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The Centre for International Governance Innovation

WORKING PAPER

State Fragility

Fragile Stability: Post-Apartheid South Africa

HANY BESADA

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Working Paper No. 27
August 2007

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CIGI WORKING PAPER

State Fragility

Fragile Stability: Post-Apartheid South Africa*

Hany Besada

Working Paper No.27

August 2007

* This paper should be read in conjunction with; Hany Besada, "Enduring Political Divides in South Africa," *CIGI Technical Paper*, no. 3 (August 2007).

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Author Biography

Hany Besada is Senior Researcher at CIGI, coordinating the fragile states project. Mr Besada's research interests include African economic development, Middle Eastern studies, international diplomacy and conflict resolution.

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While studying in the US, he worked for a number of governmental and non-governmental research institutes and offices. These included Amnesty International, the Office of Senator Dianne Feinstein, United Nations Associations and the Joan Kroc Institute of Peace and Justice.

Abstract

Despite the international recognition and praise that South Africa received in 1994 for organizing its first free and fair, multi-racial presidential elections, the country continues to exhibit increasing signs of state fragility on a number of different fronts that could be traced back to the economic, social and political legacies of Apartheid. Primarily, this paper analyses some immediate social and economic challenges facing the country in its transitional period. With the collapse of Apartheid, the country has largely achieved racial peace, but not social harmony. Although some progress has been made with regard to spurring economic growth and instituting painful macroeconomic stabilization policies, the plight of its black majority remains bleak as it had been under white rule. Unless social and economic reforms are sped up, South Africa's achievements over the past 13 years will be undermined by the brewing dissatisfaction and frustration with the government's handling of the economy and its attempts in addressing the social ills of Apartheid that still haunt it.

1. Introduction

On 26 April 2007, South Africa marked its 13th anniversary of political pluralism, celebrating multi-racial democratic freedom from the shackles of 350 years of colonial rule, and freedom from white minority rule. This paper serves to address the notion that, given all the social advances of political transformation, structural macro-economic reform, as well as progress made, especially in the areas of education, clean water, sanitation and housing, the problems plaguing post-Apartheid South Africa have given rise to a new economic reality that separates South Africans along racial lines. It examines the extent to which South Africa's political transformation has merely succeeded in cementing the economic divide that separates South Africans today. Two very different worlds have emerged within the country – one with affluent first-world standards applying mainly to white South Africans (9.2 per cent of the total population), and the other, an impoverished world, populated by the majority of its black population who make up approximately 79.5 per cent of the total population of the country.

This paper seeks to determine to what extent the country's newly found democratic aspirations and prudent macro-economic restructuring programmes have succeeded in terms of poverty alleviation and ethnic cohesion. Finally, it reiterates the crucial point that, unless a fundamental change in the government's priorities and policy-making in the areas of poverty alleviation, land reform and crime control were to take place, political stability cannot be guaranteed indefinitely.

2. Income Inequality and Poverty

For the majority of South Africans, Apartheid was their Berlin Wall – it was the great social and economic divide. It encompassed

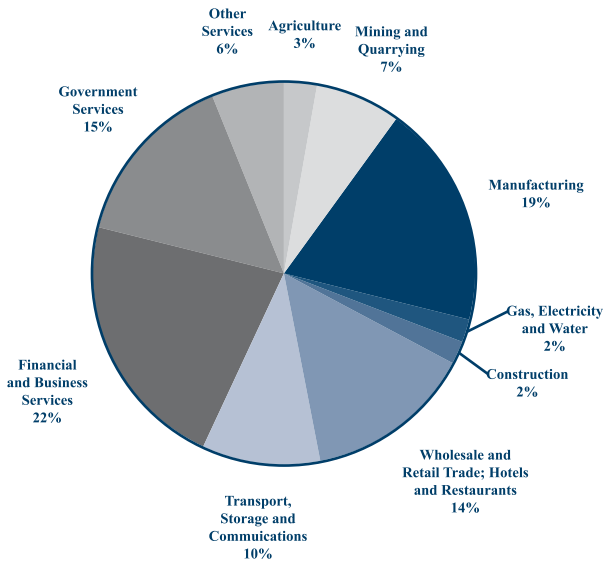
all aspects of life, no matter which side of the wall one was looking from. As Apartheid faded away (linkable to the chain reaction set off by the crumbling of the Berlin Wall), a new vision of South Africa emerged from the ashes. However, it became increasingly apparent that elements of the old South Africa was still very much in evidence, with the remains of the wall still obscuring the future. The many ill effects of Apartheid promised to remain part of the new South African landscape for years to come.

