption. In 1996, Mhlaba appointed a Commission under Justice Willem Heath to probe past and current misappropriation.

tion and maladministration of government property. Subsequently, this was transformed into a special investigation unit under a national tribunal established in 1997 to investigate corruption and maladministration on a national scale. Among the matters which the bodies under Heath investigated were:

- the alleged irregular promotions in the Transkei and Ciskei,
- property deals involving the former homeland leaderships,
- the illegal sale of land and granting of building rights by chiefs and headmen along the Transkei's spectacular Wild Coast,
- fraud in the Education Department,
- the non-payment of loans granted by the Transkei Development Corporation.<sup>54</sup>

Significantly, too, it was charged with investigating the award, made in 1996 by the provincial Department of Health and Welfare, of a R400 million contract to Balraz-Pensecure to administer the payment of the province's pensions, despite its bid having been R140 million higher than any other tender.

These efforts met with some success: by mid-1996, some 3 000 ghost pensions had been eliminated, and quite a number of scams uncovered. They also led, inter alia, to the High Court setting aside the award of the contract to Balraz-Pensecure, and another to the Chilawan bus company, which turned out not to be formally registered in terms of the relevant legislation.<sup>55</sup> However, alongside these successes, the Departments of Health and Education failed to launch any prosecutions for theft or fraud involving cases involving loss of at least R30 million in 1995 and 1996, those found to be in receipt of ghost salaries were not prosecuted and were required only to make good their illicit gains, the building holding dockets held by the Umtata Vehicle Theft Unit mysteriously burnt down, and Heath lamented continuing sabotage and corruption by civil servants. Furthermore, the popular impact of the government's best efforts was severely blunted by massive non-payment and non-processing of pensions to genuine recipients and applicants, this explained by the province as delay caused by the amalgamation of pension systems and the launch of a single database nationally.<sup>56</sup>

A further initiative was the attempt

to rationalize parastatals. The absorption of the Transkei Department of Post and Telecommunications into Telkom and the South African Post Office Services led to the retrenchment of the entire senior management of the homeland body.<sup>57</sup> But far more problematic was the issue of loss-making agricultural parastatals based in the former homelands, notably Transkei. These were scheduled for amalgamation into a single, streamlined Eastern Cape Development Agency, and subsequently led to proposals for the closure of the Transkei Agricultural Corporation, the Magwa Tea Corporation, Ulimocor and the three irrigation schemes at Ncora, Qamata and Keiskammahoe, and their handing over to local communities. As these latter plans involved the loss of some 6 000 jobs, they ran into strident union opposition, which initially caused Stofile to hesitate. (The High Court in Umtata has recently overturned the shutdowns on the grounds that the government had failed to follow proper labour procedures.) However, as their maintenance is reputedly costing the exchequer some R8 million a month, their days would nonetheless seem to be numbered.<sup>58</sup>

Overall, the ANC-led provincial government has had to grapple with an unenviable situation. On the one hand, it has needed to respond to the demands of the constituency of black and mostly poor voters which elected it. In terms of the public service, this has required radical restructuring, and the granting of much wider access to official jobs. At the same time, however, the need to streamline a bloated public sector, to cut the absolute number of jobs, and to clamp down on the network of corruption which had systematically established itself within the homelands has aroused widespread antagonism among those directly affected. Meanwhile, the government has had to cope with the consequences and publicity of its own notorious incapacities and mistakes in certain spheres, such as the announcement of a proposed massive cut in official subsidy to welfare organizations at the end of 1997 because the Department concerned had exceeded its budget. Indeed, overspending, notably by the Departments of Education and Welfare, suggested an overdraft of R1,6 billion by the end of that year, leading to warnings by commercial banks to the provincial government

that they might be forced to dishonour its cheques.<sup>59</sup>

The extent of such problems eventually led to the shock resignation of Thozamile Botha. But more significant was the declaration, by the man who had been despatched by central government to sort out the mess in the province, that the Eastern Cape should not have been allowed to govern itself in 1994 because it was not ready for the task. The problems, he declared, had been immense, and their complexity was not generally realized. Looking back, the education system had not equipped blacks to deal with the web of complex laws and procedures which whites took for granted. Rather than trying to combine the old administrations, the central government should have assisted the province to create a new administration in its entirety. In short, unless something radical was done, "we will suffer the problems of the rest of Africa where 20 years on they are still blaming the problems on colonialism".<sup>60</sup> In some quarters, this gave hope either that the province would be split into two, and/or that the entire province or the Border-Kei region should be administered for a limited period by a presidential task force.<sup>61</sup>

All in all, it may well be that Botha's broadside foreshadows much more extensive central government intervention into the affairs of those provinces which are finding difficulties in managing themselves. This would seem to be heralded by centrally driven financial rationing and administrative reform.

### **GEAR and the provinces: the imposition of financial limits**

The ANC's drive for centralized control is backed up by more than the incapacities of the weaker provinces. In particular, the government's espousal of the financial tenets of neo-liberalism is leading to the imposition of strict financial controls upon the provinces, which is severely inhibiting their operational autonomy.

The ANC arrived in office equipped with the Reconstruction and Development Programme (RDP) at the heart of its manifesto. Emerging out of the ANC's close alliance with the Congress of South African Trade Unions and the South African Communist Party, this originated as a radical agenda for transformation of the South African political

economy. However, even before the 1994 election, the ANC shifted the emphasis of the RDP away from a prior commitment to "growth and redistribution" towards an orientation more attractive to domestic and international capital, with particular commitments to fiscal restraint. Subsequently, in 1996, the RDP was effectively sidelined by a new macroeconomic strategy, Growth, Employment and Redistribution (GEAR),<sup>62</sup> whereby the government effectively committed itself to global economic orthodoxy. By adopting strict monetary discipline and wage restraint, lowering tariffs and promoting export growth, adopting a stable exchange rate, accelerating privatization and attracting increased foreign investment, the government aimed at a growth rate of 6% and substantial job creation by the end of the century.

Although GEAR provoked vigorous criticism from, most notably, the ANC's trade union allies,<sup>63</sup> its adoption was to have a profound effect upon the government's policy. In particular, it provided a ready-made framework for containment of the spending propensities of the provinces.

The present reality is that the provinces are overwhelmingly financially dependent upon central government. In 1997/98, for instance, transfers to the provinces will account for some 45% of the national budget, but overall, the central exchequer will provide fully 95% of provincial income.<sup>64</sup> The constitution states that parliament must provide for the allocation of equitable divisions of revenue collected nationally to the provinces, these to be sufficient to allow the latter to provide the services and perform the functions allotted to them.

As subsequently elaborated by the

Financial and Fiscal Commission (FFC) (an independent body charged under the constitution with making recommendations to parliament on equitable allocations to national, provincial and local governments from nationally collected revenues), a provincial revenue-sharing formula should include:

- a national minimum standards grant (to enable provinces to meet nationally established standards in delivery of services);
- a fiscal capacity equalization grant to compensate provinces with a smaller tax base;
- an institutional grant to cover basic legislative and administrative costs;
- a basic grant based on population, with an additional weighting in favour of people living in rural areas.

In addition, the FFC has also proposed that provinces receive a share of basic income tax determined as a proportion of the personal income tax collected in that province, such a formula to be phased in over six years.<sup>65</sup> There are now proposals to allocate up to 7% of South Africans' personal tax to their provincial government.<sup>66</sup>

On the basis of its formula, the FFC has recommended allocations to each province, entailing a move towards financial equity over the period 1997/98, as described by Table 4.

The FFC's recommendations have been made, in part, to enable provinces to predict future revenues and facilitate their budgeting. But they are also explicitly designed to provide for redistribution between the richer, urban parts of the country and the poorer, rural areas. This has already led to some complaint, with ANC-led

Gauteng and NP-led Western Cape both issuing protests that they are being underfunded,<sup>67</sup> although in contrast it also appears to be leading to IFP-led KwaZulu-Natal making common cause with resource-poor ANC-led provinces in lobbying for yet more favourable treatment.<sup>68</sup> However, whether rich or poor, whether or not they are at the sharp or blunt end of equalization, all the provinces are presently finding it difficult to keep their expenditure within budget.

As laid out by GEAR, the government is aiming at a budget deficit target of 3% GDP by 2000. This is to be met, in part, by ensuring that official expenditure does not exceed revenue and ensuring that the tax burden does not move beyond its present level (of over 26% of GDP). The objective, inter alia, is to bring down the cost of financing the national debt, which increased from 3,65% of GDP in 1987-88 to 6,5% (or over 21% of the national budget expenditure) in 1997-98.<sup>69</sup> However, present indications are that the government is having difficulty in meeting its target, and that to some considerable extent, the provinces are to blame.

An auditor-general's report has indicated that North-West Province over-spent by R367 million in 1995/96, bringing its accumulated debt to nearly R1 billion.<sup>70</sup> Mpumalanga at one time warned of a deficit in 1997/98 of R940 million.<sup>71</sup> In early 1997, the Western Cape government sought to challenge the national government by budgeting for a deficit of R247 million, even though the provinces are constitutionally denied the right to do so.<sup>72</sup> Subsequently, Western Cape has been warning of a spending overrun of R1 billion, KwaZulu-Natal of R1,4 billion, and Eastern Cape of 1,5 billion. North-

Table 4: Recommended total and per capita allocations per province

PROVINCE	1996/97		1997/98		1998-99		1999/2000		2000/01		2001/02		2002/03	
	Total allocation per province	Per capita												
Western Cape	8,378	2 145	8,753	2 196	9,163	2 252	9,605	2 311	10,078	2 379	10,441	2 415	10,830	2 455
Eastern Cape	13,901	1 905	15,162	2 054	16,584	2 177	18,184	2 337	19,981	2 513	21,847	2 690	23,952	2 886
Northern Cape	1,769	2 221	1,769	2 289	1,930	2 362	2,017	2 438	2,108	2 515	2,178	2 566	2,249	2 616
KwaZulu/Natal	14,456	1 572	16,239	1 718	18,158	1 882	20,360	2 069	22,883	2 279	25,563	2 494	28,634	2 739
Free State	5,195	1 718	5,680	1 833	6,233	1 963	6,860	2 109	7,574	2 272	8,307	2 433	9,144	2 613
North-West	6,350	1 692	7,151	1 830	7,950	1 986	8,863	2 160	9,904	2 355	11,009	2 554	12,273	2 779
Gauteng	11,108	1 337	12,384	1 432	13,671	1 542	15,302	1 671	17,218	1 820	19,143	1 959	21,432	2 122
Mpumalanga	4,610	1 559	5,124	1 697	5,714	1 854	6,393	2 031	7,173	2 232	7,992	2 436	8,936	2 668
Northern Province	9,324	1 679	10,439	1 847	11,711	2 036	13,163	2 249	14,820	2 488	16,607	2 740	18,651	3 023
Provincial govt	75,299	1 676	82,678	1 799	91,214	1 938	100,747	2 094	111,737	2 369	123,086	2 443	136,101	2 610
National govt	69,919	1 557	77,150	1 679	85,120	1 810	93,902	1 952	103,578	2 164	114,329	2 267	125,981	2 444

**Table 5** Allocations by functions to provinces 1996/97<sup>1</sup>

	WC	EC	NC	KZN	FS	NW	G	M	MP	NAT. AVE.
Agriculture	22,8	52,2	68,5	34,1	52,4	73,7	8,0	39,0	70,7	49,2
Economic Affairs, Finance, Environment & Tourism	22,9	191,7	73,8	51,3	44,0	135,0	13,0	133,6	96,1	75,1
Education, Culture, sports and Recreation	844,8	705,6	838,6	546,6	702,8	626,4	570,1	676,8	761,7	682,1
Health	617,6	351,4	379,6	356,0	337,6	317,4	176,7	244,8	264,6	389,3
Housing, Local Government, and Planning	73,7	64,1	97,0	115,2	82,1	122,7	89,0	62,1	47,8	79,0
Social Services/Welfare	536,9	369,8	631,8	340,5	300,8	275,9	122,5	243,6	272,1	321,2
Transport and Public Works	175,2	148,8	292,8	128,0	238,3	267,9	15,7	111,3	188,1	138,6
Total All functions	2 294,0	1 677,7	2 277,0	1 670,8	1 858,9	1 819,0	1 403,0	1 593,4	1 722,0	1 757,0

ern Province is also facing a substantial deficit.<sup>72</sup> The response by government has been an increasingly insistent warning that erring provinces will face budgetary discipline and will not be assisted out of their difficulties by national government: "overexpenditure in one province or function", asserts Finance Minister Trevor Manuel, "always results in less being available to the rest".<sup>73</sup>

Part of the problem for the provinces is that they have very limited revenue-raising powers of their own. These include little more than various user charges, motor vehicle licences, horse racing, other gambling and a range of other licences. This clearly inhibits their chances of compensating for relatively declining, or inadequate, national revenue. Nor do they have borrowing powers, nor are they likely to obtain these while the administrative disorder identified by the Ncholu Report continues.<sup>74</sup>

A second set of issues relates to a chronic lack of financial management capacity, especially in the poorer provinces. Indeed, 1997/98 is the first fiscal year in which the provinces have been responsible for drawing up their budgets on their own. Prior to that, they were assisted by central government. To a considerable extent, therefore, the provinces are learning from scratch. Some are clearly struggling, still weighed down by the burdens of amalgamating several apartheid administrations into a single provincial government. Ironically, in previous fiscal years, the provinces have complained about having too little cash at the same time as they have proved unable to spend it. Such unspent cash was carried over to future fiscal years, with the extent of such rollovers increasing from R3,4 billion at the end of 1993/94 to a massive R8,9 billion at the end of 1996/97. Had such rollovers been

smaller, then spending overruns would clearly have been greater.<sup>75</sup>

It is again the Eastern Cape which is regularly cited as the worst afflicted by fiscal incapacity: in mid-1996, an auditor-general's report noted that the provincial government had wholly lost financial control over the former Transkei, and that there was substantial evidence of continuing and massive financial irregularities.<sup>76</sup> "Ghost-busting" operations, human resource audits and the introduction of computerized systems for administering such things as welfare and salary systems are clearly one aspect of the introduction of an adequate financial control system. Yet progress towards such a goal is almost inevitably likely to be slowest in those provinces where the need for such measures is greatest.

A third factor which has made a major impact on provincial incapacities to remain within budget is their predetermined lack of control over education and health. Taken together, these spheres account for well over half of provincial spending, yet provinces have no say in determining the salaries of teaching and health employees, which are determined by negotiations between the relevant unions and national departments. The most recent round of negotiations was extremely favourable to the teachers, with the result that the salary bill for the latter now amounts to more than 25% of total civil service salaries.<sup>77</sup> The immediate consequence has been that, under pressure from central government to contain costs, provinces have threatened substantial reductions in temporary teaching staff, with the South African Democratic Teachers' Union asserting that the jobs of as many as 30 000 teachers are threatened. Faced by the central government's lack of sympathy for its relative wealth, Western Cape has complained

bitterly of the impact which forced staff cuts will make upon its educational system, but SADTU has argued that the worst effects will be upon schools in rural areas, particularly in the poorer provinces.<sup>78</sup> Whatever the outcome, provinces are also complaining that while Pretoria is calling the financial tune, the task of implementing forced retrenchments (in the public service generally, beyond Education) is one of the few functions which central government appears keen to devolve: "they want to leave us to take the heat" commented one provincial source.<sup>80</sup>

Recognition of the looming crisis in provincial financing is forcing a rethink of the fiscal relationship between the central government and the provinces. At one level, the former seems increasingly disposed to intervene directly in the financial administration of the latter, especially with regard to spending in health, education and welfare, if only by providing for a tightening up of procedures and accountability and for improving financial expertise. This recognizes that financial caps imposed by the centre are a blunt, even if effective, means of controlling expenditure. In an associated move, members of the public accounts committees of parliament and the provincial assemblies are also actively considering proposals for increasing their powers to ensure financial discipline in government.<sup>81</sup>

At another, more fundamental level, there are indications that central government may be prepared to concede a review of the funding formula for the provinces. The argument has been articulated by Apm,<sup>82</sup> who proposes that because actual delivery of various services is now taking place at provincial level, substantially reducing national government expenditure responsibilities, increased "finance should now follow function".

Revenue assignment must be made congruent with the constitutionally designated expenditure assignments. If these are not synchronised, it could give rise to deep-seated contradictions which could compromise the fiscal adjustment envisaged by the Growth, Employment and Redistribution (GEAR) macro-strategy. The burden should not be borne by deficit reduction at provincial level alone, but diffused through a more appropriate vertical split which permits a resource deployment in line with the distribution of new functions

If the vertical split is not adjusted in favour of the provinces to reflect their additional spending obligations, this could not only compromise social service delivery, but also could compel provinces to overspend. Devolving functional responsibility to provinces, without providing the requisite resources to implement those policies, could set in motion underlying structural pressures for provinces' actual expenditure to deviate markedly from budgeted expenditure. *De facto* provincial deficits, driven by an inappropriate division of resources between national and provincial spheres, exacerbated by ineffective financial control systems in some provinces, could thus undermine attempts at overall public sector deficit reduction – a pivotal feature of the GEAR macro-strategy.

In line with this thinking, Trevor Manuel and his senior advisors on the Ministry of Finance have begun to indicate that the funding formula for provinces should be changed. Such changes would take into account the criticisms of the Ncholo Report, such as that policies are being set at national level without due consideration to the finance and delivery implications in the provinces, as well as the implications of the 1996 Census (which has indicated a somewhat smaller and differently distributed population than was expected).<sup>83</sup> Poorer provinces are also lobbying for a readjusted formula to take into account the differential burden of apartheid backlogs.<sup>84</sup>

For all that the funding basis may change to take account of a changing situation, the central government's present firm commitment to GEAR suggests that there will be no enthusiasm to devolve any degree of further fiscal responsibility upon provinces which transparently lack the capacity to administer or control their expenditure. It seems inevitable, therefore, that some provinces will become more heavily subject to central supervision than others, as the shape of South Africa's emergent fiscal system shifts in an asymmetric direction. In short, existing regional inequalities in wealth and capacity are more than likely to be

replicated and entrenched by prospective changes in the funding formula.

In part, too, central control may serve to ameliorate differences in the extent to which the various provinces are subject to accountability by the publics they serve.

### **Deepening democracy? Legislatures and executives in the provinces**

The transition process brought about the establishment of the nine new provinces, replete with the apparatus of liberal democracy: elected legislatures, executives, multipartyism, and so on. At first sight, at least, this seemed to be in line with classic notions of devolution and limitation of power. Meanwhile, the final constitution brought forth the idea of cooperative government, embodied most particularly in the transmutation of the Senate into the NCOP. The question now is: how are these new institutions and structures translating into political practice? Are they constraining or deepening democracy?

A first impression is that, not surprisingly, most of the provincial legislatures are as yet extremely fragile. They have faced various disadvantages from the start. Not the least of these is that, for most politicians (save for those who occupy high profile executive positions), membership of the provincial assemblies appears to rank as a second prize. A perception appears to exist that being an MPL is less prestigious, and less materially and politically rewarding, than being an MP. Indeed, Jesse Duarte, MEC for Safety and Security in Gauteng (and one of the relatively few provincial politicians who made herself a national name), complained that within the ANC, an unofficial ranking emerged under the interim constitution whereby MPs were regarded as the most senior in rank, followed by Senators, MECs and then by lowly MPLs.<sup>85</sup>

A perception that provincial politicians are drawn from the second rank may also have been fostered by press attention to the inefficiencies, incapacity and incompetence of provincial legislatures. At the moment, we have no systematic data upon the background of MPLs. Most will have made it to their party lists by virtue of past political activism. While many of those from the established parties, notably the NP and DP, may well have served previously in elective national or local

government capacity, the vast majority of those from the ANC and PAC will have minimal legislative experience. They will therefore very much have had to learn on the job. Meanwhile, even if a majority of IFP MPLs in Kwa-Zulu-Natal previously sat in the Kwa-Zulu assembly, they will have learnt nothing from that about how legislatures are meant to function within a democracy. The packing of newly created assemblies with inexperienced legislators was scarcely a way to foster either independence or vigour.

The evidence suggests that hitherto the productivity of these new provincial assemblies in actually passing legislation is limited. Some 19 Acts were passed in Northern Province, and 10 Acts in Gauteng, between 1994 and 1996,<sup>86</sup> but elsewhere the going often appears to have been considerably slower. In turn, relative inactivity induces apathy or abuse of position: in the Eastern Cape, Gugile Nkwinti, the Speaker, had to threaten "stringent measures" to overcome a serious problem of non-attendance by MPLs.<sup>87</sup>

Rather more important are the present limitations upon the capacity of the provincial legislatures to check the abuse of power by provincial executives. One set of problems relates to power-sharing: as at the national level, where the interim constitution provided for a coalition of national unity, the provinces have hitherto been ruled by governments of provincial unity. Although the ANC has been the major force in seven out of the nine provinces, this has not spared parties which have participated in provincial governments in a minority capacity from having to face the dilemma of whether they are primarily part of the government, or primarily opposition. Meanwhile, although ANC provincial caucuses have begun to resist national selection of their Premiers, the impression is that MPLs remain subject to discipline imposed by the party from the top. In Mpumalanga, for instance, the personal sway of Premier Mathews Phosa and stress on party unity within a legislature dominated by the ANC has severely hampered those MPLs who have wished to hold the government to account.<sup>88</sup> The NP, which withdrew from that provincial government in mid-1996, also complains that the ANC has proved reluctant to provide it with the resources necessary to function as an effective opposition.<sup>89</sup> Overall, therefore, the result of the present party situation in most provinces

would seem to have reinforced rather than constrained the dominance of the Executive.

This relates to the difficulties experienced in the creation of a convincing committee system. A first problem is that of numbers. Whereas there are 400 MPs (minus ministers) to staff standing committees in parliament, there are far fewer MPLs to perform such a role at provincial level: between 56 and 86 MPLs (minus MECs) in three provinces, and between 30 to 42 MPLs in the others. To be sure, whereas parliament has some 26 standing committees, the provincial assemblies have fewer: North-West has 12, Northern 11 and Mpumalanga 9. None the less, the average burden upon individual MPLs' shoulders has to be higher.

Meanwhile, reports indicate that the effectiveness of provincial committees varies considerably. An overview of the difficulties faced by North-West, reputedly a model for other provincial legislatures, indicates that while committees have met regularly, they have been mainly reactive, overwhelmingly concerned with budget issues, and have dealt very largely only with issues passed on to them by the government. Furthermore, while their activities have been severely hampered by lack of secretarial help, computer skills and information resources, a key problem has been persuading MECs and their senior officials to take them seriously.<sup>90</sup> The indications are that similar if not worse problems have been encountered elsewhere: in the Eastern Cape legislature recently, the Speaker threw one committee report out for being deficient.<sup>91</sup> In Mpumalanga, some opposition MPLs were severely critical of the public accounts committee for its acceptance of government restrictions which severely limited the scope of its inquiry into a number of financial scandals.<sup>92</sup>

Although from 1997/98 provincial governments have had considerably more autonomy in setting their own priorities and making functional allocations within their global budgets, the indications are that most finance committees of most legislatures have struggled to make an impact, having received budgetary information in too complex a form, and too late, to react effectively. Only in Gauteng, apparently, where the finance committee was involved with the formation of the budget before provincial budget day, has the portfolio committee been able to play an active role in shaping priori-

ties. It is now argued by informed observers that this practice should become more general, and that legislatures, finance committees and the wider public should be formally invited to comment at key stages throughout the budget-making process.<sup>93</sup>

There has been, to be sure, considerable effort in some quarters to ensure transparency and to widen public involvement in provincial governance. Such attempts have included the launch of community outreach programmes to induce public awareness of and public participation in the affairs of the legislatures. The most determined effort seems to have been made in Gauteng, where in April 1997 a conference bringing together delegates from provincial parliaments and several organizations from civil society launched the Public Participation and Petitions Department of the Gauteng legislature. Trevor Fowler, Speaker of the legislature, noted that while there had been a high level of participation during the early days of the parliament, when issues like the name of the province were being decided, this had fallen off considerably once more technical legislative issues had come to dominate the agenda. The challenge, therefore, was to devise strategies for developing existing democratic traditions, especially amongst the most disadvantaged sections of the community, and channelling these into formal government structures.<sup>94</sup> However, for such ambition to be realized more widely, there will need to be greater commitment to openness and transparency, as not all legislatures guarantee the right of the public to attend committee proceedings at all times.

Finally, there is the problem that the intellectual and administrative capacity of the key national NGOs tends to be concentrated in the three major cities, but especially in Johannesburg and Cape Town. While this may work particularly well to keep the governments of Gauteng and Western Cape on their toes, it highlights the problem of systematically involving the public in the affairs of the more rural provinces. It may be, too, that wider public involvement is hampered by the party list electoral system, which means that MPLs lack any legal or organic political link to local communities. In contrast, a mixed electoral system, as has now been adopted at local government level, which combines proportionality with constituency-based representa-

tion, might well serve to put provincial legislators in closer touch with their voters. Just as provincial parliamentarians should keep their governments in check, so they themselves should be rendered accountable.

### **The practice of cooperative government: the National Council of Provinces and MINMECs**

The inspiration of the NCOP was drawn from Germany, most particularly from that country's second chamber, the *Bundesrat*, which is composed of members of state governments, which both send and recall them. Because legislation is overwhelmingly a federal responsibility, with the states dealing largely with matters of administration, the *Bundesrat* provides the latter with a say in the formulation of the legislation they themselves will have to implement. While serving as something of a check on both the *Bundestag* and the federal cabinet, it also protects the interests of the states while simultaneously providing a link between federal and state governments.<sup>95</sup>

This model was borrowed because of dissatisfaction with the Senate, which although composed of members elected by the provincial legislatures, was deemed not to have served its role of representing the provinces adequately. Indeed, once elected, Senators tended to vote along national party lines, and there were no formal mechanisms linking them to their provinces' legislatures or governments. In contrast, as noted above, the NCOP is composed of four special delegates (the Premier and three others) drawn from the provincial assemblies, and six permanent delegates elected by those assemblies. While serving as a second national chamber of parliament, the NCOP is simultaneously directly representative of the provinces, or more particularly, of their legislatures.

The latter distinction is embodied in the legislative process, which distinguishes between Schedule 4 matters, which deal with legislation directly affecting the provinces, and non-Schedule 4 matters, which deal with issues beyond the provinces' competence. Basically, Bills dealing with the latter may originate in the National Assembly, before being forwarded to the NCOP, whose members vote as individuals, one vote per delegate. If such Bills are rejected or amended by the

NCOP, they are referred back to the Assembly, which can either pass the original Bill, amend it or drop it, before forwarding it to the President for assent. In short, while able to participate in the making of such legislation, the NCOP is in the ultimate analysis only able to delay those Bills which it radically opposes.

In contrast, the NCOP has a potentially much more influential role with regard to legislation concerning Schedule 4 matters, where provincial delegations vote as collectivities (that is, they have only one vote). Such Bills can be initiated in either House (that is, the provinces, via the NCOP, can themselves propose national legislation). If such Bills pass through the other Chamber without amendment, they go to the President for assent. On the other hand, if a Bill is amended, it is passed back to the other Chamber. If there is then agreement, it proceeds for assent. However, if the amendments are not accepted, then the Bill is forwarded to a mediation committee of both Houses. If the mediation committee agrees with the Assembly version of the Bill, it is referred back to the NCOP; if it agrees with the NCOP version, it is referred back to the Assembly; if it agrees with neither, it is referred back to both. On the other hand, if the mediation committee cannot reach agreement, a Bill lapses after 30 days, unless the Assembly chooses to pass it by a two-thirds majority. Indeed, the Assembly can override the NCOP at any time by re-introducing a Bill and passing it by this level of majority. But this is seen as a last resort, and the clear intention of the process is to secure the consent to a Bill of both Houses. This is even more the case with constitutional amendments, which require a two-thirds majority in the Assembly as well as the support of six out of nine provinces in the NCOP.<sup>96</sup>

A German commentator has suggested that the NCOP is more democratically organized than the *Bundesrat*, more accountable to the provincial legislatures than the latter is to the states, and that its procedures will be more transparent. He has also argued that, while cooperative inter-governmental relations are fostered in Germany by horizontal relations between the different state governments, there is no equivalent of the structures of vertical coordination, notably MINMECs (fora in which central government ministers meet with portfolio

MECs) and the Inter-governmental Forum (which brings together all national ministers with Premiers and MECs), which are presently being developed in South Africa. In contrast to German federalism (based on competition and diversity and the separation of powers), South Africa has opted for a form of state wherein central government – provincial government relations will be characterised by “mutual information, cooperation and co-ordination of policies”.<sup>97</sup> However, this was an extremely early judgement, and it may well be that it was rather optimistic, for in practice cooperative government would seem to be encountering two major problems.

The first is that, for cooperative government to work efficiently and economically, there is a need to coordinate a myriad of actors:

- the two Houses of Parliament and provincial legislatures and their standing committees;
- national and provincial cabinets;
- intergovernmental structures, such as the MINMECs;
- public servants at the three levels of government;
- and not least, interest associations and other organizations of civil society.

A clear danger is that, however well intentioned, extensive consultation between these different actors may become highly costly and bureaucratic, and rather than facilitating cooperative decision-making, could foster paralysis and inertia.<sup>98</sup>

Some such difficulties have already been experienced within the NCOP. Not only have provincial delegations had to grapple with the complexities of its designated mode of operation, but the provincial legislatures themselves have experienced difficulties in defining their mandates: while in theory legislation put before the NCOP has to be referred back to the provincial legislatures and/or their committees for these bodies to determine their positions, this has not happened wholly smoothly.<sup>99</sup> A close connection between permanent members of the NCOP and provincial legislators, especially in the far flung provinces, is going to require more than occasional meetings if close collaboration is going to be achieved. Extensive use of computers and e-mail could well facilitate such communication, but at the moment, such infrastructure is not in place, nor are the majority of legisla-

tors personally equipped to use it if it were.

Meanwhile, the second major problem is that there exists a real danger that the actual practice of cooperative government will obscure domination by the central executive. Although the NCOP could yet develop into a significant policy actor (although, as yet, no province has sought to initiate national legislation), its formal powers identify it as by far the weaker of the two houses. While on paper it has significant powers to promote provincial interests, so far it has dealt mainly with legislation which has been defined as relating to exclusively national competencies. In practical terms, therefore, it has served mainly as a “rubber-stamp”, although this could change as political parties become more familiar with the new House, and as the latter begins to carve out an identity. However, more problematic has been the reluctance of ANC provincial delegations to define distinctive provincial positions. As a result, voting has been by party line rather than by provincial interest, thereby reproducing the overwhelming ANC majority. Only if the provinces dominated by the ANC (six out of nine) have the capacity and courage to develop independent policy positions will the NCOP be able to fulfil the purposes for which it was designed.

A similar top-down dynamic characterizes the operation of inter-governmental machinery, notably the MINMECs. These differ considerably in style and functioning, but the tendency is for them to be dominated by the national ministers (who chair proceedings, and thus have control over agendas and information) and national departments. Some ministers are reportedly more open to provincial input and suggestions than others, yet much depends on their personal style, ideas and confidence. In any case, the greater capacity of national departments to formulate policy is always likely to more than match that of especially the weaker provinces. In other words, unless the more advantaged provinces, notably ANC-led Gauteng, are able to develop innovative initiatives, MINMECs stand in danger of becoming little more than agencies of line-management, with MECs cast in the role of perpetual subordinates, able to shape implementation of policies only marginally by reference to local particularities. Meanwhile, the Inter-governmental Forum is reported

as having become less influential in defining broad strategy, and meeting less often (quarterly rather than monthly), than when the ANC was new in office. Finally, there is little indication that the Premiers' Forum, an informal body formed by the nine Premiers themselves, is as yet delineating a distinctive or significant role.<sup>100</sup>

### Conclusion: cooperative or calamitous government?

This review confirms analysis<sup>101</sup> that South Africa's is a decentralized unitary rather than a federal system of government. The provinces, despite their apparatus of representation, are primarily agencies of implementation; they have extremely limited policy autonomy, and there is a substantial body of evidence accumulating that the central government is keen to keep them on a tight leash, especially financially. Yet within this context, there are some quasi-federal characteristics.

The first is that it seems likely that the system will tend towards asymmetry, with the more capacitated provinces developing a higher degree of functional autonomy and policy freedom than their weaker brethren. Not only will they need less assistance from central government, but they will also be better placed to resist it! Their ability to provide relatively superior systems of administration, to deliver services and to attract outside investment are likely to prove much more effective in developing their muscle relative to central government than any obsession with developing their own constitutions (as the final constitution entitles them, within severe limits, to do and as Western Cape has already done, and KwaZulu-Natal aspires to do). In contrast, the least capacitated provinces are likely to come under a considerably higher degree of central supervision, as is foreshadowed by current developments in the Eastern Cape. Indeed, the cost of any concerted demand for a redistribution of resources and wealth, via fiscal or other mechanisms, will likely be insistence by the central government that it be involved in the administration thereof until such time that a province can prove its capacity to spend money and implement policy efficiently and economically. Indeed, for as long as national and provincial elections are synchronized, the central leadership of the ANC will prove unwilling to allow

chaotic provincial governance to alienate its support base.

The jury is still out on cooperative government, and it is impossible to tell as yet how much influence the provinces will acquire in contributing to policy- and law-making at the national level through the NCOP, MINMECs and other inter-governmental institutions. To the extent that they do prove influential, especially if such a development encourages linkages and alliance formation between provinces across party lines, cooperative government could perhaps begin a drift towards federalism. This could be even more the case if, as seems likely, the emergent fiscal system begins to borrow the tools and techniques of fiscal federalism. However, a fundamental shift in this direction would seem to presume a change in the dynamics and nature of the ANC, which while now having formed provincial organizations, for the moment retains an overall commitment to central discipline alongside its continuing dedication to popular democracy. South Africa seems more likely to emulate the ruling party-dominated centralized federalism of Malaysia than the more decentralized, party competitive models of Germany, the USA or Canada.<sup>102</sup>

Whatever the exact form, there can be no doubt that the provinces will generate vested interests. These may, indeed, represent legitimate regional objectives, yet they may also embody narrower projects centred around localized class, ethnic, factional or other concerns. Making South Africa's public service more demographically representative has been a necessary accompaniment of the political transition, yet at the same time, the creation of the provincial civil services has been central to the process of black empowerment. Whereas, previously, the bantustan bureaucracies proved crucial to the formation of a African civil petty bourgeoisie, which developed a strong stake in the apparatus of the homelands,<sup>103</sup> so the provincial administrations are likely to provide the basis for a new set of class interests. These may prove particularly potent in the more rural, poorer provinces, such as the Eastern Cape, in which alternative employment possibilities are extremely limited. As aspirants come to cluster around the machinery of party and state, so will governments come to find it difficult to implement retrenchments, or to rationalize their civil services. When it comes to saving money

to stay within budget, the continued employment of bureaucrats will likely rank higher than the maintenance of services for the poor. The recent swingeing financial cuts imposed upon welfare NGOs, which may force some of the latter to close, indicates that this dynamic is already becoming a reality in the Eastern Cape.

Finally, although the provincial system carries within it much democratic potential, the overriding impression is that this has yet to be realized. Closer, more intimate analysis will doubtless reveal much productive work being done in the provincial parliaments, as well as provincial politicians both MECs and MPLs who are labouring ceaselessly for the common weal, and highlight more interaction taking place between civil society and provincial governments than has been indicated here. It clearly remains premature to deliver a considered opinion on the functioning of the provinces. Yet there is no gainsaying that, overall, the provinces have received a bad press. In many parts of the country, provincial government is synonymous in the popular imagination with incompetence, inefficiency, corruption and greed: in the Eastern Cape, the situation is regularly presented as calamitous.

If the provincial system is to take root and survive, politicians and public servants will have to work hard and long to turn this widespread perception around.

### Endnotes

- 1 Gauteng (initially PWV); KwaZulu-Natal; Eastern Cape; Western Cape; Northern (initially Northern Transvaal); North-West; Free State; Mpumalanga (initially Eastern Transvaal); and Northern Cape.
- 2 R Humphries, T Rapoo and S Friedman, "The shape of the country: negotiating regional government", in S Friedman and D Atkinson, *The Small Miracle: South Africa's Negotiated Settlement*. Johannesburg: Ravan Press, 1994, pp 148-181.
- 3 "Discussion on regionalism", *Development and Democracy*, 5 July 1993, pp 14-31.
- 4 Compare D Beetham, "Conditions for democratic consolidation", *Review of African Political Economy*, no 60, p 171.
- 5 Note, however, that the Development Bank of South Africa has reworked data to provide Statistical Macroeconomic Reviews on each province. For Eastern Cape, for example, see CJ Meintjes, BG Rousseau and DJ Viljoen, *Eastern Cape: Statistical Macroeconomic Review, Development Information Paper 101. Halfway House, South Africa*: Development Bank of Southern Africa, 1995.
- 6 For example, G Gall, "Trade unions and the ANC in the 'new' South Africa", *Re-*

- view of African Political Economy, no 72, 1997, pp 203–218; EC Webster, “The politics of economic reform: trade unions and democratization in South Africa”, *Journal of Contemporary African Studies*, vol 16, no 1, 1998.
- 7 T Bell, “South African regional industrial development policy: critical issues”, *Transformation*, no 32, 1997, pp 1–30; G Hart and A Todes, “Industrial decentralisation revisited”, *Transformation*, no 32, 1997, pp 31–53.
- 8 For instance: “Free State premier loses ANC contest”, *Business Day*, 17 February 1997; “ANC faces Western Cape Cabinet wipe-out”, *Mail & Guardian*, 20–26 March 1997; “Control of province remains a real prize”, *Business Day*, 6 June 1997; “Administration of provinces ‘chaotic’”, *Business Day*, 14 August 1997; and so on.
- 9 Just one example: in a letter entitled “Chaos in Bungalowville” to the *Eastern Province Herald* (11 November 1997), a correspondent wrote: “In Bisho (capital of the Eastern Cape), there is much confusion, chaos, bad management, corruption, bungling and theft and a complete lack of communication which is conveniently blamed on apartheid. You and I, and the man in the street, have not the slightest idea of what goes on in Bisho.”
- 10 Republic of South Africa (RSA), *Constitution of the Republic of South Africa, Government Gazette* 15466, 28 January 1994.
- 11 Republic of South Africa (RSA), *Constitution of the Republic of South Africa, Government Gazette* 17678, 18 December 1996.
- 12 Agriculture; casinos, racing, gambling and wagering; cultural affairs; education at all levels, excluding university and technikon education; the environment; health; housing; language policy and the regulation of the use of official languages within the province; local government; nature conservation; police; provincial public media; public transport; regional planning and development; road traffic regulation; roads; tourism; trade and industrial promotion; traditional authorities; urban and rural development; and welfare services. (RSA 1994, *op cit*, Schedule 6, p 220).
- 13 RSA 1994, *op cit*, paras 126 and 155–159.
- 14 South African Institute of Race Relations, *South Africa Survey 1996/97*, SAIRR, Johannesburg, 1997, pp 520–523.
- 15 *Mail & Guardian*, 21–27 June 1997
- 16 Abattoirs; ambulance services; non-national archives, libraries, and museums: an array of local government matters; provincial planning, cultural matters, recreation, sport, roads and traffic; and veterinary services, excluding regulation of the profession (RSA 1996, *op cit*, Schedule 5).
- 17 RSA 1996, *op cit*, para 44.
- 18 RSA 1994, *op cit*, para 154.
- 19 RSA 1996, *op cit*, paras 108–109.
- 20 Voting by delegation is replaced by delegates voting as individuals only after a Bill affecting the provinces is passed by the NCOP only in an amended form (or if a Bill originating in the Council itself is returned by the Assembly in an amended form) and has thereafter gone through a complex process of mediation between the two houses (RSA 1996, *op cit*, paras 74–76). The legislative procedure of the NCOP is discussed in greater detail below.
- 21 R Southall, “The South African elections of 1994: the remaking of a dominant-party state”, *The Journal of Modern African Studies*, vol 32, no 4, 1994, pp 629–655; “The centralisation and fragmentation of South Africa’s dominant party system”, submitted for publication, 1998.
- 22 TECCOMM, *Report of the Commission on Demarcation/Delimitation of SPRs*, 1993.
- 23 *South Africa’s nine provinces: a human development profile*. Halfway House: DBSA, 1994, p 17, new names of provinces inserted for old.
- 24 *Mail & Guardian*, 28 July–3 August 1995.
- 25 *Ibid*.
- 26 Republic of South Africa (RSA), *Provincial Review Report*, section 2, August 1997. <http://www.polity.org.za/govdocs/reports/proreview.html>
- 27 RSA 1997, *op cit*, section 3.
- 28 *Business Day*, 29 September 1997.
- 29 RSA 1997, *op cit*, section 4.
- 30 *Business Day*, 21 August 1997
- 31 D Christianson, “The policy process: the role of provinces”, Report for the Centre for Development and Enterprise, 1997, mimeo.
- 32 R Southall, “The beneficiaries of Transkeian ‘independence’”, *The Journal of Modern African Studies*, vol 15, no 1, 1977, pp 1–23.
- 33 The ANC took 84.4% of the vote in the province at the 1994 election, and hence provided nine out of the 10 MECs.
- 34 Although estimates range from 130 000 on the low side to as many as 155 000.
- 35 *Daily Dispatch*, 24 July 1995.
- 36 *Ibid*, 18 May 1997.
- 37 *Ibid*.
- 38 *Ibid*, 18 June 1995.
- 39 By the White Commission, established by the Minister of Public Service and Administration in February 1995 to investigate irregular promotions in the public service prior to the 1994 elections.
- 40 *Daily Dispatch*, 6 June 1997
- 41 *Ibid*, 9 January 1997.
- 42 *Ibid*, 25 May 1997.
- 43 E Nel, “Eastern Cape: the local economy: no hope for the poor?”, *South African Labour Bulletin*, vol 21, no 4, pp 10–12.
- 44 R Southall and G Woods, “Floating vote in Eastern Cape”, *Daily Dispatch*, 11 October 1995.
- 45 *Daily Dispatch*, 18 May 1995.
- 46 SAIRR 1996–97, *op cit*, p 556.
- 47 *Daily Dispatch*, 1 June 1995
- 48 *Daily Dispatch*, 25 July 1995; *Mail & Guardian*, 28 July–2 August 1995.
- 49 *Daily Dispatch*, 9 January 1997.
- 50 *Ibid*, 19 December 1996; 9 January 1997
- 51 *Ibid*, 7 March 1995.
- 52 *Ibid*, 9 January 1997.
- 53 *Business Day*, 2 December 1997.
- 54 *Daily Dispatch*, 14 March; 30 May 1997.
- 55 *Ibid*, 13 February; 6 and 7 June 1997.
- 56 *Ibid*, 28 February; 6 June 1997.
- 57 *Ibid*, 29 March 1996.
- 58 *Ibid*, 24 May 1995; 20 March, 30 May, 6 June, 17 November 1997.
- 59 *Ibid*, 12 November 1997.
- 60 *Eastern Province Herald*, 13 November 1997.
- 61 *Daily Dispatch*, 14 November 1997.
- 62 RSA 1996, *op cit*.
- 63 Webster 1998, *op cit*.
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# Paradoxes and challenges in SA commercial bank micro-financing

*Professor Fred Abwireng-Obeng, of the Graduate School of Business Administration, University of the Witwatersrand, and Research Fellow at the Africa Institute, examines the aversion of South African commercial banks to providing adequate financial services to micro-enterprises*

**C**urrent thinking on commercial bank micro-financing is that it is a potentially profitable and sustainable economic activity, subject to enabling macroeconomic and regulatory environments, a reasonable level of political stability, a sufficient population density and a degree of monetization.<sup>1</sup> Yet, it has not occurred in South Africa. The country squarely meets the necessary conditions. Nevertheless, its four largest commercial banks, highly liquid, with sophisticated technologies that can be used in cost-effective ways, and possessing extensive countrywide networks, have demonstrated an unwillingness to adopt appropriate lending techniques and new organizational structures to enable them to expand their services to the large, needy micro-enterprise market. This aversion is attributed to wide “confidence” and “information” gaps between blacks and whites, the political risk of charging market-related interest rates, and a culture of non-payment among blacks for public services rendered. All this contributes to a “lack of profit potential” in micro-financing. The strategic alternative for government is to support financially-oriented, non-governmental organizations (NGOs) to transform and expand the scale and scope of their business in order to achieve operational self-sufficiency. The problem, however, is that such NGOs are too few, and have too limited a geographical spread and customer base to make any significant impact. Ultimately, therefore, the challenge to government is not only to eliminate the socio-psychological racial barriers, but also to maintain conducive and autonomous management environments that motivate private commercial banks to fully exploit economies of scale in their branch

operations, so that they can service the market in ways which do not undermine their profits. This article elaborates on these paradoxes and explores the challenges arising from them.

The oft-cited reason for supporting micro-enterprise activities in South Africa is their employment generation capacity, considering that the large, formal manufacturing sector is steadily losing its ability to absorb labour. The country, with a population of 40 million, has an unemployment rate of about 30%, and high crime figures. Stimulating the micro-enterprise sector will not only bring about a more equitable racial distribution of income, but should endow poor communities with business skills, spread the ownership base in the economy and act as a seedbed for innovation.

The constraints and problems of the sector are, however, severe. Competition is intense and unmanaged. Rampant crime adds heavily to the characteristic uncertainty and insecurity of micro-enterprises. Access to inputs, finance being the most frequently quoted, is difficult, as is the case in many countries.

The responsibility for support and assistance to the sector falls on a wide variety of organizations, associations or agencies – parastatals, NGOs, community-based organizations (CBOs), business associations, private institutions and foreign donor agencies. Despite recent systemic reforms, the impact of these institutions is insignificant for two reasons: client outreach is limited, and they do not provide the full range of financial services.

On the other hand, the attractions for commercial banks to undertake this role are overwhelming. Aside from fluctuations in the exchange rate and the interest rate between February 1996 and February 1997, the two

macroeconomic variables have been quite stable. Inflation has steadily declined to a single digit in 1995, and the economy has registered positive growth since 1994. Business loans under R25 000 are exempt from the interest ceiling of 26% per annum imposed by the Usury Act, meaning that banks are permitted to determine their own interest rates for loans up to this size. Additionally, the credit guarantees available offer immense protection to commercial banks against the major share (70%) of the risk exposure they incur when lending to this sector.

Three questions were central to an investigation conducted in March 1996:

- To what extent are commercial banks currently involved in macro-financing and how is this lending pursued?
- What are the reasons for the banks' reluctance to engage in micro-financing and how do functions vary between banks?
- What do the banks themselves see as necessary conditions for them to lend to the micro-enterprise sector on a large scale?

Within this purview, a qualitative method of enquiry was adopted, involving in-depth interviews with the manager or person responsible for micro-financing. A standardized questionnaire, both structured and open-ended, guided the interviews.

Four banks control 82% of the retail financial services market. Each has a small business development unit responsible for corporate loans below a stipulated threshold that differs between them. The banks are, in order of total asset size: Amalgamated Banks of South Africa (ABSA), Standard Bank Group, First National and Nedcor.