The paradox of getting worse and better at the same time would pull the country into the fold of mainstream global economic and social development. These experiences are as apparent in many of the less developed states as they are in South Africa. They include population growth that outstrips economic growth, escalating crime hindering foreign investment, diseases such as HIV/AIDS chipping away at the national healthcare services and funding, the deterioration of the environment and its resources, and worsening poverty, caused by the ever-increasing consolidation of wealth by the rich and the population boom in low income households.

The question persists, as to the momentum of South Africa's transition. Would join the fold of many sub-Saharan African states, displaying similar economic and social trends, such as shrinking food and natural resources, stagnant economies, and an increase in the population, coupled with declining output, or whether it would become a shining exception. Even though it will take decades to answer this question accurately, one thing is clear in post-Apartheid South Africa: a segment of its society has achieved economic and social prosperity and revitalization and will retain these advantages, while the other, larger component of the population has not yet achieved any of this. The country inherited major economic and social disparities, intensely focused within the confinement of its borders (see Besada, 2007).

South Africa has a two-tiered economy. At one level, it is Africa's economic powerhouse, with a gross domestic product comprising around 25 per cent of the entire continent's GDP. The formal sector, based on services, mining and manufacturing, can rival the majority of Organisation for Economic Co-operation and Development (OECD) states. As a middle income country with a GNI of US\$4,960 (World Bank, 2007), its largely affluent white population have long reaped the benefits from the control of a competitive and robust economy, characterized by an abundant supply of mineral resources; well-developed legal, energy, financial, and communications and transportation sectors; a modern infrastructure that supports an efficient distribution of goods and services to major urban centres throughout the country; and, an active stock exchange that ranks among the top-20 in the world.

Figure 1. GDP by Sector in 2004 (percentage)



Source: African Economic Outlook 2005-2006, OECD (2006)

At the other level of the economic divide, extreme poverty continues to engulf the large majority of non-white citizens, especially blacks (many of whom have gone to earn a mediocre living in the informal sector). In 1995, approximately 48.5 per cent of a population of 46 million, lived in abject poverty – the vast majority of whom were blacks (UNDP, 2004). In 1996, 41 per cent of people of working age, once again mostly blacks, were either unemployed or underemployed (Statistics SA, 2004).

Half of the population accounts for less than 10% of consumption in the country's economic life, and the poorest 15% buy about 1% of the goods. Almost two-thirds of the country's children, about 60%, live below the breadline. A 1995 study by the Community Agency for Social Enquiry (CASE) found that water was available from an indoor tap in only 20% of black households. There was no toilet of any kind in nearly 20% of homes and nearly 60% had no electricity. (Venter, 1997)

The UN's 1994 Human Development Index (HDI) of 174 nations classified South Africa on a two-nation basis, as though its composition was based on racial categories. White South Africa would be ranked 24th in the world, competitive with economies such as Hong Kong, Spain and Greece. In contrast, black South Africa would be ranked 123rd in the world, alongside Cameroon and the Republic of Congo. In the 1996 HDI edition, it was noted that 20 per cent of white South Africans earned twenty times more than the poorest black South Africans. This disparity in income could be found even in middle income households, where about 60 per cent of black household incomes fell in the R250 to R1,250 a month bracket, while their white counterparts' income fell in the R2,500 to R8,300 bracket.

It is the above predicament that paved the way for the establishment of the Reconstruction and Development Programme (RDP)

by the Mandela administration, and its continued implementation under President Thabo Mbeki. It emphasized two objectives: the reconstruction of the country and the alleviation of poverty. The RDP's goal was to assist government in integrating growth with social development and economic reconstruction.