This article does not distinguish between small, medium and micro, or

survivalist, enterprises (SMMEs). It simply lumps them together as “micro-enterprises”, defined as businesses requiring a loan under R50 000, although it is acknowledged that survivalist enterprises are the least likely customers for commercial bank loans.

The rest of the article describes first the principles and rationales of contemporary models of micro-financing, then the commercial banks’ role in these activities. The banks’ reasons for their disinclination to lend are then discussed, followed by an analytical view of the contradictions so revealed. The article concludes with the strategic implications for banks and the government.

### Models of micro-finance development

In Asia, Latin America and Africa, the hypothesis has been demonstrated that the huge demand for micro-finance in developing countries can be supplied by institutions providing financial services commercially, and that these services can have significant and positive impacts on social and economic development.<sup>2</sup> This is a quantum shift from government and donor-funded subsidized credit to sustainable financial assistance. The overall aim is to serve micro-enterprises on a basis that ensures cost-effectiveness.

Two principles underlie the lending aspect of the new paradigm.<sup>3</sup> First, reduce transaction costs by locating credit outlets in the communities and simplifying application and assessment procedures. Second, motivate repayments to achieve loan security by pursuing character-based lending, post-disbursement monitoring and alternative mechanisms such as group guarantees and graduate loans programmes, rather than insisting on collateral. Thus, simplicity and customer proximity address the need to minimize administrative and delivery expenditure and enhance economies of scale in lending operations. On the revenue side, interest rates should be set to allow for profits.

Derived from supply-leading finance theory, the old paradigm of subsidized credit to low-income borrowers rationalizes micro-financing as follows:<sup>4</sup>

- Low income people require credit for productive inputs, but since their incomes are low they are unable to save enough for the inputs they need.
- They cannot afford to pay the cost

of credit they require, therefore subsidized credit programmes are necessary.

- Low-income people are usually uneducated and distrust banks – they either do not save or prefer to save in non-financial forms, such as gold, agricultural commodities or durable goods.
- Should such people save in banks, they need to be taught financial discipline. Hence, compulsory savings are a necessary condition for obtaining institutional loans.

In contrast, the new paradigm reasons from an *ex poste* perspective as follows:<sup>5</sup>

- The record of subsidized credit programmes is abysmal, with high arrears and heavy losses. These loans, given at below-market rates, encourage corruption and thereby reach the local elite, rather than the targeted low-income groups.
- Credit subsidies for borrowers discourage institutional savings mobilization in two ways. First, the interest rates charged for subsidized loans, being lower than the interest rates paid on deposits, create the incentive for more borrowing than saving. Second, the relatively high interest rates on deposits may fail to capture savings where the institution has no incentive to attract depositors, for example, due to restrictions on withdrawals and lengthy procedures.
- Evidence from developing countries shows that where micro-credit is provided at commercial interest rates, which are invariably lower than rates charged on the informal credit market, and where savings have been mobilized as a deliberate policy, repayments are high and loans tend to be widely available. This constitutes substantial savings to governments and donors, who do not have to provide subsidies and perhaps incur losses. Such savings may be diverted to other uses in poverty alleviation programmes.
- The perception that lower-income people do not save is false, although it is true that they have fewer options than wealthier people in case of emergency. The non-financial forms in which they save are not altogether illiquid. Nevertheless, there is great de-

mand in developing countries for institutional savings services that offer a combination of security, convenience, liquidity and returns.

- Voluntary savings and compulsory savings represent two contrasting philosophies – the latter representing the older paradigm and the former the new. In the new paradigm, the assumption that the working poor already save implies that what is required for effective savings mobilization is that the institution provide instruments and services appropriate for local demand.
- Given congenial macroeconomic, regulatory, political and demographic conditions, it is possible to develop commercial institutions to provide financial assistance and delivery services at the local level profitably, sustainably and without subsidy. It is emphasized that such institutions provide *only* financial services, not combined with social services, which are usually provided according to a different set of criteria.
- As there are not enough donor and government funds – because governments world-wide are required to exercise financial discipline to meet the demand for micro-finance – it is only sustainable financial institutions that can meet this extensive demand.
- Commercial banks will enter the market once other institutions have demonstrated that micro-financing can be profitable.
- For governments and donors the only expenditures incurred to ensure sustainable micro-finance are through the assistance they may give to institutions providing the initial example for commercial banks to follow. International agencies such as the Inter-American Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD) have promoted such a strategy.

The most recent version of the model emphasizes the desirability of commercial banks’ participation. Their ability to access liquidity from various sources and to mobilize deposits minimizes the need to draw funds from government on-lending programmes. The core elements of this variant, as illustrated by the experience of the Hatton National Bank (HNB) in Sri Lanka, are:

- strengthening financial institutions with the capacity and motivation to focus operations on target groups among the poor;
- making micro-finance operations cost-effective by being market-driven;
- introducing a financial systems approach to promote functional specialization and market coverage and to enhance the integration of financial institutions into a country's financial markets.<sup>6</sup>

HNB is the largest private commercial bank in Sri Lanka. Its micro-finance initiative through its *Gami Pubuduwa* (GP) or "village reawakening" programme shows how micro-finance can be viable in a commercial bank's regular operations. Three main themes sum up the bank's experience.

First, HNB's GP activities demonstrate that it is possible for a privately-owned commercial bank to downscale its operations for a successful micro-finance programme without reliance on government funding or incentives. By integrating the programme with regular branch activities, the bank takes advantage of external economies arising from its existing infrastructure. To this extent, the GP programme benefits from a cross-subsidy. However, the surplus of deposits against outstanding loans generates revenue to the bank for deeper market penetration. This means that the programme initially targets not the whole spectrum, but the upper rungs of the poor. These are the *self-employed* poor, who work for themselves and employ others; the *entrepreneurial* poor, whose enterprises employ five or more people; the *near* poor, who have stable wage employment characterized by low earning power. This focus, therefore, excludes the *ultra* poor, who depend on the earnings of others, and the *labouring* poor, who are employed full time in unskilled labour positions.<sup>7</sup>

Second, considerable adjustments in the selection and training of staff, and adapting deposit products, credit services and collateral requirements to the programme's target clientele are necessary to achieve sustainability. "Barefoot bankers" are selected from experienced mainstream banking staff and stationed in specific locations to work closely with households and firms. Savings and time deposits are adapted to conform with the dynamics of economic activities. Credit facilities

are priced and structured to fit the revenue and cash flow generation of micro-enterprise borrowers. In addition, GP clients have access to financial and quality control services, marketing advice and related support.<sup>8</sup>

Finally, to achieve outreach and profitability the bank has devised ways to efficiently manage costs, administer loans and establish pricing policies for the programme. Interest rates on deposits offered to GP clients are similar to the rates offered to other clients of the bank. Indeed, interest rates on GP loans are only marginally higher than on other loans, which means they do not fully reflect transaction costs.

GP programme loans are subject to the same standards of monitoring as other loans. In addition, the transfer pricing mechanism designed for purchasing excess deposits from GP units is the same as used for buying excess deposits of regular HNB branches.<sup>9</sup>

The South African dilemma may now be paraphrased more explicitly: the banks themselves took the initiative to test the market through a series of pilot schemes and discovered intractable, non-economic factors that render the market potentially unprofitable. This situation is unique and no other country's experiences offer any direct lessons. Yet, financing the micro-sector is critical for South Africa's own development objectives, particularly those addressing poverty and deep socioeconomic inequities.

### Commercial banks' role in micro-financing

The South African financial and commercial sectors are fully developed. Professional services in banking, accounting, finance and law are highly sophisticated and at par with those offered in the developed world. The distribution of market share among the four banks is as follows: ABSA (27%), Standard (23%), First National (19%) and Nedcor (13%). They, in turn, are controlled by four major conglomerates, namely Rembrandt, Liberty Life (50% of which is controlled by Standard Bank Investment Corporation), Anglo/de Beers and Old Mutual. These conglomerates control other, smaller, niche banks. The sector's extreme liquidity is due to foreign exchange control that limits offshore investment and effectively locks in corporate and personal profits. As a First World sector, the overall default rate is 0.3%,

with markedly worse performance on small loans.

The banking industry has entered a new phase of competition, with over 60 banks, many foreign, setting up offices since 1990. These banks have lower cost-to-income ratios than their South African counterparts, whose margins of about 4% on assets are half that of their competitors. Local banks are, therefore, forced to invest heavily in technology and training, while repositioning themselves in the domestic market to serve the fast-expanding black consumer market. Their real problem is that they have in the past carried non-profitable clients, with 90% of profits generated by less than 10% of their customers, while their foreign competitors have targeted the top end of the market, such as foreign exchange, international trade, asset management, money markets and corporate finance, using international links and reputations to win corporate business. Consequently, as margins decline and the need to cut overheads and operating costs increases, local banks are shifting away from traditional branch banking operations and the huge liabilities they carry. This emerging scenario partly explains the banks' sensitivity to venturing into areas such as micro-finance, where the profit potential is not perceived to be high.

Two additional variables in the financial environment are likely to influence the attitude of the banks to micro-financing. The 26% ceiling set in the Usury Act is considered acceptable for large and medium business loans of R100 000 and above. It is, however, considered insufficient for high-risk loans of R50 000 and less – the loan range focus of this article. Moreover, the ceiling does not provide for covering the high transaction cost of credit in the micro-sector. The other variable, the Deposit Taking Institutions Act of 1990 (DTIA), stipulates, among other regulations, minimum capital requirements (8%) and cash reserve ratios to protect depositors. This, in effect, limits the opportunity to develop ingenious micro-finance facilities. In other words, the opportunity for commercial banks to test the viability of micro-financing is somewhat stifled by these acts.

Against this background, the banks' activities at the time of the investigation are summarized below. The four banks are referred to by the letters A to D to protect their identities.

### Bank A

This bank launched its pilot scheme in 1992 and defines the sector to include enterprises requiring loans between R2 500 and R30 000. It intends to withdraw from the sector and instead reach the market through a strategic alliance with an NGO. The reasons are two-fold – limited profits from past operations and inability to reach the market.

Its main outreach method is to send its two loan officers to the field to conduct feasibility studies based on three criteria: character of the entrepreneur, capacity of the project and its working environment. It insists on a savings deposit of up to 20% of the loan in lieu of collateral and has recorded an average repayment rate of 88%. Transaction cost per loan averages R1 200. By charging an interest of 45% for loans a net profit of 9–10% was realized in 1995.

### Bank B

The micro-financing branch was also set up in 1992, defining the sector as within the loan range of R5 000–R75 000. It has no direct link with the sector except through intermediaries, notably NGOs.

Its lending practices are based on detailed feasibility studies and follow-up appraisals. Interest charged on loans ranges between 40% and 42%, providing an average profit of 2%.

### Bank C

Bank C established its small business department in 1994/95, restricting itself to loans under R50 000.

Average transaction cost per loan is R1 500, and comprises the following:

- Assessment cost R300
- Cost of delivery R300
- Follow-up and after-care R900  
R1 500

Even at an interest rate of 45% the bank makes considerable losses.

### Bank D

Established in 1979, the small business unit provides loans of between R10 000 and R50 000 through a network of seven regions, with seven branches per region, involving 50 loan officers countrywide.

Its lending procedures are complicated – lengthy application forms, interviews and collateral requirements. No records of transaction costs are

kept, but it is believed that follow-up and after-care costs are the highest. At a self-imposed interest rate of prime plus 4%, net profits are unacceptably low, although bad debts constitute a mere 4%.

The general impression is that there is a lack of collaboration among the banks on micro-financing activities; they follow no specific paradigm, and transaction costs and profits vary considerably. Outreach is a major problem – the reason why they prefer to use NGO intermediaries.

### Constraints – reasons for the banks' limited role

On the basis of the questionnaire responses and subsequent interviews, the reasons for the banks' very limited role are discussed in descending order of importance.

The lower end of the market, the range between R10 000 and R15 000, is not considered a direct market for commercial banks because the banks' business culture does not fit with the circumstances under which loans have to be administered to it. This cultural or market misfit view relates to the problem of an information gap – that the majority of potential clients are banking illiterate as much as the banks are informal-lending illiterate. In other words, information for assessing a project's profit potential (as well as the likely risk of exposure), such as the capital structure of a micro-business, the character of the entrepreneur and his or her management capabilities, collateral and capacity of the project, are scarcely available to the banks. These information *gaps* translate into mutual suspicion and mistrust – a confidence gap. Furthermore, there are political risks to charging high interest rates, particularly for loans under R50 000, on which ironically the Usury Act places no interest ceiling. It is hard to explain to predominantly black and poor clientele why a bank should charge 45% interest on a R6 000 loan while "big white business" has access to millions of rands at half that rate. This is particularly difficult in a country with a highly politicized electorate and a history of systematic oppression of the poor majority.

The political risk applies only to white (formal) financial institutions, because informal financial NGOs – all tied to black clients and communities – frequently charge interest rates far above the 26% in the Usury Act. The

perceived risks come in two forms: pressure or regulation from government to observe lending targets and negative sentiments, boycotts and withdrawal of funds from the banks should they charge what the black population may interpret as exploitative interest charges by rich, white capitalists.

Given the banks' traditional infrastructure, lending procedures, products and services, in some cases the costs of loan appraisal, delivery and follow-up are far too high to be commensurate with the small loan sizes required by the sector. Low repayment trends, due to the culture of non-payment, also affect the cost of collecting outstanding loans. In addition, the legal system fails to adequately handle claims in this loan category. Furthermore, high transaction costs are also incurred by the illiterate, distant, vernacular-speaking and poor borrower in providing all the documentation and information to meet the banks' requirements, and in often having to travel there. These may be a greater deterrent to the borrower than high interest rates, considering that banks are concentrated in urban and high income areas.

Whether micro-entrepreneurs are too risky to lend to is contingent on two factors – the *inability* of the project to pay, considering that most micro-enterprises never survive their first year, and the *willingness* of the entrepreneur to pay. This second point applies not only to the culture of non-payment but also to the high mobility of borrowers in the micro-sector. These concerns turn into "fear of the unknown" – reluctance to extend credit to a business segment whose needs and characteristics one does not adequately know and which rarely provides collateral security.

There are other constraints affecting the banks' role. First is the shortage of high-quality applications, which also relates to the information problem. Second, the perception of low probability that micro-enterprises will grow into small, medium and large enterprises due to crime, which evidently stalls enterprise growth because of the uncertainty and insecurity it brings about. Third, bank loan officers face monthly lending quotas and therefore tend to allocate funds to larger, less risky and more familiar business ventures. Fourth, commercial banks do not consider lending and saving operations as the main source of profit.

Because profits are predominantly generated by the more specialized banking products and services, the notion that the micro-borrower is unlikely to progress into utilizing these other services deters banks from lending more than a limited proportion of their funds to the sector. This explains the problem of a perceived lack of cross-subsidizing potential in micro-financing.

### Further analysis

This article began with the proposition that theoretically the micro-enterprise sector is a potentially profitable market for South African commercial banks, provided the working environments are conducive to rational decisions. An implicit assumption is that the banks will streamline their lending procedures in accordance with micro-businesses' specific needs and characteristics. Two empirical factors add to the validity of the proposition. First, banks are free to charge any interest rate for loans requested by the sector because of the exemption from regulations of the Usury Act. Second, the existing credit guarantees in the market largely safeguard them from the risks of lending to the sector. It is clear, however, that the banks do not share this view on several grounds, summed up as "low profit potential".

We now examine carefully the paradoxical nature of this claim and the conditions sufficient for banks' full participation.

The "market misfit" claim, no doubt, applies readily to the lower segment of the micro-sector. However, the banks are equally reluctant to expand into the upper end of the loan range, R25 000–R50 000, not so much for lack of identifiable markets but because of the political impossibility of charging market-related interest rates commensurate with profitability and sustainability. In this way, the "political risk" factor negates the advantages of reduced economic risks derived from credit guarantees and exemption from the Usury Act. Undoubtedly, raising the exemption threshold will add little or no incentive for the banks to increase lending to the sector. And, should government put political pressure on the banks without countervailing incentives, they are most likely to abandon the sector.

Indeed, some banks have already escaped direct contact with the sector by lending to NGOs to on-lend to

micro-enterprises, and others are exploring this alternative. However, there are only 23 NGOs in South Africa extending credit to micro-enterprises, with a total customer base of about 45 000 and a rather skewed geographical distribution. This means that the strategy of linking with NGOs will result in a narrow spread of commercial bank micro-financing. The strategy will also add an extra cost element to the lending process. Consequently, it is doubtful whether the NGO-based alternative will bring any benefit to the ultimate borrower.

Regarding transaction costs, the banks' insistence on thorough application procedures and in-depth viability projections does not accord with the principles of the new lending technique outlined in the models of micro-finance development discussed earlier. Advancing R25 000 at the highest recorded transaction cost of R1 500 (equivalent to 6% of the loan), compares with the average rural lending cost in developing countries.<sup>10</sup> The problem is that the banks appear to make no effort to minimize costs by any innovative means. A realistic approach is to use interest rates as a means of maximizing profits at a given minimum transaction cost. In this way, it is possible to bring down the interest rate considerably, given that the political risk is likely to diminish for every percentage point drop in rates.

The "information gap" factor is less onerous, but real in the South African context, as there is a historical lack of interaction between formal and informal financial institutions. With one exception, no bank has seriously developed and implemented any interactive technique to deepen its knowledge of the sector. Nor has any expressed the intention to educate and train its loan officers as a means to bridge the information gap. The training that is currently under way in most banks is geared towards other, more lucrative, products and services.

The general lack of collateral among the micro-clientele is relatively unimportant to the banks. Theoretically, collateral serves two purposes: it minimizes the banks' risk exposure from lending and pressurizes the borrower to repay the loan on time. South African banks pay more attention to the latter in view of existing credit guarantees and their insistence on borrowers' own savings contribution. Even so, two other factors contribute to collaterals losing their relevance – the legal

system's inability to enforce micro-loan repayment and the high mobility of the clientele, together with their notoriety for low repayments. Therefore, collateral provision by micro-borrowers is not likely to contribute to increasing their access to micro-finance. The critical access factor is socio-psychological – people's respect for and confidence in the repayment mechanism – and a reduction in costs involved in enforcing this mechanism.

Closely tied to the irrelevance of collateral is the concept of economic risk in the minds of South African bank managers. To them, risk is equivalent to low repayment tendencies or delinquency. Other types of risks, such as collective market risks or seasonal income variation, usually characteristic of agricultural enterprises, are inapplicable. The default rates of 2–3% are, by world standards, not considered high enough to threaten the expansion of micro-financing, although they do not compare with the non-micro-loan default rate of 0,3%.

As much as 70% of the banks' risk exposure can be eliminated through existing guarantee schemes, yet such guarantees have effectively failed to attract the banks into the micro-credit market, because this level of risk coverage is still considered inadequate. The failure must be viewed in the context of harsh working environments characterized by socioeconomic dualism, and a sorry political history that hardly bodes well for trusting, mutually beneficial relationships between the agents of capital owners – the banks – and the poor, who require such resources to improve their well-being.

We have demonstrated that the central propositions of the new micro-financing paradigm and particularly the HNB experience with micro-financing are discounted in the South African working environment. This perversity is not because the "necessary conditions" are not met, but because the paradox of favourable circumstances coexisting with deep-seated derogatory sentiments between blacks and whites induces, on balance, perceptions of "no profit potential" among (white) bank managers. It is difficult to predict the prospects for the banks' full participation, because the negative perceptions are a function of lack of exhaustive information on entrepreneurs and their enterprises. Yet, changes in the bank's policies will not come about in the short term. Changes occur over time through

increased interaction. This, in turn, can be stimulated by government through a combination of incentives and coercion: temporary lending quotas, tax incentives for the development of micro-loan infrastructure, more rationalized credit guarantee schemes with increased risk coverage and the abolition of interest rate regulations. Above all, political parties need to educate their constituencies on their economic, social and moral obligations.

In the short term, government may not have to rely solely on commercial banks if it can encourage and support other institutions – selected NGOs, credit unions and other formal and semi-formal financial intermediaries – to expand their micro-financing capabilities. Experience in Latin America shows that such variety can contribute to a larger and more efficient supply of financial services to heterogeneous groups of micro-enterprises.<sup>11</sup> In the medium term, however, micro-financing will have to rely increasingly on commercial banks, in view of their ability to mobilize and lend funds on a sustainable basis without reliance on external sources – government or foreign. The HNB experience reinforces this point, and its implications for South Africa are irrefutable.

### Strategic implications

The GP programme is only a small part (2%) of HNB's overall operations; nevertheless, its experience richly augments South Africa's own. HNB's success with the programme hinges on the availability of knowledgeable and experienced bankers and the ability to exploit external economies in operations, communications reporting, accounting and internal control systems. These factors ultimately determine the willingness of senior management to expand the programme further. The willingness of South African commercial banks' leaders to expand their micro-financing operations is, however, deeply constrained by socio-psychological factors. These differences notwithstanding, the two countries' experiences underline three practical issues. First, there is no simple model for promoting micro-financing. Second, a clearly defined motivation that is not in conflict with the proclivity for profit of business is an essential determinant for the willingness to expand micro-financing operations. Lastly, operating autonomy and

a management environment conducive to responsive business decisions are indispensable.

These realities have general implications for strategic alternatives for South Africa. Operational self-sufficiency is not achieved in the first year of a micro-finance programme. In HNB's case, it was achieved in three years.

It is sensible strategy not to serve the broad, small, medium and micro-enterprise sectors at the same time initially, but to segment the market, starting with the upper strata. Group lending methodologies are frequently employed for the poorer categories with considerable success. Collateral requirements and procedures can be adapted to facilitate access by micro-finance borrowers. For instance, medium-sized loans may be granted on the basis of guarantees by two existing clients, with the turnaround time between application, evaluation and approval not exceeding three days. Access to progressively larger loans may then be based on effective monitoring of successful business operations by the loans officer.

Rather than focusing merely on producing credit services to micro-enterprises already in operation, it is useful practice to finance small, collective, start-up projects following project identification and evaluation procedures by the loans officer.

An appropriate pricing policy, whereby operating and administrative costs are adequately covered by total revenues derived by the bank from micro-financing programmes, permits a nominal interest rate not necessarily much higher than interest rates charged on regular commercial bank loans.

With regard to credit administration, micro-financing programmes need to be subject to portfolio management standards and procedures similar to those for regular loans. Successful loan recovery is largely a measure of the personal relationship the loans officer builds with the customer. This includes participation in social events – a practice not common in South Africa.

Finally, it is essential that micro-enterprise financing is not isolated from other financial services. Rather, the full range of services – savings accounts, fixed deposits, children's savings accounts, among others – is necessary to promote financial mobilization, induce a banking culture and facilitate loans recovery.

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# Macroeconomic strategies, agriculture and rural poverty in post-apartheid South Africa

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## Introduction

So serious are these problems [poverty, inequality] that macroeconomic policies that exacerbate either risk undermining the fragile social fabric so carefully nurtured in the mid-1990s. *Any stabilisation policy that was based on a worsening of income distribution would be a highly risky one.*<sup>1</sup>

In June 1996 South Africa's Minister of Finance released his post-apartheid macroeconomic blueprint. The Growth, Employment and Redistribution plan (Gear) appeared to mark the end of a period of intense debate over the economic strategy that would most effectively reshape the country's economic landscape and address the crucial issues of poverty and inequality.<sup>2</sup> In the period leading up to the 1994 democratic elections, there were two leading contenders for the country's economic policy: on the one hand, African National Congress (ANC) thinking appeared to be congruent with a strategy developed by the Macroeconomic Research Group (Merg), an organization that had close links with the ANC itself and with the labour movement through the Congress of South African Trade Unions (Cosatu). Merg called for a programme of fiscal expansion directed towards social and physical infrastructure, a "balanced" monetary policy, and a more active role for the state in the economy.<sup>3</sup> The apartheid government's economic position, on the other hand, was represented by the Normative Economic Model, a report which emphasized the need for fiscal discipline, strict monetary control, and a free market environment. These two extremes in macroeconomic thinking – described

variously as heterodox vs orthodox,<sup>4</sup> growth strategy school vs fiscal discipline school,<sup>5</sup> and supply-side vs demand-side policies<sup>6</sup> – provided the broad frame of reference for debate in the period leading up to and after the 1994 elections.

The high point of debate over macroeconomic policy in the period after the elections was 1996, a year which was "... rich in contrasting economic visions and growth strategies".<sup>7</sup> In the first half of 1996 representatives of both business and labour preempted the government by releasing their own macroeconomic proposals. The South African Foundation, a group of the largest and most powerful business organizations in South Africa, released its "Growth for All" strategy in February 1996. Predictably the strategy called for decreased government expenditure, policies to encourage private investment, the further deregulation and privatization of the economy, a flexible labour market and a vigorous export drive.<sup>8</sup> Representatives of the labour movement delivered their response – "Social Equity and Job Creation" – a few months later. While big business called for fiscal restraint, labour's six pillars of growth proposal was in line with an expansionary fiscal policy aimed at job creation and worker training, the improvement of infrastructure, an active land reform programme, and a strategy to increase domestic demand for locally manufactured goods. When Gear was released in June 1996, it drew very different responses from the main policy players. While the details of the macroeconomic policy were "music to the ears of big business",<sup>9</sup> Gear has played

a significant role in straining relations between the ANC and Cosatu.<sup>10</sup> Indeed, the secretary general of Cosatu, Sam Shilowa, responded to the macroeconomic strategy by stating that it would have been "inconceivable" to the ANC in the period before the 1994 elections.

With a restrictive fiscal policy and a commitment to free market principles, Gear is not very different from a standard IMF/World Bank structural adjustment programme. Indeed, this is a policy which owes much to the "Washington consensus"<sup>11</sup> and the apparent success of the neo-liberal model of development in the newly industrializing countries of Asia.<sup>12</sup> The similarities between Gear and the neo-liberal model are in fact striking: compare, for instance, Broham's<sup>13</sup> description of the neo-liberal model, which involves the "... adoption of an open, market-led economic regime of export oriented industrialization based on trade liberalization, direct foreign investment, and the export of goods for the world market", with Gear's emphasis on the importance of a "competitive outward oriented economy" and a programme of "accelerated tariff liberalization" to guarantee "a stable environment for confidence and a profitable surge in private investment"<sup>14</sup> Despite its considerable deviation from earlier ANC economic thinking, the government's decision in favour of a conservative macroeconomic policy emphasizing fiscal austerity and tight monetary control was not entirely surprising. Nor did it represent, as the business press<sup>15</sup> has suggested, a new phase in ANC economic policy. As early as 1992 there were indications

that ANC economic thinking was shifting away from the proposals drawn up by Merg and towards a strategy dominated by fiscal restraint and strict monetary control.<sup>16</sup> The release of the 1994 White Paper on the Reconstruction and Development Programme confirmed the direction of change in ANC economic thinking: the paper marked a radical reversal in economic thinking and a "... very significant compromise to the neo-liberal, 'trickle down' policy preferences of the old regime".<sup>17</sup>

While Gear is a product of a new phase in ANC economic thinking that may be traced back to the early 1990s, various economic events in the mid-1990s ensured that the shift to a more conservative economic policy was not reversed. In 1995 the economy was faced with a balance of payments crisis that was perceived as a threat to the macroeconomic stability of the economy. And in the first few months of 1996 the rand lost more than 30% of its value in relation to the other major currencies. While clearly not ultimately responsible for Gear's emphasis on fiscal austerity and neo-liberalism; nevertheless these contingencies did shore up any lingering support within the ANC for a strategy based on fiscal expansion as proposed by Merg and the labour movement.

These debates and decisions on economic policy have come at a time when the depth and extent of poverty and inequality in South Africa is being exposed through an important countrywide survey on living standards. The results of the 1993 Project for Statistics on Living Standards and Development (PSLSD), which surveyed 9 000 households, has confirmed what numerous regional and local studies indicated: that South Africa remains one of the most unequal societies in the world, that there is a strong race dimension to poverty, that there are more poor people in rural areas, and that women and children are affected more seriously by malnutrition, destitution and poverty.<sup>18</sup> Of all the PSLSD results the most striking is the depth of rural poverty: the data indicate that three quarters of the population living in rural areas live below the poverty line.<sup>19</sup>

The nature of poverty in South Africa raises several important questions on the relationship between poverty and Gear. Indeed, the macroeconomic strategy must ultimately be judged on its ability to redistribute

wealth more equally and, in the South African context, improve the livelihoods of the rural poor. Examining the impact of Gear on agriculture, an important source of livelihood for poor rural people, and Gear's emphasis within the land reform programme, is one way of beginning to explore the relationship between rural poverty and South Africa's new macroeconomic strategy.

This paper moves beyond the abstract debates on the appropriateness of different macroeconomic strategies for South Africa and explores the possible impacts of Gear on agriculture and rural livelihoods. The paper begins by examining the position of agriculture within the South African economy. It examines why agriculture was singled out for its potential contribution to growth and job creation by policy analysts from very different ideological positions. The second section of the paper examines Gear's strategy for the economy and contrasts its approach to agriculture with previous policy positions. The last two parts of the paper explore the probable impact of an open export-orientated economy on commercial agriculture, rural livelihoods, and on small-scale farmers, a key component of land reform in South Africa.

### **Agriculture in South Africa's economy**

There have been several attempts to specify and quantify the contribution of agriculture to South Africa's broader economy.<sup>20</sup> Most concur that the sector's direct contribution to gross domestic product (GDP), employment and exports has declined significantly in the post-war period. Agriculture's share of GDP has dropped from a high of over 17% in the 1950s to around 4% in the 1990s.<sup>21</sup> While data on the number of people employed on commercial farms are notoriously inaccurate, the broad pattern reflects a decline in the number of farm workers in the post-war period, but especially since the 1970s. The number of people employed in agriculture has declined from a high of more than a million and a half in the 1970s to less than 1 million in the 1990s. When considered in relation to the working population as a whole, these declines are even more dramatic: in 1951, 33% of those in wage employment worked on white-owned farms; in the 1990s agricultural wage work accounts for less than 10%

of those working in South Africa.<sup>22</sup> The reasons for the lower number of agricultural workers despite far greater volumes of production are complex and geographically varied;<sup>23</sup> nevertheless, the rapid mechanization and industrialization of agriculture in the late 1960s was almost certainly responsible for the lion's share of these declines. Finally, agriculture's contribution to exports, and therefore to the country's balance of payments, has also declined as a percentage of total exports. While the value of agricultural exports was over 10% in the 1970s, it has since declined to 4% in the 1990s. Based on figures related to agriculture's direct contribution to the South African economy, the post-war period has seen the sector's importance in the economy decline significantly.

The impact of droughts on the economy suggests that agriculture's role in the economy is more complex.<sup>24</sup> During the drought of the 1990s, economists calculated that low agricultural yields negatively affected GDP growth by between 0,5 and 2%, a staggering figure for a sector which is apparently playing a relatively small role in the economy. In higher rainfall years the impact of agriculture on the economy is equally significant, but in the opposite direction: in 1994, a year of above-average rainfall, a 16,3% rise in gross farm income caused the economy to grow for the first time since 1989.<sup>25</sup> The indirect role of agricultural production in growth is a function of the strong forward and backward linkages agriculture has with the rest of the economy. Fertilizer, chemical and implement manufacturers are dependent on a growing agricultural economy. In the 1993/4 season, for instance, farmers spent over R500 million on packing material, R1,6 billion on fuel, R1,18 billion on fertilizers and R1 billion on dips and sprays.<sup>26</sup> Many of these companies are dependent on the sale of chemicals and machinery to farmers. There are also important forward linkages between agriculture and industry. In the early 1990s, only 34% of what farmers produced was consumed directly; the remaining 66% was processed in some form by the manufacturing sector.

Neoclassical economists have spent considerable energy specifying the larger indirect role of agriculture in the economy by examining the forward and backward linkages between agriculture and other sectors through input-output analysis<sup>27</sup> and by simulat-

ing the impact of periodic droughts on growth and employment.<sup>28</sup> These studies have shown that increases in agricultural production have large positive impacts on growth, employment and the balance of payments. The output multiplier for agriculture is 1.6 – that is, for every R1 million of agricultural production, an additional R600 000 is generated in other sectors of the economy. Agriculture also has a strong multiplier effect on employment and input-output analysis suggests that more jobs are created in agriculture with increased production than for any other sector of the economy.<sup>29</sup> The most recent data on employment multipliers show that investment in agricultural and food-related sectors continues to create more jobs than any other branch of the economy.<sup>30</sup> Simulation of the effect of drought on employment reveals how vulnerable farm workers are to low rainfall and crop failure. Farming has an employment coefficient of 98 – in other words, for every R1 million decrease in the value of agricultural production, 98 jobs are lost. Using this coefficient Pretorius and Smal<sup>31</sup> estimated that the direct impact of the 1992 drought on agricultural employment was a loss of 49 000 jobs. They also predicted that an additional 20 000 people would lose their jobs in non-agricultural formal employment owing to the indirect impact of agriculture on other sectors of the economy. Finally, agricultural production has an important impact on the country's balance of payments through imports and exports. In "normal" rainfall years, food constitutes only around 2% of total imports; in a drought year this figure is closer to 5% of total imports. The impact of the disastrous droughts of the early 1990s on balance of payments – through losses in export earnings and the purchase of food on overseas markets – was over R1.2 billion for maize alone.

The potential for agriculture to contribute to growth and employment given its large indirect role in the economy has been interpreted in different ways. The World Bank's analysis is that land and marketing policies which discriminated against Africans but involved a huge transfer of resources to white farmers, led to a commercial agricultural sector dominated by capital-intensive, large-scale and inefficient farming units. While the apartheid goal of self-sufficiency in food products was achieved, it came at an enormous social, environmental and

financial cost: "... society has been deprived of a greater contribution to GDP that a more efficient and dynamic agricultural sector would provide".<sup>32</sup> Their alternative is a land reform programme that concentrates on investments in the former bantustans and the redistribution of land, through market mechanisms, both of which should lead to the creation of a class of "emerging farmers" who will use resources more efficiently and employ more rural people. The process of "downsizing" farms, according to the World Bank, will lead to "... a more dynamic rural economy and to greater employment and income creation among low-income groups".<sup>33</sup> Through land distribution and better extension programmes, black smallholders are the key to the World Bank's programme for transforming agriculture from a sector that played a central role in the immiseration of millions of rural people to one which leads to growth and job creation for the rural poor.<sup>34</sup>

The Merg policy placed a very different emphasis on the potential of agriculture for job creation and growth. They singled out investment in agro-industry and social infrastructure as the key macroeconomic strategies for growth and job creation in rural South Africa. Before the 1994 elections, targeting investment in agro-industry was also the "declared policy" of the ANC.<sup>35</sup> Their analysis was based on the "manufacturing-agricultural complex" (MAC), a group of agricultural and manufacturing sectors that reflected agriculture's contribution to the strong links between farming and other industrial sectors. The MAC includes food products, beverages, liquor and tobacco; textiles, garments, leather products; wood, wood products, furniture; pulp, paper, printing and publishing; and fertilizer and pesticides. This expanded definition reveals the extent of agriculture's influence in the economy: the MAC accounted for 28% of the employment normally defined under manufacturing, 31% of the value generated by manufacturers and 25% of manufacturing's contribution to GDP. The importance of the MAC is based on the labour intensity of these sectors as well as the "dynamic interactions" that are possible between it and other branches of the economy. For instance, while farmers supply raw materials to manufacturers and also consume agricultural inputs like fertilizers, chemicals and

packing material, very few other manufactured goods are consumed in rural areas. Indeed, only 3% of what is manufactured in South Africa is consumed by farmers and the rural mass market.<sup>36</sup> Chemical and fertilizer manufacturers have also appeared to be optimistic about the prospects of a new class of small black farmers who "will create interesting prospects for the distribution of agricultural chemicals".<sup>37</sup> A policy which targets agro-industry, creates new jobs and improves rural livelihoods, according to Merg, has the potential of stimulating the economy as a whole:

Dynamic interactions may be anticipated between expanded demand in the agricultural sector, increased agro-industry output and increased output from a range of other manufacturing sub-sectors. Growing output and rates of capacity utilisation, especially in the food processing components of agro-industry should lower the real price of basic goods, resulting in an increase in the proportion of their incomes that the mass of the rural population can devote to the purchase of manufactures.<sup>38</sup>

The International Labour Office's (ILO) report on labour markets in South Africa has pursued this argument in more detail, but also in the context of a better understanding of rural poverty and rural livelihoods.<sup>39</sup> Using the PSLSD data, as well as other surveys which seem more representative of the income-earning strategies of the rural poor, they support Merg's emphasis on rural job creation and the possibilities it has for the economy as a whole. The recent surveys suggest that income from agricultural wage employment – however poorly paid and insecure – remains the most important livelihood strategy for the rural poor and especially rural women. Income generated from the informal sector and from farming represents a negligible portion of the total income earned by poor rural households. The PSLSD profile of the households that do earn an income from farming is very significant. It suggests that those households making money from agriculture also earn income from the primary labour market – in other words, in jobs that are relatively secure and well paid. In contrast, the poorest rural households are unable to generate income from agricultural production and rely instead on wage income from farm work or domestic service.<sup>40</sup> The importance of rural wage work is given further weight by the finding that an important proportion of remittances to rural

households comes from wages earned *within* rural areas. This strengthens the case for a policy which improves rural employment opportunities.

The Merg/ILO approach depends, of course, on improving working conditions in rural areas and especially employment practices on white commercial farms. While workers in agro-processing industries and forest plantations are often organized and enjoy competitive wages and adequate working conditions, wages for farm workers are notoriously low, working hours extend beyond the legal limit, and violence remains a form of coercion on some farms. On farms in the former bantustans conditions are variable: while sugar cane farmers in the Mpumalanga lowveld pay wages to farm labour and apparently have "good relations" with their workers,<sup>11</sup> in other regions of the country conditions are worse and payment in kind appears to be the most common form of remuneration. The recent extension of the Labour Relations Act (LRA) to farm workers has focused attention on the possibilities of organizing farm workers with a view to improving working conditions and wages.<sup>12</sup> Unfortunately, the experience of unions has been disappointing: it has proved extremely difficult to organize farm workers in the context of high rural unemployment and farmer reluctance to permit organizers access to workers. The South African Agricultural Union and the National Department of Agriculture have come out against labour legislation, arguing that it will encourage farmers to decrease the number of workers on farms and accelerate the trend away from maize production.<sup>13</sup> And while the LRA may make it easier for unions to organize workers, commercial farmers remain protected by pieces of legislation like the Trespass Act, which they can use to evict union organizers from their land. Those farms that are organized have normally had the cooperation of the owner. They also tend to be larger operations ("factory farms") and often grow labour-intensive crops like citrus, deciduous fruit and vegetables. It has been far more difficult for unions to organize workers on smaller and less labour-intensive farms.

The ILO's macroeconomic solution to rural poverty – "that tackling rural poverty requires interventions to improve the wages and working conditions of the unemployed, as well as policies designed to increase and

widen access to rural wage employment opportunities"<sup>14</sup> – depends on the ability of unions to improve conditions and on the effectiveness of state interventions to realize the "dynamic linkages" between agriculture and the rest of the economy. Significantly, unlike the World Bank approach, it depends much less on the potential of an emerging class of black farmers. How does Gear propose to alleviate and ultimately eradicate rural poverty?

### **Gear and agriculture**

Gear has an impressive set of goals which include a projected 6% per annum growth and the creation of 400 000 jobs per annum by the year 2000. The success of the strategy is based on two main pillars, the transformation to a globally competitive, outward-orientated economy and the creation of a stable economic and political environment for private investment. The growth of exports will be based on a powerful "expansion in the tradeable goods sector". This export sector will play a crucial role towards realizing the targets of 6% GDP growth and 400 000 jobs per annum by the year 2000. The state's role in this expansionary thrust is facilitatory: it will set up preferential trade agreements with large international trading blocks, it will assist in opening new markets for exports, and it will encourage greater regional economic integration in Southern Africa. It will also ensure a stable exchange rate and will contain inflation to provide the necessary stability for "a concerted expansion of export industries". The second policy initiative to enable an outward-orientated economy involves removing a series of "constraints" which, once eliminated, will "catapult the economy to the higher levels of growth, development and employment needed to provide a better life for all South Africans". One of these constraints is tariffs on imported goods and the strategy commits itself to tariff liberalization with a view to controlling input costs, containing inflation, stimulating foreign investment, and indirectly contributing to more moderate wage demands. Tariffs and subsidies have in the past, according to Gear, had the effect of increasing producer prices; their intention is to shift the focus towards "supply side measures designed to lower consumer costs and expedite progress up the value chain". To this end the strategy will not only halve the number

of tariff lines, it will also abolish import surcharges and proceed with the phasing out of the general export incentive scheme. The implications of these initiatives for manufacturers will apparently be lower input prices and therefore more competitive products for local and international markets.

While domestic agricultural policies do not feature as one of the "constraints" hampering the economy, the implications of the policy for agriculture are clear. Tariffs, subsidies, quotas and exchange controls played an important role in preventing farmers from becoming export orientated and, together with the policy of apartheid, ensured that agriculture remained focused on local markets to ensure national self-sufficiency.<sup>15</sup> It is very unlikely that the strategy will reverse the erosion – which has occurred since the 1980s – of these interventions in the "market": on the contrary, it almost certainly implies that this erosion should be accelerated as part of a process leading to an agricultural sector that is more efficient and export orientated.

Private investment is the second thrust of Gear and it calls for the brisk expansion of private sector capital formation. Several of the strategies identified earlier which were important for export growth – controlling inflation, exchange control reforms, limiting the volatility of the rand, as well as permitting foreign investors access to domestic credit – will be used to encourage more private investment in the economy. Foreign and local investment is to play an important part in Gear's goal of 6% GDP growth by 2000 and considerable effort will go towards convincing investors of the stability of the economy, the state's commitment towards a free market economy, and its approach towards budget reforms and tight fiscal control. The emphasis on private investment must be seen in the context of the level and direction of public investment during apartheid. Total public expenditure increased from 31% of GDP in the period between 1978 and 1982 to 37% in 1992.<sup>16</sup> This investment was, however, focused on "strategic sectors" of the economy and on improving the "quantity and quality of services for the white minority". According to the World Bank, not only did this investment occur at the expense of private sector investment in the economy, it also had a negligible impact on the economic performance of the econ-

omy. Gear's emphasis on reducing public sector expenditure and on increasing private sector investment in the economy represents a reversal of the wasteful and inefficient nature of state expenditure during apartheid.

Despite the strategy's focus on fiscal constraint and budgetary reform, there are sectors of the economy which will receive direct state attention "in keeping with RDP objectives". The three areas highlighted in Gear are Education, Health and welfare, and Housing, land reform and infrastructure. Land reform, the construction and maintenance of rural infrastructure and assistance to "emerging" farmers are the strategies which appear to be directed towards improving the livelihoods of the rural poor. Land reform policies include asset redistribution, enhancement of tenure, the release of more land and the introduction of a "settlement" grant. Small "emerging" farmers represent the cornerstone of land reform and rural poverty alleviation and in this sense the document is in line with the World Bank's emphasis on this sector: "... agricultural development associated with land reform will play a key role in improving the distribution of income and economic activity".<sup>47</sup> The role of small farmers was re-emphasized in the most recent budget; the budget vote for agriculture includes a special grant for small farmers to assist them in improving their "production efficiency" through infrastructure and training. New emerging farmers will, however, soon need to be prepared for the rigours of a neo-liberal macroeconomic environment. State assistance to farmers will shift from direct support in the form of settlement and land grants to indirect assistance in marketing, appropriate technology development, and streamlined extension. This shift is in line with a policy that prepares new farmers for an open economy and a public investment programme that is constrained by strict budget deficit targets.

It is remarkable that Gear ignores the possible role of commercial agriculture in South Africa, given its prominent – albeit indirect – role in the economy. Moreover, Gear fails to recognize the potential this sector has for economic growth and job creation, particularly in rural areas. Indeed, despite the depth of rural poverty in South Africa, Gear emphasizes the role of (urban-based) manufacturing and the export of manufactured goods in reaching its growth and employment

goals. This is in direct contrast to earlier macroeconomic policy formulations, most notably those proposed by Merg and those outlined in a recent ILO report.<sup>48</sup> Gear ignores the features of the manufacturing-agricultural complex – its labour intensity and the potential for dynamic linkages with other sectors of the economy – which made it an obvious target for investment in the ANC's pre-election economic thinking and a central component of the Merg and ILO macroeconomic policy formulations. Gear's emphasis on the potential of manufacturing and industrial exports for job creation and growth is also puzzling given the experience of exports in the 1980s and 1990s. While non-gold exports increased by just over 5% in the period between the mid-1980s and 1993, agricultural exports have grown much faster in the same period. Agricultural exports increased by more than 8% a year in the 1990s and show the potential for increasing even more rapidly in the late 1990s.<sup>49</sup>

The omission of agriculture in the macroeconomy is of particular concern in the light of Bell's<sup>50</sup> recent analysis of the relative influence of domestic agricultural policies on agricultural production. The analysis is based on a careful assessment of the World Bank's argument on the damaging role of domestic farming policies in agricultural productivity and in the sector's contribution to the broader economy. The Bank's argument is that declining levels of productivity on the land and the small contribution of farming to GDP is a consequence of distorted domestic agricultural policies and the huge, but inefficient, transfer of resources to large-scale white commercial farmers. As noted earlier, the World Bank's position is that this trend can be reversed if resources are transferred to more efficient small-scale farmers.<sup>51</sup> A careful reading of the data on agricultural productivity, especially after the mid-1980s when subsidies to white farmers and "distorting policies" were progressively removed, suggests that it is difficult to link domestic policies to agricultural productivity in any systematic or causal way. Bell<sup>52</sup> suggests that local and global macroeconomic forces, rather than domestic agricultural policies, had a much more important role in shaping the direction of farming productivity in the decades after 1970. The implication of this argument is extremely significant to

debates on the potential of the manufacturing-agriculture complex in job creation and poverty alleviation: it suggests that in the face of an unfavourable macroeconomic environment, domestic policies which are aimed at encouraging agriculture to play a role in job creation and redistribution may founder. Bell's argument on the importance of the macroeconomic environment and the relatively weak role of domestic policies in an unfavourable macroeconomy is not unique to South Africa. In a variety of Latin American and African countries, domestic farming policies have been unable to compensate for macroeconomic policies which are unfavourable to agricultural production.<sup>53</sup>

Although it is difficult to account for the enormous differences between Gear and earlier formulations that were in line with ANC thinking, it is nevertheless an important measure of how far ANC economic thinking shifted in the last five years. And while the policy is largely silent on the possible role of agriculture and agribusiness in job creation and growth, it is possible to explore the impact of an open, export-orientated economy on agriculture and small-scale farmers, the group of people Gear has identified as key to the alleviation of rural poverty.

### Open export economy

One of the keys to Gear reaching its employment and growth goals rests on the transformation of the economy from its inward-orientated focus to an outward-orientated, export-driven economy. While Gear ignores the potential of agricultural exports in job creation and growth, its broad emphasis on export orientation is, coincidentally, in line with the sub-sectors of agriculture that have the greatest potential for employment creation and growth. Exports of high value foods – vegetables, citrus, grapes and deciduous fruit – are expanding much more rapidly than field crops like maize, wheat and oilseeds, the traditional strength of the agricultural economy.<sup>54</sup> In the period since the rapid devaluation of the rand, foreign exchange earnings from fruit exports have risen sharply and revenues can be expected to increase further. These crops are also far more labour intensive than other food and fibre crops and the number of workers in this subsector has increased, or remained steady, in the face of sharp declines in overall

agricultural employment levels. Horticultural farmers employ more labour at higher wage rates than in field crops and animal products, the other two main agricultural sub-sectors.<sup>55</sup> Indeed, irrigated agriculture requires five times more labour than for field crops.<sup>56</sup> Citrus farmers currently employ upwards of 100 000 workers<sup>57</sup> and employment in the deciduous fruit sector is over 330 000.<sup>58</sup> Many of these farm workers are rural women, a category that most poverty studies identify as being the poorest and most vulnerable group in South Africa. One of the reasons why employment levels have not declined as rapidly is because harvesting, planting and maintaining horticultural crops is less vulnerable to mechanization. In contrast, the mechanization of field crops like maize, which has been well documented, has had far-reaching impacts on employment structure and overall levels of employment.<sup>59</sup> Increasing levels of mechanization, particularly in the period after the late 1960s, led to a sharp decrease in the overall workforce on maize farms. Casual and seasonal workers, most of whom were women, were disproportionately affected by mechanization: while the numbers of permanent employees decreased by 20%, the number of casual employees dropped by as much as 50% on some farms. Although the labour process in horticulture is not immune to labour-saving devices, many tasks, notably harvesting soft and easily bruised fruit and vegetables, cannot be performed using a machine.

Since export agriculture depends on irrigation, production levels – and by implication employment levels – are less vulnerable to periodic droughts which devastate other sectors of agriculture. While the value of maize exports in 1994 – a year of exceptionally high rainfall – was far higher than for all other crops, the value of maize exports varied wildly in the period between 1989 and 1994. Citrus and deciduous fruit exports, in contrast, were far more stable and both experienced comparatively steady gains through the 1990s. The dislocation that farm workers experience when maize and other field crops fail due to drought is less likely for farm workers on fruit, vegetable and citrus farms. The organization of fruit, citrus and grape product marketing also places industry in a strong position to expand exports. Marketing is organized by several large interconnected monopolies

which control the sophisticated infrastructure required to transport the crop from the farm to an overseas super-market. Although the statutory monopoly these organizations have had over exports has been questioned or repealed, they have the resources and expertise to open new overseas markets in an extremely competitive international environment.

Despite not receiving the attention it arguably deserves from Gear, the high-value agricultural export sector has the potential to contribute to rural job creation, foreign exchange earnings and economic growth. Improving wage income opportunities is in line with the ILO's call for rural job creation programmes that benefit the poorest group in South Africa, rural women. Increasing production by extending the land under cultivation should have a direct impact on employment levels. The rapid growth of high-value food exports in Chile, Brazil and Taiwan played an important role in foreign exchange earnings and rural employment. Moreover, the growth of these high-value food exports led to the growth of processing and manufacturing industries, in other words the "dynamic interactions" that Merg policy makers hoped to encourage with investment in agro-industry. Any expectation that South African horticultural exports will experience the same kind of rapid growth rates experienced in Chile, Brazil and Taiwan must, however, consider the global environment that permitted these countries to expand their export industries so rapidly. A crucial feature of the growth of high-value food exports in these countries during the 1970s and 1980s was the "... the very favourable international market conditions during their 'take-off' stage and for many subsequent years".<sup>60</sup> The large monopolistic marketing agents for deciduous fruit, citrus and wine products in South Africa have had some success – particularly with the removal of sanctions – in penetrating new international markets in the 1990s. In 1996 and 1997 Outspan and Unifruco, the main marketing agents for citrus and deciduous fruits respectively, negotiated access to the Canada and the United States, markets which were previously closed as part of the campaign to isolate South Africa during apartheid. These notable successes must be set against the more general trend towards the fierce protection of domestic markets and the

strong farming lobby in most northern hemisphere countries.

The recent trade negotiations between South Africa and the European Union have provided an important lesson in the difficulties of international food and fibre trading. Shortly after the 1994 elections, the EU offered South African exporters a trade agreement which was intended to "reward" the country for its successful democratic transition and to assist in reconstruction and development. Formal negotiations were delayed until June 1996, due mainly to France's insistence on an in-depth study of the possible impact of a free trade agreement with South Africa.<sup>61</sup> The initial proposals have foundered in the face of the EU's powerful farming lobby, which initially demanded that 48% of existing exports from South Africa to the EU be excluded from the free trade agreement. Under pressure from South Africa and from groups within the EU the figure was amended to just over 38% of exports. Significantly, there are no restrictions for non-agricultural products under the proposed agreement and the products that will still be affected by tariffs include maize, grapes, wine, deciduous fruit and processed fruit products. These restrictions are remarkable when considering the proportion of South Africa's export to the total that the EU imports – a mere 1,51% – and the fact that local products are counter season.<sup>62</sup> International competition may also limit the extent to which South African agricultural exports can expand. Exporters are already competing with countries like Chile, Brazil, New Zealand, Australia and Argentina, all of whom have the same counter season advantage as South African growers. The continued protection of domestic markets and increased international competition led a World Bank report on the citrus industry to predict a very modest 7% growth in citrus exports over the next decade.<sup>63</sup> The potential for growth in high-value food exports – and, by implication, employment growth, foreign exchange earnings and dynamic linkages with other sectors of the economy – depends on international market conditions. International conditions may not permit the rapid expansion of exports as was the case for countries like Chile during the 1970s and early 1980s.

If penetrating new markets may be difficult, organizing farm workers and improving conditions is a more chal-

lenging prospect. Nonetheless, the prospect of alleviating rural poverty through agricultural wage work depends ultimately on improving conditions for farm workers. Organizing farm workers and the spread of farm worker equity schemes are two immediate ways of improving wages and conditions on farms. Of the two, unionizing farm workers is perhaps more challenging; as Murphy<sup>61</sup> has argued, "... the importance and desirability of organizing farmworkers will remain rhetoric until the practical difficulties involved in trying to organize in agriculture are squarely addressed." These obstacles include the spatial distribution of farm workers, the small number of workers on individual farms, the limited resources of unions, the persistence of paternalism on some farms,<sup>65</sup> and the active efforts of white farmers against union efforts to organize farm workers. Even when worker protest has enjoyed limited success,<sup>66</sup> divisions within the workforce have militated against effective and long-term organization. In parts of the Western Cape, ethnic divisions are being exploited by fruit and wine farmers with the express purpose of defending themselves against unions. On these farms, the workforce is divided between a better paid group of coloured men and women who live permanently on the farm and apparently share the same consciousness as the white farmer, and a group of poorly paid seasonal black workers. This division ensures that resident workers are unlikely to be tempted by unions and excludes Africans who are perceived as the "union vanguard" and more inclined to militancy.<sup>67</sup> One solution to the problem of organizing workers is to concentrate on farms where unions have had limited success: large, labour-intensive farms growing high-value food for export and employing upwards of 500 workers. Farm owners employing such large numbers are generally less reluctant see union organization and some may even encourage unions with a view to increasing productivity levels. Greater leverage is possible with exporters – despite the reluctance of the WTO to include a clause which specifies working conditions on farms – who are vulnerable to international pressure, as was recently demonstrated in the wine industry. If unions could organize employees on large farms they would represent close to 10% of all farm workers, a figure that is con-

siderably higher than current estimates. In the Western Cape, for instance, unions have organized approximately 18 000 workers, or only 5.5% of the region's workers.<sup>68</sup> A second solution, which has had some success in the Transkei, is for unions to target out-grower schemes run by government parastatals. On these labour-intensive farms, unions have successfully increased wages and improved worker conditions.<sup>69</sup> The problem with both these strategies is that unions would be organizing workers on farms where conditions and facilities are considerably better than the norm. It would also focus on permanent workers at the expense of seasonal workers, most of whom are women, and labour-intensive farms at the expense of workers on field crop and animal product farms. The prospects for farm workers on maize farms, where the average number of permanent workers per farm is 15,<sup>70</sup> is much less promising.

Farm worker equity schemes, which involve farm workers owning part or all of the farm, are a second way of improving conditions and empowering farm workers in high-value food farming.<sup>71</sup> They are a method of redistributing land without affecting the structure of individual farms or overall production levels; indeed, with better job satisfaction and greater participation, productivity should increase on farms where workers are also owners. Significantly, the share-equity schemes that have received the highest profile are producing high-value food for export.<sup>72</sup> On one farm in the Mpumalanga lowveld, the results of a share-equity scheme have been very impressive: wages increased by 250%, a daycare center was built, and facilities for permanent and casual workers were improved.<sup>73</sup> The cases that have been documented suggest that share-equity schemes must also involve education and a commitment to participation in decision making.<sup>74</sup> The number of equity schemes that have been reported at this stage is very small;<sup>75</sup> nevertheless if they spread and if they do empower farm workers, they have the potential of contributing to an overall strategy that improves conditions for rural wage workers.

The employment and growth potential associated with high-value food exports must be weighed against the costs of an open economy to farmers and farm workers producing field crops like maize, wheat and oil seeds

for the domestic market. While exporters will emerge as winners in an open economy, the agricultural losers will be maize, wheat and oilseed farmers. Competing with maize and wheat imported from the United States or the European Union will be extremely difficult for South African farmers given the high subsidies and indirect transfers that farmers continue to enjoy. The United States, for instance, has selected the South African market as part of its export promotion and subsidy programme under the "Export Promotion Programme". While the WTO should theoretically open markets and promote freer trade in agriculture, it seems more likely that agricultural trade will simply be subject to new control and subsidy measures. Moreover, since the provisions of the WTO are for tariff and subsidy reduction rather than the wholesale removal of trade barriers, the impact of freer trade depends on the initial level of protection. Levels of protection have always been much higher in the United States and the European Union and they will therefore retain higher subsidies under WTO regulations. Rather than promoting freer trade, it seems that one of the impacts of the WTO will be to allow countries in North America and Europe greater access to the markets of developing countries to the detriment of local field crop producers and workers.<sup>76</sup>

The dismantling of domestic subsidies and regulations in the period since the mid-1980s has made field crop farming in South Africa even more vulnerable to imports. Producer subsidies and per capita transfers to agriculture, for example, are much lower for South African farmers than they are for farmers in Europe or the United States.<sup>77</sup> Indeed, the entire regulatory environment for agriculture has changed radically with the amendment of agricultural marketing legislation, the withdrawal of direct state subsidies, and the replacement of quantitative restrictions on food imports with tariffs in line with the GATT. During most years, these differences will allow US farmers to deliver wheat and animal feed to Cape Town at prices that are below production costs of the same crop in South Africa.<sup>78</sup> In a more open economy, and in the context of an agricultural policy which is committed to a "viable market-directed farming sector", considerable restructuring of maize, wheat and oilseed farming is likely to occur. The shift

from maize farming to stock or game farming, a production regime that requires much less labour, will probably be hastened in this new regime. Employment creation and growth in this sector appear far less likely under Gear and uneven rural development is almost certainly one of the most important long-term impacts of an open-orientated economy. What private investment does occur in the rural areas is likely to follow sectors with the potential for export earning rather than on those sectors focused on the local market. Job creation and growth in the long term is therefore far more likely in rural regions focused on exports: the Western Cape, parts of the Northern Province, Mpumalanga, Eastern and Northern Cape. In contrast, the maize and wheat growing regions of Mpumalanga, the Free State and the North West are likely to experience job losses and decline, especially in the context of a macroeconomic policy which puts such faith in private sector investment for growth and job creation. One of the more significant impacts of Gear will be the way it reshapes and transforms rural economics and wage-earning opportunities.

### Small-scale farming

There is an enormous political will in South Africa for small-scale black commercial farming.<sup>79</sup> The Department of Finance's 1997/8 budget has set aside funds for loans to "emerging farmers" and it has also started a "grant assistance scheme" to help black farmers improve efficiency through infrastructure and training. In Gear, small-scale farming is central to the campaign to fight rural poverty. The World Bank has also put its not inconsiderable weight behind the drive to increase the number of small-scale farmers in the South African countryside.<sup>80</sup> This section attempts to address two questions about small-scale farming in South Africa: how will "emerging farmers" fare under Gear and what impact will it have on rural poverty?

It was noted earlier that Gear's assistance to small-scale black farmers will be temporary and that they will not be protected from market forces through the subsidies and protection that white commercial farmers enjoyed for so long. Once emerging farmers have received an initial grant, assistance will take the form of "streamlined extension" and the development of marketing strategies. There is, however, little

recognition of the broader implications of the macroeconomic strategy for small-scale farmers. For instance, a fundamental component of Gear involves controlling inflation by maintaining high interest rates; the real rate of interest is between 8% and 10% and will almost certainly be maintained at that level in the future. A high interest rate will put severe limitations on the ability of small-scale farmers to borrow money and enhance their "production efficiency". The similarities between Gear and a structural adjustment programme mean that the international experience of small farmers under structural adjustment must be instructive. Unfortunately, most case studies suggest that in the absence of direct state intervention, small-scale farmers are less likely to succeed in a "free market" environment.<sup>81</sup> One of the more common results of structural adjustment is the concentration of production and land in fewer hands.<sup>82</sup> The most promising smallholder schemes in South Africa involve sugar cane farming for large processors in KwaZulu-Natal and Mpumalanga. In the former region, the outgrowers are organized by the private sector and there are approximately 30 000 black smallholders producing cane for local sugar processing companies.<sup>83</sup> In Mpumalanga, sugar farming was developed with the active assistance of the former homeland government, which subsidized the preparation of land and the construction of irrigation equipment. The current provincial government has continued to support the development of smallholder cane farmers in the region in response to the increased demand for sugar cane following the construction of a second processing plant in the region. Several writers have argued that irrigation represents the most effective way of increasing smallholder production.<sup>84</sup>

Despite the apparent success of smallholder farming in parts of the country, ensuring equity, access and sustainability has proved difficult.<sup>85</sup> In their analysis of smallholder sugar cane production in Mpumalanga, for example, McIntosh and Vaughan<sup>86</sup> reach an all too familiar conclusion: "... the fact remains that better-off people are likely to become commercial smallholders ... the disadvantaged are most likely to lose access to their traditional arable holdings." While the environmental sustainability of these schemes has not been examined in detail, the record of small-

holder schemes in bantustans has not been good.<sup>87</sup> In the smallholder irrigation region of Mpumalanga there are serious concerns over water resources and the long-term impact of high-input farming on fragile soils. The problem of resources is mirrored in the Western Cape where the potential for increasing land under irrigation is limited and problems of salinization and soil compaction are becoming serious.<sup>88</sup> Finally, the success of irrigation agriculture in Mpumalanga has come at great cost to the provincial government and has required direct state intervention. Smallholder farm development is without question expensive.<sup>89</sup> In the Transkei, the great potential for smallholder irrigation, according to Phillips Howard and Porter<sup>90</sup> depends above all on "substantial state and donor investment". Whether this expense is warranted - given the problems of equity and the fact that it will have a limited impact on rural unemployment<sup>91</sup> - is one important policy question; another is whether the funds will be available in a macroeconomic environment which celebrates the free market and is constricted by fiscal austerity.

International evidence suggests that smallholders have not fared well under a neo-liberal economic environment. For instance, the experience of maize farmers in Mexico, threatened by highly subsidized maize from the United States and Canada under the North America Free Trade Agreement, indicates that the ability to respond effectively to international competition depends on the scale of the operation and on direct state assistance.<sup>92</sup> While large farmers with access to credit and marketing institutions were able to diversify and modernize production, small farmers found themselves without institutional support in a market-driven economy. De Janvry *et al*<sup>93</sup> argued that for small-scale farmers, state assistance was vital, but in a neo-liberal macroeconomy, they were "... left largely destitute of institutional support, precisely at a time when they need full access to these services to modernize maize production and diversify cropping patterns towards higher value crops." Writers on the impact of the neo-liberal policy in South Africa have predicted a similar fate for small-scale farmers. A few years ago Helena Dolny<sup>94</sup> wrote that the impact of policy directions in agriculture would be to "... open itself up to operating in a free market in

which the rule of survival of the fittest will reign supreme. . . [and]. . . only those whose resources and production efficiency permit a cost competitiveness with the world market will remain in grain farming." More recently Gavin Williams has written that the –

removal of subsidies will not "level the playing field" between established large-scale farmers and smallholders in the former bantustans or gaining from land redistribution. The abolition of pan-territorial prices in South Africa will benefit well situated farmers: most African producers will continue to be relatively disadvantaged, even after a land reform, by their distance from roads, railways and major markets.<sup>95</sup>

Tea production in the former Transkei is one industry which will almost certainly do worse under a freer trading regime.<sup>96</sup> Before GATT, a quota system protected producers from cheaper imports; while contractors sold tea at between R12 and R14 per kilo, it was possible to import high-quality tea for R8 per kilogram. Porter and Phillips-Howard<sup>97</sup> argue that tea production – and livelihoods and employment – in this region is extremely vulnerable to a more open trading regime. Gear places a large burden of responsibility in poverty alleviation on small-scale farmers; whether small-scale farmers will be able to grow to deliver on these high expectations in a neo-liberal and open macroeconomy is very much in doubt.

De Janvry *et al's*<sup>98</sup> research on Mexico and the diversification of small-scale farmers into high-value foods raises the question of the possibility of emerging farmers in South Africa participating in the export of fruit, citrus and grape products. Citrus and fruit production is economically viable on very small tracts of land and the large fruit-marketing organizations – Outspan and Unifruco – are involved in assisting small farmers producing the high-quality fruit that is required for export. In the citrus industry, most of the oranges and grapefruit produced by black farmers originate in former bantustan development schemes which have been transformed to allow individual control and cultivation of crops. Although incomes vary widely, on one scheme in the Northern Province some farmers are earning upwards of R100 000 per year, an enormous sum compared to average rural incomes in South Africa. The apparent success of schemes like these must be set against the enormous costs of establishing small-scale fruit farming schemes. Establishing citrus – which

involves preparing the land, purchasing trees and constructing the infrastructure for irrigation – is over R14 000 per hectare. This figure does not take into consideration the increasingly high cost of land with access to water.<sup>99</sup> Returns on investment are typically only realized after five years and profits are earned only after 7 to 8 depending on the proportion of the crop exported. The considerable cost of establishing a fruit farm explains why Outspan is prepared to assist emerging farmers on former bantustan schemes where the infrastructure for irrigation farming is already in place. The result is that there are probably less than 100 small-scale black citrus farmers in the country. Large establishment costs also account for the current interest in equity schemes as a way of empowering rural workers in high-value export agriculture. The obstacles to small farmers in high-value food exports are also apparent in other contexts. In Chile, where the transformation of farming towards exports has been extremely successful, land concentration has occurred and smallholders have been marginalized from the benefits of the export boom.<sup>100</sup>

Finally, Gear's emphasis on small-scale farming must be set against its potential for alleviating and eradicating rural poverty. There are two issues which suggest that emerging farmers cannot be the only solution to rural poverty. The first was referred to earlier in the paper: recent poverty studies indicate that rural Africans who are able to earn an income from agriculture also earn wages in the primary labour market. The poorest rural households, in contrast, are unable to earn any income whatsoever from agriculture and use what is produced on the land for personal consumption. A rural land reform programme that is aimed at increasing the efficiency of "emerging farmers" is unlikely to reach the poorest households and is much more likely to assist farmers who are already earning part of their income from farming. In other words, a small-scale farming campaign is less likely to assist the poorest rural households and will probably increase rural differentiation. The second issue is that even if a small farmer scheme were successful in targeting the rural poor, it is doubtful that enough farmers could be targeted to have a meaningful impact on rural poverty. Current estimates suggest that there are about 11 million poor people in the rural areas. A land

reform scheme that was successful in creating 50 000 additional new small-scale farmers would, however, "not have a major impact on the millions of rural households who have depended on wage incomes in order to survive".<sup>101</sup> Small-scale farming, as the lynch-pin to land reform, thus faces two overwhelming challenges: first, it is not likely to benefit from a neo-liberal macroeconomic environment and second, those farmers who are successful will not be numerous enough to have a significant impact on rural poverty.

## Conclusion

In the various macroeconomic scenarios discussed in this paper, agriculture is given a different role in growth and rural job creation. For the World Bank, the solution lies in transferring resources to a more efficient and employment-intensive class of black emerging farmers. The Merg and ILO strategies stress the importance of agriculture's role in job creation and its dynamic linkages with other sectors of the economy. While these visions are very different, both rest on an interventionist state which is prepared to expand fiscal spending for growth and employment. Gear's message is very different: while it also sees smallholders as being key to the problem of rural poverty, it is based on limited state involvement and sees the private sector taking the lead in investment, growth and job creation. While Gear is silent on the role of commercial agriculture, its emphasis on export promotion is in line with those sectors of agriculture that are already expanding rapidly. The success of rural poverty alleviation for wage workers in this sector depends on improving conditions through equity schemes and union organization. Unfortunately, both of these are in a sense voluntary: equity schemes depend on workers and owners agreeing to joint ownership and unions have been most successful on farms where owners have agreed to the organization of the workforce. Gear's emphasis on smallholders is highly problematic given the equal or greater emphasis it places on fiscal austerity and an open economy. Local and international evidence suggests that smallholders do not fare well in a neo-liberal environment and that when they do, it is through state support.

The differences between the various macroeconomic strategies should not

detract from the deeply political choice that been made in South Africa. The Merg and ILO have called for a radical and immediate solution to solve poverty, undoubtedly the country's most profound problem. Informed by the Washington consensus, Gear takes the conservative road. It remains to be seen whether this choice will undermine the "fragile social fabric so carefully nurtured" in the 1990s.

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# African perceptions of time and economic development

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Sub-Saharan Africa's economic predicament is commonly interpreted in terms of population growth, unemployment, trade patterns, indebtedness, inflation, and so forth. These statistics, however, cannot reflect the crucial interplay between culture, tradition and development. According to the Economic Commission for Africa (ECA), Africa's domestic order is characterized by "unfavourable development perceptions and patterns, static taboos and traditions" which the ECA considers "one of the major contributory factors" to the continent's socioeconomic malaise.<sup>1</sup>

Perceptions of time are a central aspect of traditional African worldviews and have a significant impact on development efforts. Surprisingly, even the relatively few economists who are accustomed to reckoning with social and cultural aspects seem to be unaware of the influence of traditional time concepts. Yet, ever since Kenyan scholar John Mbiti pertinently drew attention to the issue of time perceptions in the late 1960s, African philosophers and anthropologists have frequently discussed the subject.

This paper is motivated by the contention that sub-Saharan Africa's economic problems cannot be adequately understood unless due note is taken of two issues brought into focus by the discussion of the time factor in African thinking. These are:

- the observation that the future dimension of time traditionally plays only an insignificant role and is very much overshadowed by the past; and
- the implications of time perceptions for present-day Africa.

## Past, present and future in traditional African culture

In his study of two Kenyan Bantu languages, Kikamba and Gikuyu, Mbiti

established that the three verb tenses that refer to the future cover a period of about six months, or at most two years.

Coming events have to fall within the range of these verb tenses, otherwise such events lie beyond the horizon of what constitutes actual time. At most we can say that this short future is only an extension of the present. People have little or no active interest in events that lie in the future beyond, at most two years from now; and the languages concerned lack words by which such events can be conceived or expressed.<sup>2</sup>

No attempt is made to visualize a future beyond a short time from the present because the future is too uncertain to allow meaningful consideration. More specifically, a more distant future cannot be meaningfully contemplated because it is devoid of actual, concrete events.

African scholars are broadly agreed that, unlike present-day Western cultures, traditional African cultures – and more specifically those of Bantu-speaking peoples – do not perceive of time in an abstract, mathematical sense. According to Mbiti, the question of time is of little or no academic concern to African peoples in their traditional life. For them, time is simply a sequence of events that have occurred, events that are taking place now and those that will occur immediately or inevitably. What has not taken place or what has no likelihood of occurring practically immediately, falls in the category of "No-time".<sup>3</sup>

Mbiti states that when Africans reckon time, it is for a concrete and specific purpose, in connection with events but not just for the sake of abstract, mathematical reckoning. "Since time is a composition of events, people cannot and do not reckon it in a vacuum."<sup>4</sup> Life is organized in accordance with the natural rhythm set by sun, moon and seasons, the round of agricultural and pastoral tasks and by

social activities. In his study of the Nuer, Evans-Pritchard<sup>5</sup> speaks of the "cattle clock"; Agblemagnon<sup>6</sup> of "biological time". Whereas in Western or technological society, time is a commodity that is utilized, sold and bought, time in traditional African life is "made" by man; it is a human product or creation. Unlike Western man, who assiduously tries to make the most of his time, to save time, and to avoid wasting it, traditional African man is not a slave of time; he "makes" as much time as he wants.<sup>7</sup>

Mbiti distinguishes between Micro-Time and Macro-Time, for which he uses the Swahili words *Sasa* ("now") and *Zamani* ("past") respectively. The former denotes the timespan that is meaningful to an individual or a community because they are participating in it or experiencing it; that is, *Sasa* embraces a dynamic present, a short future and an experienced past.

*Zamani*<sup>8</sup> or Macro-Time is not confined to what in English is called the past. It also has its own "past", "present" and "future", but on a wider scale. *Zamani* overlaps with *Sasa*, and the two are inseparable. *Sasa* feeds or disappears into *Zamani*. But before events become part of *Zamani*, they have to become realized or actualized within the *Sasa* dimension. When that has taken place, then the events "move" backwards from the *Sasa* to the *Zamani*.

So *Zamani* becomes the period beyond which nothing can go. *Zamani* is the graveyard of time, the period of termination, the dimension in which everything finds its halting place. It is the final storehouse for all phenomena and events, the ocean of time in which everything becomes absorbed into a reality that is neither after nor before.<sup>9</sup>

Like Mbiti, Hama<sup>10</sup> distinguishes between "temporal" and "intemporal" (that is, "timeless" time). The latter he also refers to as "motionless" time within which temporal time, with its

daily tasks, cares and hopes, is but an instant. "Temporal time issues out of intemporal time, setting its seal upon those events that stand out as landmarks of history".<sup>11</sup> From this follows the question how intemporal time/*Zamani* affects man's social existence – in its widest sense – as it is experienced in temporal time/*Sasa*. The following shows that the impact of *Zamani* on *Sasa* is indeed momentous.

According to Mbiti, the history of any given African people moves "backward" from the *Sasa* period to the *Zamani*, from the moment of intense experience to the period beyond which nothing can go. Mbiti writes that in traditional African thought, there is no concept of history moving "forward" towards a future climax, or towards an end of the world. "Since the future does not exist beyond a few months, the future cannot be expected to usher in a golden age, or a radically different state of affairs from what is in the *Sasa* and *Zamani*."

So African peoples have no belief in "progress", the idea that the development of human activities and achievements move from a low to a higher degree. The people neither plan for the distant future nor "build castles in the air". The centre of gravity for human thought and activities is the *Zamani* period, towards which the *Sasa* moves.<sup>12</sup>

In traditional thinking, there is no "world to come", such as is found in Judaism and Christianity. Ideas of Utopia, a "Heavenly Jerusalem" or a "classless society" are foreign. The "Golden Age" lies in the *Zamani*, the "timeless time", not in the short, non-existent future. Throughout Africa there are countless myths about the creation of the world, the origins of man and of death, the founding of the tribe, and so forth, but no eschatology (doctrine of the last and final things, such as Doomsday). Because of his belief in "timeless time", traditional African man is confident that time has no end and that the present world will last forever.

Whereas Mbiti's views regarding traditional concepts of the future have gained wide acceptance,<sup>13</sup> some critics<sup>14</sup> reject them, arguing that traditional African communities are well aware of future time because, among other things, they have to plan agricultural activities a season ahead. Objections such as these show that the

critics have not properly read Mbiti, who explicitly acknowledges that traditional African man is indeed conscious of the future dimension of time, but that he does not project his day-to-day thinking into a distant mathematical future.<sup>15</sup>

Dominique Zahan, whose original work appeared in 1970 in French, appears to have independently arrived at similar conclusions to Mbiti's. He elaborates on the practical implications of traditional African orientation towards the past and shows that tradition is "above all" the collective experience of the community enshrined in the past. Being orientated towards the past, "the African finds the justification and meaning of his actions not in the future but in time already elapsed".<sup>16</sup> Traditional African thinking is "regressive", tracing the present from the past and thereby justifying it: "I do this because my forefathers did it; and they did it because our ancestors did it." This way of reasoning underlines the role of tradition in African culture. It is tradition that gives meaning to action. Action is rooted in the past, not in the future.

The word "tradition", when applied to African customs and beliefs, is often viewed as a simplistic system of habits and routines according to which Africans defy rational, modern knowledge and insight, and are apparently incapable of grasping the new. That, however, seriously misjudges the essence of tradition. Embodying the collective experience of the community, tradition must be properly understood if it is to explain African religious behaviour. For tradition –

... constitutes the totality of all that successive generations have accumulated since the dawn of time, both in spiritual and practical life. It is the sum total of the wisdom held by a society at a given moment of its existence ... a means of communication between the dead and the living, as it represents the "word" of the ancestors.<sup>17</sup>

Like Mbiti, Zahan points out that while in Western thinking the ideal state of affairs is sought in the future, for the traditional African it lies in the past.

For the African the ideal takes the form of an exemplary past which is realised in the present. The supreme ideal for him is the indefinite repetition of the past, enriched at each realisation by the acquisitions furnished by the present.<sup>18</sup>

As a consequence, the concept of progress is also intimately linked to the past. The traditional African under-

stands progress primarily as "the realisation by a given generation of stages which others have reached before it".<sup>19</sup> Zahan points out that reference to the past is a human reference, because, of all moments in time, only the past carries traces of human action. "It is the only humanised period." This explains the profound relation that exists in the eyes of traditional Africans between the ideal of progress and the moral achievement of man.<sup>20</sup>

### **Africa adopting a new time concept**

The foregoing may appear to be a somewhat abstract and academic exercise with little relevance to present-day Africa, let alone South Africa. Obviously, political and economic changes, intensified by advances in communications and other technology, have profoundly affected traditional modes of living. However, worldviews, values and practices that have governed life since time immemorial and have given it meaning, do not fade away overnight. In many ways, these factors have become even stronger as Africans sought to assert themselves – the essence of their being, their personality – against the onslaught of foreign concepts and values. The old and the new coexist and clash in many respects. The social, economic and political problems besetting Africa today reflect the dilemma of its people struggling to harmonize their traditions and their own essential being with the demands of a cold and ruthlessly competitive global environment.

Modern economic activities, public administration and even social services such as education, health and general welfare can only function properly if they comply with the demands of an impersonal, abstract time schedule – a schedule in stark contrast to the "human", man-made time of traditional Africa.

Dynamic forces are implanting new time concepts into African life, undermining the traditional pattern of "humanized" time and jeopardizing the familiar, dependable traditional modes of existence that had enfolded and sustained people amidst a hostile physical environment. The foremost of these upsetting forces are education, religion, economics and urbanization, not necessarily in that order.

Formal modern education, from primary level to college and university, has profoundly changed traditional

life. Apart from its impact on traditional agricultural and pastoral activities or on relations between youth and elders – issues beyond the scope of this essay – education has a direct influence on perceptions of time. In contrast to the daily rhythm set by the sun or the “cattle clock” of traditional society, a fixed time plan governs the teaching process and inculcates the habit of living by the dictates of a mechanical device. Perhaps even more significantly, the teaching of history and the natural sciences familiarizes young people with linear thinking. According to Dammann, this linear thinking “dislodges the mythical, magical and cyclical forms of thinking. It laid the basis that enabled Africans to join the modern technical world.”<sup>21</sup>

Education automatically directs attention to the future because the future holds the potential for change and improvement in one’s personal existence. For the individual pupil, the future promises social and material advancement, while the community can hope for better socio-economic conditions and a more active political life.<sup>22</sup>

Whereas the traditional African worldview is focused on the past – or perhaps more correctly: on *Zamani* or “timeless time” – Christianity and, to a slightly lesser extent, Islam have introduced African people to a new, linear conception of time, particularly future time. In contrast to the timelessness of *Zamani*, the Bible teaches that the physical world is moving towards an ultimate end, and that in order to save man from eternal death, God sent His son to redeem man and lead him to the Heavenly Jerusalem. As Nyang writes, “Like Islam Christianity teaches the African that there is a life after death, that one’s post mortem existence will not be like that of the ancestors, and that one’s deeds will be judged by the Creator.”<sup>23</sup>

On the question of time the Christian African learns that there is a dimension beyond *Sasa* (the present), and history assumes greater significance because God Himself in the person of Jesus Christ came to this earth over 1900 years ago. This incarnation of God makes this life important, and the individual human being has a mission to do good and to prepare his or her life for the hereafter.<sup>24</sup>

Life in this world assumes a new meaning. Unlike traditional existence, ancestral norms and practices lose much of their compelling power, while man’s behaviour and aspirations are

guided at least as much by concern for the future as for the present.

With regard to members of indigenous African churches in the Durban area, Oosthuizen reports that “not only did these people have a more advanced work philosophy than members of the historic churches, but furthermore, that they had also adopted a modern attitude towards time.”<sup>25</sup> The author offers no explanation for the difference between members of the two kinds of churches. However, his text intimates that the African churches he investigated do more than the historic ones to assist their members towards a better standard of living by providing instruction covering moral reformation, health improvement, careful budgeting, and so forth. If this interpretation is correct, it suggests the important generalization that where non-African institutions have become thoroughly indigenized, they are particularly capable to help those within their ambit to find their bearings in the modern world.

The destructive impact of urbanization on traditional modes of existence is well known. Particularly in an industrially fairly developed country such as South Africa, one needs to continually watch the clock and remember dates. This includes transport schedules, the starting time of work, dates when house rent, municipal services or instalments on hire-purchase are due. While all this does not necessarily call for a long-term future perspective, it certainly helps to develop time consciousness and to inculcate the habit of forward planning.

Everyone in paid employment inevitably becomes aware of the link between time and earnings. In traditional society, time is not an issue when one is fulfilling one’s social obligations. The spirit of communalism and caring for the welfare of others takes unquestioned priority over any concern regarding the length of time involved. “Individuals are thus linked to one another in time, by time and through time.”<sup>26</sup> The introduction of a cash economy may weaken but will not readily destroy the powerful bonds of social obligations and the attitude towards time that goes with them.

Paid employment unavoidably affects time perceptions. As Ukpapi puts it, “in every African business, government and international organisation, time is gradually becoming a money factor. How much one earns is

strongly determined by how effectively the available time has been used.”<sup>27</sup> Durand further emphasizes the formative impact of paid employment by pointing out that many a newcomer to the labour market cannot imagine that “. . . his time, ‘a fraction of universal existence which is given to him by God’ no longer belongs to him.”<sup>28</sup>

He does not think himself to be dishonest or loafing or wasting time which, in good faith, he still thinks he possesses. The necessity for speed on a job of which he often sees neither the end nor the purpose, does not appear to him.<sup>29</sup>

The impact of the money economy on a hitherto cashless society and its traditional time concepts goes even further than that of paid employment. The greatest upheaval in time comes with the introduction of the world of profit and the amassing of money. Then, according to Hama and Ki-Zerbo,

acculturation changes the sense of individual and collective time into the mental schemas operative in the countries which influence Africans economically and culturally.<sup>30</sup>

According to the two authors, Africans perceive that it is money that makes history. African man, “once so close to his history that he seemed to be creating it himself, in microsocieties,” is then confronted both with the risk of a colossal alienation and with the opportunity of being a “co-author of world progress”. In the same vein, Ayoade foresees that Africans will become “potential conquerors of time” through a careful reflection on time-past, and a discreet scheduling of time-present as well as time-future.<sup>31</sup>

Time consciousness is indispensable if the people of Africa are to become masters of their own destinies in the world of the twenty-first century. However, while time consciousness is a necessary condition for sustainable development and stability, it is but one of several conditions (which need not detain us here).

Professor Mbiti was the first author to recognize the crucial significance for Africa’s destinies of time perception in general and the future dimension in particular. While less sanguine than the two last quoted authors, his vision is broader and deserves to be quoted at some length.

Modern change has imported to Africa a future dimension of time. This is perhaps the most dynamic and dangerous discovery of African peoples in the twentieth century.

Their hopes are stirred up and set on the future. They work for progress, they wait for an immediate realisation of their hopes, and they create new myths of the future. It is here that we find the key to African political, economic and ecclesiastical instability. Africa wants desperately to be involved in this future dimension. Emphasis is shifting from the *Zamani* and *Sasa* to the *Sasa* and Future.<sup>32</sup>

Mbiti goes on to warn that "somewhere there lies a deep illusion". The "scales of traditional life" are being cast off much faster than the "garments" of this new future dimension are being worn naturally. The great illusion is that these two entirely different processes are looked at as being identical. For as long as African people fail to grasp that traditional concepts and values are being rejected faster than new ones can meaningfully take their place, "... the situation will continue to be unstable if not dangerous".

Present structures of political, economic, educational and Church life unfortunately favour the continuation, if not the perpetuation, of this illusion. Here, then, lies the dilemma and tragedy of the rapid change in Africa.<sup>33</sup>

Among others, the "deep illusion" manifests in the belief that progress will be achieved by propagating "nation building" at the expense of tribal solidarity. Tribal structures which for many generations were produced by and orientated to the two-dimensional concept of time, cannot rashly be dismantled and their place taken by the "nation". As Mbiti writes,

On the surface tribal solidarity is disrupted but beneath lies the subconscious mind of the traditional *Zamani*. Nationhood scratches on the surface, it is the conscious mind of modern Africa. But the subconscious of tribal life is only dormant, not dead.<sup>34</sup>

The disharmony between traditional and modern worldviews creates social disarray and causes conflict in the minds of people. Agblemagnon<sup>35</sup> contrasts "the all-embracing time which enfolded the individual in all his aspects and made him part of a global reality", with the tendency of modern time to dissociate the individual from the social setting and isolate him. As a result, "... we are no longer very sure which culture we are in, where traditional culture ends and where modern culture begins."<sup>36</sup>

Unrealistic expectations are another danger inherent in the "discovery" of the future dimension. People who are

just beginning to visualize a more remote future are apt to overlook the obstacles in the way of their hopes and expectations – obstacles that may well be formidable and need systematic and patient efforts to overcome them. The sanguine expectancy that marked the dawn of Africa's decolonization is a case in point. This is understandable, because as Oosthuizen<sup>37</sup> points out, for people who see time in terms of events, the future is a non-event and therefore tends to be equated with the wondrous, "a kind of Father Christmas, miraculously bringing gifts". This mindset was illustrated by Kwame Nkrumah, who confidently expected prosperity and happiness to result from the single-minded quest for the Political Kingdom rather than from "sweat and toil and planning that are vital ingredients in the development of any civilization"<sup>38</sup>

### Looking ahead

What are the implications of all this for the future? More particularly, what is the relevance of traditional time concepts for Africa's development in the broadest sense? Are these concepts compatible with determined, systematic efforts to overcome the continent's backwardness?

Western economists tend to believe that traditional culture, with its focus on *Zamani*, cannot be reconciled with the demands of modern time and particularly economic development. As Sonnenhol, a leading German development economist, states with reference to Africa, "the magical world and the modern are irreconcilable".<sup>39</sup> Dealing with what he calls "magical logic", Kagame appears to concur. He writes that the magical logic in terms of which all historical events are assessed is not a stage of thinking which is advancing towards Cartesian logic, but rather –

a system of thought which is complete in itself but of a different kind. It coexists with a conception of the world which is in keeping with it; *it cannot evolve, and is abandoned entirely if a different conception of the world is acquired.*<sup>40</sup> (Emphasis added.)

None of the other African authors referred to above sees the issue in such stark terms. While no one claims traditional culture alone provides a sufficient basis for modern development, they all are convinced that total rejection of the cultural heritage would

inevitably result in alienation, social disruption and decay. Thus, according to Claude Ake, "There is no development in alienation, only disorganisation. The people and all those things that make them what they are – their culture, values and interest – are never an obstacle to their own development."<sup>41</sup> Similarly, Anyanwu states that people "would not show any resistance to changes which they judge to enhance their lives."<sup>42</sup> He adds that the morality of change is more important to them than change for its own sake. In other words, changes in people's living conditions must harmonize with their traditional value systems. It is the prevailing view among African authors that meaningful development is possible only on the basis of a symbiosis between traditional and modern concepts. Modern development must be rooted in the traditional.

Despite such wide agreement, the available writings by African authors fail to even sketch the outlines of such symbiosis, nor do they indicate those aspects of traditional worldviews and practices that may not be abandoned in the course of development, and those that should be dispensed with. The only tangible proposal comes from Abimola, who suggests that in preparing development plans, the elders should be consulted in order that the ideas and philosophies on which such plans are based, "reflect a genuine African thought process".<sup>43</sup>

Having regard to the relatively short time elapsed since Africa's independence, it is not surprising that discussions juxtaposing traditional and modern worldviews sometimes reveal deep suspicion of Western motives. Kassam, for example, states that Western commercial interests, bent on exploiting Africa, deliberately foist their own linear worldview on Africans and thereby destroy indigenous preconditions for development.<sup>44</sup> However, Kassam stands apart from the mainstream of African thinking by implicitly denying the need for a synthesis between the indigenous and the foreign, and by insisting that the indigenous inheritance alone is an altogether adequate basis for development.

More than their Anglophone fellow-Africans, French-speaking West African authors tend to readily acknowledge the importance of embracing Western concepts without, however, abandoning inalienable indigenous concepts and values. But they, too, make no attempt to identify those aspects of the

traditional which they consider obstacles to development and those that must be retained at all cost. Writing that "there is indeed a culture barrier in Africa" that accounts for its economic problems, Etounga-Manguelle suggests that Africa needs to change its perception of itself and the world and adapt its culture to the contemporary scene, "otherwise it will do more to destroy its culture than to preserve it."<sup>45</sup> Even outspoken author Axelle Kabou, who compares traditional cultures to "gloomy cells"<sup>46</sup> and states that "clinging to tradition" makes one unfree,<sup>47</sup> does not advocate jettisoning indigenous culture.

### Conclusion

The available literature does not offer cogent answers to the question whether traditional African worldviews in general and concepts of time in particular can coexist, or, preferably, enter into fruitful symbiosis with the worldview on which present-day industrial civilization is founded. Nor do African authors explain how the two worldviews should combine and provide a truly African development paradigm.

Given the profound differences between the two worldviews, it is probably unreasonable to expect clear-cut, reasoned answers to issues that in effect are not amenable to theoretical solutions, but can be resolved only by trial and error in the course of the historical process. The path of that process is bound to meet many obstacles and deviations, and to manifest varying blends of traditional and modern concepts. The ultimate outcome is likely to be a specifically African pattern of social and economic development.

No human being is guided by rational motives and values alone, and even quite a few hard-headed and ostensibly rational Western businessmen as well as other educated persons at times turn for guidance to astrologers and soothsayers. In Black Africa too, no less than in the West, irrational and apparently rational behaviour can exist side by side without the one overpowering the other. Africa is in the maelstrom of change, and it depends on its people how they will emerge from it. All one can say with some confidence is that if the people of Africa are to overcome their present malaise, they must suitably adjust to the inhospitable global business and financial environment. By developing

appropriate attitudes towards time, past, present and future, they will significantly hasten that process.

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# Environmental security in Africa:

## some theoretical concerns and emerging issues

*Dr Cyril Obi, of the Nigerian Institute of International Affairs, discusses the threats to African countries arising from the exploitation of their resources and the degradation of the environment.*

### Introduction

Environment and security issues have become hotly disputed topics in the study and practice of world politics. Does environmental change pose a security threat? If so, whose security does it threaten and how? Does the threat vary from case to case, region to region, or between North and South? What sort of response is appropriate – fundamental structural change, a new deployment of existing institutions and resources, some long or short-term combination of the two? Should the military be involved in addressing this threat?<sup>1</sup>

Since the mid-1980s, and particularly with the ending of the East-West cold war, increasing attention has been paid to the centrality of environmental security issues to global order. This new emphasis on the security–environment linkage is borne out by three major considerations: the expansion of the notion of security to include non-military,<sup>2</sup> human-centred threats, especially due to the reduction of cold war geopolitical and strategic calculations; increasing challenges to statist, neo-realist and militarized definitions which had hitherto dominated security studies,<sup>3</sup> and the debate hinging on the transnationalization of environmental security concerns, in which the transmissibility of environmental threats across local, national, regional and global levels has become a major issue.<sup>4</sup>

It would seem that in the current debates Africa has not received much prominence. In the first place, it has not featured much in terms of the literature except as a source of environment-related threats to Western (and global) security,<sup>5</sup> while a systematic study of environmental security issues on the continent has yet to emerge. At the same time, existing work in security studies in Africa is largely domi-

nated by realist and neorealist paradigms which are usually state-centric and emphasize the elimination of military threats to national sovereignty and order.<sup>6</sup> It is important to note however, that some scholars in Africa have recognized the vital link between human welfare, the environment and security on the continent.<sup>7</sup> Furthermore, the interconnection between environment and security and its strategic importance to conflict resolution in a post-cold war Africa has been recognized:

The Cold War obscured the older and wider meaning of security by concentrating narrowly on military concerns and often assuming the threat to be from outside the borders. In this post-cold war period problems that once seemed distant, such as environmental degradation, unsustainable population densities and mass movement of refugees, have come to the fore. Threats today are more likely to arise from unarmed, hungry, unemployed and frequently divided people. The solution cannot be a military one, but demands a different approach, which can only be effective if we have accurate data coupled by thorough understanding of the causes which generate conflict.<sup>8</sup>

What needs to be done is to build on this recognition, and present an African response to the current debates in international relations on the implications of environmental change for global security. The current blame placed on Africa, as a source or site from which ecological stresses or environmental conflicts which directly threaten global security emerge, must be rejected. Besides the immorality of blaming the victim, Africa, it obscures the role of external, extractive (global) actors who aggravate local resource scarcities within the continent, and

indirectly and directly provoke conflict.

It is important to note that Africa cannot be an outsider in the global environmental change–security nexus. Indeed, it is central to it. At the level of the current discourse the following questions are critical: What is Africa's stake in environmental security in the emerging post-cold war world? Is the notion of environmental security compatible with Africa's security challenges as we approach the end of the 20th century? What conceptual hurdles need to be scaled to address the specificities of Africa's environmental security? Are these problems the same as those of other regions of the world?

This article seeks to address the preceding questions and is divided into four parts: the overview sets out the parameters of the discourse; the conceptual perspectives explore the ramifications of environmental security within the specificities of the African context; a discussion follows of the dimensions and emerging issues in the area of environmental conflict and security in Africa and a conclusion ties up the arguments and proffers suggestions for a redefinition of Africa's security in the emerging world order.

### **Environmental security concerns: a conceptual overview**

Environmental security is a complex notion. Rather than seeking to supplant the traditional notions of security which held sway during the cold-war years, it opens up a hitherto neglected aspect. Within the context of this article environmental security hinges on the "critical part played by environmental factors in shaping global secur-

ity and international relations".<sup>9</sup> This is because the reality of global economic and ecological interdependence ensures the expansion of the notion beyond narrow statist boundaries and strictly military (external) threats.<sup>10</sup> Therefore the environmental-security nexus constitutes an important part of the reconstruction of Africa's place in global peace and security, based on issues of equity and redress.