The RDP proposed five ways to combine growth with development: (1) meeting basic needs, (2) upgrading human resources, (3) strengthening the economy, (4) democratizing the state and society, and (5) reorganizing the state and the public sector. These activities should involve and empower ordinary citizens. The public sector would be needed to strengthen the ability of the economy to respond to inequalities and to promote growth. Privatization measures would promote efficiency, affirmative action and, in general, empower the historically oppressed. (Lodge, 2002)

The RDP displayed a dual character. Firstly, as a policy framework, its priorities shaped the targeting of donor aid and, while steering government's normal budgetary process, it largely shaped the way in which state revenue was spent in addressing poverty. Consequently, the military was allocated less government funding, while more funds were allocated to address the pressing social inequalities, particularly in the areas of education, health-care and housing. At the same time, an RDP Fund was established, allocating several billion Rands annually to help finance high-profile 'presidential projects,' such as public works projects for unemployed youths, free medical care for pregnant mothers, and the electrification of homes of the poor in townships and rural villages. In evaluating the achievements of the RDP in improving service delivery to the underprivileged, eradicating poverty and enhancing the living conditions of the poor, government officials point to outstanding achievements in a number of social indicators. By 2000, government had built a

total of 1,129,612 low-cost houses, accommodating some five million displaced and homeless individuals. Furthermore, between April 1994 and December 1998, government built approximately 500 new clinics, which served the healthcare needs of potentially five million individuals. Through vaccination programs, measles and polio were eradicated. As a result, the country witnessed a decline in infant mortality, from 51 per thousand in 1994 to 45 per thousand in 1998, made possible by free immunization programs and maternity care, which had been available since 1994. By May 2000, government had connected 1.75 million homes to the national electricity grid. The majority of the electrification schemes were established in rural areas, where access to electricity increased from 12 to 42 per cent.

However, independent researchers argue that these numbers were, in fact, misleading, and failed to accurately account for the lack of genuine change in the lives of ordinary citizens, in terms of increased disposable income and poverty alleviation. These researchers point out that the number of families settled on land under this programme fell short of the goal of housing families on 300,000 square kilometres of land by 2000. Actually, a mere 1 per cent of this goal was attained during this period (Lodge, 2003). In addition, the progress in a number of other areas of public service delivery was realized only through the removal of agricultural subsidies which, in turn, resulted in substantial job losses. The number of farm workers who were engaged in the agriculture sector declined to 637,000 by 1998, from 1.4 million four years earlier.

In the area of housing, critics of the RDP programme argue that a large number of houses built under the programme were of poor quality. Studies point out that only 30 per cent of these new houses complied with building regulations (Lodge, 2003). The critics also voice their concern about the so-called progress

articulated by government in the area of healthcare. They stress that healthcare for the majority of black South Africans whom it was designed to serve, has not improved as significantly as government often contends. They point out that the utilization of healthcare facilities marginally increased by a mere 1.6 per cent between 1995 and 1999 (Lodge, 2003). Even this slight progress was offset during this period by the HIV/AIDS epidemic. More discouragingly, life expectancy fell to 53.2 years in 1998, down from 64.1 years three years earlier. This was largely a consequence of the HIV/AIDS epidemic, as more than 40 per cent of hospital beds in state hospitals were filled by patients suffering from AIDS. Moreover, during this period the quality of service delivery deteriorated in a number of state hospitals. For instance, 800 nurses were on staff duty to attend to the medical needs of more than 950,000 patients in South Africa's largest black informal urban settlement, Soweto. However, by 2000, the number of available nurses had dropped to 500, due in part to emigration, while the number of patients increased to more than 2 million.

Under intense pressure from left-wing officials of the African National Congress (ANC), the influential Communist Party and the Congress of South African Trade Unions (COSATU) to restructure this program, so as to better serve the needs of impoverished black South Africans, the RDP was scrapped as a separate entity and its co-ordinating functions were assumed by then Deputy President Thabo Mbeki. That same year, the government adopted a new macro-economic policy framework, called the Growth, Employment and Redistribution Strategy (GEAR). The focus of this neo-liberal economic strategy was on developing a competitive, robust and fast-growing economy for all citizens. It was designed to create more than 400,000 jobs by 2000, by means of monetary and fiscal discipline, which depended on an increased flow in foreign direct investment (FDI), a reduction

in import tariffs, an increased pace in the restructuring of state assets, trade liberalization, and reprioritizing public expenditure.

GEAR's policy framework identified a set of policies aimed at generating the demand required to bring about a projected sustained annual real GDP growth rate of 4.2 per cent for the period 1996 to 2000, and 6 per cent or more by 2000. It emphasized the fact that an accelerated economic growth programme could best be achieved via a gradual and sustained increase in manufactured exports and FDI. Government expected public investment to grow at an annual rate of 7 per cent during this period, and private investment at a rate of 11.7 per cent. GEAR forecasted that almost all the fiscal stimulus needed to achieve the rate of GDP growth envisaged by government, would be derived from private investment (93 per cent of the total stimulus). The government proposed reducing the fiscal deficit, which was at a record 9 per cent of GDP in 1993-94, so as to help stimulate private investment, which was expected to result in a reduction in interest rates. GEAR argued that a reduction in interest rates would help encourage private investment, which would ultimately promote economic growth in the long-run.