Environmental security can be defined as measures taken to contain threats or contradictions emanating from the interaction between man and the ecosystem, or as a consequence of its degradation, and Dabelko offers a particularly comprehensive perspective when he defines it as:

a transnational idea, the core of which holds that environmental degradation and depletion, largely human-induced, pose fundamental threats to the physical security of individuals, groups, societies, states, ecosystems and the international system.<sup>11</sup>

The objective of broadening the notion of environmental security has been hotly contested. It has involved a debate:

between those who view the redefinition of security as part of a general project to transform the international system, those who share this ambition but are skeptical

of such an approach to realizing it, those who seek to incorporate the concept into existing institutions and practices, and those who regard the exercise as a passing fad related to the general confusion that has followed the sudden end of the cold war.<sup>12</sup>

In the United States this debate has raged for a while, inspired in part by the pioneering works of Brown,<sup>13</sup> Ullman,<sup>14</sup> Myers<sup>15</sup> and Matthews,<sup>16</sup> who sought to demonstrate that environmental degradation and resource wars in areas of strategic US interest could hurt American national and global interests. Others are busy trying to prove that such theories or models constructed on the position that environmental scarcities cause violent conflict,<sup>17</sup> are spurious,<sup>18</sup> or need a clearer focus and a strong empirical base.<sup>19</sup>

Yet, the notion of environmental security is getting stronger. In his recent work on environmental security as a national security issue, Porter makes the point that:

More broadly, environmental security is concerned with any threat to the well-being of societies and their populations from an external force that can be influenced by public policies. Proponents of environmental security argue that increasing stresses on the earth's life-support systems and renewable resources have profound implications

for human health and welfare that are at least as serious as traditional military threats.<sup>20</sup>

There is a growing consensus that threats emanating from the exploitation and degradation of the environment, largely as a result of the economic extraction of resources by man (and the resultant pollution of the ecosystem), need to be tackled in a globally coordinated manner, affecting as they do the entire human race. At the same time, various actors in the international system are defining their stakes in the global effort, and maximizing their gains in the politics of global environmental change.

How then does Africa fit into these debates and the unfolding scenario? In the first place, it is important to note that conceptually there is an obsession with US security in the literature,<sup>21</sup> exposing Africa to the danger of having its environmental problems distorted to fit into the functionalist ends of Western models.<sup>22</sup> Quite absent are the "external hegemonic insertions: economic, strategic, political, and historical, and how they fuel and profit from the inequitable global relations".<sup>23</sup> Existing work in the Western functionalist mould as it refers to Africa needs to be subjected to a transformational critique which would posit that



Nigeria's oil: at what cost to the environment?

issues of access and equitable distribution lie at the heart of the crisis facing most resource-rich but poorer countries of Africa.<sup>21</sup> The starting point of the analysis would be an investigation of the causal link between environmental scarcities and conflict.

### **Environmental conflict and security: some conceptual considerations**

What provokes environmental conflict? In what ways do such conflicts constitute threats to security? What are the stakes, who are the contestants or "warring parties", and how are they defined in terms of relations of power over the ecology? What are the "economics" of environment conflicts?

The preceding questions encapsulate the varied dimensions of the "links between environmental change and political or violent conflict",<sup>25</sup> and scarcity. As noted earlier, a lot of the prognosis of this linkage focuses on the ways in which struggles over shrinking environmental resources, either as a result of overuse, misuse or degradation, lead to stresses which trigger conflict.

Writing extensively on the linkage between "resource/environmental scarcities", and violent conflict, Homer-Dixon concludes that the interaction between supply-induced scarcities, demand-induced scarcities and structural scarcities can provoke conflict. Supply-induced scarcities are the result of reduced availability of environmental resources, either as a result of over-exploitation or degradation. Demand-induced scarcities are attributed to population growth rates outstripping the supply or production of resources,<sup>26</sup> technological changes requiring the use of larger amounts of raw materials and immense pressures on renewable resources. Structural scarcities are basically the outcome of distributional inequities, in which a tiny elite monopolizes resources to the exclusion of the rest of society, who then violently seek access to a fair share of shrinking resources critical to their survival.<sup>27</sup> According to Homer-Dixon:

Scarcities of critical environmental resources – in particular cropland, fresh water, and forest – are contributing to mass violence in several areas of the world. While these "environmental scarcities" do not cause wars between countries, they do sometimes aggravate stresses within countries, helping stimulate ethnic clashes, urban unrest, and insurgencies.<sup>28</sup>

Two concerns are important here: the shift in emphasis to intra-state wars,<sup>29</sup> and the threats these pose to "Western national interests by destabilizing trade and economic relations, provoking migration, and generating complex humanitarian disasters that divert militaries and absorb huge amounts of aid".<sup>30</sup> A similar sentiment is repeated by Klare:

High growth rates in crisis-ridden LDCs are likely to produce high rates of rural-urban migration, and from poor and low income ones to affluent countries.<sup>31</sup>

As noted elsewhere, the relationship between high population growth rates and environmental conflict is not a simple one.<sup>32</sup>

A lot lies in understanding the sociology of ideas that pose the problem in the form of a demographic trap, rather than focusing on the real roots of the problem and its linkages with the economic system, international actors, and the global distribution of power over the control of access, and distribution of resources.<sup>33</sup>

Therefore, the conflict is regarded not as a function of an exploding population, but as the outcome of the struggles and contests between socially defined groups for the control of resource use, resource distribution and survival.<sup>34</sup> In this connection, the forcible integration of Africa (and its ecosystem) into the global system of production and exchange, through unequal trade and direct colonialism, and now sustained through neocolonialism and the hegemonic strands of globalization, has placed Africa's resources at the disposal of hegemonic global, national and local economic actors. These extractive social forces operate mainly for profit and the accumulation of wealth, without paying heed to ecological considerations and the need for social equity and justice for excluded groups:

Resources are extracted depleted, causing scarcities and stress, while the ecosystem absorbs the waste. Rapid extraction in the quest for profit, without consideration for renewal recovery of the resource base, and the consequent environmental stress thus place the hegemonic social forces, local, national and global, which benefit from the accumulation of wealth from the plundered Africa resource base, on a collision course with those whose lives are directly tied to these ecosystems.<sup>35</sup>

Thus, environmental conflicts in Africa find expression at local, national and global levels, with the first two being

quite pronounced and violent. The increased global control of Africa's resources, and the deepening economic crisis on the continent, have influenced the intensity of conflict in combination with a host of other social, political and historically-constructed contradictions. Recent works have shown the linkage between structural adjustment and the deepening of environmental conflict in Africa,<sup>36</sup> underscoring the role of economically-rooted contradictions in contests over the environment. In many cases, what is at stake is the very survival of excluded groups, classes, regions and nationalities.

From the preceding, it is clear that Western paradigms do not adequately explicate environmental conflict in Africa<sup>37</sup> through models of resource scarcities or demography. Steeped in values that seek to maximize Western interests, modernize non-Western societies, and obscure the external dimensions of ecological crisis in Africa, these models fail to properly conceptualize the problem and its connections with global insecurity.

The way to a resolution therefore lies in recognizing the links between the dominant modes of production in Africa and the rapid depletion of natural resources, the role of the state as an actor in, and mediator of, relations between the people, global capital and the environment, and the conflictual relations of inclusion and exclusion in terms of access and control over "scarce" environmental resources.

### **Environmental conflict and security in Africa: dimensions and emerging issues**

The dimensions of environmental conflict and security in Africa revolve around recognizing the threat posed by the link between ecology and politics. It has been established that there is a clear connection between environmental stress, conflict and insecurity on the continent. What is required is a broad overview of the situation since the end of the cold war.

The trend in Africa is for environmental conflicts to occur within countries. This is so when we consider the situation in terms of the numerous communal conflicts over shared resources (rivers, aquifers, forests, farmlands, mineral-rich tracts of land) involving those "tied to land involving nomads, pastoralists, ranchers, resource extractors";<sup>38</sup> the state versus

groups resisting the forces of extraction (local and foreign) and those involving minorities. The impact of such stresses, as well as the contests, are deep and multi-faceted. It is worth considering the roles played by the nature of African states and societies and the crisis of underdevelopment in which the continent is immersed. More often than not the managerial, technological and top-down policy responses to ecological stressors are wrong-headed and reflect the inequitable power relations on the continent. Therefore, rather than alleviating, they sharpen the differences and worsen conflict. The underlying developmental problems, the widening rich-poor gap, ethnic cleavages, and increased global penetration and expropriation of the rich resource-base, within the context of authoritarian governance, have seriously undermined capacities to manage the outcome of contradictions spawned by a market-based economic system and its interaction with the ecosystem.

Much of the conflict in Africa stems from the degradation of land – limited access and increasing stress, water scarcity – leading to intensified struggles for access and control, and social struggles for a fair share of the benefits of the transformation of environmental resources.

Land degradation has been at the heart of conflicts in the Sahelian belt of West Africa, and has featured prominently as one of the reasons for the wars in Sudan, Somalia and the Horn of Africa.<sup>39</sup> Several studies have recognized it as a factor in communal clashes in Nigeria.<sup>40</sup> Similar studies have also demonstrated the dangerous trend rooted in conflicts over water.<sup>41</sup> In water basins all over the continent, disputes over water rights, access and distribution can be found. Egypt, Ethiopia and Sudan are locked in a dispute over the waters of the Nile.<sup>42</sup> Similar disputes can be found in Kenya, Mali, Mauritania, Niger, Senegal and Sudan. In the drier regions of the Sahel, bitter conflicts over aquifers, involving pastoralists and farmers, are widely reported. With degradation and water scarcity, more pressure is brought to bear on rapidly shrinking resources. This leads to an increase in stress and the propensity toward violence in the absence of “open” democratic frameworks for conflict resolution, and the dominance of an economic system which emphasizes extraction for profit's sake, without considering issues of

sustainability, equity, poverty and the survival of the “dispossessed”.

As argued earlier, structural adjustment – with its emphasis on opening up the local resource base (ecosystem) for increased exploitation, extraction (and pollution) and export of resources in commodity form, in order to earn badly needed foreign exchange for Africa's cash-strapped economies, and also earn profit for foreign investors – has deepened existing contradictions and scarcities. Furthermore, the technology for extraction has more often than not accelerated the degradation of land and the exhaustion of water reserves. Mechanized agriculture, dams and unsustainable irrigation practices have destroyed huge tracts of arable farmland in parts of Africa, thus denying hundreds of thousands of peasants of their means of livelihood, and have created eco-refugees who put pressure on marginalized areas, rapidly degrade this land and provoke quarrels with host populations.<sup>43</sup>

Economic liberalization has also deepened social differences in the area of mineral extraction. A good example of this is the current tension sweeping through Nigeria's oil-rich Niger delta, involving local, national and global actors. As Rowell states:

Oil and environmental conflicts are rooted in the inequitable social relations that undergird the production and distribution of profits from oil, and its adverse impact on the fragile ecosystem of the Niger delta. It involves the Nigerian state and oil companies on one side, and the six million people of the estimated eight hundred oil-producing communities concentrated in the seventy thousand square kilometer Niger delta on the other.<sup>44</sup>

The history and politics of oil and environmental conflict are well known and need not be repeated here. What is important to note is that the issue of land scarcity (because of pollution or acquisition for production purposes, inequitable distribution of benefits from oil production, and unsustainable extraction by global economic actors) is at the root of the conflict which since 1995 has been one of Nigeria's most critical internal and diplomatic challenges since the end of the civil war in 1970.<sup>45</sup>

What must be made clear is that there is no attempt to single out the environmental factor as the most critical one contributing to conflict and insecurity in Africa. All that has been done is to bring to the fore a hitherto neglected factor, and to demonstrate

its relevance to security in an emerging post-cold war order.

## Emerging issues

Perhaps the most important point that can be made, besides the necessity for Africa to join the mainstream of the debate on the link between environmental change and global security, is the need for an African paradigm of this nexus. It is not enough to merely refute Western paradigms and not respond to an internal need to address a gap in security studies on the continent. A closer definition of terms, the North-South gap, issues of global inequity, globalization, the impact of wars on African ecosystems and the connection between African and global environmental security, need to be critically addressed at conceptual and operational levels.

The link between environmental crisis and conflict on the continent can no longer be neglected, nor should we continue to accept that the use of force to contain conflict is foolproof. If anything, the African environment is becoming rapidly globalized, with the actors as well as consequences transcending national borders and identities. The process of transnationalization requires not a national response to protect environmental resources over which state control has been compromised, but one that confronts existing inequities in global environmental politics, power relations and international economic relations. Unless this is done, it will be difficult to address the root of the problem.

Equally important is the question, whose security? In most of Africa, this often translates into state security, or the security of the ruling party or class coalition, or the defence of sovereignty and territorial integrity. Yet there is growing and compelling evidence to show that environmental decline in Africa, if unchecked, will worsen insecurity. With Africa at the bottom of global economic indicators, experiencing negative growth rates, huge external debts, massive poverty, high infant and maternal mortality rates, low life expectancy, declining incomes and the breakdown of welfare structures, there is fertile ground for instability. Huge expenditures on the paraphernalia of war and internal security can therefore only increase existing stresses and cleavages in societies. In the long term, the security of the dominant elites and ruling classes in Africa will

be undermined by unsustainable extraction of resources and the alienation of the masses. The safest investment in security from an ecological perspective is one founded on sustainable development and the welfare and rights of the people, as opposed to the narrow interests of a tiny elite.

It is also necessary to deal with the nature of war on the continent and its environmental dimensions. There is no doubt the trend is toward the intensification of resource wars:

At stake is not just the survival of people in the face of growing scarcities (and the widening of the gulf between exploiters and the beneficiaries of extraction from, and pollution of, the ecosystem), but the very definition of, and control over, the environment.<sup>46</sup>

Studies by Glickman and Tetter,<sup>47</sup> Pimental, Floyd, Teeh and Bourne,<sup>48</sup> as well as Suliman<sup>49</sup>, clearly establish the linkage between economic adjustment and local resource wars over shrinking forests, shrinking farmlands and fast-depleting water resources in the Sahelian region of sub-Saharan Africa. Local resource wars impact on, and are partly the outcome of, environmental stress. Wars degrade the ecosystem and increase scarcities, setting the stage for further wars. If unchecked, this becomes a vicious cycle, with refugees and displaced persons crossing and recrossing international and regional borders, putting strains on existing resources and relations with host communities. The crisis in the Great Lakes Region is very instructive. The genocide in Rwanda has been partly attributed to a resource war between Hutus and Tutsis.<sup>50</sup> This conflict has generated refugees who have had an adverse impact on the politics and security of neighbouring countries within the subregion: Burundi, Democratic Republic of Congo, Tanzania and Uganda. It would not be an exaggeration to describe the Great Lakes region as the most volatile subregion in sub-Saharan Africa at present.

What the foregoing means is that the emerging trends in environmental conflict and resource wars in Africa demand immediate remedy. The urgency is more glaring given the imperatives of globalization and adjustment, which are intensifying scarcities and sharpening contradictions in Africa between humans and the ecological foundation of their existence – the environment. To prevent the further processes of extraction and control of

Africa's resources by global forces which pay scant regard to the welfare of African people (and those of coming generations). Africa needs to secure its environment by resolving these divisions. The continent would then regain control of its ecosystem and provide a basis for a just and more secure global order.

## Conclusion

It is clear that environmental security in Africa is critical to the survival of the continent. It transcends national concerns, even if in most cases the conflicts occur within national boundaries, because both the triggers, actors and consequences have become transnationalized and globalized. Only a regional, pan-African and globally coordinated effort can adequately address the "new" threats emanating from the ecosystem.

The starting point to address the environmental security issue is conceptual. That is, demonstrating that Africa has been the victim of reckless plunder by economic forces seeking profits and markets: local, regional, national and global. As such, environmental scarcities and environmental degradation are not natural or the work of faceless agents. These forces and agents are found in the global political economy, and the implications of the extraction of Africa's environmental resources for the continent's security are laid bare. The distortions in existing debates can therefore be contested, and the groundwork laid for reversing the threats currently facing the African environment.

There is a need to expand current notions of African security to include environmental considerations, while emphasizing the urgent need for a people-centred social security system. The urgent threats emanating from poverty, underdevelopment, authoritarian governance, environmental degradation, social inequity and Africa's marginalization from the centres of global economic and political power can then be addressed. Closely related to this is the need to democratize and open up African states and societies. Then various stakeholders can play equal roles in decision-making, consensus-building, power-sharing and the equitable sharing of resources, and provide a foundation for sustainable development, amicable conflict resolution and human-centred security.

Africa's place in global environmen-

tal politics has to a large extent adversely influenced its capacity to deal with ecological crisis.<sup>51</sup> What is required is a concerted regional and pan-African effort at restructuring the current lopsided distribution of political and economic power in the world. This will allow for an equitable basis to be established in international structures, institutions and regimes for stopping those external forces, which in collusion with national and local actors increase scarcities, accelerate degradation and create wealth for themselves and poverty for local populations, thus raising the potential for environmental conflict in Africa.

What then is the role of the military in ensuring environmental security in Africa? The threat of a nuclear war in Africa is remote – at least in the short to medium term. The use of force and conventional weapons to prosecute environmental "wars" or repress demands for equity, democracy and access to resources will clearly not solve the problem. Security concerns need to be "humanized" to show that it is "less about procuring arms and deploying troops and more about strengthening the social and environmental fabric of societies and improving their governance".<sup>52</sup>

Speth makes six suggestions for security in this decade:

- demographic transitions;
- technological transitions away from today's resource-intensive, pollution-prone technology to a new generation of benign processes;
- economic transition to a world economy based on reliance on nature's "income" and not the depletion of its "capital";
- a social transition to a more equitable sharing of environmental costs of production, use and disposal;
- a transition to a far more profound understanding of global sustainability, and
- an institutional transition to new arrangements among governments and peoples for achieving environmental security.<sup>53</sup>

However, Speth's "model" has a clearly ideological character, reflecting Western rather than African requirements. What this indicates is that Africa must forcefully state its own concerns. Instead of rhetoric, Africa must begin to dismantle the hegemonic structure which spawns contradictions in its

ecology and breeds poverty, oppression, resistance, conflict and insecurity, and makes its case a global priority.

Finally, the security of the African environment cannot be separated from the quest for an equitable global economic system and the welfare, freedom and dignity of the masses of the African people.

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# The evolution of Zambia's relations with China

*Ian Taylor, Department of Political Science, University of Stellenbosch, traces the development and flowering of a political and economic love affair*

Ever since independence in 1964, Zambia's foreign policy has been dominated by its relations with its southern neighbours. While the Zambian independence process was looked upon by southern African nationalists as a boost for their own liberation campaigns, the neighbouring colonial and minority-ruled states – particularly Mozambique and Rhodesia – correspondingly saw it as a threat. Not only did their demands clash with Zambia's agenda of national development, regional liberation from minority rule and international independence,<sup>1</sup> but in addition Zambia was forced to rely heavily on its copper resources and on Rhodesia for most consumer goods. The desire to break away from this dependence, to develop Zambia's economic character and increase its manoeuvrability vis-à-vis the minority-ruled states thus became a guiding light of Lusaka's foreign policy.

At the same time, the People's Republic of China (PRC), emerging from the crisis in Sino-Soviet relations, was beginning to define its own African policy. This was based on the desire to further its image as a restored power, combat superpower influence on the continent and project an image of China as a fellow member of the developing world. Recognition gained for developmental assistance and aid to various liberation movements served to further China's projection of itself as a nation regaining its "rightful place" in the international community, while reinforcing links with receptive states eager to break out of the constraints inherited at independence.

Thus the respective aims of Chinese and Zambian foreign policy were essentially compatible. While Beijing aimed to utilize Zambia to increase its own manoeuvrability on a wider global stage, project itself abroad and combat superpower hegemony, Zam-

bia was keen to develop linkages with outside powers as a means to escaping the machinations of the white regimes in the region. Suspicious of the two superpowers, Zambia came to see China as a useful ally in its mission to break from the south – an ally that, unlike Moscow or Washington, would not threaten Zambian sovereignty or exploit its strategic position.

## Early linkages

Relations between China and Zambia were established on 29 October 1964. Initially, Kaunda was suspicious of Beijing's intentions, but as Western aid largely failed to materialize, the generous nature of Chinese aid conditions overcame any lingering doubts.<sup>2</sup> From then on, relations grew rapidly prior to the Cultural Revolution, symbolically climaxing with Kaunda's visit to Beijing in June 1967. On the 17th of the same month, Kaunda greeted China's detonation of a hydrogen bomb with enthusiasm, seeing this as ushering in an era in which China (and by extension the developing world) would play a major role in the international system.<sup>3</sup> This opinion coincided with Beijing's own view regarding China's resumption of its rightful place in world affairs. By this time Zambia was one of China's greatest supporters on the African continent; along with Tanzania, a linchpin of Beijing's policies in the region. The importance China placed on its relationship with Zambia was signalled by an agreement – at the height of the Cultural Revolution, when much of China's diplomacy was in abeyance – to grant Lusaka an interest-free loan of US\$16.8 million in June 1967.

Why the PRC should have concentrated so heavily on Zambia during this period is explained by a consideration of two factors: Zambia's geo-strategic position, and the personality of Ken-

neth Kaunda and his political orientation. Physically, Zambia was pivotal in the southern African *milieu*. As Douglas Anglin wrote, "Zambia [was] the most strategically positioned and dangerously exposed host state engaged in the liberation struggle in southern Africa".<sup>4</sup> Bordered by Portuguese Angola and Mozambique and rebel Rhodesia, with ties to Tanzania but a dependence on minority-controlled transport and economic links, Zambia was inextricably drawn into the political crisis in the region. Thus Zambia's foreign policy was formulated with a high regard to its immediate environment – and in essence was reactive to the pressures and situations in which the state found itself.

For a long time, as president of Zambia, Kenneth Kaunda enjoyed a reputation as an honest broker in southern Africa. He attempted to install a national ideology of his own making, "Humanism", which was essentially non-violent, opposed to racism and dedicated to nation-building and the gradual implementation of socialism. Inherent in this essentially nationalistic ideology was a desire to remain non-aligned and aloof from the competition between the two superpowers in Africa. In addition, Kaunda made a central tenet of his foreign policy the liberation of the rest of Southern Africa, for as the Zambian ambassador to Beijing said, "without South Africa, Mozambique, Zimbabwe, Angola and Guinea Bissau being free, Zambia is indeed not free".<sup>5</sup>

Zambia's foreign policy was highly personalized around Kaunda,<sup>6</sup> and the warm and lasting friendship developed by China's *grand seigneur*, Zhou Enlai, without doubt influenced Kaunda's attitude towards the PRC. At the same time, Kaunda was wary of both superpowers – and the Soviet Union in particular, increasingly regarding its aggressive posturing as threatening

Zambia's chosen path of non-alignment. Although Kaunda signed an economic and technical agreement with Moscow in 1967, he followed a strictly non-aligned policy and refused to champion the Soviets' policies in Southern Africa. This coincided with China's own anti-Soviet position and as a result, Chinese involvement in Zambia became relatively extensive. Zambia played a reciprocal role, supporting the PRC on the international stage and performing an important part in its policies towards Southern Africa, which aimed to combat superpower encroachment. As the Chinese Minister of Economic Relations with Foreign Countries said in 1975, "although China is separated from . . . Zambia by mountains and oceans, the common struggle against imperialism, colonialism and hegemonism closely links the peoples of our . . . countries."<sup>7</sup>

### The TanZam railway

Perhaps the most famous example of Chinese involvement in Zambia – if not in the whole of Africa – was the building of the rail link between Kapiri Moshi and Dar es Salaam.<sup>8</sup> Though originally mooted in 1964, funding for the rail link had not been forthcoming from Western or Soviet sources. Thus when at the end of September 1967 China offered to build the line, Kaunda, influenced by Rhodesia's illegal declaration of independence, overcame his initial reluctance and began negotiations for the scheme. Chinese help in constructing the line broadcast their commitment to the liberation struggle, while at the same time Kaunda was able to keep to his intention of avoiding Rhodesian or Portuguese rail links. Mindful that the line would help remove the sword of Damocles that the minority governments held over his head, he was profoundly grateful to China for its generous gesture. The rail link was regarded as a "benchmark" of Sino-African interaction,<sup>9</sup> demonstrating that despite the ravages of the Cultural Revolution, China remained committed to Southern Africa. It was also an opportunity for the Beijing leadership to assert that it was still in control of affairs.

### Post-Cultural Revolution ties

Unlike other African countries, Zambia did not find its relations with China drastically affected by the Cultural Revolution – Kaunda, it is to be

remembered, had paid a state visit to China at the height of the disturbances and the TanZam rail link had been tendered to China at the same time. Thus upon the normalization of Beijing's general foreign policy, both states were well placed to continue the developing relationship. Sino-Zambian relations continued to be marked by laudatory rhetoric which linked the two countries together in the wider global struggle against "big power hegemony". The acting Foreign Minister of China summed up Beijing's attitude towards Zambia when he asserted that, "in international affairs, the Zambian government has . . . pursued a policy of peace, neutrality and non-alignment [and has] persistently opposed imperialism . . . and big power hegemony".<sup>10</sup>

The strength of Sino-Zambian ties was illustrated by the welcome given to the vice-president of Zambia when he paid a state visit to China in September 1972. During the visit, China's stance as a Third World country with a shared history of reaction against foreign interference was constantly reiterated, while Zambia's position regarding Rhodesia was linked to the wider Afro-Asian struggle – a device Beijing aimed to utilize to enrol African countries and movements into China's struggle against the "social-imperialism" of Moscow.

The vice-president's visit, though, was merely a precursor to Kaunda's own state visit to China. Arriving with a 27-member delegation on 21 February 1974, Kaunda was warmly welcomed by Zhou Enlai. Zhou's speech at the official banquet for Kaunda is worth quoting at length, for it gives an insight into China's attitude towards the international situation at the time:

The contention for world hegemony between the two superpowers [is] growing ever more intense . . . and all the basic contradictions of the world are sharpening drastically . . . At present the struggle to oppose power politics and hegemonism is developing on an unprecedented scale in the Third World . . . Beset with troubles at home and abroad, one super

power is having a very hard time. The other superpower has wild ambitions but not enough strength. Looking ahead, we are full of confidence. The superpowers are bound to decline further, and . . . the people, comprising more than ninety per cent of the world's population, will surely decide the destiny of the world.<sup>11</sup>

Thus, according to Beijing, the Third World was at a pivotal position: both superpowers operated from a position of weakness and the Third World, if united, could influence the global situation. As a state with a leading role in the Southern African crisis – and indeed in the non-aligned world – Zambia was crucial to China's policies in Africa. Its importance was highlighted by the fact that Beijing let it be known that Mao first formulated the "Three Worlds" theory during Kaunda's visit – implying that Kaunda had somehow helped in the construction of this.<sup>12</sup>

### Sino-Zambian trade relations in the 1970s

The growth of Sino-Zambian economic relations matched the development of their political ties. Following Kaunda's state visit, trade relations between the two countries increased dramatically; Zambian trade delegations visited Beijing on a frequent basis and were rewarded by bilateral contracts. Even prior to the modernization programme of Deng Xiaoping, China saw a healthy commercial relationship as essential to the maintenance of a satisfactory relationship with a country. As the statistics indicate (see Table 1), economic relations between Zambia and China in the 1970s, though modest, were the most significant in southern Africa.

### Sino-Zambian relations and the Angolan civil war

As well as economic ties, party-to-party bilateral relations too were important, as indicated by the visit of a friendship delegation from UNIP in September 1975, headed by Alexander Zulu. This visit came at a time when the situation in Angola was becoming

**Table 1:** Value of Sino-Zambian trade relations in the 1970s

	1973	1974	1975	1976	1977	1978	1979
	(\$million)						
Exports to Zambia	15	38	27	15	9	8	9
Imports from Zambia	23	37	22	30	32	28	31

Source: International Monetary Fund, *Direction of Trade Yearbook* 1980. Washington DC: IMF, 1980, pp. 119–120.

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critical and Soviet involvement was increasing, inspiring concern in Lusaka over Soviet encroachment on Zambia's flanks and especially the life-line of the Benguela railroad, which enabled Zambia to bypass routes through Rhodesia and South Africa. The events in Angola crystallized Zambia's hostility to Moscow, with Zulu asserting that Soviet involvement had "made reconciliation between the liberation movements impossible", while "the big powers [were] at their sadistic imperialistic game again".<sup>13</sup> As a result Zambia moved closer to Beijing on the question of Angola, with Kaunda giving his tacit blessing to China's involvement in aiding Unita and the FNLA as a means to preventing Soviet domination. However, a major foreign policy disaster befell both Lusaka and Beijing: they found themselves on the same side as the pariah of the region, South Africa. Admittedly, Kaunda was reconciled to the victorious MPLA regime far earlier than China was (Beijing took until September 1982 to bring itself round to recognizing Luanda; Kaunda had taken this step in April 1976), but both states drew together as Kaunda increased his anti-superpower posturing.

### Post-Mao relations

With the increasingly critical situation in Southern Africa and the introduction of a direct Soviet presence on the borders of Zambia, Kaunda was concerned that Mao's death in September 1976 would affect Sino-Zambian ties, leaving his non-aligned policy in danger of being subverted. However, it is evident that Beijing valued Zambia too much to allow the death of Mao to jeopardize its most important link in the region. This was particularly so after the damage caused to Beijing's image in the region by the Angolan debacle mentioned above; Zambia was a useful vehicle by which to regain the measure of prestige China had had before 1976. Thus Beijing continued to enlist Lusaka in its anti-hegemonic posturing, specifically against the Soviet Union, being rewarded by Zambia's public attack on the superpowers in November 1977, when Kaunda stated that their hegemonic ambition "always aggravates the situation [in Africa]".<sup>14</sup>

The visit of China's Vice-Premier Li Xiannian in January 1979 was in essence a routine exercise by the Chinese leadership, to reassure Kaunda that PRC policy towards Zambia was not about to undergo any dramatic

change. As Li said, Kaunda had "always been [an] old friend of China in the days when Chairman Mao Zedong and Premier Zhou Enlai were alive. Now that they have left us, the Chinese leaders ... continue to regard [him] as our old friend".<sup>15</sup>

### Aid to Zambia

One way in which the PRC fortified its relationship with Kaunda was through the generous provision of aid. Between 1964 and 1979 Beijing completed more than 30 different aid projects and was by far the biggest Communist donor to Zambia, extending US\$189 million, compared with the Soviets' US\$15 million and the rest of Eastern Europe's US\$60 million.<sup>16</sup> A reflection of the growth of Chinese aid to Zambia is evident in the debt owed by Zambia to various countries. In 1970, virtually no public debt was owed to Beijing, while the advanced capitalist states and multilateral agencies accounted for 80%. However, by 1976 nearly 40% of Zambia's debts were owed to China. The period of most generosity was in the early 1970s, when China emerged from its self-imposed diplomatic inertia and became increasingly involved in the southern African milieu. There was a period of neglect in the immediate post-Mao period, when Chinese priorities shifted to domestic development and also to helping the fledgling Mugabe government in Zimbabwe (Mugabe had been closely supported by China in the liberation campaign). After that, aid to Zambia recommenced in the early 1980s, with US\$45 million granted in 1982 – generosity that acted as an advertisement of the benefits of Chinese friendship.

As noted, 1982 saw a resumption of Chinese aid projects, with the biggest project undertaken by Chinese technicians – a 2 804 metre bridge in central Zambia, followed in 1983 by the building of a 60 000 ton capacity maize mill. Beijing also exhibited generosity of spirit when it agreed to reschedule the payment of US\$7 million debt owed by Zambia. The Chinese leadership was adept at directing its limited aid budget to projects that, though not financially burdensome, would bring maximum return in terms of projecting Beijing's image. One such example in Zambia was the agreement in 1984 to build the new UNIP headquarters. Like the building of Zimbabwe's national stadium, this was a high-profile project

that cost little – China donated US\$370 000 towards costs.

In the build-up to Tiananmen Square, aid to Zambia was again allowed to decline, with only nominal amounts, such as 3 000 tons of maize during a drought and US\$27 000 of medical aid supplied in 1986. However, after 1989 and China's scramble to restore relationships, aid greatly increased. A brickworks was built at a cost of US\$1.2 million and US\$188 000 was donated to upgrade the Engineering School at the University of Zambia.

### Kaunda's visit to Beijing, 1980

Returning to the post-Mao era, the continuity of Zambia's position vis-à-vis China was demonstrated by Kaunda's third visit to China in April 1980. Kaunda repeatedly stressed that Lusaka's and Beijing's views concurred on a wide range of subjects. At a time of acute crisis in the international system, and a perception of increased Soviet manoeuvres, China sought to rally support in the Third World in order to project its status as an integral member of the largest bloc in the United Nations – the developing world.



*Dr Kenneth Kaunda*

Economic matters came to dominate the visit, and in many ways this foreshadowed Sino-Zambian relations in the 1980s and into the 1990s. Hua Guofeng informed Kaunda of China's future priorities, namely the Four Modernizations or China's "new Long March", and Kaunda allied himself with this cause. Sino-Zambian ties

Table 2: Sino-Zambian trade in the 1980s and 1990s

	1980	1981	1982	1983	1984	1985	1986	1987
	(US-dollars)							
Exports to Zambia	36.9	4.9	3.2	1.5	1.2	2.3	0.8	0.9
Imports from Zambia	48.2	21.2	47.8	71.6	47.7	40.6	30	5.1
	1988	1989	1990	1991	1992	1993	1994	1995
Exports to Zambia	3.2	9.2	2.5	2.4	5.4	7.2	9.7	19.6
Imports from Zambia	7.4	7.2	0.3	5.3	16.2	11	2.1	1.8

Sources: *Selected Issues 1974-1991: China's Trade Relations* (Beijing: Shenchen, China: China's Statistics Information Consultancy Service, 1992); and *China's Country Markets Yearbook* (Hong Kong: Economic Information Agency, various years).

were further strengthened by the visit to China in September of that year by Mainza Chona, secretary-general of UNIP, who reiterated the theme of China's and Zambia's common experiences under imperialism while emphasizing economic co-operation. Trade between China and Zambia has continued at a moderate level, although heavily in favour of Beijing. China has acted to redress the balance by making further generous aid grants to Zambia, a point to which we shall return later.

In January 1983, Chinese Premier Zhao Ziyang visited Zambia. The closeness between the two states was exhibited by Kaunda's support for Beijing's position on what it perceived to be aggressive actions by Moscow and Hanoi in Afghanistan and Cambodia respectively. At this juncture, Beijing remained deeply worried by the international situation and sought allies in the Third World to attempt to combat developments viewed as hostile to China's interests. Accordingly, it was "disturbed by the economic crisis which is threatening most of the Third World, and it was with this background that [China sought] mutual co-operation".<sup>17</sup> This theme of mutual aid was developed by the Chinese press at the time of Zhao's visit, with Beijing stressing that Zambia's stand against the minority regimes of the south greatly aided Chinese interests.<sup>18</sup>

This attitude gave an indication of the PRC's thinking on the region and its holistic approach to combating superpower encroachment in the area. Political linkages were important, but bilateral relations were largely concentrated in the economic field, for Third World solidarity was seen as being best served through intensified economic activity and commercial relations. With China concentrating on its own modernization, the commercial side to the PRC's relations with other states became highly important. As Hu Yaobang said to a visiting Zambian delegation in 1985, in the past, "China

had not put enough stress on the country's economic construction, but on political movements and class struggle. But (now) ... work should centre on developing the economy and raising living standards".<sup>19</sup>

### Response to South African aggression

While China urged greater economic development, the political situation in Southern Africa worsened, with the South African military taking increasingly belligerent action against its black neighbours. Though practicalities frustrated his rhetoric,<sup>20</sup> Kaunda reacted by intensifying his radical stand and repeatedly speaking of sanctions against Pretoria. Fearful of Soviet penetration in the region, China promised Lusaka increased co-operation and political support, if it had learned the lesson of the weakness of isolation and so assiduously courted linkages with Zambia as well as other frontline states.

In May 1987 the Chinese Foreign Minister, Wu Xueshan, arrived on a state visit to Zambia as part of his tour of seven African nations. Echoing Beijing's calls for unity against hegemonism and economic exploitation, Kaunda urged greater South-South co-operation and improved ties with China. For its part, China agreed that Third World solidarity was crucial, and offered China's vote in the Security Council to the developing world.

This increase in Sino-Zambian ties at a time of heightened South African aggression was illustrated by Kaunda's fourth state visit to China in March 1988. On the eve of his visit, Kaunda referred to China's relations with Zambia as being "very deep and strong" and called China's relations with Africa and its attitude to debt (China had just reinvested the US\$5 million owed by Lusaka back into Zambia) a "break-through" in solving Africa's economic problems.<sup>21</sup> Deng Xiaoping enunciated

China's position on international affairs, and told Kaunda that "hegemonism still exists today and super-power hegemonism is threatening world peace".<sup>22</sup> Kaunda in turn praised China for being "an anti-imperialism and anti-hegemony country".<sup>23</sup> Both countries were against outside involvement in Southern Africa, with essentially compatible agendas. Thus as the 1980s came to an end, Sino-Zambian relations remained strong.

This friendship was in evidence in 1989 at the time of the crackdown by the Chinese government following the Tiananmen Square demonstrations. The events of June 1989 had little effect on Sino-Zambian relations and Zambia was included on Foreign Minister Qian Qichen's list of Southern African countries visited in July 1989. He was received with the by now standard fanfares on the strength of Sino-Zambian relations. Kaunda refused to join the chorus of Western criticism, suspicious of Western opprobrium heaped on Beijing, aware of the tangible benefits that friendship with China brought and mindful of his own increasingly precarious position vis-à-vis calls for democracy in Zambia itself.

### Sino-Zambian relations under Chiluba

China's relations with the Zambia of Kenneth Kaunda came to an end in 1991 when Kaunda lost the multi-party elections to Frederick Chiluba. Despite the fall from power of one of China's oldest friends, ties between China and Zambia were not disturbed; linkages with the new government of Chiluba's were quickly established and continue to grow. On a visit to Zambia by the Chinese vice foreign minister, the new vice-president of Zambia announced that China remained a firm friend "regardless of the change of government", something which Beijing called "a choice taken by the Zambian people ... China will not interfere", for in the post-Tiananmen era, China was keen to maintain that no country had the right to criticize another's domestic arrangements.<sup>24</sup>

Beijing has assiduously used the Third World – in particular Africa – as a shield by which to deflect criticism of its human rights record. Zambia has supported China on this matter. For example, the Zambian Foreign Minister, on a visit to China in April 1993,

concluded with Beijing's assessment that, "with respect to developing countries, the most basic human rights are the rights to subsistence and to development"<sup>25</sup>

At the same time, Chiluba has been the target of much criticism over his government's sometimes erratic methods with regard to democratic standards. When major aid donors such as Japan, the United States and Britain withdrew their balance of payments support for Zambia in 1996 following Chiluba's new constitution barring Kaunda from standing, China stepped in with a US\$3 million donation. This mutual support in the face of criticism from the West was openly acknowledged by Chiluba when he praised China as a "real friend who did not demand . . . fulfilment of certain obligations"; China's vice-minister for trade and economy in return thanked Lusaka for "having supported Chinese human rights issues"<sup>26</sup>

The question of human rights and the censuring of China's record at the United Nations – usually defeated with the crucial help of African countries such as Zambia – has meant that Beijing has redoubled its efforts post-Tiananmen to maintain cordial relations with a large number of African countries. Criticism of the West's "interfering" in the domestic affairs of other countries has become a common theme in Sino-Zambian talks.

Economic contacts, as mentioned previously, have been one way in which China has maintained relations, encouraging Zambia in its own economic reform programme. At the same time, conscious of the shortfall in trade between the two countries, Beijing has provided a relatively generous amount of aid, maintaining Zambian goodwill by donating computers and stationary to a popular college in Lusaka, kitting out the national football side and in mid-1996 providing US\$21 million to rehabilitate the textile industry and support small businesses. When China's Prime Minister Li Peng visited Zambia in May 1997, Lusaka received a further US\$15 million.<sup>27</sup>

Personal contacts between China and Zambia have continued with visits to China by President Chiluba and the Zambian defence ministry secretary in June 1994, and to Zambia by the Chinese vice-minister of culture. That Li Peng chose Zambia as one of his destinations during his African tour in 1997 indicates the strength of the relationship between Beijing and Lusaka.

### Strengthening of economic links

Though Sino-Zambian trade at present remains relatively modest, there are indications that this will develop in future. Following Chiluba's restructuring of the economy at the International Monetary Fund's behest, China expressed an interest in the creation of joint ventures.<sup>28</sup> Chiluba was eager for this to happen, commenting that, "we want to move away from merely receiving help from China and are eager to do business with China so that wealth can be created by our own people"<sup>29</sup> A major boost was provided by the articulation in February 1996 of Zambia's new foreign policy, whereby Lusaka committed itself to providing legislation and incentives to attract international capital and investment.<sup>30</sup>

As part of Chiluba's economic programme, Zambia abolished foreign exchange controls, prompting the PRC to open its first African commercial bank in Lusaka – an appreciation of the climate for investors that Chiluba's government had fostered.<sup>31</sup> While the bank will serve to service existing Chinese enterprises in Zambia, such as the Mulungushi Textile factory in Kabwe and a large restaurant in Lusaka, it is to be expected that the existence of a Chinese bank in Zambia is likely to attract further Chinese investment and economic activity in the country. Indeed, one of the stated objectives of opening a branch of the Bank of China in Lusaka is to facilitate increased trade between China and Zambia.

Chiluba has been explicit in his assertion that Zambia's economic development is aimed at maintaining state independence and resisting "interference" by outside states – notably the major Western powers. He has been fixed in his resentment of Western calls for internal reforms, in particular of his controversial constitutional amendments, and has blamed this on the end of the Cold War and the emergence of an all-powerful United States. As Chiluba asserted, since the end of the Cold War "the shift of power so that one part [i.e. the United States] is dictating to the other is very dangerous and an unacceptable situation"<sup>32</sup>

China was quick to capitalize on Chiluba's anti-hegemonic critique: as Zambia's vice-president Godfrey Miyanda asserted: "China has never tried to bully any African country nor

has displayed any big brother tactics of intimidation".<sup>33</sup> That this is factually wrong is not important – by playing up African resentment of interference in domestic affairs over matters such as democracy and human rights, China has established a support constituency guaranteed to support Beijing when under attack from the West over its own record. Alongside fostering growing trade links, this is very likely to continue in the foreseeable future as a cornerstone of China's Africa policies.

### Conclusion

Under Kenneth Kaunda, Zambia built up a substantial relationship with the PRC which survived Kaunda's loss of power in 1991. Faced with a deteriorating situation in the region and perceiving a lack of commitment from the West, while hostile to Moscow, Kaunda came to see in China a useful partner that could bolster Zambia's position vis-à-vis the minority-ruled states while not threatening Kaunda's desire to remain non-aligned. China was also seen as an alternative to Zambia's inherited linkages with the West: in the climate of enthusiasm for the Afro-Asian cause in the 1960s, it was seen as an ideal partner to allow Zambia to express its African and Third World identity.

For its part, China saw in Kaunda a leader committed to resisting super-power machinations in the region – Beijing's main priority in its foreign policy towards Southern Africa. Zambia's physical proximity to China's other main link in Africa – Nyerere's Tanzania – made it possible for China to kick-start its relationship with Kaunda by building the famed Tan-Zam railway. This project, while important in its own right, also signalled that China was committed to the region and helpful for developing economic ties outside of the usual restrictive parameters that Zambia traditionally maintained. Zambia's wish to gain a measure of independence from its ties to the minority-ruled Southern African states was recognized by China: the TanZam railway and other Sino-Zambian projects helped towards what was an important policy aim for Kaunda.

Sino-Zambian ties have remained strong, receiving an impetus in the post-Tiananmen period when Western countries sought to censure China's human rights record. Under Frederick

Chiluba, Zambia has remained unmoved by Western criticism of Beijing and has retained and strengthened its links, often publicly defending the Chinese leadership. As Zambia's economy has opened up to outside investment, it is apparent that it views China as a useful trading partner – not only is it the world's fastest-growing country, but it is a fellow developing nation, with practical advice and support to offer.

Though Zambian foreign policy has always had to operate within the Southern African regional context, China's policy towards Zambia has been successful and it has been able to continue the strong links with Lusaka, even after Kaunda's electoral defeat. By encouraging Third World solidarity in the face of Western "hegemonism" and "interference" Beijing has been able to appeal to Zambian sensibilities and has thus enjoyed a warm relationship over the years. Beijing's posturing has succeeded in Zambia, and it is likely that Lusaka will remain a steadfast ally of China's on the international stage in the future. With the Zambian economy opening up, attracting increasing numbers of Chinese investors, while China refrains from attaching any political strings to its aid and investment, and from criticizing Chiluba's governance (unlike many Western countries), one can expect a deepening of Sino-Zambian economic ties while at the same time mutual political support on the international stage is likely to continue.

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# Rural SMME development in South Africa:

## the White River Area, Mpumalanga

*Professor Christian M Rogerson, Department of Geography and Environmental Studies, University of the Witwatersrand, assesses whether current policy matches the needs of rural small business*

Creating non-agricultural employment opportunities in rural Africa is a key policy issue, particularly in view of changing agricultural technologies and agrarian structures. For the developing world, ILO research suggests that expanding such employment opportunities is "the only hope of providing full employment" to expanding rural labour forces.<sup>1</sup> One key area of employment generation is the promotion of rural small, medium and micro-enterprises (SMMEs).

In view of its policy significance, rural small enterprise development has attracted a number of researchers in many parts of Africa. One school of thought stresses the critical importance of a healthy agricultural sector for the parallel development of a strong rural SMME sector.<sup>2</sup> However, the major external constraint on the expansion of rural SMMEs appears to be lack of access to finance and markets.<sup>3</sup> One of the most extensive investigations on the constraints on the rural non-farm sector, undertaken in Kenya, stressed that the key impediments to the development of these businesses were capital/financing issues.<sup>4</sup> Moreover, the stiff competition from both the formal and urban informal sectors selling products and services severely restricts the rural non-farm sector to narrow markets.<sup>5</sup>

In South Africa the problem of improving the rural SMME economy is attracting growing recognition from policy makers.<sup>6</sup> There is an emerging consensus that policies need to improve access to finance, markets and training.<sup>7</sup> The 1993 World Bank research on SMME constraints in rural South Africa<sup>8</sup> stresses financial constraints (in terms of lack of working capital), problems with business pre-

misises and, most important, market constraints in terms of lack of customers and increasing competition within small, location-specific, low-income niche markets. Other recent research emphasizes that South Africa's rural SMMEs confront a set of distinct constraints which represent a negative legacy of the apartheid Homelands programme.<sup>9</sup> Rural SMMEs in South Africa are "under capitalised, have greater difficulty to get access to working capital, have higher market access cost, less skilled labour and a poorly developed infrastructure".<sup>10</sup> Because rural SMMEs confront certain specific challenges not always experienced by their urban counterparts, there is a need for "a targeted strategic approach to rural SMMEs" in South Africa.<sup>11</sup>

The objective of this paper is to build upon this existing literature by examining the relationship between the support needs or constraints on rural SMMEs on the one hand and existing patterns of support provision on the other, through a case study undertaken in Mpumalanga province. The specific aims of this study are twofold. First, to assess the problems, potential and needs of rural SMMEs. Second, to evaluate whether the methods and principles underpinning support services match the needs and access of rural entrepreneurs in South Africa.

The paper is structured in four sections. The first section describes the selected case study area and details the methodology and sources of the research. Sections two and three analyse the findings from a total of 62 interviews on the problems and needs of SMMEs in the White River area. Section four outlines summary findings and certain policy recommendations concerning rural SMME development in the White River area.

### **The policy context of Mpumalanga**

Mpumalanga province ranks as potentially one of South Africa's greatest growth and opportunity areas, particularly in the wake of the national government's plans for the Maputo Development Corridor. Overall, it has been estimated that the series of investment projects planned or already announced in relation to the corridor initiative may generate almost 100 000 new formal job opportunities in Mpumalanga across a wide range of sectors, including agriculture, mining, manufacturing, tourism and construction.<sup>12</sup> A further boost for Mpumalanga's positive growth prospects derives from the likely impact of the national Growth Employment and Redistribution Strategy (GEAR), South Africa's macro-economic strategy. In view of GEAR's emphasis on creating a competitive outward-oriented economy, the Mpumalanga region is well-placed to capture new growth opportunities and to emerge as one of post-apartheid South Africa's regional "growth poles" over the next decade. The windows of export opportunity opened by the macro-economic strategy variously affect the sectors of mining, manufacturing<sup>13</sup> and agriculture<sup>14</sup> as well as tourism in Mpumalanga. The promotional literature for the province aptly calls for investment in "South Africa's new economic dawn".<sup>15</sup>

This promising economic environment provides the context for this case study. Indeed, one aspect of the future potential for SMME stimulation derives from the new opportunities that may arise from the Maputo Development Corridor, both in its construction and operational phases.<sup>16</sup> The role of the provincial government will, however,

be critical to the success of the SMME sector in capturing such opportunities.<sup>17</sup> In particular, it is important to appreciate that the vast bulk of economic activity across Mpumalanga presently takes place through a network of established large economic enterprises.<sup>18</sup>

The SMME economy of Mpumalanga is highly diverse, with structures and problems that differ markedly between different kinds of enterprise. Following the national pattern, a broad distinction can be drawn between three kinds of enterprises: survival enterprises of the informal economy, groups of growing micro-enterprises, and the formal SME economy. Another important distinction is between the group of established SME activities, which are largely white-owned and operate at all levels in the province's settlement system, and the emerging SMME sector, which is primarily based in the townships and in rural areas. At present, the emerging SMME sector is marginal to the mainstream economy and faces a number of important internal and external blockages to its further development.<sup>19</sup>

Overall, provincial development planning in Mpumalanga aims at sustainable economic development. Among the key policy guidelines in provincial development planning are those of "facilitating such economic growth with a view to stimulating entrepreneurial and income generating employment opportunities" and, importantly, of promoting "the optimal development of the SMME sector with a view at the integration of the emerging entrepreneur into the mainstream economy".<sup>20</sup> Between 1995 and 1998 the provincial government aims to "increase the number of SMMEs active in the Province by 20 percent".<sup>21</sup>

Following the broad guidelines laid down in the National White Paper on Small Business, the provincial government is formulating a policy framework for SMME development.<sup>22</sup> In translating the national strategy into a set of provincial targets, the major responsibility falls on the SMME desk, which has been engaged in a set of planning and policy formulation workshops with key stakeholders, most importantly the Mpumalanga Development Corporation, the major service provider.<sup>23</sup> The core objectives of provincial SMME development are stated as follows:

- developing a comprehensive SMME database for the province;

- creating a regulatory environment conducive to SMME development through facilitating policy development and implementation with respect to:

- a provincial SMME development policy;
- a SMME oriented tender and procurement policy;
- a sub-contracting policy; and
- targeted support programmes for historically disadvantaged groups (eg women), contractors, tourism entrepreneurs and small/micro manufacturers.

- mobilizing support for SMMEs through local service centres in ten local areas;

- maximizing support for SMMEs through accredited service providers, by co-ordinating and monitoring service delivery policies on a provincial level; and

- establishing a synergistic network of service providers to SMMEs in the province.<sup>24</sup>

The changing economic environment in Mpumalanga and the shifting national and provincial policy climate towards SMMEs provides the background to this case study of the potential, constraints and opportunities of rural SMMEs in post-apartheid South Africa. Although issues of land reform and agrarian transformation have been the focus of considerable research in Mpumalanga,<sup>25</sup> questions concerning the province's non-farm sector have received little attention. Indeed, in the growing literature on SMME development in South Africa, Mpumalanga is under-researched. The only previous work concerns the characteristics and constraints of small manufacturing enterprises by Ernst & Young and Unisa Bureau of Market Research,<sup>26</sup> issues surrounding curio production around the Kruger National Park,<sup>27</sup> a rapid appraisal of SMME options in two forced removal villages,<sup>28</sup> and policy options in an incipient Presidential Project situated in a rural area under the authority of a local chief.<sup>29</sup>

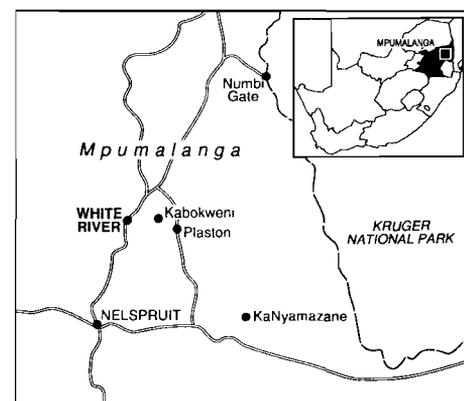
### The White River case study

In examining the problems and opportunities of SMME development in Mpumalanga it was necessary to narrow the focus to one locality. Given the diverse nature of Mpumalanga province, which is differentiated into Lowveld and Highveld (and further subdivided into Northern and Southern)

regions, it was difficult to choose one local area as representative of the entire province. The White River area in the Lowveld was selected for the case study because it offered opportunities to investigate the growth and problems of a range of SMMEs operating in different economic sectors, including manufacturing, service, retail and tourism. Moreover, the area was of considerable interest because of its location close to the primary corridor of the Maputo development corridor, which runs through Nelspruit, and on a sub-corridor that links to Phalaborwa and Tzaneen.<sup>30</sup> Finally, the area was of interest as being typical of most South African small towns and rural areas in not having an accredited local business service centre (LBSC) to support SMME development: the closest accredited LBSC, at Bushbuckridge (75 km away), falls outside the White River study area.

### The Case Study area

The definition of "rural" SMMEs in this study encompasses those in small towns as well as the rural non-farm sector. Indeed, the selected White River area includes: the small town of White River itself, situated 25 km from the Mpumalanga provincial capital of Nelspruit; Kabokweni, formerly incorporated as part of the KaNgwane Bantustan; and the extended rural area which stretches to the Numbi Gate entrance of Kruger National Park. The chosen study area (Fig. 1) is therefore geographically and economically diverse.



**Figure 1** Location of White River Area, Mpumalanga

In terms of population numbers, the study area encompassing the White River and Nsikazi magisterial districts recorded a total population in 1991 of

almost 340 000 people, or approximately one-quarter of the Lowveld as a whole.<sup>51</sup> Available demographic data suggest that since 1980 the white population of the town of White River has been stagnant; a recent study, on the other hand, points to rapidly growing African urbanization associated with rising levels of poverty.<sup>52</sup> In 1991 it was estimated there was a total of 7 000 people in the town, a further 23 000 in the surrounding White River district which was not part of Kangwane, and 310 000 in those areas (Nsikazi) incorporated as part of the then Kangwane.<sup>53</sup>

In terms of the different categories of small town, as recently defined by the Centre for Development and Enterprise,<sup>54</sup> the largely "white" town of White River would be classed as a small platteland town. White River town, with its immediate surroundings, is a major beneficiary of Kruger Park tourism as well as of new investments boosting the area as an international conference and business tourism attraction.<sup>55</sup> Moreover, the town is situated amidst an extensively forested region which provides many local jobs in large sawmill plants and in secondary processing, such as the making of particle board. In addition, there are several agricultural plantations in the area, albeit with little local processing in terms of associated agro-industries. Finally, the economic base of White River is further diversified by a number of light industrial activities, including printing, plastics, cement products and the manufacture of building hardware.

The origins of Kabokweni, 13 km from White River, are rooted in the dis-establishment of the former townships of both White River and Nelspruit and in the associated apartheid decentralization policies of the 1970s and 1980s. Kabokweni's emergence and growth is testament to the thoroughness of forced urban relocation programmes that were implemented in the former Eastern Transvaal.<sup>56</sup> The settlement of Kabokweni grew in parallel with the removal of African residents from White River. Indeed, Bloch<sup>57</sup> refers to Kabokweni as an example of "deconcentrated development" as it was initially a government-proclaimed decentralization point that served both as a deconcentration point for Nelspruit and White River and to link urbanization to Bantustan development. In functional terms, Kabokweni "keys into the economic life of White River"<sup>58</sup> and represents an

example of what has been called "apartheid's hidden urbanites"<sup>59</sup>

According to available data for the 1980s, the Kabokweni area exhibited above-average levels of formal employment for both African male and female workers: compared with national average employment levels of 29%, 41% for males and 17% for females, the corresponding figures recorded for Kabokweni were 38% on average, 48% for males and 27% for females.<sup>60</sup> Of special note is the above-average level of female employment, typical of the demands of decentralized manufacturing for a cheap exploitable labour force in abundant supply. Data from the Development Bank of Southern Africa reveal that the Kabokweni area exhibited the fastest rate of manufacturing employment growth of any area of the Lowveld for the period 1980–1991.<sup>61</sup> With the 1991 reduction in regional industrial development incentives, the relative significance of Kabokweni has waned; the findings of a recent investigation suggest that the area's manufacturing employment base is stagnant, if not even in decline.<sup>62</sup> This trend in formal manufacturing activity is likely to persist, as Kabokweni is not one of the designated areas in Mpumalanga that qualify for the spatial component of the tax holiday programme to promote new industrial investment.<sup>63</sup>

The rural Numbi Gate area is distinctive as regards its axis location on one of the major tourism arteries which channel local and international visitors into the Kruger National Park.

### *Methodology of the study*

As a consequence of the apartheid legacy, the White River area therefore contains a diverse mix of SMMEs which reflects provincial divides between an established, largely white-owned SME economy situated in the town of White River and its immediate hinterland, and the emerging SMME sector, which is primarily based in the townships and rural areas of the former Kangwane Bantustan. The research methodology for this investigation of SMMEs in the White River study area involved a number of different interview approaches.

First, a set of semi-structured interviews was undertaken with key stakeholders involved in SMME development in the case study area. More specifically, seven interviews were conducted, one with the Head of the

SMME desk for Mpumalanga, four with representatives of the major service providers operating in the White River area and two with officials of the White River local authority. These structured interviews focused on local policy on SMME development in our case study area and the range of support services (such as information/counselling, training, financial services, infrastructural provision) made available to rural SMMEs.

At the core of the research project was, however, a second set of interviews: a formally structured questionnaire survey which was administered to rural SMME entrepreneurs. In view of the absence of any comprehensive data base on SMMEs the study cannot claim to represent a scientifically random sample of entrepreneurs. None the less, as far as possible, the survey sought to capture the problems and viewpoints of a representative cross-section of the SMME community operating in the White River locale. Representativity was attempted through interviewing a range of different types of businesses, including production, service, retail and tourism-related operations. In addition, the survey spanned both established SMMEs operating under white ownership and the community of emerging African entrepreneurs.

In total, 55 survey interviews were successfully completed; 4 with established SMMEs and 51 with emerging entrepreneurs. Interviews were conducted variously in the small town of White River (4 interviews), Kabokweni (21 interviews), the surrounds of Numbi Gate (12 interviews) and other areas, including KaNyamazane (9 interviews), Plaston (1 interview) and Msogwaba (6 interviews). Key themes of concern in the questionnaire survey related, *inter alia*, to the major operational problems facing the SMME community, business linkages, relations to support providers and to different tiers of government, and to SMME entrepreneurs' future potential, hopes and expectations.

### **SMMEs in the White River area: needs, constraints and opportunities**

In this section, a general description is provided of the SMME community functioning in the White River area. This is followed by a detailed analysis of their operations, constraints, expectations and opportunities.

### *The nature of SMME activities in the White River area*

The White River study area houses a wide range of SMME activities and entrepreneurs. The group of established (white-owned) SMMEs were strongly linked to the tourism sector. Activities included the running of retail curio outlets, small guest lodges and restaurants/cafes geared to the passing tourist trade, and distributors of food-stuffs for the hotels in the area. In addition, however, established SMME businesses included a range of small production establishments, such as a bakery, workshops and manufacturers of home crafts, sheet glass and furniture. A wide array of small retail establishments in the town of White River would fall within the category of established SMMEs. Of this group of established activities only four interviews were conducted; these did at least glean some insight into the developmental issues relating to established SMMEs: one retail curio establishment, one restaurant which was also linked to a curio outlet, one specialized niche furniture manufacturer and one food-stuffs distributor. All the established businesses had been in operation for from eight to twenty years.

One significant finding was that whilst established SMMEs in the tourism sector are linked to the area's natural resource base, there was not a strong linkage back to the local forestry sector. The established high-quality furniture producer complained about the quality of local wood and felt the forestry sector needed to move away from its emphasis on the demand for mine timbers. This niche furniture producer, situated in the midst of the Lowveld forestry region, uses only 5–10% local wood, the remainder being imported hardwoods. Another example of the striking lack of backward linkages to the local economy was the experience of a food distributor to the area's game lodges, hotels and restaurants. In light of the unreliability of local suppliers, this foodstuffs supplier sources all the requirements of the area's tourism-based hotels from the Witwatersrand.

The larger group of emerging SMME enterprises revealed a different range of activities from that of the established SMMEs. In particular, with the exception of the group of craft workers/curio producers in the vicinity of Numbi Gate, there was much less involvement in the region's important

tourism trade. Indeed, SMME activities at Kabokweni and in the rural White River area are very similar to the kinds of activities which are typically recorded in urban studies of emerging entrepreneurs, particularly in townships. More specifically, the array of SMME activities contained elements of retail, manufacturing and service-based enterprises. Among the retail enterprises, it was not surprising to find that the most common were small general dealer shops or spaza operations; other enterprises included distributors of soft drinks and hair products and retail outlets for tiles, carpets and motor spares. The category of manufacturing SMMEs was dominated by woodworking or carpentry enterprises which were generally engaged in either furniture production or the manufacture of a range of crafts/curios for the tourism market. Other production entrepreneurs included small dressmakers, clothing manufacturers, upholsterers, welders and makers of burglar bars, window frames and gates. The group of service enterprises was highly diverse and included the following types of businesses: shoe repairers, suppliers of motor spares, hair salons, panel beaters, a dressmaking school, burial society, television and radio repair shops, an interior decorating enterprise and suppliers/repairers of air conditioning and refrigeration systems. Of the group of 51 emerging small businesses which were interviewed, 10 would be classed as retail, 19 as manufacturing, 11 as services and the remainder (11) as mixed activities (6 mixed retail/services; 2 mixed retail/manufacturing; 2 mixed retail/manufacturing/services and 1 manufacturing/services).

Overall, what is most striking about this general picture of the emerging SMME community in White River is its marked similarity, in terms of types of activities – especially retail and service activities – to that recorded in South Africa's largest urban townships such as Soweto, Mamelodi or KwaZakhele. A body of research on emerging SMMEs in these areas points to the predominance of activities such as survivalist spaza retailers, manufacturing micro-enterprises engaged in production geared to township markets and to a mix of service activities such as hairdressers, plumbers, welders or electricians.<sup>44</sup> The relatively weak linkage of rural SMMEs in White River back to the area's unique resource base of forest products and tourism

potential is a noteworthy finding; only the woodworking and curio producers do link in to the distinctive physical and amenity resource base of the White River area.

It was apparent that the group of emerging SMME businesses had been founded relatively recently. Of the 51 businesses in the interview sample, only 6 (12%) had been functioning for more than seven years. All the remainder had been established since 1990, with one-third having been in operation only since 1995. In terms of the age of entrepreneurs, a pattern emerges, from the data from 40 respondents, of a range of SMME entrepreneurs from age 21 to 69 years. The majority clustered in the age group 30–39 years; 9 between 20–29, 15 between 30–39, 11 between 40–49, 3 between 50–59 and 3 over 60 years. In terms of prior occupation, the most common individual response was "none". However, among the men there were a number of former mine workers, labourers, electricians, clerks and shoe repairers; among the women the most common responses were housewife, hairdresser or nurse.

The rural SMME community in White River is dominated primarily by male entrepreneurs. Of the sample of 51, only 8 (16%) of the businesses were run by women. Not unexpectedly, the types of businesses owned by women were spazas, dressmaking schools, hair salons, hair suppliers, food services and curtaining suppliers. The only exceptions were one business that was engaged in furniture repair run by a woman, and one motor spares enterprise also run by a woman. In parallel with trends observed in national studies of emergent SMMEs, men overwhelmingly predominated in production-related SMMEs in the White River area. Strikingly, the employment-creation impact of the emerging rural SMME businesses was considerable. Although 25 businesses (49%) employed 3 or fewer workers, the number of job opportunities created by these 51 sample enterprises totalled 244, an average of 4.8 employees per SMME. Individually, the largest enterprise, which was engaged in upholstery activities, employed 21 workers, while 10 enterprises engaged more than 10 workers. As a general rule, the manufacturing and service activities created more job opportunities than the retail enterprises. Overall, relatively few businesses used members from the

immediate household; only 20% of enterprises did so, with the majority of these using their children to assist during school holidays.

The patterns of educational attainment of the interview sample of White River SMMEs exhibit a pattern which is not dissimilar to that recorded in many urban-based studies.<sup>45</sup> Of the 41 who responded, 8 entrepreneurs had Standard 4 or lower educational qualifications, 9 entrepreneurs had between Standards 4–6, 20 (49%) had between Standards 7–9, while only 4 had Standard 10. The entrepreneur with the highest educational qualifications was one woman with a Standard 10 and a Business Management Diploma. As compared with the only other investigation of emergent businesses in the Lowveld, the sample of White River SMMEs appears to be marginally better educated in terms of formal qualifications than the Lowveld small manufacturing community as a whole.<sup>46</sup> Not surprisingly, the majority of the SMME entrepreneurs had received no formal training courses for their businesses. Where skills training had taken place, it was largely amongst the group of manufacturing entrepreneurs in the form of previous work experience with other enterprises. Indeed, only a handful of the sample of 51 entrepreneurs had experience of a formal training programme – variously in business management, electronics, sewing, carpentry, hair dressing and a welding course operated by the MDC.

In seeking to explain the lack of distinctiveness of the emerging rural SMME community in White River, it is useful to explore the responses of interviewees on their rationale for starting up particular businesses. What emerges is a typical pattern of starting businesses out of necessity and seeking means for household survival.<sup>47</sup> The following responses of entrepreneurs typify the survivalist rationale and basis for much of the emerging White River SMME economy:

- “I do not have any particular reason except to make ends meet” (spaza operator)
- “I got entrenched and this was the only solution for me” (spaza operator)
- “I lost my job” (picnic basket maker)
- “I want my children to have something to eat and go to school. If I can get a job I will quit this business because it is giving me nothing other than bread to eat for a

day – there is no money that remains to be kept” (craft business).

None the less, a small but significant number of emerging entrepreneurs were motivated to initiate their businesses by perceiving business opportunities and observing vacant niches in the local market for their skills. The following responses exemplify this type of origin-for rural SMMEs in the White River area:

- “I am trying to give service to my community who I think go a long way to buy their immediate needs” (spaza operator)
- “It’s the job I am skilled at” (carpenter)
- “It went well with my talent and love for it” (carpenter)
- “I saw the need for this kind of business in the community” (battery and tyre repairer)
- “I saw an opportunity since electricity came to our area” (provider of electrical services).

Overall, some variations between the different kinds of enterprises did appear in the survey responses. The retail group, dominated by spaza enterprises, was essentially motivated by the necessity of meeting basic needs; many were survivalist enterprises. Issues of survival were strongly evident also in the group of curio producers geared to the tourism trade in the Numbi gate environs. Officials of the MDC stressed that these craft producers represent primarily a survival group and do not have a long-term commitment to the business of curio manufacture. By contrast, the community of manufacturers at Kabokweni included many entrepreneurs with specific skills, who had initiated businesses on the grounds of market opportunities. The majority of service providers interviewed had founded their businesses because of perceived local market opportunities.

These findings on the reasons for starting SMMEs in the White River area confirm the key conclusions of a previous investigation on small production enterprises in the Lowveld, which linked the growth in unemployment and in new small business development to the constraint of “too much competition and inadequate number of customers”.<sup>48</sup> Moreover, it was clear from the survey responses that the emergent rural SMMEs mainly function in geographically constrained local

markets; indeed, of the 51 enterprises interviewed, only four enterprises, all engaged in production activities, supplied markets beyond the immediate local White River area. These exceptions supplied markets throughout the Lowveld region for specialized clothing (security and forestry companies) and furniture products.

The sources of supplies, on the other hand, for the emerging rural SMMEs were much broader in origin. Although the majority of SMMEs sourced their required inputs from local suppliers in the White River environs or Nelspruit, five enterprises were securing their inputs primarily from outside Mpumalanga, with supplies from the Witwatersrand and even, in the case of one clothing manufacturer, from Durban.

### *Needs and constraints*

The stated needs of, and key constraints on, established and emerging SMME enterprises were markedly different. The small group of established SMMEs in White River put forward a set of needs and constraints which typically reflect the requirements of growing businesses. They expressed the need for greater and improved place marketing of the White River area for tourism. In particular, complaints were directed at the poor service provided by the “pathetic” information centre situated in the town centre. Another significant constraint on growing businesses was the difficulty of securing sufficient tranches of business financing from the local banking/finance institutions in the town. Issues of labour were also a common theme, with complaints stressing the lack of trained labour, the poor quality of training courses and worker attitudes. In one instance a White River curio retailer complained of “not enough assistance to small businesses”.

The problems of the emerging and newly established SMMEs situated outside of White River town were of an entirely different nature. Although approximately one-fifth of the respondents surprisingly claimed to have “no problems”, the majority of entrepreneurs identified core needs or constraints on their business. Across all categories of emerging businesses – whether manufacturing, retail or service enterprises – the most important needs and constraints were related to market issues. Of those respondents

who stated that problems existed in their business, 80% linked them to the absence of market opportunities. Typically, the interviewees responded that "business is slow"; "It's money – I do not get enough money out of this business anymore"; "the market is the problem"; "the market is the problem, a real major problem for me"; or "I need a market".

The underlying reasons for this general market constraint were spelled out in a previous investigation of emerging production enterprises in the Lowveld:

Market constraints exist because most small manufacturers are competing within a small, location-specific, low-income niche market. New entrepreneurs are entering the market in increasing numbers as unemployment rises. As competition within a given niche intensifies, markets in the broader economy become virtually closed, given the location of new enterprises, quality factors and the difficulty of competing with mass-produced products from producers in the well-developed formal sector.<sup>49</sup>

It is clear from the foregoing that "lack of markets" is the consequence of – and surrogate explanation for – a complex of factors which relate to the local circumstances of communities of entrepreneurs that have been disempowered in the apartheid era. More specifically, the question of absence of markets is inseparable from, and inexplicable without reference to, the history of displaced communities who have been severed from the national economic mainstream. Such communities have been spatially isolated in areas with sparse resource bases, limited cash circulation and negligible information concerning product opportunities outside traditional petty trading, services or production activities.<sup>50</sup>

In the case of retail enterprises, no other major constraint or perceived need apart from market issues was even identified in the group of responses. Not mentioned in the survey responses, but a factor of growing consequence for the retail sector, is the recent influx of supermarket and retail chains into the former homeland areas, with a negative impact on the previously (negatively) protected local markets of these SMMEs.<sup>51</sup>

The group of manufacturing entrepreneurs provided further insight into some of the perceived and real market constraints faced by emergent SMMEs:

- "The major problem for my business is the market. Look, I'm not talking about individual customers, I'm talking about contracts –

that's how this business can survive." (burglar-bar manufacturer)

- "My problems are caused by the lack of a market. If the government could assist us and give us jobs they give to others. . . ." (carpenter)

The above respondents are identifying further important constraints for emerging rural production SMMEs to do with competitors' links with larger enterprises and access to government contracts. These were recurring themes that emerged in other responses that were offered (see below).

Lastly, in the group of service enterprises, again the most common constraint on business development was described as the market: one retail curio supplier observed, "We do not have enough customers and that to me is the source of every problem". The only other major constraints on business development that were cited concerned access to raw material supplies, machinery and suitable premises.

It is clear that unfavourable market conditions are undoubtedly the prime blockage to business development for most types of rural SMMEs. Nevertheless, a more detailed unpacking and analysis of the constraints on this community of emerging SMMEs points to other considerations as demanding policy attention. Although market problems were once again paramount, the problems associated with the start-up of new enterprises showed a difference in responses between those enterprises that had received support from a service organization (which in most cases was the former Kangwane Development Corporation (KDC), now the Mpumalanga Development Corporation (MDC)) and non-supported businesses. Overall, only 8 of the 51 interviewees of emerging SMMEs acknowledged receipt of start-up finance from KDC or MDC.

Across all types of rural SMMEs – retail, manufacturing and services – those businesses that received assistance from a service provider tended to have fewer difficulties at the start-up phase of their new business. For example, one supplier of hair products, a recipient of KDC financing, stated, "I would not lie to you – things went well for me"; another satisfied KDC client in the business of curtaining and interior decor averred, "I never had major problems because I had full knowledge of my job and the KDC supported me with the market". Some-

times, however, assistance provided by KDC for start-up was perceived as creating problems in the later phases of business development, as in the response of one carpenter who stated, "Finance helped. KDC helped us with money though they later became dangerous"; the "danger" was of reaching a situation of high debt levels, which resulted, in the case of at least one failed businessman, in confiscation of machinery and property. Finally, it was apparent that availability of start-up finance was not a panacea for the difficulties of securing market opportunities. The following three responses show start-up constraints even in circumstances of funding support by service providers:

- "It's money that was a critical problem but that was due to lack of the proper market." (producer of burglar-proofing)
- "The major problem was marketing. You would not get work from the white customers. Tenders were difficult to secure. Later with the new government I got an order. I had to do research because tenders were not advertised." (clothing manufacturer)
- "Problem was the market. Lucky, I got contracts from furniture shops and wholesalers. I tried to get tenders but all in vain from the side of government." (furniture producer)

Not surprisingly, the group of unsupported businesses also commonly complained of serious start-up difficulties regarding financing and lack of market opportunities. Typically, one supplier of spares stated, "I did not have enough stock: the problem was money for me to be able to buy all these things. Tried KDC but all in vain." Another similar response was from a crafts producer who bemoaned the fact that he "tried to borrow money but they (KDC) want security". In the case of a welder, "Money was obviously a problem but then what could I do?"; likewise, an emerging spaza businessman "did not have any money to buy what I need for my business". For those businesses that were unsupported at the start-up phase, initial business finance derived variously from retrenchment payouts or, more commonly, from family/household savings. For example, one general dealer stated, "It was my husband who sacrificed his pay to buy the first stock." One general finding was that production enterprises were more

likely to have received start-up financing than retail or service enterprises.

The absence of start-up finance support did not, however, preclude the emergence of a successful rural SMME. Several survivalist craft producers claimed that they "did not need cash to start their business". In the exceptional case of one unsupported producer of picnic baskets, operating near Numbi Gate, the key to success had been identifying a specialized and distinctive market niche, for he observed that he had "no problem. All I make gets sold quickly". By contrast, many producers of undifferentiated similar craft products, such as wooden bowls, complained of market-related problems due to too much competition and insufficient tourist traffic. Among retail enterprises, it was noticeable also that respondents frequently drew attention to start-up issues such as the need "to gain trust" or be "well-known" in their local communities.

Questions on issues relating to physical infrastructure, working premises and equipment received a differentiated set of responses from emergent rural SMMEs. As the majority of the retail group were spazas which operated as home-based enterprises, virtually all the retail group were functioning at locations over which they "had no choice" and from owned rather than rented premises. By contrast, the largest proportion of both the groups of producer and service enterprises were located in rented premises, primarily from the MDC. Further analysis showed that many of the small manufacturing enterprises had formerly been functioning in backyard premises and had sought out rental accommodation on grounds of space for business expansion. Another attraction of rented premises identified was the availability and relative cost of electricity as compared to petrol generators. The most notable exceptions to the pattern of renting from the province's major service organization were the group of curio producers/retailers based around Numbi Gate and two service enterprises at Mso-gwaba, who stated that they were renting from former KDC premises that had been given to the local chief.

In the White River area as a whole, infrastructure provision was not viewed as of central concern by the SMME community. Of the 51 interviewees, 38 (75%) had access to supplies of both electricity and water. The areas where either electricity or water was

unavailable were primarily those in the vicinity of Numbi Gate. More broadly, the SMME community in the White River area is well-served as regards several other facilities. Tared roads, post offices, telephone services and access to transport were all commented on favourably by the area's emerging SMME entrepreneurs. The most frequently voiced concern related to inadequate local banking facilities, the closest available facilities being in White River town or Nelspruit. Demand for banking facilities was linked to the fact that the majority of White River area SMMEs use banks as their prime means for saving: 38 of 50 respondents used banks (one claimed to have no savings), 11 used post office facilities and only one entrepreneur was involved in a stokvel/rotating finance facility.

The question of equipment was raised as a minor constraint by most entrepreneurs. Lack of own transport results in the added business costs of hiring transport facilities for many SMMEs. For manufacturers, insufficient or poor machinery was a frequent complaint; the most cited problem was a preference for electrically operated rather than manual machines. Typically, two dressmakers complained, "I do have sewing machines but not enough", and "I do not have industrial machines which is needed for this business". Once again, however, the problems relating to equipment were deemed secondary to those of market considerations, as is highlighted in the following two statements:

- "I have the equipment and a car. All I need is a market." (manufacturer)
- "I do have a car and machines. All I want is markets and we should get that from government." (crafts producer)

In general, the premises and serviced sites provided by the KDC/MDC received a mixed reception. Some respondents were largely favourable; for example, one television and radio repairer observed: "It (Kabokweni) is a good place to work at despite deteriorating conditions of the premises". Other interviewees, however, drew attention to the small size of working premises, their closeness to residential areas and distance from main road access. The most serious criticism was, perhaps, related to market access; as one operator of a beauty salon noted "the problem is that we are away from

the major concentration of people". Broadly, these findings suggest that whilst the KDC/MDC has made commendable initiatives to supply prospective SMMEs with serviced sites, the remote location of these areas "fail to satisfy the need to be near markets".<sup>52</sup> In turn, the remoteness of these areas imposes transport costs on SMMEs in terms of securing supplies and servicing customers.

One significant finding related to demand for training courses. As noted earlier, only a small proportion of the White River area rural SMME entrepreneurs have had formal training experience in their business activities. When questioned, however, as to the demand for such training courses, the overall response was largely negative. Less than one-third of entrepreneurs expressed a need or demand for training courses; those who did saw a need for help with business administration, accounting and book-keeping. Typical responses to questions probing a demand for further training were "I do not need training"; "I have not considered any training" or "Too old"; among producer enterprises, in particular, there was very little enthusiasm for training initiatives. In view of these findings it is scarcely surprising that the business of record keeping was not generally viewed as a major priority; indeed, only 22 of the sample interviewees claimed to keep any business records at all, and even this group acknowledged that they were very casual about their business records. Few of the emerging rural SMME businesses maintain any records of simple cash inflow, outflow and of stock turnover. As is the case with training, information is in general not a valued and desired commodity for the majority of SMME entrepreneurs. One respondent, however, drew attention to the frustrations caused by the lack of information and procedures about government tenders. Another interviewee, a craft manufacturer, perceptively remarked that "Government must assist with education and training to run businesses. There must be a place where one should consult and ask for information in cases of crisis".

#### *Expectations, potential and opportunities*

In the light of the severe constraints recognized concerning market issues in particular, the expectations of the rural SMME community of the White

River area were of limited improvement for their businesses. The most frequent response was that they had no future plans in a context of constrained market opportunities. Indeed, for one manufacturer the response was in the form of a desire to abandon his survivalist enterprise: "I don't have particular plans, but if I am lucky to find a job I will go for it". That said, a small number of respondents offered indications of their plans and expectations for the immediate future. These generally concerned issues of growing or expanding their businesses through opening new branches or improving premises, in the cases of retail and service type of enterprises. Similar expectations of future business development were put forward by some emerging manufacturers.

Key areas for hopes of new opportunities for SMME development concern their relationships with larger business enterprises and with government. Of the 51 interviewees, only 3 SMMEs indicated that they were or had been involved in any subcontractual arrangement with a larger business enterprise. The limited development of linkages with the mainstream formal economy is a priority area for policy attention in order to overcome the market constraints so frequently described by SMME entrepreneurs. At present, the emerging White River SMME community purchases a small flow of supplies and inputs from the mainstream economy but supplies or produces only for a limited local market. This finding confirms the work on small manufacturing enterprises in the Lowveld, which concluded that lack of sub-contracting arrangements was one of the most serious constraints on the further growth of these enterprises.<sup>53</sup> Moreover, it reinforces the view of the Head of the provincial SMME desk that subcontracting between large enterprises and SMMEs occurs only "in dribs and drabs".<sup>54</sup>

There are expectations among the emerging SMME community that the change of national and regional government will produce a different climate for their business development. None of the sample interviewees had received any past support from local or regional government for their businesses. Nevertheless, it was a common theme in the responses that government was a potential saviour for many SMMEs as regards their constraints of markets, premises or inadequate equipment. In many instances, their

expectations of government – at all levels – are overly optimistic. This is evident from a sample of the responses:

- "The government must support us in every way it could – starting from finding us markets and proper premises with full services." (art shop operator)
- "The government must seek ways of boosting us. We are not producing fish and chips here – the products I produce are essential in the running of the economy of this country." (furniture producer)
- "The government must help us with the market and financial assistance." (carpenter)

In some cases, the response of entrepreneurs was to request a greater understanding by government of their circumstances. Typically, interviewees pleaded that "The government must come closer to us and understand our problems"; "These guys must do research and find out about our needs by asking themselves why we are not employing as we used to"; and, more directly, "The big government should instruct the local government to come to us and see by themselves the misery we are at". More realistic expectations of the benefits that might emerge from the new democratic dispensation surrounded issues of general community improvement and, importantly, of potential access to government contracts through the tender system. Illustratively, two retail entrepreneurs observed respectively that "They (government) can help improve the quality of life of our people and create jobs – then I think I can have customers"; and "For me they should uplift the community because it is the community which supports me". The desire for greater access to government contracts was reflected in the following three statements.

- "The government should realize that we are capable of producing goods that could be used in their offices at a cheaper price than buying somewhere else in South Africa." (manufacturer of burglar-proofing and gates)
- "Who manufactures the public servants' uniforms? I am sure it is only the big guys – no one thinks of us. The government should change its attitude." (dressmaker)
- "The government should consider making contracts with us as well

as boost us so that we can employ more." (arts and crafts producer)

### *Opportunities from the Maputo Corridor*

The opportunities that may open up for the emerging SMME community from the development of the Maputo development corridor form a major theme for policy analysis. The provincial marketing literature on the corridor draws attention to a range of potential growth opportunities for the SMME sector in the province.<sup>55</sup> Several of these identified opportunities relate more closely to the resource base of the Highveld area of Mpumalanga. For the Lowveld, including the White River area, the types of activities in which opportunities are seen for SMMEs include manufacturing of clothing, pre-packing, brickmaking and the making of leather products, arts and crafts; in construction work, building supplies and, through sub-contracting, a range of corridor-linked projects; in the service sector, substantial opportunities are envisioned in a range of restaurants, fast-food outlets, transport and delivery services.<sup>56</sup> To enhance the potential for SMMEs to benefit from the corridor initiative, major stress is placed upon the need to encourage sub-contracting as well as "buy-local" campaigns.<sup>57</sup>

The SMME desk of the provincial government is taking a series of promising initiatives in relation to the corridor.<sup>58</sup> An action plan linked to the corridor initiative is in the process of development and a SMME Forum to provide information to entrepreneurs about business opportunities is to be launched. Other corridor initiatives geared to maximizing benefits for the SMME economy include establishing a technical unit to identify SMME linkage opportunities, undertaking a needs analysis linked to local economic development planning, building a service providers' forum to identify important areas for training and finally, conducting a corridor awareness campaign.<sup>59</sup> Attention is being paid to maximizing the suite of opportunities that might arise from the construction phase of the corridor as regards, *inter alia*, kerbing, the making of road signs, fencing, grass planting, road marking, security services, catering tuck-shops or the provision of temporary accommodation.

Among the community of emerging SMME entrepreneurs, knowledge

about the Maputo Development Corridor was not widespread. Of the sample of interviewees only half had heard of the corridor initiative and few had any real understanding of its potential ramifications. Indeed, not one interviewee could provide a concrete example of how their business might stand to benefit from the proposed corridor. Responses to the issue of windows of opportunity linked to the corridor varied from "I do not particularly see an opportunity for me as a manufacturer"; "Yes, there are opportunities but surely not for me", and "Yes, there are definite business opportunities provided there is proper communication between us and the government". These findings underscore the importance of the campaigns initiated by the SMME desk to highlight the activities and potential opportunities that arise from the corridor.

Outside of the Corridor development, which is likely to dominate thinking on SMME opportunities, a number of other areas for opportunity were suggested for potential SMME niches. In particular, officials at the MDC suggested potential areas related to a more general expansion of the tourism base, such as tour group guiding, dancing/entertainment groups linked to the hotels/game lodges, and the running of laundries.

#### *Support provision for White River SMMEs*

The question of support provision to rural SMMEs in the White River case study will be examined, firstly, by analysing the findings from the questionnaire survey of emerging entrepreneurs and, secondly, by looking at the activities of the support agencies and in particular the scope of support service provision.

Questions relating to service provision for the emerging SMME community prompted a remarkable set of responses which suggested a diverse range of experiences. The responses ranged from unqualified praise for the major support provider, the MDC, to virulent hostility and bitter complaints. On the one hand, the KDC/MDC were lauded by a number of respondents: for example, one happy client claimed "KDC really rescued me and I managed to be where I am now". On the other hand, dissatisfied former clients were very bitter about accumulated debts and associated "confiscation of property", offering the opinion that

"they (KDC) are dangerous to us as uneducated people". In fact many of these dissatisfied responses derived from poorly educated former clients that owed rent or interest to the support agency. Significantly, one member of this group also offered the comment, "We are being asked to pay UIF and income tax but no one has come to explain to us what these things are".

The overall situation captured in the survey pointed to the overwhelming dominance of the MDC/KDC as regards service provision to the rural SMME community in the White River area. Only two other support agencies were even mentioned in the 51 interviews, with the MDC clearly the most well known service provider in the area. Indeed, throughout the study region, awareness of MDC activities was widespread. At Kabokweni, knowledge of MDC operations was especially good; one clothing producer noted "MDC was KDC before. Things were a little difficult; now it's MDC and it has been restructured". In general, geographical remoteness did appear to be a determining factor in terms of familiarity with the activities of MDC operations. At the more remote Mso-gwaba and Numbi Gate, common responses were "Who can I approach?", "I do not know where these people we hear about are who are said to be offering assistance", or "I do not know the channels and places to ask or to approach". Among these groups of isolated and unsupported (primarily survivalist) enterprises the question of business survival becomes simply one of own initiative, with perhaps the occasional local community support.

Only a minority of the sample of rural SMMEs interviewed had received support from the MDC: in total only 10 (20%) of the interviewees acknowledged support from the MDC, mostly in the form of start-up finance. A much higher proportion of the sample (16, or 31%), however, had either approached the support agency for financial assistance or currently had applications pending and awaiting a decision. Not needing assistance, or ignorance of MDC activities were the major reasons for entrepreneurs not seeking support. A clear pattern emerged showing that manufacturing and service-based SMMEs were more likely to seek assistance from MDC than the group of retail enterprises. Several of the applicants had been unsuccessful in securing support and stated variously, "Applied for financial

assistance – all in vain" and, "I did apply for financial assistance and it was many of us". The transition from KDC to MDC has been associated with a tightening of the conditions for granting of assistance, which prompted one furniture producer to remark: "It is difficult now to find help from MDC. It was easy the time it was KDC". Another perception which surfaced in at least two interviews in the Numbi Gate area was that "assistance was only given to those in the townships but not to us in the rural".

Before focusing on the core activities of the major support agencies, it is appropriate to consider briefly the role of different tiers of government in support provision. As indicated earlier, the provincial SMME desk in Nelspruit has been extremely active in developing a policy framework for supporting SMME development in Mpumalunga as a whole. In addition, it has taken the lead in attempting to maximize future spin-offs for the SMME population from the Maputo Development Corridor. Although there is presently no small business budget for the province, a variety of initiatives have been planned or recently launched, including support for a women's investment group and a tourism awareness programme that includes training some taxi-owners to convert their vehicles for use as tourist buses.

The encouraging range of initiatives and active involvement of the provincial government in SMME promotion stands in stark contrast to the situation at local government level. In order to capture the opportunities that exist for SMME improvement a major responsibility must fall on local government. In White River, however, two interviews with officials suggest that the local authority does not consider issues of local development to be a priority issue. Although in September 1996 the White River local government employed 275 people, not one person was charged with the responsibility for local economic development. The attitude concentrates overwhelmingly on past roles concerning administration and general service provision; in the case of White River the new challenges and responsibilities that must be assumed by local government in terms of local economic development remain unrecognized. One interviewee stated unequivocally that "We do administration duties. At this stage we do not promote development". Another indication of the abdication of responsibility

ity by local government for development issues is that currently no initiatives, policy and planning have been undertaken with respect to the Maputo Development Corridor. This negative assessment of the role played by local government in White River underscores the importance of the activities of the SMME support agencies to the future health of the local SMME economy. Indeed, one local government interviewee was of the opinion that "developing small business should be the function of the MDC, not local authorities". Not surprisingly, therefore, there is no linkage between the local authority or local planning and the provincial SMME desk.

Although the provincial SMME desk maintains an extended list of service providers that are active in Mpumalanga as a whole or in parts of the province, there were only a handful of service providers and support agencies that were operating in the case study area of White River. Overall, four interviews were undertaken: two with representatives of the MDC at KaNyamazane and Kabokweni and two individual interviews with Altfin and Skills Academy, both based in Nelspruit. The MDC is the prime support provider and is engaged in the provision of a whole spectrum of support activities. By contrast, the latter two agencies have a narrower, more specialized focus, concentrating respectively on financing and training activities.

The MDC has prepared a number of useful detailed mission and policy statements which reflect its philosophy, methods and range of support services.<sup>60</sup> The organization's activities are premised on recognizing that the emerging SMME economy experiences several constraints to entering the mainstream economy: "access to business finance and credit, mainly due to the risk profile and perceived unacceptability of their securities to the formal banking sector; access to affordable business infrastructure and facilities, especially in the remote rural areas, access to business information and affordable business counselling support; access to appropriate business and technical skills training; and, access to markets and affordable production inputs".<sup>61</sup> Moreover, because market failure is common and the private sector is unwilling or unable to address these challenges, the "need for a support network to guide these entrepreneurs to their full potential is therefore imperative".<sup>62</sup> In evolving its

programme and network of support services, the MDC takes as its starting point the national policy guidelines as set down in the Department of Trade and Industry's White Paper on Small Business. Moreover, its framework is conditioned by the national institutional arrangements for financing, most importantly the existence of Khula as a national wholesale funding facility and of BuDS support through Local Business Service Centres and the incipient programme for Manufacturing Technology Centres.<sup>63</sup>

Overall, the target for MDC intervention is "emerging and established micro, small and medium sized entrepreneurs who lack access to capital/business finance, markets, information, business and technical skills, business facilities and infrastructure and other resources to conduct business on a competitive and sustainable basis".<sup>64</sup>

Given the organization's history, it is understandable that the MDC's core geographical focus of operations remains the former rural homelands, in which 80–90% of its operations remain concentrated. This traditional focus was viewed as a "serious problem" by the SMME desk.<sup>65</sup> Nevertheless, MDC officials stress that current emphasis is on new areas, resulting in an ever-widening spatial scope and outreach of its operations. Unfortunately, however, this expansion into new areas is occurring amidst a general tightening of financing conditions on the MDC. A key need of the emerging SMME community, as typified by the White River case study, is to escape the constraints imposed by their ghettoisation in the former areas of Kangwane and instead to secure business sites located closer to market opportunities in the mainstream economy.<sup>66</sup>

In the light of the needs and constraints of the area's SMME community, the MDC does offer on paper an appropriate mix of programmes geared to their development. More specifically, a divide can be drawn between the agency's SMME financing and business support activities. The SMME Financing Programme is based on the notion of the MDC as "financier of last resort" and is targeted at "facilitating access for those entrepreneurs to appropriate and affordable business finance".<sup>67</sup> The organization offers a broad portfolio of financing arrangements which include equity finance, start-up finance, bridging finance, group finance and a contractor development scheme, among others.<sup>68</sup>

Financing is primarily directed at economically viable and sustainable business ventures. In respect of the overall portfolio of MDC loans, the White River area is an active area of operations.

Support apart from financing is offered by the MDC through the suite of SMME business support activities which aim to overcome internal and external constraints on SMME expansion.<sup>69</sup> The portfolio of targeted non-financing support programmes has several distinct components. First is a business consulting programme which provides consulting services to SMMEs on a range of issues including business plan preparation, skills training and applications for business finance. Second is a programme dedicated to the needs of contractors, a highly appropriate intervention in view of the new opportunities identified in the context of the Maputo development corridor. Third is a dedicated programme to support the needs of emerging manufacturers, which includes the expansion of subcontracting and assistance with procurement. It is unclear, however, whether this particular initiative alone can transcend the severe structural constraints of many emerging SMMEs in the White River area, trapped within limited and highly competitive market niches and hampered by their inability to identify new, more broadly defined markets and gain the necessary skills that will aid them to fill new niches and to compete with established businesses. At the time of the research, progress in subcontracting development was slow, albeit with some successes linked to provision of workwear (Transvaal Sugar) and of curtains, duvets and sewn goods for the Kruger National Park. In terms of these programmes to support subcontracting, the MDC assumes a vital role in quality control. Further subcontracting initiatives are being sought to target the needs of large local forestry enterprises (such as SAPPI and Mondi) as well as the region's hotel trade. Problems exist with regard to expanding subcontracting to the hotel and guest lodge market because of its fragmented ownership.