Expenditure cuts focused on capital spending, particularly in the areas of communications, transport, energy and agriculture, as well as state subsidies. Under GEAR, the fiscal deficit was expected to drop to 3.0 per cent of GDP by 2000. However, via measures to improve the administration of tax collection, and via concerted efforts in supervision and accountability, improved service delivery to the taxpayers, cross-checking and updating of the publicly declared revenue of major taxpayers, government was able to revise its previous estimates and record a deficit cut of 2.3 per cent of GDP (South Africa, 2003). Through a concerted effort to contain wage increases to below contractual stipulations, the provincial fiscal balances recorded an improvement of 1.5

percentage points of GDP (South Africa, 2003). With enhanced capacity for expenditure management and tax administration, fiscal stability continued during the period 1999 to 2003, and the deficit was further reduced to 1.1 per cent of GDP by 2003.

Trade liberalization was further accelerated under GEAR. Average import tariffs for the country dropped from 30 per cent in 1990 to less than 14.3 per cent by 1999. Its efforts to reduce import tariffs, particularly bilaterally with China and sectorally in the textile industry, coupled with the implementation of World Trade Organization obligations, as well as its positive and proactive involvement in launching the Doha Development Round, allowed South Africa to become a leading free-market economy in the developing world.

Despite the apparent decrease in the fiscal deficit, coupled with financial discipline and macro-economic stability, GEAR was not entirely successful, especially with regard to boosting economic growth and creating employment opportunities for millions of unemployed black South Africans. Although GDP growth reached an average of 2.8 per cent during the period 1997 to 2000, it fell far short of the expected goal of 6 per cent required to reduce unemployment (South Africa, 1996). This was largely blamed on disappointing growth in investment (both domestic and foreign) and on the continued slump in world gold prices – one of the country's chief exports. From 1990 to 2000, the country attracted FDI of approximately \$854 million, in comparison to the \$1.2 billion that flowed out of the country (UNCTAD, 2006). This was less than half the predicted estimates outlined in the GEAR programme.

GEAR was further criticized for its lack of emphasis on a reduction in inequality as a policy goal, as had been the case with the RDP. Rather it emphasized the need for the state to generate

sufficient employment opportunities to help address the unemployment problem that the country was facing. Critics of the GEAR policy framework argued from the start that increased inequality was probably the most likely outcome of government's latest economic policy. From 1996 to 2000, GEAR targeted a real wage growth of approximately 1 per cent annually, with an associated rate in employment growth of approximately 2.9 per cent. It forecasted that this would result in an annual growth of approximately 3.9 per cent in the total wage bill. However, since this was below the projected growth rate of the national income as a whole, the share of income going to employees was expected to drop (Adelzadeh, 1997).

Moreover, the implicit aim of GEAR was to accelerate labour intensive employment which meant that the bulk of employment growth would be in wages that were below the current market average at the time. Unfortunately, this involved a depressing effect on real wage growth, as well as on the wage share. Although a decline in the wage income share would not necessarily have contributed to increases in income inequality in other African states, this was not the case with South Africa, since the average wage income was generally below the non-wage income. Compounding the labour crisis, there have been cuts to public sector employment since 1994, as 200,000 jobs were eliminated during the period 1998 to 2000, following the restructuring of municipal and provincial administrations.

Of the 11 million South Africans employed in the country, four million were employed in the low-wage informal sector and they engaged in subcontracted economic activity, from street-hawking and informal trading to subsistence farming and prostitution. In the 2000-01 Finance Department budget review document, the government released statistics indicating that the poorest 57 per cent of households continued to live below the minimum

household subsistence level of \$35 per month. It further stated that the average white family earned nine times more than the average black family. By 2002, South Africa was infamously referred to by the international media as the most unequal nation on earth, with the largest income disparity, rivalled only by Guatemala. In 2000, the Human Development Report, released by the United Nations Development Program, placed the country in 111th position. By 2004, it dropped further to 121st position, behind Equatorial Guinea and just above Tajikistan (see Table 1).¹

Table 1. Human Development Index (HDI) Trends

Year	HDI value	World Ranking
1975	0.653	44 th
1980	0.673	55 th
1985	0.703	51 st
1990	0.735	56 th
1995	0.741	67 th
2000	0.691	111 th
2004	0.653	121 st

Source: Human Development Reports, United Nations Development Program, various years.