Business training is the focus of the fourth area of the SMME business support programme; this programme's plans include evaluation of the success and impact of MDC training interventions. Officials of the MDC assert that demand for its business and skills training courses is presently higher

than supply. Importantly, these business training programmes link to micro-financing programmes on a group basis and often involve more survivalist type of activities such as hawkers' groups or sewers' clubs. Women's entrepreneurial activities are explicitly catered for by these micro-schemes geared to groups. Indeed, data for 1995–96 suggest that 85% of the total number of group loans (292 in total) were granted to women's groups. One worrying feature is a tendency to perpetuate gender divisions of labour, as such loans largely focus on "traditional" women's activities such as sewing, rather than seeking to challenge existing gender division of labour by, for example, encouraging women's involvement in building or construction activities.

Finally, the MDC offers a targeted business facilities programme which aims to assist SMMEs, particularly those in remote rural areas, by giving them access to business premises. It is emphasized, however, that the MDC does not wish to undertake the role of "a landlord and manage a large property portfolio"; indeed, the only long-term property development envisaged is a network of manufacturing incubators.<sup>70</sup> The current property portfolio is of small industrial parks and shopping centres, all situated in remote Homeland locations.

Outside the support operations of the MDC are the activities of a number of smaller support agencies, two examples in the White River area being Skills Academy and Altfin. Altfin is an NGO which is an expanding financing support organization, active in White River. To qualify for a loan with this financing agency the applicant has to be in employment. Overall, the company is only marginally linked to the activity of SMME support, as business loans are secondary to the NGO's core function of providing housing loans. Skills Academy is a self-financing NGO that provides an extensive range of training courses. Indeed, this NGO claims, remarkably, to run 300 different courses which include building, clothing, home economics, specialist business courses, certified courses for the motor industry, security companies and so on. Its target groups are rural communities with little economic base, and within that broad ambit women and youth are special target groups. Associated with these training programmes are support in the form of counselling and the provision of infor-

mation services. No financing is provided; instead the NGO provides advice on appropriate financing channels. Although the NGO has three well-equipped training centres it also provides outreach courses to communities in church halls, school classrooms or simply under a tent. All courses are run on the basis of a set fee which can be varied. Training is followed up by the NGO on an ad hoc basis or through partnerships within the community which follow up on the training.

An important issue which has been recognized concerns the unco-ordinated way in which training activities are taking place in the White River area and Mpumalanga as a whole. Responsibility for training is highly fragmented and there is no uniform training policy in place which takes account of the particular problems and needs of SMMEs. The consequence of this lack of coordination is a duplication of effort. Much money goes into the capital expenditure of establishing training centres, rather than into community training. In addition, the standards set for certification by certain training courses, inappropriately high for rural communities, require rethinking. These findings point to the need for a more coordinated training policy, including the preparation of training material that focuses on the rural SMME economy.<sup>71</sup>

### Concluding remarks

The results of this investigation of rural SMMEs in Mpumalanga province, South Africa, provide confirmation of earlier research both local and international, that emphasizes improvement of access to finance and markets as central policy issues. The question of greater access to market opportunities is critical in post-apartheid South Africa, where former policies of forced resettlement concentrated rural SMMEs in remote areas spatially divorced from the mainstream economy. Special assistance will be essential to ensure that disempowered communities do not miss out on the emerging opportunities that will be associated with the Maputo Development Corridor. One avenue for assistance would be to deepen the reach of the existing network of local support provision, with the possible establishment of a Local Business Service Centre to provide information, advice and training to emerging entrepreneurs. Another would be

to augment local capacity for planning and implementing local economic development. Overall, because rural SMMEs confront certain specific constraints and challenges that are not always experienced by their urban counterparts, there is a need to develop a set of programmes targeted at rural SMME development in particular.

### Acknowledgements

An earlier version of this paper was prepared for the Land and Agriculture Policy Centre, Johannesburg. Thanks are due to Julius Nobanda and Jayne Rogerson for research support and to Themba Mthethwa for comments on an earlier draft. A major debt of gratitude is owed to the Mpumalanga Development Corporation for its assistance in facilitating the interview process; in particular, Philip Strydom is thanked for his helpfulness. In addition, acknowledgement is offered to Gay Mokoena of the Mpumalanga SMME Desk for advice and co-operation.

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# Development planning in Swaziland:

## a historical overview

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### Introduction

Since the formative years of the Swazi nation in the mid-1700s, development planning in Swaziland has always been subject to dual patterns of development. On the one hand, the traditional monarch and aristocratic institutions have exercised a hegemonic influence on the Swazi people through cultural and traditional control. On the other hand, Swaziland's geopolitical proximity to South Africa and political pressures from Britain have drastically affected development in the country since the beginning of colonial infiltration.

External influences on the country have mainly been due to Swaziland's geographical and political location. Geographically it is located in the south-eastern part of Africa, bordered by South Africa in the north, west, south and south-east, which explains its long-term links with South Africa, while in a political sense it has been located on the boundary between the interests of Britain and South Africa, as colonial mentors of the country.

However, one should not oversimplify the factors that have affected development planning in Swaziland by simply looking at the spatial and political location of the country, since the unfolding of development planning from the precolonial period to the present has been affected by more elusive factors, such as the perceptions of the Swazi king, local philosophy, and the role of language, names, race, gender, age and status. Such factors have from time to time been exploited by both external and internal forces in order to gain control of resources in the country. The interaction between them can be seen in three dualistic, intimately

connected processes of evolution in the social, political, administrative and ideological spheres.

- The country has undergone a socio-economic evolution, in which Swazi society developed under the influence of the "royal factor," the "colour factor" and the "blood factor" in the precolonial, colonial and postcolonial periods respectively.
- The country has experienced a political evolution, in which Swazi society has interacted with foreigners as concessionaires, colonizers and investors in the three respective periods.
- The country has been subjected to an administrative system which can be described as "legitimate authoritarianism" during the precolonial period, "colonial authoritarianism" in the colonial period and "authoritarian decentralism" in the postcolonial period.

### **The royal factor: development planning in the formative years of Swazi society (1775–1875)**

Development in Swaziland has evolved through a complex process of interactions and relationships between political actors and economic forces. A fundamental influence on the development of the country has been the scramble for resources. Since the 1700s, which were the formative years of the Swazi nation, the movements, location and coalitions of the Swazi nation have circulated around resources as a means of subsistence, security and survival. The availability of water, caves, grazing areas and minerals was a major determinant of

the direction of movement, location and accumulation of resources from time to time.

As with other tribes of the time, the development of the Swazi people was not driven by a grandiose planning theory but was determined by the strong influence of the dual monarch – "the royal factor" – whereby the king *Inguenyama* (Lion) rules in conjunction with *Indlovukazi* (She-elephant), the queen mother. Under the rule of the dual monarch, anybody who resides on Swazi Nation land is a subject of the king; all his possessions belong to the king and he must pay tribute to the king.<sup>1</sup> Marwick<sup>2</sup> points out that the king's functions have legal, ceremonial, religious and economic aspects and adds that the *Inguenyama* is still a force in the affairs of the nation after he is dead, because he then passes to the realm of ancestral spirits and continues to influence the life of the tribe.<sup>3</sup>

So a central element in the process of development planning in Swaziland is the hegemonic culture of the Swazi people, enshrined in the authority of the dual monarch. In the whole of the Southern African region national development has pivoted around notable figures such as those of King Shaka and King Zwide who, as custodians of the public "collective" interest, held authoritarian or totalitarian power, notwithstanding participatory elements that existed within the social structure. Swazi society was obliged to operate within a similar paradigm. Thus, led by King Ngwane III in the formative years, "they celebrated the birth place of the Nation and the well being of the true Swazi".<sup>4</sup> The followers of King Ngwane III became known as "the people of Ngwane", BakaNgwane, and

the country known as kaNgwane.<sup>5</sup> This appellation cemented the Swazi people together into an identifiable nation, giving them a sense of belonging and security from external threats.

Subsequently, at the time of the rule of Ngwane's son Ndvungunye (who died in 1815) and grandson, Sobhuza I (who died in 1839), during the era of the Mfecane ("time of crushing"),<sup>6</sup> other figures emerged as great leaders.<sup>7</sup> Booth<sup>8</sup> has noted that "the chiefs who prevailed were all men of ambition and violence and so it was with the Swazi kings". They were looking for land and power: in fact, "the whole outlook along the southern borders looked dark and frightening. It was particularly necessary during the time of Sobhuza I to strengthen his position or else one of these kings would conquer him and his people."<sup>9</sup>

The policy of Sobhuza I was to flee from enemies that were too powerful to deal with and seek refuge in strategically safe mountains and caves.<sup>10</sup> The benefit of this policy for his followers was expressed in the Swazi saying, "*Kabochawe kublalwa kukhalwa, kabogwala kublalwa kublekwa*" ("People are always more unhappy at a hero's place than at a coward's place"). As he fled, he conquered tribes such as the Basotho and Bantungwa along the way. Some clans joined him and became known as Bemdzabu, true Swazis; others became assimilated into his tribe and were called *Emakbandzambili*, or "those found ahead". However, he made enemies of certain chiefs.

Sobhuza I adopted decisive and effective tactical and social strategies to handle foreign relations. Firstly, reacting to further threats by the Zulus, he followed the principle of fleeing from enemies and went further north, with a group of clans dominated by Dlamini, into the Mdzimba Mountains which had "defensible caves in time of attack".<sup>11</sup> He built his headquarters, Lobamba, and went further afield to the north to conquer other tribes such as the Pedi. Secondly, marriage was used to smooth over tense foreign relations with enemies. For instance, he took Tsandile, the daughter of his enemy, Chief Zwide, to be his chief wife and mother of his heir in order to make peace.<sup>12</sup> Thirdly, he used to pay diplomatic visits to chiefs who were more powerful than he was. By such means the tribe was able to keep away

from enemies and maintain good relationships with neighbours.

### The period 1839–1875

Sobhuza I was succeeded by King Mswati II (1840–1868), who became the fiercest and greatest of fighting kings by successfully incorporating other tribes. He trained crack regiments who helped to further expand his territory. As the Swazi tribe increased in size, there was a need to establish some centralized organizational policy to govern the tribes, since the state was unitary but not uniform. In order to safeguard his hold on resources and power, he needed to institute an ideological framework that would highlight the importance of leadership.

"King Mswati II instituted new measures that both practically and ritually centralized his authority and strengthened Dlamini legitimacy".<sup>13</sup> Through the influence of his mother Tsandile, *la Zidze*,<sup>14</sup> who came from the powerful Ndwandwe tribe, he adopted a process of normative social planning that entrenched the structural legitimacy of the dual monarchy. The following policies were instituted:

- The Ndwandwe institution of nationwide age regiments, cutting across local boundaries and kinship loyalties, was adopted in order to focus loyalty on the king. The youth were conscripted and regimented by royal orders.
- A network of royal villages throughout the kingdom was established to facilitate the mobilization of the regiments in order to engender military prowess and rigid discipline.
- Ritual innovations accompanied this centralization. For example, *Incwala*, the first-fruits ceremony, became a tool for focusing national attention specifically on the king and on his special powers to bring forth rain and abundant crops. This reinforced his legitimacy.<sup>15</sup>

The implementation of these policies resulted in class formation and a consolidation of a social organizational structure that has a significant influence up to this day. The *Inguenyama* is at the top of the social pyramid and shares the position with the queen mother, *Indlovukati*. Below them is the Supreme Council of the State, *Liqoqo*, which advises the head of

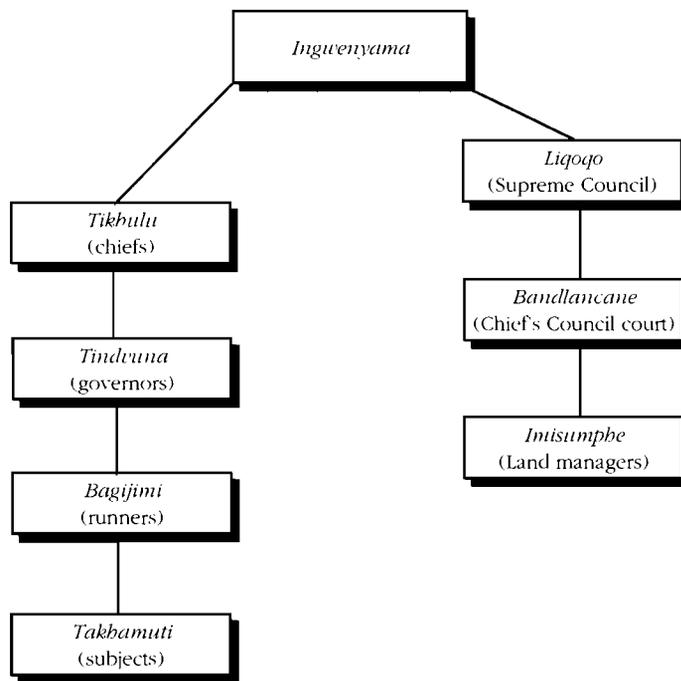
state. Princes and princesses are next and then chiefs (there are also variations in status among the princes, princesses and chiefs themselves). Below the chiefs are *tindvuna* ("deputies"), who are intermediaries between the commoners and the chiefs. The *bagijimi* ("runners") are the lowest stratum of royal control, followed by the subjects (commoners).<sup>16</sup>

### Institutional structure of Swazi society

Subsequently, the configuration of this social structure created "a tributary mode of production with a dominant class of aristocrat comprising the monarchy, senior princes and chiefs whose control over land allocation and access to cattle, wives and power to extract surplus labour time constituted their material base".<sup>17</sup> Royal fines were paid in cattle. Access to the best pasturage and all land was controlled by the royal house and the Dlamini clan. Ordinary people were obliged to contribute tribute labour and so age-regiments became a pool from which labour for the royal family was drawn; the distribution of wealth was influenced by one's regiment and prowess in war or rituals.

Associated with the regiment stratum were age-cohorts.<sup>18</sup> Age is greatly respected among the Swazis. Kuper<sup>19</sup> argues, "the authority of age characterises all Swazi behaviour."<sup>20</sup> Women and cattle are sources of wealth, and wealth accrued to the royal house through the differential system of *lobola* or bride wealth. Princes are paid more *lobola* and the king customarily has the right to take any maiden that he admires. Consequently, marriage with the royal clan became esteemed and seen as a means of climbing the social ladder. Bischoff observes, "Dlamini power was associated with the reproduction of the economic system of royal tribute labour, for the upkeep of the royal household and the maintenance of royal estates."<sup>21</sup> Kuper adds that "Power radiates from the King."<sup>22</sup> The councillors, princes and commoners, close or distant, exercise decision making; in local courts, tribute labour, ritual practices, projects and the like they "act as the eyes and ears for the king".<sup>23</sup>

This effectively centralized and concretized planning at the top of the social pyramid, in the sense that the monarch was pivotal to policy, strategy

**Figure 1** Institutional structure of Swazi society

and plans. In the process the system buttressed state planning. Ever since, the control of power, resources, labour, land and wealth has been centralized and strongly influenced by the royal factor. Kasenene notes that "this extends easy control of the royal family over the Swazi society and acceptance by the commoners."<sup>24</sup> It also has a drastic influence on decision making, spatial patterns of development, and social and political processes. In particular, it affects accessibility to employment, land acquisition, economic management, administration of towns and international relations.

### The paradigm of "traditionalism"

The social supremacy of the dual monarchy and an authoritarian worldview laid the basis for an ideological paradigm of "traditionalism". Traditionalism is a nationalist ideology that is deeply rooted in the socio-political system of the Swazi people. It is an ideology that shapes society by entrenching the legitimacy of the ruling elite and placing emphasis on the observation of customs, unity of the nation and selective adoption of external values. Unlike conservatism, which is resistant to change (although it has elements in common with conservatism), traditionalism is innovative and dynamic and emphasizes infusing new content and meaning into old forms and institu-

tions. Traditionalism emerged as a paradigm that was dualistic and flexible because it maintained the old while accepting the new. It has democratic elements in that it allows individuals and institutions to determine their development in all aspects of life. But at the same time, the stress on Swazi culture – clans, names, rituals and traditional philosophy – draws attention to the central importance, not only of the customs and rites but also of the hegemonic position of the monarch. The maintenance of the social structure, as designed by the monarch, is synonymous with allegiance to the king.

As a result, the ideological worldview of the ruling monarch pervades society. The dogma of the royal family has institutionally become a normative way of interpreting life. It is inextricably bound up with the organization and planning of society, and greatly influences the allocation, distribution and accessibility of resources to various people on different levels of the hierarchy in terms of clan, age, status and gender.

Traditionalism has been instrumental in promoting Swazi culture, national unity and peace in the country. In so doing, it created a stable environment for external investment, but it also ensured security of power for the monarchy and legitimized its long-term control, spanning generations. Traditionalism went a long way to protect-

ing the Swazi society against external threats from other tribes during the formative years, and later in the colonial period. However, in the process it was instilling the "Swaziana" mentality that dogmatically places the *Ingwenyama* at the pinnacle of the social pyramid. From an absolute social engineer of the hierarchy, the monarch became not only an absolute monarch but also an absolute autocratic planner and leader in the affairs of the Swazi nation.

Swazi society managed to organize itself spatially according to chiefdoms, clans, status, gender and age as dictated by tradition and custom. Numerous homesteads started emerging in various parts of the country through the administration of the chiefs, *tindvuna* and *bagijimi* (runners). The homesteads were dispersed on the landscape in a way typical of the Nguni, usually on the sides of slopes and on dry sites. The scattered homesteads did not allow for development of towns because of socioeconomic factors geared to decentralization. One of these is the fact that the role of the wife is central to the development of the homestead. Once a man takes a wife, there is "a clear demarcation of each married woman coupled with the fact that each one receives her own garden-lands and cattle and facilities".<sup>25</sup>

The spatial design of the homestead also takes place according to the dictates of the Swazi social culture. For an ordinary homestead, "in the centre is a circular unroofed cattle byre with a gateway facing east. Grouped in an arc at the western end are the living quarters, with the great hut (*Indlunkulu*) associated with the ancestral spirits, as a pivot. In charge of the great hut is the most important woman of the household (the mother of the headman or, if she is dead, a substitute mother).<sup>26</sup> The homesteads of the king, chiefs and other important figures in the hierarchy follow a similar pattern, often more complex, but the norm is that all designs and plans are informed by the social constructs (status, age, gender, kinship, clan, etc) in the family structure at any point in time.

### Common forms of community development

The Swazi nation is usually seen as one big extended family, having the king as its father and the queen as its

mother. Within this family, various means of cooperation and support exist, created through networks of relationships in terms of location, clan, kin, tradition and other institutions. These social networks galvanize a strong instinctive urge to work together as a community. Community development among the Swazi is not an artificial intellectual construct, but a social construct rooted deeply in the traditional social infrastructure of Swazi tradition and custom.

#### *Kuhlehla: tributary mode of production*

*Kuhlehla* is a form of community participation which occurs at both national and local levels. In the former, the king calls the nation through his public relations officer, or *indvuna* of the royal palace, and orders his subjects to plough, weed and reap his fields. The people of the nation attend in their numbers in compliance with the king's call. These crops consist primarily of sorghum, which is used at the royal palaces to brew traditional beer, drunk when attending royal calls from time to time. Other similar arrangements take place. At a local level, the chief calls people, through the *indvuna* (heads) of various wards, to carry out similar jobs. The jobs may include the building of cattle byres, homesteads, barns and so on. The whole exercise is free from modern commercial transactions; instead it is driven by social obligations of gratitude and obedience to authority. There are no strict regulations of attendance in terms of registers and rosters. The custom emanates purely from the social obligation of the subjects under the institutionalized culture of offering work and support to the chief.

There is community participation in decision making at both levels. Social conflicts, criminal cases, dispute and disorder issues are handled at both chiefdom and national levels. In both cases considerable consultation of communities is involved. The hierarchy plays an important role when it comes to the magnitude of the issue under consideration. A case that involves chiefs is usually taken to the king or to an *inkhundla* (recently instituted to carry out development at local levels). A case involving subjects may also be taken to the king if it is very serious. Ordinary issues are dealt with at chiefdom level, and those that involve basic family unit members are

dealt with by the *Lusendvo*, or family council.<sup>27</sup>

#### *Lilima*

*Lilima* refers to a local community participation institution whereby people are informed about a project such as relocating a homestead, weeding a field, building a hut or clearing an area for cultivation, and invited to come and work in return for some food, usually beer and/or meat. *Lilima* operates on the basis of an open invitation. People who live in the area and those from afar come to work, and even a passer-by can join the gathering at any stage. This institution has a strong social effect. Besides providing work for the project, it serves the purpose of bonding the community, reinforcing social and communal links and creating new social links with other people.

The system of community development throughout the nation, based on observance of tradition and custom, goes a long way to instilling a strong sense of security in Swazi culture. In the process, it develops a strong faith in the value of the monarch. The hierarchy, social classes, tributary mode of production, communal life and the institutions of the whole structure enjoy strong support as the pillar of survival of the Swazi nation. This is so much so that "to be a Swazi is to belong".<sup>28</sup> This remained the case until the coming of the white settlers in the late 1800s, when the social fibre began to be affected.

#### **The dualism of the "dream" paradigm**

The earliest white visitors arrived during the time of King Mswati I and were accepted as settlers. By way of pursuing tradition, King Mbandzeni<sup>29</sup> (1875–1889) also allowed subsequent settlers to stay in his country. This was fundamentally in accordance with the dream of King Sobhuza I (the ancestral father-figure) which formed a policy framework for the dualistic development of white settlers and black natives, side by side. In his dream, Sobhuza had seen white people coming. "They were the colour of red mealies; their hair resembled the tails of cattle; their houses were built on platforms and dragged by oxen; they spoke an unknown tongue and they knew not the courtesies of humanity".<sup>30</sup> They brought with them a scroll (*Umcuhle*) and a round coin (*Indi-*

*linga*). These were believed to represent the Bible and money. Sobhuza saw the dream as a warning, carrying two messages from his ancestors. Firstly, "never to fight these strange white people who would one day come to his land". Secondly, to choose the godly ways: righteous, humane and reconciliatory ways of dealing with people instead of monetary, profit-orientated and exploitive ways. Scutt<sup>31</sup> acknowledges that this dream has played a large part in the story of the development of Swaziland up to the present day.

The acceptance of the authenticity of the dream rests on the cultural and traditional legacy and the esteem in which King Sobhuza I is held by his people. It laid a foundation for the coexistence of whites and blacks in the country throughout the colonial period and up to the present. It is also closely consonant with the dualistic maxim of "maintaining old forms and institutions while changing content and meaning". Esterhuysen<sup>32</sup> acknowledges that the Swazis are one of the few strong black nations in Southern Africa whose relations with whites have for more than a century never led to war. However, it remained to be seen whether traditionalism would manage to withstand other ethnocentric influences which were soon to be imparted by colonial settlers.

#### **The colour factor: concessions and foreign intrusion 1875–1889**

The infiltration of the country by colonial forces presented a great challenge to both the monarchy and the Swazi society at large. The country was involved in continuous interaction with foreigners as concessionaires (and later, as colonizers and investors, in the colonial and postcolonial periods respectively). Colonial authoritarianism was pursued under the strong influence of white racism – "the colour factor". However, a subtle element of black racism was also evident in the tension that was embedded in the colour factor. It is at this stage that dualism began to gain ground on the basis of the symbolic significance of race. The pioneering impetus of the traditionalist paradigm faced a Eurocentric challenge, as an increasing number of concessionaires were coming into the country to look for land and mineral resources.

In particular, the difference between

white and traditional Swazi systems of land tenure started to have great emotive significance for the Swazis. Land and mineral resources were brought into the limelight as the main sources of power and control. Dual competition developed between the Boers and the British, and between these white settlers and the Swazis. Consequently, the colonial period saw a race for resource acquisition, accompanied by racial prejudice and the advent of quasi-nationalism.

Referring to this race for resources, Potholm observes<sup>33</sup> that during King Mbandzeni's reign a variety of concessions were recklessly granted, until practically the whole area of the country was covered by concessions of all sizes, for different purposes and for greatly varying periods.<sup>34</sup> The white settlers emerged as victors in the competition for land resources by gaining two-thirds of the country through unscrupulous concessions. The concessionaires thought they were buying the land from the king, but the Swazis maintained that these concessions were not granted in perpetuity because land is not sold according to Swazi custom. This demonstrates the diverse interpretations of land ownership which are rooted in the traditions of the "dual society". King Mbandzeni received a considerable amount of money for the concessions, but became disturbed at what was happening to his country, though he felt too weak to do anything about it. His position is summed up in the statement: "I know the concessions are bad, but I have white men all around me. By force they have taken the countries of all my neighbours. If I do not give them rights here they will take them. Therefore, I give them and they pay. Why should we not eat before we die?"<sup>35</sup>

The irony of his position in relation to the dream paradigm cannot be over-emphasized. However, his statement demonstrates his two-pronged interest in the land issue. While, on the one hand, he was collaborating with the whites in giving the concessions, on the other he was conspiring with his native subjects against the alienation of the land. It also shows the position of the monarch to be already compromised; the detribalization of land control posed a fundamental threat to the monarch's stronghold of power, and opened a potential gap between the monarch and the common Swazi. In addition, the King was now torn

between tradition and modernity, in a position consistent with the paradigm of traditionalism but bearing dire consequences.

Perhaps the king was pragmatic in assuming that more powerful forces were at work. Indeed, soon after his statement, the British government and the Southern African Republic (SAR) signed two conventions, in Pretoria (1881) and London (1884), which ostensibly sought to protect Swazi independence. These conventions constituted threats to that very independence, as both the Boers and the British were interested in the control of the territory. The control of the country was negotiated between Britain and Transvaal and it became a protectorate of the former. This drastically entrenched Swaziland's dependency on the South African economy.

The king lost both sovereignty and independence, and was regarded as a paramount chief. Tradition was undermined or unrecognized, while a macro-economic development policy arose that was driven by the colour factor on the basis of the foreigners' interests. In time, the country was reduced to a "pseudo-homeland of South Africa". This was compounded by Swaziland's membership of the South African Customs Union and Rand Monetary Union. The membership meant that South Africa became Swaziland's economic mentor by unilaterally determining tariffs and, to a large degree, the fiscal policy of the country. Consequently, the first half of the century marked a period during which the Swazi Nation Land was underdeveloped through a process of lopsided development pursued on the basis of racial prejudice.

### **Dualism theory: patterns of dual development (1902–1968)**

The dualism theory of social evolution is based on traditionalism, in which the maintenance of the old and openness to the new directly translate into a dual development process. The acceptance of whites and the establishment of new land tenure, administrative structures, sectoral and spatial economy led to a dualistic development pattern. In effect, despite the difference in terms, traditionalism is related to modernism because of this dualistic social approach. These incipient stages of modernization meant that the Swazi society began "modernizing" long

before the modernization paradigm became prominent in the 1950s and 1960s.

#### *Racial dualism*

From the later years of the 19th century, the acceptance of the whites by the monarch created a dual society, divided by differing traditions and customs, while black natives and white settlers were divided by racial prejudice. Racial dualism introduced a racial element which was to become a social construct for socioeconomic development. The impetus of the racial influence derives from the psychological interpretation of both white and black races, whereby race is not just an accidental phenomenon but an ideological construct which expresses itself in a psychosocial dualism of "white-ism" and "black-ism." "White-ism" is a way of thinking associated with authority, order, efficiency, superiority and advancement, and "black-ism" is associated with backwardness, primitiveness, disorder, slowness, rigidity and slovenliness. Winnifred Hoerne<sup>36</sup> suggests that the former uses a scientific approach and the latter a "magical approach" to problem solving in the natural and human environment. For Leistner<sup>37</sup> this dualism has its origin largely in social, psychological and cultural realities that shape specific patterns of production, consumption, investment and commercial exchange.

Racial prejudice is an issue that has informed various developmental aspects such as access to land, employment, status definition, and spatial, social and economic pursuits in the country. The interpretation of race has influenced development and channelled it into a dual path which has continued to the present day. The spatial, tenurial, sectoral, political and social aspects of development directly or indirectly reflect the racial bias that was implanted in the country during the colonial period. Consequently, racial dualism and its interpretation engendered a number of other dualisms, such as dual land ownership, sectoral dualism, spatial dualism, social dualism and political dualism, all closely interlinked.

#### *Dual land ownership*

Dual land ownership is central to the dual patterns of development in the country. It started with the proclamation of the Land Act of 1907, which

facilitated the alienation of two-thirds of native land and effectively detribalized the better portion of the land; only 37% of Swazi Nation land was held in trust by the king for the nation on communal tenure. The remainder was Crown Land or Title Deed Land (TDL) held in freehold by large estates and individual whites. Those who lived on Swazi Nation land were controlled by chiefs under the traditional system of *ukukbonta*. Other Swazis who were on white farms or squatting on privately owned land were under the control of white settlers.

Dual land ownership had drastic implications for the life of the ordinary Swazi. Land – as a source of economic and political power and control – became a great emotive issue for the Swazis. Their traditional attitude towards land as the source of life and survival counted for nothing in this new environment of hyper-mobility of capital. The distortion of the traditional management of land also drove a wedge between the “owner of the soil,” *Ingenyama*, and his people, and insecurity was acutely felt on both sides. It profoundly affected the pattern of economic development.

### *Sectoral dualism*

Sectoral dualism emerged from dual patterns of land use, which were related to racially differentiated production, consumption, distribution and exchange systems. On the one hand were the Boer and British white settlers pursuing a capitalist, modern commercial economy and on the other hand were the Swazis engaged in a traditional, subsistence communal economy. The dualism theory explains this pattern as deriving from the superimposition of an imported modern and developed economy upon an indigenous, traditional and undeveloped, or underdeveloped, economy. The development of the latter could have been achieved by diffusion of modernity into the backward areas.

The practices of the white settlers towards the end of the 19th century, however, were not geared towards modernizing the Swazi, since the concessionaires who invested in trade and in mineral extraction were speculators and had no interest in investing in the country itself. They left the country hoping to make huge profits from their properties as the market appreciated. Nonetheless, the effects of the socio-economic interaction between them

and the Swazis were consistent with the notion of traditionalism which could benefit from modernism. In fact those settlers who remained behind were involved in trade with Swazis. They sold salt, luxury goods, soap, petrol, liquor, guns and clothes. Since the Swazis were self-sufficient in the production of food such as maize, they sold food products to white settlers in exchange for money, which they used to buy commodities from white-owned stores. This marked the introduction of modern economic, social and political structures into a traditional subsistence economy.

The first few decades of the 20th century were marked by limited penetration of capital into the country because of British political uncertainty. After the Anglo-Boer War – a turbulent period for both the Boers and the British – the latter took over the territory, but it was placed under a High Commissioner in Pretoria with the possibility of its being handed over to South Africa. This left the country still under dual white control: the British took political control as victors in the Anglo-Boer war and the Boers clung to economic control as victors of the concessions.

The ascendancy of modernization in the 1950s and 1960s saw the formal adoption of a dualist economic approach. A modern, more industrialized sector, characterized by a high level of productive efficiency and economic integration, and a traditional, more agricultural sector, characterized by a backward mode of production and self-sufficiency, were evident. The 1960s in particular saw massive capital penetration into Swaziland from Britain and South Africa, as a response to demands for raw materials by developed countries. The concepts popular at the time were nation building, reconstruction and economic growth tied to the modernization paradigm, and Swaziland, as a protectorate of Britain, was inevitably bound to pursue the same ideals. Thus, most of the investment came into the country from the British Colonial and Welfare Development Corporation (CDC) and to a certain extent from South African private investors. Most of it went into plantation agriculture, forestry and mining, so entrenching the satellite position of Swaziland in the world economic system, and its world-market orientation towards dependable primary commodities.

Driven by rational thought, the

power of positive thinking and commitment to changing traditional societies to modern ones, the British made a number of capital investments in various parts of the country. Examples were agro-industries such as the Pulp Company in 1959; timber plantation and manufacturing of pulp in 1961 at Bhunya; sugar processing at Ubombo ranches in 1949 and Mhlume in 1958; pineapple plantations at Malkerns, 15 km from Manzini, in 1968; extraction of asbestos in Havelock in 1939; Ngwenya Iron Ore in 1964 and the Matsapha Industrial site in 1965.

These developments and many others enhanced the sectoral development of commercial activities and services and facilitated the penetration of capital into the modern economy. Foreign commercial capital went into the opening of branches in the major urban areas in the country such as Manzini and Mbabane and supplied local traders with merchandise. South African chain stores began to replace the general dealerships owned and operated by single white settlers. By the 1970s and the 1980s, these chain stores were dominating commerce in the major towns. Both Manzini and Mbabane became centres of economic control and employment of labour. A marked increase in business activity and in building operations started taking place. Apart from boosting small building industries, it created jobs for the skilled and semi-skilled.

Population influx into the urban areas showed up the lopsided structure of economic development. Crush laments that the economy was “deeply penetrated and controlled by South African and British capital. . . . From the outset economic growth based on profit rather than development was imposed from without and resulted in an increasing divergence between the needs of the masses of Swaziland and the use of local resources.”<sup>38</sup> Palmer and Parsons<sup>39</sup> also do not see Swaziland’s dual economy as “two separate economies in parallel development”, but rather “one of dominant and subordinate sectors within one economic system, brought into being and maintained through the legal and administrative machinery of the state.”

### *Spatial dualism*

The contrast between the modern and the traditional sectors was considerable and was bound to have a spatial effect as more and more capital was chan-

nelled into the modern economy, with an almost total neglect of the traditional economy. Spatially the economy reflected a typical core-periphery pattern with the core or urban areas generating most of the country's wealth and draining the periphery of its limited capital. Kuper<sup>40</sup> acknowledges that the cash economy in the 1920s and 1930s did little more than establish itself and survive. It could not lead to development of the urban centres associated with modern economic activity. However, it became the basis for the embryo development of towns. Small country towns emerged which were the focus of white activity in Swaziland. These were Mbabane, Manzini, Hlatikulu, Goedgegun, Steki, Mankayane and Pigg's Peak.<sup>41</sup>

The sixties were years of grandiose regional planning, when state commitment to economic growth was quite high. Numerous industries were established in various parts of the country. Consequently, four modern core areas emerged: the west central area became the centre of wood pulp and canning industries and iron ore extraction; the north-west the centre of the asbestos mining industry and Peak timbers, while the third and fourth areas in the north-east and east-centre were the centres for agricultural industries.<sup>42</sup> The other areas were underdeveloped, with barely any infrastructure or services. The spatial contrasts that this economy generated were considerable. Virtually all the post-war developments in mining, agriculture and forestry took place not on Swazi Nation Land but on Title Deed Land which, unlike the former, was open to development by private enterprise. These new enterprises became "islands" set in a sea of traditional land.

The concentration of economic wealth in these "islands" is reflected in the fact that although they occupied only 15% of the area of Swaziland they were responsible for no less than 90% of the output of primary and manufactured products. Only 22% of the African population lived in these economically advanced cores, compared with 76% of the Europeans.<sup>43</sup>

Two growth centres of the modern economy emerged: Mbabane and Manzini. The former became a seat for colonial administration and Manzini became a commercial centre.<sup>44</sup> The bigger of the two, Manzini, was favoured by a number of factors. Its geographical position in the centre of the country made it a natural choice

for the headquarters of the Motor Transport Service, which laid the foundation for its development as a commercial centre. It was conveniently located for services to and from regions in the country and for rail links to Breyten, Piet Retief, and Golela across the borders. The introduction of the Motor Transport Service into Swaziland by the South African Railways administration broke the isolation of the country from South Africa, its main market, and stimulated growth of trade between the two.

The country as a whole reflected the economic imbalance whereby the urban-space economy was occupied primarily by whites and the rural-space economy by native Swazis. At independence, the structure of the economy was typically colonial in character, heavily dependent upon commercial exports of primary products and mainly in the hands of the whites. Wealth and skills were controlled from outside and were very unevenly distributed between expatriates and indigenous Swazis. These differences had far-reaching implications for the social development of the Swazi people.

#### *Social dualism*

The strong and influential role which first the missionaries and then the white settler community played up to independence engendered social dualism. While some Swazi people wanted to keep to Swazi tradition, others began adopting Western values of one sort or the other. The government was obliged to create dual social institutions. The legal system was divided into two systems, namely civil courts and traditional courts, administered through Roman-Dutch law and Swazi traditional customary law respectively. For example, the marriage ceremony could be performed through civil courts and also through traditional customary procedures. The formal dress code of the Swazi people had started taking both Western and traditional forms. The official languages of the country became English and Siswati. In addition, socio-cultural institutions such as *lobola*, *ukukhonta*, and *ukulila*, among others, were maintained as part of customary practice but were now expressed in commercial terms.

#### *Political dualism*

The acquisition of two-thirds of the land by whites laid a strong foundation

for control over the Swazi nation, and the promulgation of the 1907 Land Proclamation Act made the removal of Swazis from alienated land to reserves mandatory, assuring whites of land security. In the process, it gave white settlers the upper hand. Subsequently land partitioning,<sup>45</sup> together with taxation, gave the settlers access to the labour force even though they had to compete for labour with the South African mines.<sup>46</sup> However, there was political division between the Boers and the British, both of whom were struggling to control the territory. The South African Republic (SAR) used the acquired concessions to argue their case for the sea route to Kosi Bay, while the British argued that they had protected the nation from possible Zulu raids. Eventually, the British gave way and Swaziland became a protectorate of the SAR in 1894. The struggle for control of the territory intensified up to the Anglo-Boer war, which ended in 1902. Thereafter, the British took the country by right of conquest, ushering in a period of British colonial rule and a new phase of development. However, in real terms this left the country still under dual control, the British taking political control as victors of the war and the Boers clinging to economic control.

The King was hesitant to demand submission from the concessionaires under his authority, since this could provoke the South African or British governments. Therefore, since they had been there since the 1870s, he allowed them to govern themselves. The result was a parallel administration for white and black people throughout the colonial period. Whereas the Swazis remained under the rule of king, chiefs and *tindvuna*, the white administration was changed from time to time. At national level, whites were administered by the Special Commissioners (1896–1907), Resident Commissioners (1907–1963) and Her Majesty's Commissioners (1963–1968). Simultaneously, a European Advisory Council was installed to look at matters affecting European (white) interests in the country. In the urban centres, White Committees representing three interests in the country (namely trading, mining and farming) were established,<sup>47</sup> followed by a system of joint control by Britain and South Africa<sup>48</sup> known as the Triumvirate Government.<sup>49</sup> a Special Commissioner and Urban Area Advisory Committee (UAAC).

The parallel governance of whites and blacks persisted throughout the colonial period. After the formulation of physical plans providing for building control based on land use planning, whites had the exclusive right to buy erven in the townships. Security of land and property in the townships was assured to white traders, while no Africans were allowed to own land or carry out business in the townships. Locations for Africans were created at a respectable distance from white towns for the purpose of creating labour-producing areas like the reserves in South Africa, though not as a means of control. "My wish is to establish a properly conducted Native township in the vicinity of the town, where Natives who are employed and who do not live on their master's property can reside," argued Stewart, the government secretary, on 18 June 1929.<sup>50</sup>

The British decided against segregation in 1947, following proposals for zoning the townships on the basis of race. The reason behind this was the international furor against apartheid in South Africa. This led to the demise of racial segregation in town, and the colour factor was dying. To hammer the nail into its coffin, the British also decided against the incorporation of Swaziland into South Africa, and themselves assumed responsibility for the territory in 1962. However, the spectre of segregation lives on. Whites still control the urban economy and key areas of the economy, from residential areas and land ownership to trading.

Subsequently, the British instituted the grand planning approaches of the time, such as zoning and land use regulation. All the towns were zoned on the basis of income rather than race. For instance, in Manzini three income areas emerged: high-income, with low density of population; middle-income with medium density of population, and lastly low-income with high density of population. In effect, economic segregation based on income simply replaced racial segregation, since the majority of Swazis were labourers and unskilled poor, while skills were mainly the monopoly of whites. All these aspects of dualism proved to have a marginalizing effect on the Swazi.

Thus the appointment of King Sobhuza II in 1921 marked the beginning of what proved to be the longest and most eventful reign in the history of the country. Ruling side by side with

the European Advisory Council,<sup>51</sup> the first thing he did was to address the recurrent question of the partitioning of the land. This question was in the interests not only of his people but also his own position, because the loss of land by his people implied loss of his control over his people.<sup>52</sup>

The land question created an opportunity for the monarch to revitalize his relationship with the common Swazis. The monarch managed to forge and maintain a good relationship with the Swazi people by articulating their land interests. A *Lifa* fund was created to buy back land that was in the hands of concessionaires. Hence, at independence, the traditional leaders emerged as champions of the Swazi cause. This gave the monarch an opportunity to revitalize the ideological paradigm of traditionalism to fill the vacuum left by the departure of colonial imperialism.

Sectoral economic differences, spatial imbalances, social inequalities, racial bias and political divisions had grown to the extent that they placed the ordinary people in an ideological dilemma. Many Swazis found themselves trapped in the dilemma of choosing between the modern and traditional with regard to social, political, economic and religious values and practices. The essence of this dilemma is well captured in the novel *Things Fall Apart* by Chinua Achebe.<sup>53</sup> So there was no better time to articulate an ideological paradigm than at Independence.

### **The dualism of the "choice" paradigm: 1968–1990s**

Like most African leaders who were pursuing state planning at independence, the monarch had to provide a visionary paradigm for the way forward. Led by the vision of nation building and guided by the principles of nationalism, King Sobhuza II presented a "choice" paradigm which was in essence linked to the dream paradigm of his ancestral forefather, King Sobhuza I. Esterhuysen writes, "With his ancestor's advice in mind, Sobhuza firmly upheld the traditions of his people while keeping abreast of the times."<sup>54</sup> Therefore he told his nation, "Choose the good from the customs of others and join it with the good in our own tradition. Only in that way can we go forward as a self-respecting nation. In order to do this you must know your own customs and start out from them. True education is more

than book learning and wisdom is greater than knowledge."<sup>55</sup>

The "choice" paradigm is a classical modernist application of the ideology of traditionalism and draws directly on the advice of the ancestor of the Swazi nation, King Sobhuza I. It essentially served the egocentric interests of the monarch, as it revolved around a ruling elite seeking a compliant response from the populace, in particular by placing emphasis on the homogeneity of Swazi culture, nation building through oneness, the common good and the importance of peace for the nation. It also brought a sense of relief to the Swazi people, torn between modernization and tradition. But most of all, it provided an opportunity for the monarchy to revitalize its relationship with Swazi society.

The advantage of this paradigm was that it was compatible with modernist national central planning, which the country had inherited from its colonial masters. Both systems operated on the principle and philosophy of nation building, centralization of power, orderliness and subservience to authority. Therefore, it easily attracted popular support for the monarch. As a consequence, the colour factor was replaced by the "blood factor" whereby the political control of the country shifted from colonial hands into the hands of the royal and aristocratic families.<sup>56</sup> However, the economy, which had been developed through colonial settler capital, inevitably retained colonial elements as major investors in the country. As a result, Swaziland's development policy was induced to take a Western slant and a non-alignment position in foreign policy, despite its support for the Commonwealth. The inherent contradictions of the two positions of neutrality and non-alignment sought to preserve its national sovereignty and ensure external markets in South Africa and the world.

The dominance of British and South African capital posed a threat to the sovereignty of the country. Bischoff<sup>57</sup> notes that a species of nationalism emerged that was defined, led and dominated by the monarchy (which may therefore be termed "Dlamini nationalism", after the name of the Royal House, to distinguish it from rival currents of nationalism among the Swazi people). Dlamini nationalism challenged foreign powers by implementing its own programme for winning back alienated land, by seeking

maximum unity among the Swazi people behind the monarchy in order to lessen the social and political impact of increasing social stratification, and by adopting a positive stance towards export-orientated development undertaken by British investment interests.

The investors relied on importing through and from South Africa rather than via Mozambique, so monopoly investment in Swaziland's economy only meant that the Swazi state became more reliant than ever on the country's revenue from the South African Customs Union (SACU). By the mid-1970s, the country was so dependent on the world's agricultural commodity markets and the SACU that it became impossible for Swaziland to set its own tariffs, subjecting it to complete dependence on South African imports.

In response, the monarchy started forming alliances with multinational capital in the form of shareholding in order to obviate foreign capital domination. Under the pretext of nation building, the King converted the *Lifa* fund into a national fund known as *Tibiyo TakaNgwane*, which was intended to challenge the economic dominion of colonial foreign capital. However, the fund has since been monopolized by the monarch and its accounts are not open to public scrutiny in parliament.<sup>58</sup> In addition, major financial institutions such as the Provident Fund, *Tisuka* and the government national coffers fall under its control. By such means the monarchy has managed to mobilize forces of capital support to buttress its hegemonic position in the post-independence period.

The monarch began to play an important role in appointment of officers, planning control and finance, and broadened his land control by installing more chiefs. As part of nation building, localization was made a major issue in the post-independence era. In this endeavour, influential officers such as ministers, ambassadors, consuls, district regional officers and town council members were appointed by the king in Council. This marked a re-emergence of Swazi authoritarianism. However, it was no longer absolutely legitimate as it had been in the precolonial period, because a section of the population had now been modernized, political parties had emerged and the presence of a white population meant that authority had to be shared/decentralized in view of the Westminster Con-

stitution. It was not long, though, before the ruling elite's ambition to have absolute control and to foster traditionalism led to the abrogation of the constitution in 1973, ushering in a period of absolute royal control.

The monarchy continued to operate within the paradigm of traditionalism but there was no concrete planning model of the state following a series of five-year development plans outlining broad aims and objectives of economic growth. At its best, planning became an ad hoc response to problems, in a centrist and top-down fashion. By the late 1970s, it was obvious that absolutism could not continue for long, as evidenced by the extent of union unrest in the country. The unrest and political disturbances meant that the paradigm of traditionalism had to produce a new sociopolitical construct that would appease the people.

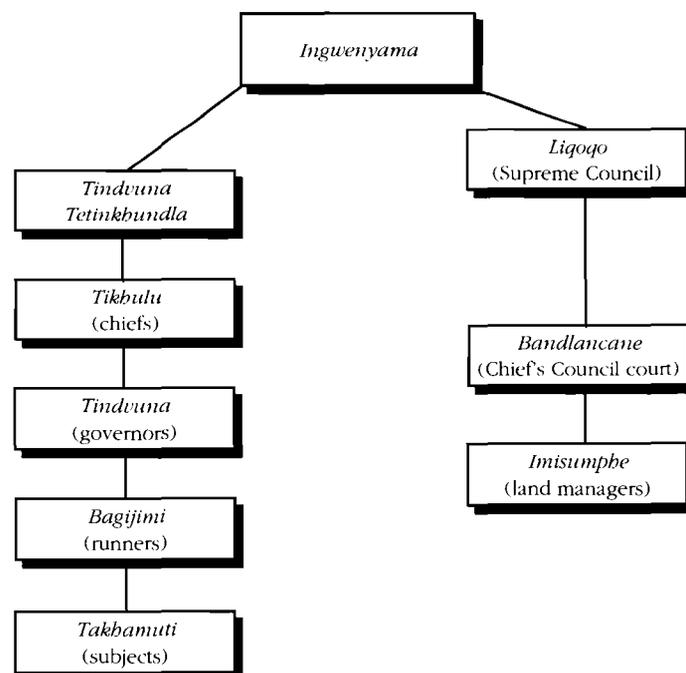
### The blood factor: the dualism paradigm under authoritarian decentralism

In 1978 the monarch introduced a system of *Tinkhundla* governance in the various parts of the country. This system of governance maintains the pre-colonial social hierarchy intact. However, a special group of royal officials (*tindvuna*) who are appointed on merit from the ranks of the ordinary Swazi by the king ensure that these rulers stay informed of the king's

wishes and that they maintain traditions.<sup>60</sup> This step created structural linkages tying the social hierarchy in the middle (between the chiefs and the king), creating a tier of control that effectively monitors activities at the grassroots level while disseminating information to the upper tiers. The king's absolute control is delegated to *tinkhundla* institutions and the status quo remains intact. Tradition is synonymous with royal culture and so the *tinkhundla* system appears to be authoritarian decentralism.

*Tinkhundla* also combines the traditional and modern political systems of the country by fusing traditional institutions into a modern political structure. Proponents of the system argue that it ensures grassroots participation; however in some quarters it is viewed as a semblance of regional planning. When viewed from a critical perspective, the system appears to be nothing but a political ploy to decentralize authoritarianism rather than authority. The changes that have been introduced into the system can only be defined as "change without changes or changes without change", as epitomized in a headline – "Tinkhundla reviews Tinkhundla" – in the *Times of Swaziland* in 1993. Despite extensive argument about its democratic destination, the reality suggests that the system is much further from fulfilling its claims than its proponents like to admit. For example, the city of Manzini

Figure 2 Tinkhundla institutional structure



falls under the Manzini *Inkhundla* but its functions have no obvious links to the development of the city. Development of the cities is rigidly controlled by national physical development plans, structure plans and regulatory acts in terms of the Town Planning Act of 1961. Although the Act provides for amendments, development of the cities is still trapped in the modernist paradigm.

In practice the political system remains rhetorical rather than democratic governance and/or regional planning. The planning prerogatives for the nation, districts and cities are centrally controlled and all projects are undertaken according to central plans and budgets. Planning proposals are subject to approval by the various ministries in the headquarters, whose officers are appointed by the king in Council. City governments and local communities in the rural areas have no absolute autonomy in so far as development planning is concerned, beyond the conventions defined by the ruling class. The town councils have limited power over financial, economic and social planning of the cities. They lack innovative urban development strategies and are still trapped in traditional modernist approaches to urban planning. For example, the informal economy, a post-modern expression, is seen as a dysfunctionality in the cities.

In the rural areas, planning control lies in the hands of the chiefs, *tindvuna* and runners, who in most cases are conservative and illiterate and lack facilities. The development potential of the people is stifled by rigid structures of control and the traditional structures are increasingly becoming helpless as economic conditions change. A Rural Development and Agricultural Cooperation Programme (RDAP) introduced in various rural areas in the 1970s became a cultural misfit due to autocratic planning. It made its physical presence felt, but in time the rural people became disillusioned and its architects were frustrated.

Various programmes were initiated under the slogans of localization, "Swazinization" and nation building, such as employment of locals, changing of Western names of streets, towns and places to Swazi names, and restrictions on sale of land to foreigners after independence. In actual fact these programmes were driven by "Dlamini nationalism".<sup>61</sup>

A large measure of continuity was

maintained in terms of royal prejudice, and its ideology of traditionalism made the post-independence developments a mockery of the nationalist promises and beliefs professed during independence. In real terms, there was simply an exchange of roles in the dualistic process of development. The white British government was replaced by the native monarchy; the paramount chief became King, *Ingunenyama*; Bremersdorp became Manzini; Western names of streets were replaced by local names for birds and trees; colonizers became investors; racial segregation became economic (income) segregation and colonial authoritarianism became authoritarian decentralism.

The 1990s still see the hegemonic control of the monarch that was entrenched two centuries ago through a social engineering process. However, between legitimate authoritarianism and authoritarian decentralism there has been a great measure of dualism which has engendered new social, political and economic processes which are no longer compatible with an authoritarian form of governance. Society has become fragmented, space has shrunk due to capital hypermobility, "the sacred cow has become secular", the royal myths are increasingly being questioned and the sense of community in the form of nationalism, *lilima*, and *kublehla* is under threat. This is in line with international trends towards democratization, which are facilitated by new information and communication technologies that make it increasingly difficult for authoritarian rulers to control their subjects.

The country is still trapped within a modernist mode of planning that flies in the face of post-modern realities. As a result its economy has been declining since the late 1980s, unemployment is rising rapidly, and political instability is becoming an increasingly common phenomenon. The emergence of clandestine political parties and trade union unrest are a reflection of global changes. The thrust of this influence draws on the recent democratic changes in South Africa and in Southern Africa as a whole. The challenges that the country faces are associated with a new post-modern landscape of diversity, dynamism and difference among the Swazi people. It remains to be seen if the dual monarch can still come up with a new paradigm which can quell or appease the political and socio-economic disgruntlement

of the Swazi people and international community.

## Conclusion

Dual patterns of development form part of the history of development in Swaziland from the precolonial period to the present. They stem from the dual influences imparted by both external and internal forces in the race for resources. Key external influences were the geopolitical proximity of South Africa and the British quest for colonization. These forces subjected the country to a dualistic pattern of development in the economic, political, social and sectoral aspects of life. The dualistic pattern of development has posed problems in one form or another at various periods, and the internal forces have responded to these challenges by adopting a paradigm of traditionalism which assumed an accommodationist posture.

The external threats posed by powerful tribes in the formative years of the Swazi society in the 1700s led to the establishment of a traditional dual monarchy in which the king ruled side by side with a queen who came from the royal family of the threatening tribe. This ensured stability and the appeasement of enemies. A philosophical paradigm of traditionalism was adopted which placed the country on a firm route of dualistic development. Subsequently, the infiltration of Boer and British colonial forces in the late 1800s engendered racial dualism which led to numerous dualisms in the economic, social, political and sectoral aspects of life. In response to racial dualism the monarch articulated the "dream" paradigm, emphasizing acceptance and coexistence of races as part of a dual society. The boomerang effects of dualistic development (that is, contradiction between modern and traditional values) saw the articulation of a "choice" paradigm and implementation of nationalism programmes such as localization, "Swazinisation," and the like.

Meanwhile, a number of shifts in perception took place over the period from precolonial, through colonial, up to postcolonial times. Natural resources shifted from being perceived as merely sources of security, survival and shelter, associated with providing basic needs, to being seen as commercial assets that accrue to comparative advantage as sources of power and control, and later in the postcolonial

period as instruments of competition to control political developments. While the external forces have played roles as concessionaires, colonizers and investors in the respective periods, the internal forces too played different roles. The king in particular assumed the role of king, paramount chief and once again absolute monarch.

These transitions have been illustrated in the shift from legitimate authoritarianism to colonial authoritarianism and to authoritarian decentralism in the respective periods. Even more dramatic is the shift from traditionalism to modernity, accompanied by a transformation of attitudes, perceptions and attribution of meanings by the Swazi people. With the improvement in educational standards and increased social interaction with people from different parts of the world, diversity, differences and divisions have become inevitable in the Swazi society. The head of state can no longer command, impose and control. The fragmentation of Swazi society is nothing more than a response to post-modern demands.

## Notes and references

The author acknowledges with gratitude the financial support of the University of the Witwatersrand *ad hoc* fund.

- 1 J F Scutt, *The story of Swaziland*, Mbabane: Swaziland Publishing and Printing Co, 1983, p 27
- 2 B A Marwick, *The Swazi*, London: Frank Cass & Co, 1966, p 5.
- 3 The queen does similar tasks and she is the immediate adviser of the king.
- 4 Alan R Booth, *Swaziland: tradition and change in a Southern African kingdom*, Hampshire: Westville Press, 1982, p 7.
- 5 *Ibid.*
- 6 The time of the Zulu wars of expansion.
- 7 Dingiswayo of the Mthethwa, Zwile of the Ndwandwe, Moshoeshe of the Basotho, Mzilikazi of the Ndebele, Soshangane of the Gaza and Shaka the formidable Zulu king (Alan R Booth, *op cit*, p 8).
- 8 Alan R Booth, *op cit*, p 8.
- 9 J F Scutt, *op cit*, p 17.
- 10 When Sobhuza I quarrelled with the mighty Zwile Chief over a piece of land along the banks of Pongola, he fled northwards to settle at Ncabaneni, which had caves for shelter from enemies (Alan R Booth, *op cit*, p 8).
- 11 *Ibid.*
- 12 It was a common practice for Swazi kings to send their daughters to appease stronger enemies. Mswati sent his sister Tifokati to Shepstone to help fight the Zulus. Shepstone gave her to his headman Ngoza to marry (J S M Matsebula, *A history of Swaziland*, London: Longman, 1972, p 19).
- 13 Alan R Booth, *op cit*, p 10.
- 14 She was an agent of transfer of policies from her father through marriage ties.
- 15 Other ceremonies are *lusekwane* for boys and *umblanga* for girls. These are seen as a means towards cohesion of the community and enforcement of the traditional relationship between the ruler and the subjects (A J B Hughes, *Some Swazi views on land tenure*, Kwaluseni: SSRU, 1982, p 50).
- 16 In addition, Hilda Kuper (in *The Swazi*, London: International African Institute, 1952, p 20) speaks of a rough hierarchy of clans and even particular lineages. At the top is Dlamini, followed by clans that provided queen mothers, eg Simelane, Ndwandwe, Nxumalo; those holding hereditary positions, eg Fakudze, Zwane; or distinguished by influence, loyalty or skills of particular individuals eg Vilakati, Mdluli.
- 17 John Daniel, in Michael F Stephen, *The great diamond rush? or. What archeology tells of Swaziland before Swazi*, St: University of Swaziland Social Science Research Unit, 1986, p 183.
- 18 Alan R Booth, *op cit*, pp 40–44.
- 19 Hilda Kuper, *The Swazi*, *op cit*, p 22.
- 20 Alan R Booth (*op cit*, pp 40–41) shows the stages of growth for males and females, with activities, ritual and outward signs.
- 21 Paul-Henri Bischoff, *Swaziland's international relations and foreign policy: A study of a small African state in international relations*, New York: European University Studies, 1972, p 91
- 22 Hilda Kuper, *An African aristocracy: Rank among the Swazi*, London: Oxford University Press, 1947, (reprinted 1980), p 56.
- 23 *Ibid*, p 45.
- 24 Peter Kasenene, *Swazi traditional religion and society*, Mbabane: Websters, 1993, p 96.
- 25 Hilda Kuper, *The Swazi*, *op cit*, p 17.
- 26 *Ibid*, p 16.
- 27 The family council involves parents, uncles, cousins, elderly people of the clan and sometimes neighbours, depending on the nature of the issue.
- 28 Peter Kasenene, *op cit*.
- 29 Concession king.
- 30 Hilda Kuper, *The Swazi*, *op cit*, p 19.
- 31 J F Scutt, *op cit*, p 21.
- 32 Pieter Esterhuysen, "The legacy of Sobhuza", *Africa Insight*, vol 14, no 1, 1984, p 5.
- 33 Christian P Potholm, *Swaziland: The dynamics of political modernization*, Berkeley: University of California Press, 1972, p 10.
- 34 The land partition was as follows: 976 558 ha for private European land; 687 635 ha for Swazi Nation Land and 63 549 ha for Crown land.
- 35 Hilda Kuper, *An African aristocracy*, *op cit*, p 19.
- 36 Winnifred Hoerne, in GME Leistner, *Swaziland on the eve of independence*, Pretoria: Africa Institute, 1968, p 36.
- 37 *Ibid.*
- 38 J Crush, "The parameters of dependence in Southern Africa: A case study of Swaziland", *Journal of Southern African Affairs*, vol 4, no 1, 1979, pp 55–66.
- 39 R Palmer and N Parsons, *The roots of rural poverty in Central and Southern Africa*, London: Heinemann, 1977, p 20.
- 40 Hilda Kuper, *An African aristocracy*, *op cit*, p 47.
- 41 *Ibid.*
- 42 T J D Fair *et al*, *Development in Swaziland: A regional analysis*, Johannesburg, Witwatersrand University Press, 1969.
- 43 *Ibid.*
- 44 Manzini was abandoned as an administrative headquarters partly because of the malarial climate (A J Temu, *History of Manzini 1885–1990*, Cape Town: University of the Western Cape, 1992, p 19).
- 45 The land partition was a means of providing labour for settler farmers in the country and for the mines in the Witwatersrand in the Transvaal.
- 46 Regent Lobatsibeni had told her people to go to the Transvaal mines in search of work in order to get income to buy the land back.
- 47 *Swazi Land Concessions Report* 1903, p 3.
- 48 The establishment of this form of control for the whites was necessary because of the rivalry and lawlessness that the concessionaires had induced in the country (A J Temu, *op cit*, p 8).
- 49 The triumvirate consisted of Col E R E Martin, representing Britain, D J Esselen, representing the Republic, and Theophilus Shepstone as its Chairman, representing the Swazi nation (J S M Matsebula, *op cit*, p 71).
- 50 A J Temu, *op cit*, p 40.
- 51 Instituted to advise the Resident Commissioner on matters affecting European interests in Swaziland.
- 52 He sent a delegation to Britain to talk to King George V, challenging the validity of the partitioning. Later, a petition and lawsuit in the Special Court of Swaziland were brought.
- 53 Chinua Achebe, *Things Fall Apart*, London: Heinemann, 1962.
- 54 Pieter Esterhuysen, *op cit*, p 6.
- 55 Hilda Kuper, *Sobhuza II: Ngwenyama and King of Swaziland*, London: Duckworth, 1978, p 105.
- 56 The "blood factor" functions through social ties, relationships and many forms of formal and informal blood relationships.
- 57 Paul-Henri Bischoff, *op cit*, p 14.
- 58 Ironically, it is claimed that the fund is owned by the nation and everyone has the right to know about its operation.
- 59 The council was first established in 1970, dissolved in 1974, appointed in 1977 and investigated in 1986, resulting in the suspension of council members.
- 60 Pieter Esterhuysen, *op cit*, p 9.
- 61 Paul-Henri Bischoff, *op cit*.

# Accountability and oversight in the new South African intelligence community: a preliminary assessment

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The secretive nature of the intelligence communities worldwide enables them to perform their duties without being subjected to scrutiny or criticism by the public. Their effectiveness lies in their ability to obtain and disseminate information secretly, so that the policy-makers can take appropriate decisions.<sup>1</sup> Extensive powers are therefore granted to the security intelligence agencies to empower them to give as accurate a picture of reality as would be possible without any doubt or fear.<sup>2</sup> In the words of LM Mti, the Co-ordinator of Intelligence in South Africa, it is *“the responsibility of intelligence services to inform policy-makers what they ought to know and not what they want to know.”*<sup>3</sup> However, scandals which involved the secret agents of especially the USA’s Central Intelligence Agency (CIA) during the 1970s, highlighted the need to develop institutional mechanisms to keep such agents in check.<sup>4</sup> These mechanisms attempt to address the questions: Who should take the blame or credit for the work badly or well done by the secret arms of the government? How can the balance be maintained between unimpeded intelligence work in the interest of the country versus the ability of the government to ensure that no maladministration occurs within the intelligence structures? In other words, to whom should the intelligence community be accountable? To parliament or to society? The most important and most difficult question is: How should the mechanisms be structured so that the government can achieve its aim of accountability to all its structures?

While this essay does not purport to provide all the answers to these questions, it attempts to highlight the aspects, including a model, pertaining to accountability and oversight of the new South African intelligence communities.

## Existing control and oversight structures

The South African White Paper on Intelligence<sup>5</sup> lists the control mechanisms identified by the Transitional Executive Council (TEC) as follows:

- allegiance to the Constitution;
- subordination to the Rule of Law;
- a clearly defined legal mandate;
- a mechanism for parliamentary oversight;
- budgetary control and external auditing;
- an independent Inspector-General for Intelligence – each for the two civilian intelligence services;
- ministerial accountability;
- the absence of law enforcement powers.

These control mechanisms have been given legal status through various pieces of legislation. The first of these was the Intelligence Services Act, 1994 (Act No 38 of 1994) which not only established the two civilian services – that is, the National Intelligence Agency (NIA) and the South African Secret Service (SASS) – but also stipulates the powers and duties of the members of the services. NIA is responsible for domestic intelligence and SASS foreign intelligence. The second one was the National Strategic

Intelligence Act, 1994 (Act No 39 of 1994) which sets out to circumscribe the role and functions of all the different services in the South African intelligence community, including those in the SA National Defence Force (SANDF) and the SA Police Service (SAPS). The third one was the Intelligence Services Control Act, 1994 (Act No 40 of 1994), which could be regarded as the main piece of legislation that seeks to ensure parliamentary oversight. This Act establishes the Parliamentary Committee on Intelligence and the Office of the Inspector General. It states their functions and the regulations pertaining to their role in the intelligence structures. In 1995, it was amended by the Committee of Members of Parliament on and Inspectors-General of Intelligence Amendment Act, 1995 (Act No 31 of 1995).

The number of legislative mechanisms introduced to ensure proper oversight and accountability could be misleading. In criticizing the multiplicity of oversight structures designed to keep the CIA, Olmsted<sup>6</sup> observes that: “it is not the number of laws or their sweep that matters the most, but rather the day-to-day supervision of the secret agencies by legislators and their staff.” Without understanding the internal dynamics that are involved in generating intelligence, these mechanisms will remain insufficient. It all comes down to accountability and how this can be ensured.

## Accountability

The conceptual difficulties associated with “accountability” need to be taken

into consideration when devising the mechanisms to monitor the activities of the intelligence communities. The foundation of ensuring accountability is located within the theory that seeks to keep in check the powers of those in charge. James Madison observed in 1788 that: "[I]f angels were to govern men, neither external nor internal controls on government would be necessary."<sup>7</sup> In other words, if there were no suspicion or possibility of the abuse of power by those on whom certain powers of government have been conferred by way of election or otherwise, there would have been no solid foundation for the demand for checks and balances. It becomes even more important for the intelligence structures because they are an invisible arm of government. This view derives from the democratic theory, which states that: "power emanates from the people and is to be exercised in trust for the people."<sup>8</sup>

Two major themes characterize this theory. The first is the locus of power in government, as indicated above. This theme is about the feedback which the office-bearers have to give to those who had put them in power. The second, particularly relevant to the intelligence community, is the one which pertains to structures or mechanisms which seek to nurture or protect the basic values that are shared by those who delegate powers and those on whom such powers are delegated. These mechanisms could include the use of an ombudsman, parliamentary committees and the like. Even though democratic governments demand a greater measure of accountability, dictatorial governments could also insist on what could still be called "accountability". For instance, a totalitarian government could demand that universities, the press and even trade unions be accountable to the government of the day.<sup>9</sup>

The hierarchical nature of government is designed to ensure that each level of government is accountable to the next one above it. However, the multiplicity of responsibilities and levels of specialization within the government apparatus has made the traditional hierarchical organization extremely complicated. The other factor making traditional accountability obsolete is the fact that the governments have become too big for an individual minister or chief executive officer to know in detail what is happening on the ground. New role-players in

government, which include non-governmental organizations (NGOs), churches, universities, and so forth, have also added more dimensions that require government attention. Thus, new structures are designed to supplement or support the existing ones in order to enhance accountability. It is against this background that Smith<sup>10</sup> introduced the concept of "universal accountability".

The main idea behind the notion of universal accountability is that everyone in the organization is held accountable. The downside of this theory is that it fails to discriminate or differentiate among different scenarios. In criticizing this, Smith<sup>11</sup> is of the opinion that "[w]hen everybody is held accountable for everything, no one is effectively accountable for anything." The failure of the theory to pinpoint the exact locus of responsibility further opens it to criticism. This is particularly so when considering the so-called "chief on the top and the expert on the tap" notion. In other words, the practitioners and supervisors of intelligence cannot be held equally accountable, because of the different nature of their roles. Clear role definitions derived from national legislation, ministerial directives and guidelines do not only strengthen accountability mechanisms, but they could also help minimize tensions resulting from bureaucratic conflict over "turf". Conflicts of this nature could bring about politicization of the intelligence community,<sup>12</sup> as was the case between the former Directorate of Military Intelligence (DMI) and the National Intelligence Service (NIS) during the Vorster and Botha administrations respectively.<sup>13</sup>

An alternative to "universal accountability" could be the notion of "selective accountability". The latter notion examines the magnitude of the chances of abuse and determines the level of accountability required. In the realm of intelligence, the theory could, for instance, require that all domestic intelligence structures be subjected to stricter control measures, whereas the foreign service would be given much wider latitude of choice and freedom of action. The theory is not criticized only for lack of consistency in government procedures, but it also opens government institutions to "legal abuse of power".<sup>14</sup>

Seeing that both the "universal accountability" and "selective accountability" theories do not satisfy the peo-

ple's demand for accountable government institutions, both visible and invisible, the academic theorists have attempted to introduce formulas that could mitigate the dilemma. One such an academic, David Robinson,<sup>15</sup> argued that the principal challenge was how to maintain a proper balance among the three types of accountability, namely, *fiscal, programme and process* [emphasis added].

Fiscal accountability has to do with the control of funds of the institution. The auditors are heavily involved in ensuring that funds are not only properly spent but that the government gets "fair value" for its expenditure. In the case of the South African intelligence community, the responsibility of ensuring that there is proper use and control of funds rests with the Joint Standing Committee on Intelligence (JSCI). According to insiders in the intelligence community, the members of the JSCI view budgetary control as their main oversight role, as discussed below.<sup>16</sup>

The second type of accountability, "programme accountability", seeks to gauge the results which the government set out to achieve when it initiated a particular programme. Efficiency and effectiveness are a key to effecting this type of accountability. It is goal- or result-orientated and more concerned with quality than quantity of the programme. Looking at the origins of National Security Management System (NSMS) during the late 1970s, when the South African government wanted to improve co-ordination of information and the implementation of policy,<sup>17</sup> one can assume the government wanted to ensure that there were clear lines of accountability. The security committee (known by its Afrikaans acronym Veikom) of the NSMS comprised members from the Department of Defence, NIS, South African Defence Force (SADF), the South African Police (SAP) and the chief of civil defence in the region.<sup>18</sup>

Accountability of "process", which is the third type, attempts to compensate for the weaknesses found in the second type of accountability. It emphasizes the importance of procedures and methods of operation.<sup>19</sup> While "programme accountability" is conspicuously not suitable for intelligence communities, "process accountability" could be of great help. This is not particularly so only because of the fact that laid down procedures for intelligence operation will be followed, but

also because intangible aspects such as human rights violation and the awareness of broader environment within which intelligence operates, will receive attention.

As can be deduced from the preceding discussion on the different types of accountability, it would appear these variations might have to be applied concurrently. But this does not solve the problem at hand of how to ensure "accountability" and proper "oversight" especially for the intelligence agencies. The search for accountability could be detrimental to operational efficiency of the intelligence community. According to Ransom<sup>20</sup> "[t]he greater the demand for openness and accountability in government, which demand rises in times of perceived peace, the greater the probability of politicization of intelligence." It should be noted that the intelligence agencies in South Africa have a constitutional mandate to be the guardians of state secrets and should therefore not become the object of political wrangling for party political interests at the expense of those of the nation. In the press statement issued by the South African Ministry of Intelligence on 22 February 1996, the ministry warned against reducing intelligence to "political footballs or a focus of unsubstantiated sensationalism."<sup>21</sup> While these agencies have a legitimate responsibility to protect national security as required by the constitution, they also have a public responsibility to ensure accountability and propriety in their operational activities in order to maintain that legitimacy.

### Control and oversight

As already indicated above, the main rationale for ensuring that there is some sort of accountability derives from the dangers associated with the possible abuse of power that is vested in intelligence agencies. Such abuse of power is sometimes done with the bona fide aim of bringing about what the intelligence communities regard as being of national interest, or in the name of national security. In most cases, the agencies would knowingly or inadvertently suspend legal methods of obtaining information because they believed that they would face fierce criticism if they could not timeously "pick up" the actual or potential threat to national security. However, examples abound in which the intelligence agencies harboured "malevo-

lent" intentions and therefore resorted to acts of terror, either in order to justify their continued existence or as main instruments for the government's perpetuation of the status quo. The popular "acronyms of terror" – the secret police, as they were known by initials – include BOSS (the Bureau of State Security) of South Africa; the KGB (*Komitet Gosudarstvennoy Bezopasnosti* or Committee for State Security) of the former Soviet Union<sup>22</sup> and the National Security and Information Organization (SAVAK) of Iran.<sup>23</sup> This is much more mildly stated than Richard Norton-Taylor's statement when he says: "[s]ecurity services are unable to resist the temptation to indulge in activities that have no place in a democracy."<sup>24</sup> In order to cater for both "benevolent" and "malevolent" cases, mechanisms are devised to eliminate the intrusion or dominance of human factor in the execution of intelligence duties. However, Norton-Taylor further warns "[t]he cure can be as dangerous as the disease." This implies that even these mechanisms should be treated with extreme caution because they can cause more damage than the problem they were designed to solve.

It should be noted that there is a fundamental difference between "control" and "oversight" of intelligence services. The former refers to "the process of monitoring actual organizational activities to see that they conform to planned activities and correcting flaws or deviations."<sup>25</sup> Oversight refers to the process of "determining the effectiveness of the [intelligence] community, and making recommendations to the Executive Branch as to what should be done to make them more effective."<sup>26</sup> Both of these capacities are determined by the institutional layout of structures and could vary from one country to another. Structures designed to ensure that there is sufficient control could also have some bureaucratic oversight powers. For instance, the Director-General in the South African intelligence community fulfils both roles. The Intelligence Services Act, 1994 (Act No 38 of 1994) requires in Section 4 (2) that the Director-General of NIA or SASS, as the case may be, should "... make such rules and issue such directions as he or she may deem expedient for the efficient command, superintendence and control of the Agency or the Service as the case may be." But it adds an oversight role when it states in Section 4 (3)(c) that

the Director-General should also be able to ensure that the functions of NIA or SASS are "... limited to what is necessary for the purposes of discharge of its functions in terms of the National Strategic Intelligence Act, 1994 and the Secret Services Act, 1978 (Act No 56 of 1978)."

Before discussing the model which South Africa might apply in order to ensure proper control and oversight over the intelligence community, a few basic principles that are applicable to virtually all intelligence structures in democratic states are in order. Gill<sup>27</sup> identifies five principles, which need attention when effective control and oversight has to take place.

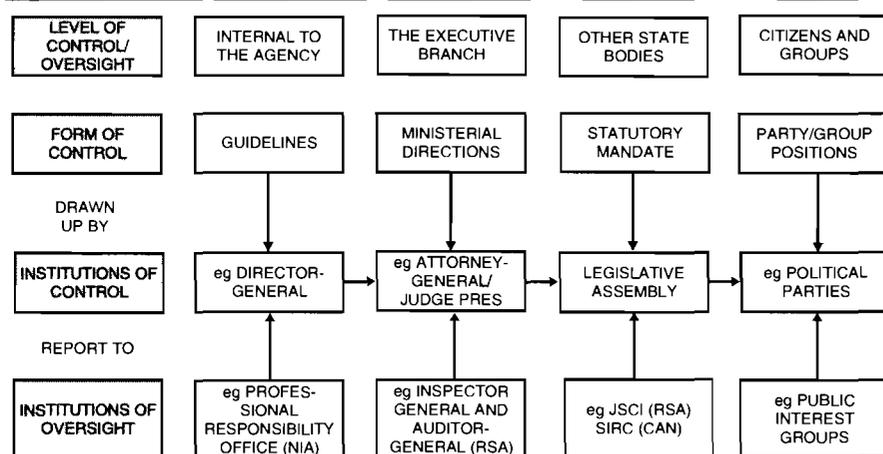
Firstly, there has to be a managerial and oversight mechanism at all levels in the hierarchical structure of the intelligence community. These levels are:

- the intelligence agency itself,
- the executive branch,
- outside of the executive branch,
- the interaction between the state and the people.

Secondly, the same positions should not be responsible for both control and oversight. This means that the dual role which the Director-General of NIA or SASS has to play is, according to this principle, inappropriate. Thirdly, those positions which are responsible for control and oversight should draw up rules, guidelines and standards which are in line with the democratic principles and the security needs of the country. Again, Section 4 of the Intelligence Service Act (No 38 of 1994) which stipulates the primary duties of the head of NIA or SASS is in point. This means that he or she has to keep in mind the rulings of the court on security matters and the directions of the minister responsible.

Fourthly, each level in the hierarchy of control and oversight should be accountable to the next higher level. This arrangement does not only ensure that there is proper co-ordination of the flow of information within the intelligence structures, but it also prevents a situation in which senior intelligence-related officials claim to have been kept in the dark when scandals occur. The on-going Truth and Reconciliation process has revealed on numerous occasions the complicity of senior intelligence members in the perpetration of atrocious deeds, but who claim ignorance of such activities or deny having got involved in them.<sup>28</sup>

**Figure 1** Model of control and oversight of security intelligence agencies



Source: Adapted from P Gill, *Policing politics, security intelligence and the liberal democratic state*. London: Frank Cass, 1994, p 252

Fifthly, each oversight institution should report to the control institution that is at the same level as itself. The same oversight institution should be able to report to the next senior control institution as itself. The South African situation is such that both the powers of control and oversight, at lower level, are vested in one person. Thus, rather than having to report to the control institution at the same level, the oversight institution would have to report to the senior control institution. For instance, the Head of the NIA would have to report to the Inspector General.

Gill's Model of Control and Oversight of Security Intelligence Agencies (Figure 1) can better illustrate these principles.

### The agency

The term "agency" is used in its broadest sense and refers to the five different structures of the intelligence community in South Africa, namely NIA, SASS, NIS (National Investigation Service) of the SAPS, ID (Intelligence Division) of the SANDF and NICOC (National Intelligence Co-ordinating Committee). Each agency issues specific regulations and guidelines to its members in order to ensure propriety. Because of the diverse nature of the agencies' work and difference in the managerial and other skills of those who are in charge of such agencies, the quality of regulations will not be the same. The use of internal inspection is one of the internal mechanisms that can be used. However, this is not always effective, as the series of congressional investigations into the CIA in the late seventies and early eighties

indicated. Internal audit could also be used, as was the case with the Royal Canadian Mounted Police (RCMP) Security Service of Canada in 1978 after the McDonald Commission's recommendation.<sup>29</sup>

In South Africa the Director-General of "agency" remains the accounting officer and is responsible for internal audit and the utilization of secret funds in terms of both the Security Services Special Account Act, 1969 (Act No 81 of 1969) and the Secret Services Act, 1978 (Act No 56 of 1978). The 1994/95 Auditor-General's report shows that it is heavily reliant on the internal audit by the agencies. The report acknowledges the difficulty of subjecting all intelligence activities to full annual audit. To compensate for this weakness, the report states that it makes use of the multi-year audit planning cycle. It is interesting to note that, technically, the two civilian intelligence services (NIA and SASS) did not have an Accounting Officer for the period 1 January 1995 to 31 March 1995, and there were no financial irregularities reported for that period. Equally interesting is that the ANC's former Department of Intelligence and Security (DIS) was already being financed from the former National Intelligence Service budget as from 1 June 1994, even though NIA and SASS only started operating as from 1 January 1995. While the Auditor-General's report puts the expenditure incurred in respect of salaries and operational costs for DIS at R32 906 608, it is silent on the expenses incurred in support of the Pan-Africanist Congress's (PAC's) Secret Services and the integration of the former TBVC (Transkei, Bophuthatswana, Venda and Ciskei) states'

intelligence services, which only occurred on 1 April 1995 instead of 1 January 1995.<sup>30</sup> This amount was almost the same as the allocation for the Special Defence Account for Intelligence Division of the SANDF, which stood at R29 732 452 for the same financial year.<sup>31</sup> However, as might be expected, the budgetary allocations for intelligence services remain a mystery to the general public until, and sometimes even after, the official figures are presented. For instance, for the same year the *Weekly Mail and Guardian* estimated that the NIA's personnel (about 3 000 strong) had a total annual cost of about R600 million.<sup>32</sup> According to the Intelligence Watch Report (IWR) the total intelligence budget for 1996/1997 financial year was R821 million.<sup>33</sup> The official figures as presented by Joe Nhlanhla, the Deputy Minister of Intelligence, during his budget vote in Parliament in May 1997, were as follows:

**Table 1** Budgets for the civilian intelligence services since 1995

Financial year	Budget allocation (Rm)
1995-96	829
1996-97	781
1997-98	723.5

Source: *Hansard*, 12-16 May 1997, p 2536

Notable in the budgetary allocations, as the Deputy Minister also pointed out, is the gradual but definite decrease. Table 1 shows 12,8% and 7,4% reduction in the financial allocations for the 1997/8 and 1995/6 financial years respectively. This downward trend in budget for intelligence shows the significance of tight internal controls over allocation of funds for specific projects and the management of available limited resources.

Another method of ensuring that the agency functions properly, at least from inside itself, could be the ability of members of the intelligence structure to alert the public or those in charge if there is any departure from the laid-down rules. Allowing the so-called "whistleblowers" to make known information which they deem detrimental to the public, does not only ensure that members "play by the rules", but it also creates a culture which is value-driven and not just results-driven. Unfortunately, the intelligence community culture does not allow this to happen. However, when looking at the Open Democracy Bill, this is likely to change. The Bill has as its objects "to make available informa-

tion that will assist the public to understand what the functions of governmental bodies are, how they operate and what criteria they use to make decisions" (s. 2 (a)), and "generally, to empower the public effectively to scrutinize governmental decision-making, to promote open and accountable administration at all levels of government . . ." (s. 2 (g)). Against this background, s. 81 (1) of the Bill reads:

. . . no person shall be civilly or criminally liable or be subjected to disciplinary action in any court of law or administrative or other tribunal on account of having disclosed any information [the disclosure of which constitutes a contravention of the law], if the person in good faith and reasonably believed at the time of the disclosure that he or she is disclosing evidence of a contravention of the law, corruption, [or] dishonesty or serious maladministration in [connection with] a governmental body or on the part of an official of the body [or serious maladministration in a governmental body].

As can be expected of the "national security agencies", the "rule of exceptionalism"<sup>34</sup> applies. Like the US's complex oversight structures and legislative measures, South Africa's Open Democracy Bill makes provision for secrecy when dealing with security issues such as the prevention, detection, and suppression of terrorism, sabotage or activities ". . . aimed at changing the constitutional order of the Republic by the use of force or violence" (s. 71). It can be submitted that this clause could become one of the most controversial issues in the legal debate in the future.

#### *The executive branch*

This level refers to the executive structures that can be used in monitoring the activities of the intelligence communities. The institutions that are normally involved at this level would, in the case of South Africa, be the Deputy Minister of Intelligence and an Inspector General; in the case of the United Kingdom, it would be the Home Secretary; the Attorney General in the United States and Australia, and the Solicitor-General in Canada.<sup>35</sup>

The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) recognizes the President as the head of the national executive and the only one who is constitutionally permitted to create any intelligence service, but only in terms of national legislation. Section 209 of the Constitution

states that he/she is also the only person who can "appoint a woman or a man as head of each intelligence service . . ." and he/she can also either "assume political responsibility for the control and direction of any of those services, or designate a member of the Cabinet to assume that responsibility."<sup>36</sup> While presently this responsibility is vested in the Deputy Minister of Intelligence, Joe Nhlanhla, the future is unpredictable. History has shown that sweeping powers of this nature could have a negative impact, particularly in the realm of efficiency and accountability. If the head of government is not well disposed towards or lacks interest, insight or experience in intelligence matters, national security and political accountability are the first casualties. It was this realization that prompted New Zealand's Parliament to pass legislation in August 1996 that would improve oversight over its intelligence services – the Security Intelligence Service (SIS) and the Government Communications Security Bureau (GCSB).<sup>37</sup> In South Africa, like Canada, Section 6 of the Intelligence Services Act, 1994 (Act No 38 of 1994) empowers the Deputy President or the Minister responsible for intelligence to issue directives to the Agency or Service for proper control and efficiency. Unlike Canada, this section does not indicate whether such directives should only be given to the Directors-General or directly to lower control structures of the agencies. This distinction becomes important in determining the extent to which the responsible minister – being a politician – can get involved in the operational matters of the intelligence community.<sup>38</sup>

As already indicated above, the Inspector-General also forms part of this level of oversight. He/she is appointed by the President, but must have been nominated by the Parliamentary Committee on Intelligence first and approved by the National Assembly. At the risk of being too presumptuous and speculative, one needs to look at the composition of both the Standing Committee on Intelligence and the National Assembly in order to profile the type of person who would be nominated and appointed to the post of an Inspector-General. It is highly unlikely that a majority party could agree to the appointment of a person whose general outlook on politics was fundamentally counter to the expectations of that party. The Inspector General in South Africa is respon-

sible and answerable only to the President, with the possibility of circumventing the responsible Minister. The powers of the Inspector-General are comprehensive enough as he/she has access to any facility or information which the intelligence community possesses.<sup>39</sup> His/her functions include:

- monitoring compliance by the Service with its policies,
- reviewing the activities of the Service.
- performing all functions designated to him or her by the Minister concerned,
- submitting certificates (annual report on the activities of the service) to the Minister concerned (Act No 40 of 1994).

At present, South Africa does not have an Inspector-General. On 19 March 1996 the Chairperson of the JSCI, L Sisulu, presented in Parliament its nomination of Advocate Lewis Skweyiya, SC, as the first Inspector General of South Africa's new intelligence services. After taking a vote, his nomination was adopted by the joint sitting of Parliament.<sup>40</sup> He was to assume his duties with effect from 1 June 1996. The Ministry of Intelligence presented an employment contract to the JSCI for its consideration. The JSCI rejected the contract and sent it back to the Ministry of Intelligence for redrafting. In the meantime, Skweyiya had ceased to practise as a lawyer, in preparation for his new post. However, as negotiations for the revised employment contract dragged on, Skweyiya presented his resignation to the proposed post. According to the Ministry of Intelligence, Skweyiya had done so due to "prolonged and delayed negotiations" and that the salary package was not enough.<sup>41</sup> A series of scandals involving the NIA revealed that the absence of the Inspector-General is hampering the work of the JSCI. These scandals include the break-in at its national headquarters, a shooting incident in which its members were involved and the theft of 11 minibuses from its premises.<sup>42</sup>

#### *Other state bodies*

At this level, the only other state body that deals with intelligence oversight is the Joint Standing Committee on Intelligence (JSCI). Comprising members from different political parties which are represented proportionally accord-

ing to their number of seats in Parliament, the JSCI is granted enormous powers to monitor the activities of the intelligence community. While the legislative and other measures designed to control the South African intelligence community largely resemble those of Canada, there is a notable difference as regards the composition of oversight bodies, namely, the Security Intelligence Review Committee (SIRC) and the JSCI, for Canada and South Africa respectively. Unlike the Canadian SIRC, which is an "all-party" oversight body,<sup>43</sup> the JSCI is constituted as a "multi-party" oversight body (s.199 (8) of the South African Constitution).<sup>44</sup> The significance of this distinction is twofold: firstly, the JSCI will *always* be deemed to be "properly" constituted as long as South Africa remains a multi-party democracy. The constitution further states that the JSCI's oversight responsibilities must be determined by national legislation, but the Intelligence Services Control Act, 1994 (Act No 40 of 1994) does not "oblige" political parties who have seats in Parliament to participate in the JSCI. Secondly, it exposes the JSCI to the danger of having, in its ranks, the members who could come from violent extremist groups and who would be glad to have access to state secrets and possibly use them against the state. In this regard, Phillips feels that the legislation might have to be amended to prevent this scenario from happening.<sup>45</sup> The security check which caused a stir between President Mandela and the PAC leader, Bishop Mogoba, seems to be inadequate to prevent this situation from arising.<sup>46</sup>

The JSCI is empowered to obtain reports from the Auditor-General, from the Evaluation Committee, and the Inspector General. It is also required to make recommendations and to deal with public complaints. It appears the JSCI has essentially more of an *ex post facto* oversight role and less of a "watchdog" role, especially as regards the operations of the respective intelligence structures. This is also demonstrated by its reliance on reports as stipulated in Section 3 of Intelligence Services Control Act, 1994 (Act No 40 of 1994). It is noteworthy that, although the legislation lists the kind of reports which the JSCI has to receive, it does not include an obligation to make these reports public, as is the case with the SIRC, with a few exceptions.<sup>47</sup> Like South Africa's JSCI, Canada's SIRC also plays a retrospec-

tive role with regard to reviewing the activities of the Canadian Security Intelligence Service (CSIS), but it also attempts to deal with existing or planned operations.<sup>48</sup> To deal with a similar situation, the Americans introduced a series of investigations in the mid-1970s and came up with the Oversight Act of 1980 and the Intelligence Oversight Act of 1991. These Acts not only prescribed that every major operation be sanctioned by Congress, they also did away with the *ex post facto* approach.<sup>49</sup>

Concerning access to information, the "need-to-know" principle strictly applies. It appears that there is a constant state of tension between the Agency or Service and the JSCI. This is reflected in stringent measures to control the flow of information even between those who are constitutionally mandated to monitor it. For instance, the JSCI can only access those documents that pertain to the issue or complaint concerned. The Service or Agency is not obliged to disclose to the JSCI anything that could be deemed as revealing the source, identity or method used (s. 4 of the Intelligence Services Control Act, 1994). This is formulated in almost exactly the same way as Schedule 3 of the Canadian Security Intelligence Act of 1984, which defines "sensitive information" and spells out conditions under which such information can be disclosed.<sup>50</sup> In South Africa during the debate in the National Assembly on State Expenditure in 1997, it was revealed that the Deputy Ministry of Intelligence had established a review commission of inquiry – the Pikoli Commission – into the transformation of the civilian intelligence services. One of the main concerns from both the JSCI and other members of parliament was the shroud of secrecy covered the report of the commission. The JSCI did not only receive the report after many requests, it was also forbidden from quoting from it when making presentations.<sup>51</sup>

According to Gill, excessive restrictions to access to vital information are hampering the work of Canada's SIRC. But Blais, a former member of SIRC, refutes this and claims that the SIRC has access to "all information controlled by CSIS".<sup>52</sup> While this could be justified in terms of keeping the "oversight" committee out of operational or "control" issues, the oversight body also has to ensure that the existing control mechanisms are efficient and effective. The advantage of keep-

ing the "oversight" committee partly involved in control matters is the fact that the intelligence community is "... sometimes held retroactively responsible or [is] unjustly accused in the press"; such a committee can also share the blame and actually help "... cushion the impact of public reaction".<sup>53</sup> For David Holiday, former member of the US's Senate Intelligence Committee, this role of playing an advocate for the intelligence community against Congress (or parliament) and the public is the single most important one which the oversight committees, like the JSCI, should play.<sup>54</sup> The other factor is that if the JSCI were to constantly probe operational activities of the services, such services would have to switch to a defensive mode, otherwise prosecution of intelligence agents for illegal activities would become a common occurrence.<sup>55</sup>

Given these circumstances, the intelligence oversight committee would have to utilize other sources of information, which would make its work much easier. These sources would include the constituencies, researchers from the committee staff, Auditor-General's reports, whistleblowers, the mass media, interest groups, and so on. The survey conducted by Bernard Rosen<sup>56</sup> among 39 Representatives and 20 Senators in the American Congress showed that the popular sources used by those entrusted with parliamentary oversight responsibility are constituencies and research staff (more than 50%) within the committee itself and only 2% and 14% relied respectively on political party officials and whistleblowers. The South African JSCI seems to lack adequate research capability, while each member of the committee is involved in at least three other committees.<sup>57</sup>

Another consideration in applying strict rules with regard to access to information appears to have been a constant fear of "leaks" of sensitive information to the public. The problem of "leaks" is inseparably part and parcel of the sensitive information security dilemma and can at best be minimized, but not totally eradicated. Drawn from the political parties, the members of an oversight committee such as the JSCI can hardly be expected to resist the temptation to leak pieces of information due to political pressure from the constituencies. These "leaks" usually occur "when the politics of the situation become more important to these

people [politicians] than their duty to the [country]."<sup>58</sup> A typical example of what could happen if there were to be frequent leaks of information was the Mandela-Mogoba row.

The media reported that President Mandela was against the nomination to the JSCI of Bishop Mogoba, the new leader of the Pan-Africanist Congress (PAC) who succeeded Clarence Makwetu. It is a general practice to undergo a strict security check before becoming the member of the parliamentary committee on intelligence or the intelligence community in general (s. 8 of the Intelligence Services Act of 1994). According to media reports, President Mandela had expressed his concern that putting Bishop Mogoba through a security check could be "humiliating" for a "religious leader" – especially, it could be added, if he fails it.<sup>59</sup> The PAC interpreted this as a demonstration of the State President's lack of confidence in their leader, who was apparently regarded as a "security risk".<sup>60</sup>

Two observations can be made in this regard: firstly, the potential for the politicization of the intelligence community in South Africa and, secondly, the South African public's lack of interest in intelligence matters. The former was demonstrated by the PAC's "voluntary" withdrawal of Mogoba's nomination to the JSCI<sup>61</sup> and his subsequent renomination<sup>62</sup>; and the latter could be seen in the general public's apparent inertia and reluctance to find out more about the Mandela's alleged doubt of Mogoba's suitability to be part of the JSCI.

Of particular interest is Section 2 (b) of the Secret Services Control Act, 1994 (Act No 40 of 1994), which states: "In the event that agreement is not reached in respect of the appointment of a particular member, the matter shall be referred for determination to a committee consisting of the President, the Speaker, the President of the Senate<sup>63</sup> [or National Council of Provinces?] and the leader of the political party concerned, and the decision of the committee shall be final." This Act does not indicate what should happen if the member in question was the leader of the political party, nor does it state whether the "final decision" should be made public or not.

### *Citizens and groups*

The citizens and interested groups are the single most important, yet most

marginalized, section helping to keep a democracy vibrant. The demand for public debates on security issues, including intelligence, is a potent mechanism that seeks to permeate the government's wall of secrecy, thus ensuring proper oversight and accountability. The involvement of the citizens has three advantages: first, the public administrators become aware of how the citizens perceive the performance of the organization; second, it provides participating citizens with insight into the activities of the agency or organization, thus enabling them to make informed judgements about such an agency or organization; and lastly, "it leads to better government and confidence in it."<sup>64</sup> However, various legislative measures are introduced by governments to stifle the citizens who would play this oversight role. These measures include the Official Secrets Acts and Archive Acts.

The South African public does not seem to be particularly interested in intelligence matters. This could be attributed, firstly, to the legacy of the past, where the intelligence services were involved in dirty tricks – as the on-going Truth and Reconciliation process reveals. Ironically, this is supposed to generate enormous sensitivity to intelligence matters in order to prevent the events of the past from recurring. Secondly, the lack of interest could also be attributed to the present government's success in keeping secrets "secret". The few public statements which the Ministry of Intelligence has issued since the new intelligence structures came into operation in January 1995 do not give enough information to spark public debates. Most statements have been announcements concerning the high-profile members of the intelligence community, such as the passing away of Muziwendoda Mdluli, who was the Head of the Chief Directorate of NIA and the Chairperson of NICOC's Functional Committee on Security.<sup>65</sup> Other statements have been reactions to media reports of "scandals", as was the case with the accusations that NIA was involved in spying on the top management of the SAPS.<sup>66</sup>

The political parties in South Africa are also not very active in intelligence matters. The only time in which they seem involved is when their interests are affected and when the media has picked up the issue. The Mandela-Mogoba row demonstrated the role of the media in sensitizing the public on

the latter's responsibility to keep the government's "secret" structures accountable. As for interest groups, the enthusiasm that existed among them between February 1990 and the end of 1994 has evaporated. This period saw NGOs and academics making submissions to the Transitional Executive Council (TEC) and holding conferences focusing mainly on intelligence matters. As a result, few publications dealing with such controversial issues as political accountability and covert operations were produced.

### **Conclusion**

The shroud of secrecy which characterizes the activities of the intelligence services poses a great challenge both for the citizens who tirelessly call for more transparency and accountability, and for the intelligence practitioners whose value lies in being "invisible" when at work. Against this background various formulas are devised to bring about accountability. These include ensuring that every member of the intelligence services is permanently conscious of his/her responsibility towards the country and its citizens, as stated in the constitution; the control over programmes which such services are planning or executing and also exercising strict financial control over such programmes or operations.

The members in different levels of oversight – agency, executive, other state bodies and interest groups/citizens – should be recognized as being partners in ensuring good governance rather than being treated with suspicion. By being subjected to close public scrutiny, the South African intelligence community gains in the sense that its legitimacy improves and that there is a collective responsibility (that is, the whole nation) when scandals break out or when foreign policy initiatives fail.

Despite the fact that the South African intelligence community is still new (almost three years in existence now), it has innovative legislative measures which, if implemented properly, could allay the fears of the citizens. The agents of oversight, particularly the JSCI, will need to rise beyond being symbolic structures and give meaning to what the constitution and the national legislation require of them. This will require more interaction between the public and the oversight mechanisms in order to avoid possible

politicization of the intelligence community.

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# The impact of societal forces on receptiveness to trade unions in the SANDF

Lindy Heinecken, Deputy Director of the Centre for Military Studies, University of Stellenbosch, weighs the forces motivating full labour rights in the SANDF against the changing role of the military in society

## Introduction

Of late, there has been increasing pressure on the South African National Defence Force (SANDF) to extend labour rights to members of the armed forces. Currently, members are prohibited from belonging to trade unions and participating in their activities under the Defence Act. However, this "legal shield" may not preclude the SANDF from facing the possibility of unions in its ranks. The South African National Defence Union (SANDU) claims to be signing up between 250 and 400 uniformed soldiers a month as members, and is planning to take the SANDF to the High Court to obtain union recognition.<sup>1</sup>

This article illustrates that the receptiveness to unions among military personnel may be linked to broader societal forces. Although the military has a particular value system, it cannot escape influences from broader society. The SANDF in fact acknowledges that it "cannot stress values that are far removed from those of society, for to do so, will result in society forcing changes upon the military . . . it is the general spirit of the country which influences the opinions and standards of the military".<sup>2</sup>

Many of these societal forces can be linked to the current political dispensation. The fact that certain labour rights are enshrined in the Constitution of the Republic of South Africa has a significant impact on the labour relations policy of the SANDF. While the constitutional provisions are perhaps central to the "unions in the military" debate, other forces in the socio-political and military environments also impact, either directly or indirectly, on the management of labour relations in the SANDF. These include the dominant political and associated trade union culture, the extent of labour rights for the broader public service and the relative importance and status of the military in society.

## The force field of military unionism

Based on the European experience of military unionism, Manley *et al*<sup>3</sup> developed a model referred to as the force field of military unionism to explain the factors that either promote or retard the development of military unions. As is evident from the forces identified, most can be linked to the socio-political environment within which the military exists.

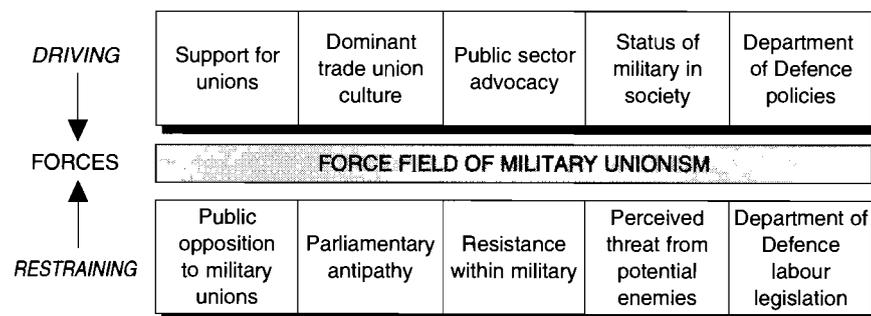
Based on this model, an assessment is made whether the SANDF is likely to face the possibility of unionization among soldiers. Both the driving and restraining forces are addressed under the following headings: support for military unionism; dominant trade union culture; public sector advocacy, status of the military in society and Department of Defence labour policy.

### Support for military unionism

A central issue in the unions in the military debate is whether the provisions relating to labour relations in the Constitution support the right of soldiers to belong to trade unions. Advocates of military unions claim that it is socially unjust or undemocratic if members of the armed forces are denied freedom of association to join a union for the purpose of collective bargaining to protect their interests, especially if these rights are guaranteed to other employees. Opponents maintain that the labour rights of soldiers must yield to the unique role of the military in society. For the sake of national security these rights must be restrained.

Currently, labour rights are enshrined in the Constitution of the Republic of South Africa, Act 108 of 1996 (hereafter the Constitution). Section 18 states that "every person shall have the freedom of association", which implies that membership of a union is a constitutionally protected right. Furthermore, Section 23 guarantees that "every person shall have the right to fair labour practices, workers shall have the right to join trade unions, to participate in the activities and programmes of a trade union and to strike". Section 17 grants "the right

Table 1 The force field of military unionism<sup>4</sup>



to assemble, demonstrate and petition"; and according to this clause, every person shall have the right to assemble and demonstrate with others peacefully, and unarmed, and to present petitions. While all the above rights have been restricted in the Defence Act, 1957, Section 126 B (hereafter Defence Act), these provisions have not been explicitly curtailed for members of the armed forces in the Constitution. The implication is that the SANDF may have to accept, and even protect, the rights of its members to demonstrate, to form, or join, organizations for the purpose of bargaining with the military command structure on matters related to their terms of service.

However, provision is made in Section 36 (1) of the Constitution to limit these rights, providing such a limitation is "reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors" including "(a) the nature of the right; (b) the importance of the purpose of the limitation; (c) the nature and extent of the limitation; (d) the relation between the limitation and its purpose; (e) less restrictive means to achieve the purpose". Should the rights of soldiers be restricted, such restrictions need to be justified in accordance with the requirements in the limitation clause.

According to Delholm and Humes,<sup>5</sup> general opinion holds that the constitutional rights of members of the armed forces might well be restricted if a deterioration in discipline, leading to the compromising of a higher public interest, could be demonstrated. As armed forces depend on absolute discipline and obedience to an established chain of command, an argument frequently put forward is that bargaining, or even the formation of bargaining units within the armed forces, would seriously affect cohesion.

While there may be a valid case against extending labour rights to the armed forces, legal prohibition may not deter the demand for unionization if there is a need for unions among military members and public support for unionization. In fact, legislative restrictions may even spur union proponents to press their case even harder, as is indeed the case with SANDU. SANDU has already submitted an application to the Constitutional Court to declare the restrictions on trade unions in the Defence Act

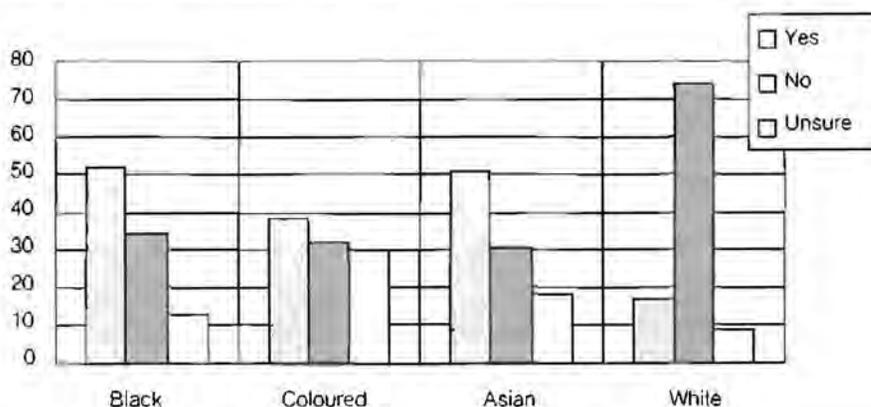
unconstitutional.<sup>6</sup> With SANDU claiming that its membership is growing by between 250 and 400 per month, the drive for union recognition cannot be ignored.<sup>7</sup>

Naturally, any decision to permit labour unions in the armed forces will be influenced by public sentiment. Where there is overwhelming public opposition to military unions, this is believed to restrain their emergence. In this regard, the findings of an opinion poll conducted by the Institute for Defence Policy (IDP) and the Human Sciences Research Council (HSRC) among the broader public is of interest. These findings revealed that the majority of black, coloured and Asian respondents were in favour of members of the SANDF being allowed to join trade unions, while most whites disagreed (see Figure 1).

form of military unionism there is a close relationship between labour and government. Group representation within the armed forces developed as part of the social norm of active support and promotion of government, and was considered to reflect social trends in those countries. The opposite is true where the trade union movement is seen to be in conflict with government and where unionism is associated with industrial and political activism, as in France.<sup>9</sup>

Here, a crucial comparison can be made between the South African and European situations, especially with respect to the black trade union movement. Given the role played by the trade union movement in obtaining both labour and political rights for the broader populace, it is understandable that the present social democratic

Figure 1 Should members of the SANDF be allowed to form trade unions?<sup>8</sup>



Based on the above findings, the public's view of the Constitution supports the right of the individual to belong to a union for the purpose of collective bargaining. On the other hand, the uniqueness of the profession may justify a limitation on these rights if government can prove that the activities of unions will detrimentally affect the ability of the military to carry out its established task. The question that must be answered is: Whose rights are paramount – the soldiers' right to freedom of association to join a trade union, or government's to limit the rights of members of the armed forces for the sake of national security?

#### Dominant trade union culture

The dominant trade union culture has a significant influence on the development of military unions. In European countries that have accepted some

ANC-led government is very sensitive to the needs of employees, whether they are policemen or soldiers. To substantiate this, the Minister of Labour, Mr Tito Mboweni, just prior to the promulgation of the new Labour Relations Act, stated in a press report that he was investigating the possibility of including soldiers in the new labour dispensation.<sup>10</sup> The willingness of President Mandela to set aside time to meet with a delegation from SANDU, to discuss the grievances of soldiers who protested outside the Union Buildings, illustrates the sensitivity to labour problems.<sup>11</sup> This, despite the fact that SANDU is not a recognized union and can even be considered an "illegal union", if interpreted according to the provisions in the Defence Act.

With the greater degree of acceptance of unions in South Africa, and in light of the close alliance of labour with government, it may be assumed

that the probability of accepting trade unions in the military will be greater. However, Ballantyne<sup>12</sup> indicates that "community acceptance is unlikely while unionism is associated with political and industrial activism". This seems to apply to South Africa too. The results of the IDP/HSRC opinion poll among the broader public shows that while the majority of respondents accepted trade unionism, more than half (56%) were against allowing strikes and demonstrations by members of the SANDF.<sup>13</sup>

Where the extension of labour rights may politicize the armed forces or result in protest or strike action, governments are less inclined to extend these rights to soldiers. This could possibly be why President Mandela declined SANDU's request to extend labour rights to soldiers, and why the SANDF has been excluded under the new Labour Relations Act that came into effect in November 1996. In a letter to SANDU the President stated that he was not prepared to lift any restrictions placed on trade union activities in the Defence Act because "the Defence Force is a critically important institution . . . on whose shoulders the stability and security of the transition to a democracy rests". Other reasons given were that "unlike other employees, the uniformed soldier has access to arms and even sophisticated weapons of mass destruction". Trade unions for military personnel are considered counterproductive and disruptive, with dire consequences for the national security interests of the country and its inhabitants.<sup>14</sup>

Opposition to trade unions comes not only from the President. The White Paper on defence accepted by parliament on 8 May 1996 also prohibits trade unionism among military personnel and specifically states that military personnel are excluded under the new Labour Relations Act.<sup>15</sup> Hence, although there is a strong trade union culture in society and government is sensitive to the needs of labour, there is nonetheless substantial parliamentary antipathy toward military unionism. The underlying reason for this is the concern that unions may politicize the armed forces, and the potential consequences industrial activism may hold for national security.

#### *Public sector advocacy*

The pressure is nonetheless on government to grant labour rights, albeit in

an adapted form, to military personnel, the only sector excluded under the labour relations dispensation. In European countries, where military personnel have some sort of unions, these rights were granted first to the public service, then to the police and lastly to the military.<sup>16</sup>

A similar trend is evident in South Africa. Until 1993, public service employees were denied the right to join trade unions, to strike or bargain collectively with the state as the employer. The main reasons for these restrictions relate not only to the essential nature of the services they render to society, but to the implication of collective bargaining and industrial action for the state, both financially and politically. These rights were curbed for the security forces due to the critical role they play in society in maintaining order, stability and national safety.

Nonetheless, on 2 August 1993, after years of labour unrest among state employees, all public servants, with the exception of the services departments,<sup>17</sup> were granted basic worker rights comparable to the private sector with the promulgation of the Public Service Labour Relations Act (PSLRA) 102 of 1993. Shortly afterwards, the Department of Correctional Services, which had witnessed an increase in unionization and labour unrest among prison warders, requested that these rights be extended to its uniformed personnel. They were subsequently included when amendments were made to the Public Service Labour Relations Act, 1994. The SAP followed this trend and shortly afterwards the Police Act 7 of 1958 was amended to include a section on South African Police Labour Regulations, which permitted policemen to join trade unions for the purpose of collective bargaining, but prohibited strike action.

In 1995, labour legislation once again underwent change. A new Labour Relations Bill was tabled in February 1995, bringing under one law all employees – the private sector, public service, nurses, teachers, agricultural and domestic employees – but initially *excluding* members of the SANDF, agencies and services established in terms of the Intelligence Services Act and the South African Police Services (SAPS). This exclusion flows from the unique functions they perform and followed International Labour Organization (ILO) criteria. Convention 87 of 1948 (Freedom of association and protection of the right

to organize, article 9(1)) stipulates that "the extent to which this right can be extended to the security forces and police be subject to national legislation and regulations".

Despite these ILO provisions, the SAPS, under pressure from the unions representing policemen, requested that it be included under the new labour dispensation. As a result, the Labour Relations Act 66 of 1995 (hereafter LRA), which came into effect on 11 November 1996, includes everyone with the exception of uniformed members in the SANDF, the National Intelligence Agency and the South African Secret Service. Civilians in the Department of Defence are included under this legislation. This implies that they have the same labour rights as other employees. Civilians in the Department of Defence have freedom of association to join a trade union and to participate in its activities without fear of victimization. Besides entrenching organizational rights, the new LRA also provides the framework to promote joint decision-making in the workplace, collective bargaining and specialist labour bodies to help resolve disputes speedily.

Within the DoD there is therefore the situation in which civilians, working alongside uniformed personnel often doing the same work, have full labour rights and are represented at various levels, while uniformed personnel have no labour rights under the new dispensation. The result is inevitable, especially where military personnel do not have effective mechanisms through which to address their grievances. Under such circumstances the demand for unions or some form of representation is often enhanced.

#### *Status of the military in society*

One of the most important factors motivating the military to unionize is the feeling that the armed forces, in comparison with other institutions in society, have suffered an undue amount of deprivation. Harries-Jenkins<sup>18</sup> claims that where "there is a significant loss of privilege and status of the military in society, trade unions are then formed as a pressure group to re-establish the privileges formerly held by the armed forces".

With the focus on social development and upliftment in South Africa, the SANDF does not enjoy the same status in society as it did in previous years. Under the National Party, espe-

cially during the PW Borha era, the former South African Defence Force (SADF) played a central role in political decision-making through the Joint Security Management System and consumed a growing share of the country's national resources. But with the withdrawal of the SADF from Angola and independence for Namibia, the military was very rapidly relegated to the fringes of South African power politics. A budget which peaked at 3,4% of gross domestic product in 1989 had been slashed to 2,2% by 1995, with further massive budget cuts envisaged.<sup>19</sup>

In the absence of an immediate threat from potential enemies, the SANDF faces the dilemma, not necessarily of justifying its existence, but certainly its expenditure, size and future role in society. Although its primary task is the protection of the Republic, its sovereignty and territorial integrity, it is unlikely that it will be utilized in this role. The main task of the SANDF is to support the police in internal law and border duties, and to prepare for possible involvement in peacekeeping operations in the region. The greatest threat to South Africa at present comes from socioeconomic problems such as unemployment, poverty, inadequate education, lack of housing and social services, crime and violence – none of which demand a military solution. Reconstruction and development for stability and security has become the national priority, not defence.<sup>20</sup>

The perception that there is a decline in the relevance and importance of the military is reflected in the views of officers presently serving in the SANDF. In a survey by the Centre for Military Studies in 1996 among officers attending the Military Academy and the Junior, Senior and Joint Staff Courses, 53% of the officers felt that the Defence Force is more legitimate than a few years ago. However, 77% were of the opinion that South African society views military service as less important today. Therefore, while officers perceive the SANDF to be more legitimate in the eyes of the broader populace, the importance of their role and function in society is seen to have declined.<sup>21</sup>

The officers did not agree with society's view that military service is less important and that military issues should receive a lower priority, just because there is no external threat. The majority (60%) disagreed with the statement that "because of the present

absence of an external threat, South African society must not emphasize military issues". The implications of these findings are that officers feel that society no longer respects their profession and the unique function they fulfil.

Another factor affecting the commitment of officers to serve is the fact that 71% felt that operationally the Defence Force was more competent a few years ago (see Table 2). As professionals they feel that they are becoming less capable of fulfilling their primary role in society. The erosion of military budgets, the cancellation of advanced weapons systems and the apparent preference for social projects are seen as symptoms of national neglect. The inability to maintain and acquire new equipment, the integration process and a perceived lowering of standards of training, and the rationalization and resignation of competent military officers all contribute toward the feeling of relative deprivation.

The perceived decline in the relevance and status of their profession, together with the lack of mechanisms to advance their deteriorating conditions of service, underlies much of the present need for some form of collective representation at the highest level.

#### *Department of Defence labour policy*

The need for representation is not limited to the officer corps. Much of the present frustration is due to the inability of the present structures to address the aspirations of members. Presently, the Military Disciplinary Code (MDC) (Schedule 1 of the Defence Act) is the structural base of authority by which the SANDF maintains discipline and resolves military-related problems.<sup>22</sup> Included in the MDC is Section 134 dealing with the Redress of Wrongs procedure, which is the means whereby an aggrieved member of the

SANDF can submit a written request, right up to the President, for a redress of wrongs. In principle, this procedure can be equated to a grievance procedure found in any private business organization, although the issues that can be channelled through it relate more specifically to issues of injustice. For example, a superior may have treated a subordinate with unnecessary harshness, or a member may feel he or she has been unjustifiably disciplined or insulted. Grievances for which members have no legal claim, such as transfers, leave, nomination for courses and pay, fall outside the jurisdiction of the MDC. Such grievances are addressed through the normal chain of command structures or communication "forum" structure, which makes provision for both individual and collective grievances.

One of the main problems with the present grievance mechanisms is that there is no dispute resolution procedure for either disputes of rights<sup>23</sup> (those which fall under the jurisdiction of the MDC), or disputes of interests, which are channelled through the normal command structure. Should a member of the SANDF feel dissatisfied with the feedback received from the Chief of the SANDF (CNDF), the matter may be forwarded to the President, whose answer is final. However, in practice uniformed members are often reluctant to even submit a grievance through the Redress of Wrongs procedure, because of a concern of possible victimization or negative consequences for their future careers. The resistance to using the official grievance channels reduces the efficiency of this mechanism. It is considered a disciplinary offence if uniformed members skip or use alternative channels.

In 1995, a communication "forum" structure was introduced to enable various ranks to submit either individual or collective grievances, complaints and suggestions to higher authorities.

**Table 2** Perceptions on the status and relevance of military service

Variable	Yes	Unsure	No
	%	%	%
The SANDF is more legitimate than a few years ago.	53	22	25
South African society views military service as less important than a few years ago.	77	20	60
Because of the present absence of an external threat, South African society must not emphasize military issues.	20	20	60
Operationally the South African armed forces were more competent a few years ago than today.	71	14	15

Source: Centre for Military Studies

While this is a valuable forum, the main shortcoming of this mechanism is that there is no remedial channel should there be dissatisfaction with the feedback received. In labour relations terms grievance, disciplinary and dispute resolution procedures are complementary to one another. The absence of one renders the others less effective.

The exclusion of military personnel under the Labour Relations Act also means that the interests of the military are not represented on the official bargaining forums of the public service. In the Co-ordinating Bargaining Council of the Public Service, the Public Service Commission represents the state as collective employer, versus the trade unions and personnel associations which represent the interests of public servants as employees. Even though pay and conditions of service negotiated for the broader public service are extended to military personnel (effectively removing a potential area of conflict from the military arena), the unique institutional requirements of the military cannot be negotiated by this forum. An alternative mechanism through which the interests of the military could be accommodated, outside the bargaining structures that are in place for the rest of the public service, needs to be found.

One of the main reasons why military personnel elsewhere have formed collective organizations is precisely because interest groups are more effective in persuading political authorities to accept their participation in those areas of decision-making that affect them. What remains uncertain in the South African context is what structure and function such an organization will have, and more importantly, the powers of such an organization. A powerful military union, bargaining or even lobbying for the interests of the military in a new democracy such as ours, may disturb the delicate balance of civilian control over the armed forces. This is especially so if the demands of such organizations run counter to the public interest. It is precisely for this reason that even advanced democracies have limited the activities of organizations representing the interests of military personnel and why few countries have permitted trade unions in the classic sense.

The dominant model of group representation in European armed forces is professional associations. In most

cases these associations merely represent the professional interests of military personnel and have no collective bargaining rights, only legislated consultative rights. Despite these restrictions, the influence of these professional associations has resulted in a definite improvement in the conditions of service of military personnel. Operational matters affecting military command and discipline are generally excluded from consultation and no country, except Sweden, has granted their soldiers the right to strike.<sup>24</sup>

In an attempt to enhance participation in decision-making, most countries have created representative committees to supplement the formal grievance and disciplinary procedures in the chain of command. In addition, the establishment of a parliamentary military ombudsman to investigate complaints lodged by soldiers serves as an additional channel through which soldiers can voice their individual or collective concerns.

## Conclusion

If an analysis is made of the force field of military unionism, it is evident that societal forces have a significant impact on the desire for unionization in the armed services. Some of these forces weigh heavier than others, but all to some extent either promote or retard the development of military unionism.

In the South African situation, one of the main driving forces is the rights enshrined in the Constitution. In countries where labour rights have been extended to the military, they were not secured through collective bargaining with the military employer, but by government-initiated legislation that guaranteed certain inalienable rights to all individuals irrespective of employment. The recognition that soldiers are also citizens, and should be granted the same basic fundamental rights and responsibilities as any other citizen, eventually culminated in the extension of these rights to military personnel in some European countries, albeit in an adapted form. In most cases the activities of organizations representing the collective interests of military personnel have been limited, due to the unique role the military fulfils in society and because of the potential abuse of its monopoly over weapons of mass destruction.

There has been especially strong public opposition and parliamentary

antipathy toward military unions where unionization may lead to industrial or political activism. This is one of the most important restraining forces in South Africa, given the recent incidents of labour unrest among soldiers. Even though we have a strong trade union culture and government is sensitive to the needs of soldiers, parliament has chosen not to lift the restrictions on trade unionism in the Defence Act, because of the above-mentioned concerns. This is reflected in the statement by the President that the SANDF is "a critically important institution on whose shoulders the stability and security of the transition to democracy rests" and that unions in the military could pose a threat to democracy.

At the same time, there has been acknowledgement that military personnel need some form of representation and that current Department of Defence labour policies require revision. The fact that the rest of the public service, including the police, has mechanisms through which to advance and protect their interests and uniformed members of the SANDF have none, has exacerbated the situation. The lack of effective labour relations channels is precisely what sparks the desire for unions, at a time when the military is facing huge budget cuts, rationalization of personnel and a decline in its status in society.

There are strong forces promoting the desire for military unions in South Africa. If it can be proved that military unions pose a threat to democracy or the military's ability to fulfil its function, then urgent attention needs to be given to creating acceptable alternatives. It may be better for the Department of Defence to create effective labour relations structures, and allow some formal group representation, than for the SANDF and government to be forced to cope with non-institutionalized labour unrest by armed soldiers – a scenario South Africa can ill afford.

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- 6 The case was referred to the Supreme Court, as no reasons were shown why it could not deal with the matter in terms of its powers under Section 101(1) or Section 101(3) of the Constitution of 1993. Insufficient special circumstances and urgency were provided to grant direct access to the Constitutional Court. Another reason was that the SANDF is in the process of drafting labour regulations in terms of Section 126 C of the Defence Act, 1957. *Source:* Case number CCT32/95 in the Constitutional Court of South Africa in the matter between the South African National Defence Union (first applicant) and George Vuma (second applicant) and the Minister of Defence (first respondent) and Chief of the National Defence Force (second respondent). Ref:9145/95/p 39. B J de Klerk. (Document obtained from Mr C van Niekerk, Executive Officer, SANDU.)
- 7 *Sunday Times*, *op cit.*
- 8 The detailed breakdown of the figures quoted in figure 1 was obtained from the Institute for Defence Policy, Midrand.
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- 10 *SANDU Newsletter*, October, 1996, p 3.
- 11 The soldiers who protested were former South African Defence Force members whose short-term contracts had come to an end. Their two-year contracts were not being renewed to accommodate the integration of non-statutory force members.
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- 13 This could be considered a leading question. The responses may have been different if the question was, for example, "The Constitution grants workers the right to strike; should members of the SANDF have this right?"
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- 21 L Heinecken, "Is selfless service becoming a misplaced service ethic? Attitudes of officers serving in the South African National Defence Force" Paper submitted to the Inter-University Seminar of the Armed Forces, Baltimore, Maryland, 24-26 October 1997, pp 9–10.
- 22 A commission under the chairmanship of Rear-Adm JE Retief has been tasked to review the entire Defence Act, including the MDC, to bring it in line with Constitutional requirements. The revisions affecting summary trials, which can be compared to disciplinary hearings, as well as court martials, may have some impact on labour relations.
- 23 A "dispute of right" is that to which a party is entitled by law, by contract, by agreement or by established practice. Most of the complaints which can be channelled through the MDC fall in this category. A "dispute of interest" is that to which the party is not yet entitled. Any matter causing conflict between an employer and employee and not regulated by law, agreement or custom can give rise to a "dispute of interest". It is specifically in this sphere that there is a lack of effective individual and collective procedures, with some form of dispute resolution mechanism, for uniformed personnel in the SANDF.
- 24 Gwyn Harries-Jenkins, "Group representation in European armed forces". CMRI Report. London: European Research Office, 1980.

## FOCUS

# Eritrea-Ethiopia:

## family feud

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**E**ritrea and Ethiopia demonstrated, by their armed attacks on each other during May-June 1998, that quarrels between kindred peoples can be as destructive as interethnic conflict. The Tigray people of Eritrea share a common historical and cultural heritage with the Ethiopian Tigray and their traditional territories are coterminous, though the border separating them attained international status in 1993. Apart from speaking the same language (Tigrinya), the two groups profess the orthodox Christian religion established in Axum sixteen centuries ago. Although both countries are multicultural, the Eritrean Tigray are the dominant group in a population of some 4 million, while their Ethiopian relatives constitute a minority among nearly 60 million Ethiopians. The leaders of both Tigray groups play leading roles in the governments that came into existence in Eritrea and Ethiopia after the collapse of the authoritarian Mengistu regime in May 1991.

Ostensibly, the quarrel is about the exact location of the 1 000 km common border. Except for the Tekeze River in the west (part of the Nile River system), the border is an artificial one, having been drawn on the map when Italy colonized Eritrea in the 1890s. However, on the ground this border has remained ill defined, though this vagueness was of little concern to the inhabitants of the border areas during the period (1952-1993) when Eritrea formed part of Ethiopia. Upon Eritrea's secession from Ethiopia and independence, in 1993, a bilateral commission was set up to define the border between them. By the time the border war commenced this commission had not completed its work. Meanwhile, Eritrea had also clashed with its other neighbours - Sudan, Djibouti and Yemen - over territory. The dispute

with Yemen arose over possession of the Hanish and Zuqar islands in the Red Sea and was referred to international arbitration which was still pending in June 1998.

The principal disputed areas along the Eritrean-Ethiopian border seem to be on the Ethiopian side and are claimed by Eritrea. They are the Yirga Triangle which includes the villages of Badme (Badme) and Shiraro, north-west of historic Axum, along with several areas to the east of the border post, Zalambessa (Zala Anbesa), on the main road between the two countries' capitals, and an area in the far south, opposite the port of Assab (see map). Yirga and Zalambessa are in the Tigray federal region of Ethiopia, while the border further south, as far as Djibouti, runs between Ethiopia's Afar federal region and the panhandle formed by the southern portion of Eritrea.

Before 12 May there had been occasional skirmishes between Eritrean and Ethiopian soldiers in these areas, but on this date several people were killed when an Eritrean force occupied the Yirga Triangle. Ethiopian forces subsequently retaliated in Yirga and at various other places along the border. Having suffered heavy losses in these defensive attacks, the Eritreans hit back, on Friday, 5 June, by bombing Makale (Mekele), capital of Tigray, from the air. Although the airport was the main target, about 40 civilians died, including women and children, because the bombs also hit houses and a school building. On the same day Ethiopian aircraft, executing reprisal attacks, dropped bombs on the runways of the airport at Asmara.

By then the world was awakening to the fact that another unnecessary war was occurring in Africa. The United States (supported by Rwanda), Djibouti and Libya had already started



to mediate, but to no avail because Ethiopia demanded the unconditional withdrawal of Eritrean troops from its territory, while Eritrea denied that its forces occupied territory not belonging to it. Other countries subsequently also offered their diplomatic services to bring peace to the region. Meanwhile, foreigners had been evacuated from Asmara, while Ethiopians in Eritrea were either being expelled or detained.

On Thursday, 10 June an Ethiopian tank force tried to recapture the border post at Zalambessa and the next day the town of Adigrat, south of Zalambessa, was bombed by the Eritrean air force, causing more deaths and injuries to civilians. Fighting resumed in the other disputed areas and many thousands of people were now fleeing from the war zones. By the end of June estimates of persons displaced by the war ranged between 140 000 and 190 000.

Meeting in Burkina Faso for its annual summit, the Organization of

African Unity (OAU), on 11 June decided to send a high-level mission to Eritrea and Ethiopia. As *Africa Insights* went to the press nothing had come of international attempts at mediation, though cross-border attacks had subsided since mid-June. On 26 June the UN Security Council voted unanimously to call on the two governments to immediately cease hostilities. Both sides welcomed the Security Council resolution, which expressed support for the OAU peace initiative, but continued to build up military forces on the frontlines.

It is not so much the suddenness of the conflagration but rather the lack of will on the part of both governments to find negotiated solutions for their problems that look the world by surprise. In view of the grinding poverty in both countries it is difficult to understand why they would squander precious resources to wage war on each other over what appear to observers from outside as trivial issues.

Part of the explanation must perhaps be sought in the traditional rivalry and tension between the Eritrean Peoples Liberation Front (EPLF) and the Tigray Peoples Liberation Front (TPLF), both of which were founded by Tigray leaders during the freedom struggle and had their main support bases among the Eritrean and Ethiopian Tigray respectively. During the war both movements operated in areas such as the Yirga Triangle and still have supporters there. Their leaders did not always see eye to eye, especially because the EPLF regarded itself as the senior organization, having been in the field before the TPLF. The latter, representing the most numerous section of the Tigray and having different objectives, deliberately went its own way. Yet their pragmatic alliance culminated in the total defeat of the Mengistu regime on the battlefield. Since then the TPLF, led by Prime Minister Meles Zenawi, has formed the core of the new Ethiopian government, while the EPLF (now the People's Front for

## ERITREA-ETHIOPIA BORDER CONFLICT



Democracy and Justice) became the government of Eritrea under President Issaias Afewerki.

Nationalist zeal, as had never been witnessed in the Horn of Africa, informed the Eritrean efforts to rebuild a country devastated by more than three decades of war. Following Eritrea's independence in 1993 Afewerki sought to assert his country's national identity at every opportunity, such as claiming parts of neighbouring territories perceived as belonging to Eritrea. Inevitably, a new national currency had to be added to the national symbols. It was introduced in November 1997 and named the nakfa – after the town north of Asmara where the EPLF, during 1978–1981, won decisive battles against the Ethiopian army. Previously Eritrea had been using the Ethiopian birr as its currency.

Meanwhile, the Zenawi government's policy of allowing component regions of Ethiopia to secede had come under fire. Although Eritrea had been the only region to secede, until now, it had the effect of turning Ethiopia into a landlocked state. By stressing close economic cooperation and integration between Ethiopia and Eritrea Zenawi played down Ethiopia's loss of its ports and coastline. With about one-third of Ethiopia's former industrial capacity located in Eritrea (mainly at Asmara, Massawa and Assab), while Ethiopia remains Eritrea's principal market and supplier of food, the two neighbours are indeed economically interdependent.

Afewerki expected his former Ethiopian colleagues to appreciate Eritrea's struggle for survival and its need for nation-building, losing sight of the fact that Ethiopia, though much larger than Eritrea, is not a rich country and struggling with even more formidable problems than its

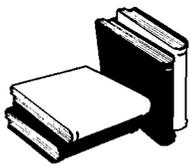
sister state. Ethiopia now had to pay for the use of Assab – its main outlet to the sea – and bear the brunt of the rising costs of fuel supplied by the refinery at Assab. Moreover, Ethiopian workers were barred from working in Eritrea while Eritreans continued to be employed in Ethiopia. Eritrean nationalism was undermining regional cooperation and the Ethiopians saw the scale to be heavily balanced in favour of Eritrea. Coming on top of these irritations the introduction of the nakfa – intended by the Eritrean government to be set at parity with the birr – proved to be the last straw as far as Ethiopia was concerned.

Believing, rightly or wrongly, that circulation of the nakfa would harm the Ethiopian economy, the Ethiopian government refused to accept the nakfa on parity with the birr and insisted that trade between the two countries, including small trading transactions, be conducted by means of hard currencies, such as the US dollar. Owing to the fact that the bulk of Eritrea's hard currency earnings is in the form of remittances from nationals living abroad, the country's foreign reserves were not affected as much as expected. There was indeed an increased inflow of hard currency from this source, demonstrating support for the Eritrean cause. When floated on the open market, in May 1998, the nakfa performed better than expected by weakening to only about 7.25 per dollar, compared with the birr's exchange rate of about 6,8 to the dollar.

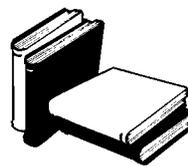
Significantly, the first shots in the border war were fired at this stage. Infuriated by Ethiopia's monetary arrangements, Afewerki apparently felt that the time had arrived to bring the border issue to a head and to whip up

nationalist sentiment. Having already stopped fuel imports from Assab, Ethiopia now also diverted its import-export traffic to Djibouti, which is linked by rail with the Ethiopian capital. Shortages of fuel and other goods began to occur in Ethiopia as neither the dilapidated railway nor the port facilities in Djibouti could cope with the additional freight. The disruption of their cross-border trade is damaging to the economies of both Ethiopia and Eritrea and the suffering of their populations will increase if the hostilities are allowed to continue. It may well be that the concept of regional integration in the Horn has taken a knock, though the opposite may be true if both countries are able to learn from their recent experiences.

Moreover, the conflict dealt a serious blow to the development of a stable bloc of moderate states – including Eritrea, Ethiopia, Uganda and Rwanda – with leaderships committed to good governance and market-orientated reform policies. The so-called “new African” leaders were expected to be a counterforce to the rising Islamist militancy in countries such as Sudan. Having received support from Eritrea, Ethiopia and Uganda the opposition movements in Sudan – the SPLA and the Democratic Alliance for example – have now become victims of the ludicrous conflict between Eritrea and Ethiopia. The new instability also poses an additional challenge to the Inter-governmental Authority on Development (Igad), the regional organization to which both Eritrea and Ethiopia and their neighbours (including Sudan) belong. Igad is involved in finding solutions to the conflicts in Sudan and Somalia and its chairman, Pres Gouled of Djibouti, was the first African leader to attempt mediation in the Eritrea – Ethiopia dispute.



# Bookshelf



**Food security and policy interventions in sub-Saharan Africa: Lessons from the past two decades**, by Jos Sijm. Amsterdam: Thesis Publishers, 1997. 729 pp. ISBN 90 5538 025 3

Food security has been defined as "access by all people at all times to enough food for an active, healthy life". The number of chronically undernourished people in Africa, as estimated by the FAO/WHO in 1992, had increased dramatically from 94 million in 1969–71 to 175 million in 1988–90. The main aim of this research study is to analyse the role played by African states and governments in effecting food security, focusing particularly on agricultural price policies versus non-price or structural policy interventions.

The study analyses in detail the food-security performance and policy interventions in four African case-countries: Ghana, Malawi, Mali and Tanzania, from the early 1970s to the early 1990s. The author first discusses in detail the indicators, incidence and causes of chronic or seasonal food insecurity, as opposed to famine or transitory shortfalls of food. He then deals with how policy interventions in the case-countries have affected food security at the national and household level.

The author admits that the study suffers from insufficiency of data in some areas, and from the fact that the case-countries are not fully representative of Africa as a whole, but draws some general conclusions. The book has a useful analytical Table of Contents and substantial appendices and bibliography.



**Democratisation in sub-Saharan Africa: Transitions, elections and prospects for consolidation**, by Willie Breytenbach. 2nd revised edition. Pretoria: Africa Institute of South Africa, 1997 (Africa Institute Research Paper no 60).

This is a second edition of a study which first appeared in 1996. The author is a professor in Political Science at the University of Stellenbosch. The book aims to address questions relating to democracy in Africa: are elections sufficient to consolidate emerging democracies, especially in the light of Africa's first wave of post-liberation elections in the 1960s?

What other conditions might be necessary to consolidate democracies? Why do some transitions consolidate into democracies while others do not?

Various possible factors in the stabilizing of democracy are discussed: a reasonably high per capita income (a minimum of \$1000 has been cited), a growing economy, the prevalence of bigger middle or working classes, a viable civil society and some degree of ethnic homogeneity. The form of transition is also discussed as a contributing factor. Transitions in various African states are then analysed in the light of these indicators.

Recent elections are discussed in some detail, and finally the question of South Africa's transition within the African context is assessed. Although not all of the indicators are favourable, there are elements peculiar to the South African situation which give some cause for optimism.



There is no doubt that in sub-Saharan Africa AIDS is one of the major epidemics of this century. Three books in the Africa Institute library discuss aspects of this growing threat:

**HIV and AIDS in Africa**, by Douglas Webb. Cape Town: David Philip, 1997. ISBN 0 86468 341 1;

**AIDS in Africa and the Caribbean**, edited by George C Bond, John Kreniske, Ida Susser and Joan Vincent. Oxford: Westview Press, 1997. ISBN 0 8133 2878 0;

**HIV prevention and AIDS care in Africa: a district level approach**, edited by Japheth Ngweshemi, Ties

Boerma, John Bennett and Dick Schapink. Amsterdam: Royal Tropical Institute, 1997. ISBN 90 6832 108 0.

The author of the first book is a specialist on HIV and AIDS in Africa and is at present based in Zambia. This study aims to provide some insights into the way the HIV/AIDS epidemic has spread, by giving an understanding of the social, economic and behavioural processes involved. The author holds that although governments in southern Africa have been blamed for their ineffectual responses to the threat of AIDS, it is doubtful whether it would have been possible to formulate an appropriate policy, given the complexity of the real issues involved in the epidemic, which he sees as poverty, fatalism, uncertainty, violence and the lack of access to crucial services.

Five field sites were chosen for a research project: in Mpumalanga, Kwa-Zulu-Natal (two sites) and Soweto in South Africa, and one in northern Namibia. The attitudes revealed by the surveys towards sexual behaviour and towards victims of AIDS, including AIDS orphans, are illuminating and to some extent support the author's contention. The final chapter analyses prevention programmes in various contexts.

Although the above book was published in 1997, developments in the AIDS field move so rapidly that a book on the subject is in danger of being out of date by the time it is published. This applies even more to the second book, which though published in 1997 is based on papers presented at an international conference on AIDS in Africa and the Caribbean in New York in November 1991.

However, this volume concentrates not on the medical but rather on the anthropological, social and historical contexts of AIDS, and as such offers some thought-provoking material. Of particular interest, especially with hindsight, are the spirited attacks on Western theories of the disease causation, and indeed on the gravity of the situation in Africa, by Maryinez Lyons and Rosalind and Richard Chirimuuta. Also of interest is the chapter on

Cuba's somewhat controversial approach to the condition: widespread screening of the population followed by temporary partial isolation of seropositive individuals in sanatoria, to limit transmission of HIV.

As indicated by its title, the third volume concentrates less on theory than on practical prevention programmes at a district level. Much of the book is based on field work done by government agencies and NGOs in Tanzania during the 1990s, but examples have been taken from experiences in other countries as well. Chapters cover the practical organization of a district programme from scratch, defining and monitoring the epidemic, behavioural and health interventions, consequences of the epidemic, and financing and sustainability. Special efforts are made to target the youth and promote empowerment of women (areas highlighted in both the other books as well). The book advocates the use of pictures and role-play scenarios to break down barriers and promote discussion and awareness.

While acknowledging the extreme gravity of the situation, the authors hold that progress is possible, especially if a multi-sectoral, multidisciplinary approach to prevention is used.

## Book Review

Rajen Harshe, **Twentieth Century Imperialism: Shifting Contours and Changing Conceptions**, Sage Publications, New Delhi, 1997, 276 pp.

In this book, imperialism is initially defined as the asymmetrical relationship of interdependence between materially advanced and technologically backward societies, a relationship which the author takes as an essential premise in his understanding of international relations. For most of the text, though, Harshe's usage of the term conforms with Leninist convention, that is, the outward expansion of capital beyond national frontiers in its "monopoly" stage of development.

An opening chapter offers a generally deft and fairly comprehensive review of the progression of marxist understandings of imperialism from Lenin to Magdoff. Though not uncritical of the various authorities it examines, this survey fails to address one of the central ambiguities in the marxian tradition of writing about imperialism, the confusion as to what is actually

meant by the concept. Though Harshe supplies a condensed summary of criticisms of Lenin's thesis, he seems to accept its central assumption that colonial and semi-colonial economic relations were the expression of the inherent needs of monopoly capital. The inclusion of Nkrumah in this tradition as a major theorist is unconvincing. Harshe's own perspective appears to embrace the conspiratorial conception of an imperialist grand design implicit in both Nkrumah's argument and in Harry Magdoff's portrayal of the United States as the quintessential imperialist state. Dependency theory is censured for the passive role it assigns to peripheral countries in the reproduction of imperialism and underdevelopment, but to judge from his remarks about modernization theory, Professor Harshe is equally contemptuous about explanations of development or its absence which are rooted in considerations of specific local social structure and political institutions. Not surprisingly, therefore, he offers no explanations beyond scale and location for the existence of exceptions to the general view of the periphery shared by dependency writers: what he terms, "large size states with relatively developed indigenous capitalism" such as Brazil or South Africa.

Successive chapters supply commentaries on African neocolonialism, the nature of sub-imperial powers, the application of Gramscian concepts in the analysis of imperialism and the status of the Soviet Union as an imperialist power.

By neocolonialism, Harshe means the "conditions through which former colonial powers have attempted to resurrect the informal forms of domination over former colonies". Just why this topic merits extended consideration is unclear: as Harshe himself suggests, such arrangements were exceptional and transient rather than normal and enduring. They were not essential features of imperialism. Nor does he make a very strong case for perceiving such neocolonial practices as, for example, the retention of former French colonies within the Franc zone as indispensable ingredients in the operations of French corporations. Drawing upon Williams, Beckman and Turner, Harshe uses the conceptual categories supplied by neocolonialist analysis to illuminate Nigerian politics: the resulting reduction of Nigerian history to struggles between comprador administrators, national technocrats,

and foreign capital is not only unpersuasive but it is also very dull. In all the case studies which appear here, in his mechanical explanations for the behaviour of African states, Harshe assumes a functionality of their activities for the interests of "capital in general" which seems most unlikely. Zair-ois kleptocracy, for example, hardly laid a stable basis for imperialist exploitation. "Structural dependence" is discerned as the primary reason for the failure of Nigeria's indigenous bourgeoisie to invest constructively, but this concept is never defined. Institutional incapacity seems a more convincing explanation for the absence of development in a country which in the 1970s enjoyed access to huge oil revenues. If the Nigerian state was, as Harshe insists, "the organ of capital in general", directed to establish, maintain and expand conditions of accumulation, then it undertook these tasks with extraordinary ineptitude.

Harshe's analysis of intermediate or semi-industrialized capitalist states would be more useful if it attempted to explore systematically the question of why certain countries became sub-imperial and others did not. The overall thrust of the argument suggest that resource endowment and geo-strategic location within the context of the cold war supplied the main impetus for dependent development, but in several of the case studies reviewed—India, Brazil and South Africa—the origins of industrialization predated the cold war by several decades. Variations in local social structure and historical state formation may provide much more compelling explanations for the emergence of relatively developed economies on the periphery than the vague generalizations about "combined and uneven development" preferred by Harshe. When such formulaic analysis is accompanied by historical assumptions about "tradition bound" third world communities and "stateless" precolonial societies then it becomes especially difficult to take seriously.

Gramscian conceptions of hegemony may be helpful in explaining processes through which imperialism legitimates itself in third world countries, but Harshe's application of Gramscian terminology to international relations succeeds only in making complicated issues unintelligible. Equally mysterious are the conclusions of his investigation of whether the Soviet Union can be considered an imperialist power. Harshe seems to

agree with American marxists such as Albert Szymanski that the Soviet Union was not capitalist, but on the other hand he suggests that "imperialism need not be confined to capitalism". Presumably this is because his broader definition of imperialism includes any unequal relationship between industrially advanced and materially undeveloped countries. Following Szymanski, he believes that Soviet relations with the third world were not "over exploitative" and possessed "emancipatory potential", but that nevertheless Soviet policies still had

"imperial/hegemonic tendencies". By this stage Harshe's argument becomes so qualified that it loses completely any discernable direction. His main conclusion seems to be that since the Soviet Union's existence helped the Non-Aligned Movement to prosper, its overall influence was benign.

Like Marx, Lenin was a better prophet than historian and the international system he purported to describe bears rather closer resemblances to the unipolar world in which we live than the competitive terrain of 1917. There may be a good case for revisiting the

classical marxian canon to elaborate a political economy of transnationalism. Despite his impressive command of the relevant literary traditions, Harshe holds back from such a task, opting instead for cursorily researched case studies which do little more than illustrate the obvious.

*Tom Lodge, Professor of Political Studies, University of the Witwatersrand*



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