This prompted the government to rethink its strategy on how best to address poverty. An expanded strategic initiative designed to address extreme poverty by means of cash transfers to the poor was initiated. Transfers increased three-fold to R371 billion between 1994 and 2005, as the number of beneficiaries grew from 2.6 million in 1994 to 7.9 million by December 2004. In 2004,

¹ The Human Development Index (HDI) is a comparative measure of education, living standards, life expectancy and literacy levels for countries around the world. It is frequently used to measure the well-being of citizens in any given country. It is often used to measure the impact of economic policies on quality of life.

the government launched two ambitious economic programs to address poverty, the Black Economic Empowerment (BEE) and the Accelerated and Shared Growth Initiative for South Africa (ASGISA).

BEE was designed as a growth strategy geared towards the growth, enterprise and development of existing wealth, as well as its redistribution. It included measures such as skills development, employment equity, and targets for ownership, management and preferential procurement. This policy had sought to promote the economic empowerment of the black majority within the broader context of a national empowerment strategy which focused on historically disadvantaged groups, principally blacks, women, coloureds, Indians, and the disabled. This was envisioned to take place on the basis of guarantees by a quota system of principally black employment at certain levels of both public and private sector enterprises. However, BEE reached much further than other affirmative action policies in place in other states. It sets quotas for black ownership of companies across key economic sectors, including agriculture, financial services, information technology, tourism and mining.

However, there have been growing criticisms of the program. Critics contend that BEE was used to enrich only a small, politically-connected, black elite. Allegations of crony capitalism and nepotism have made the headlines in recent years due to the fact that many BEE beneficiaries are politically connected to the ruling party. In a recent report published by the *Sunday Times*, Patrice Motsepe, a black South African mining entrepreneur with strong ties to the ANC government, ranked as the third richest man in the country. Motsepe and Saki Macozoma, along with Cyril Ramaphosa, and Tokyo Sexwale, both former ANC politicians turned capitalists, form a quartet of rich, well connected black businessmen. Between them, they have more than \$1 billion

worth of investments in some of the country's largest enterprises, including mining giants Gold Fields and Harmony Gold, national life insurer Sanlam, Alexander Forbes Financial Services, and two of the country's biggest banks, Standards Bank, and ABSA Bank.

In response to these criticisms, the ANC launched the Broad Based Black Economic Empowerment (BBBEE). The program was designed to help distribute wealth across as broad spectrum of South Africa's society as possible. It is based on seven pillars; equity ownership, management, employment equity, skills development, preferential procurement, enterprise development and residual element/corporate social investment. It goes further than BEE in the sense that its scope does not focus exclusively on ownership and management of public and private enterprises.

Alternatively, ASGISA involved a R370 billion public works program, mainly in the infrastructure and tourism sectors. The government is hoping that this would generate sufficient economic activity and opportunities for foreign investment to result in economic growth of 6 per cent by 2010, and halve poverty by 2014. Within the overall framework of ASGISA, the Expanded Public Works Programme (EPWP) and the Agricultural Starter Pack Programme were designed to deliver food production start-up support.

The programme sought to offer public employment, particularly to unskilled labourers, in the field of government infrastructure projects. The programme has a target of creating employment opportunities for up to one million South Africans, with approximately R15 billion of infrastructure funds allocated to municipalities and the provinces. However, critics contend that it is not feasible for the government to fulfil these high expectations, as most of the employment opportunities generated by these infra-

structure projects, particularly those geared to serve the needs of the 2010 World Cup in terms of stadiums, would be of a temporary nature and no more than 200,000 people are estimated to be employed during any given period (DBSA, 2005).

However, sceptics contend that, as with past initiatives, ASGISA is plagued by a number of disadvantages. In particular, its success is undermined by a failure of service delivery at local level and, more importantly, by the severe skills shortage that the country is currently facing as a result of emigration. The country is reportedly having difficulties in filling up to 500,000 jobs in the public sector. Given the high unemployment rate plaguing the country, proposals to relax South Africa's stringent immigration policies, in order to attract and retain skilled professionals from abroad, are facing stiff opposition from many interest groups within the ruling party and its compatriots within COSATU and the Communist Party. Official unemployment remains stubbornly high at approximately 26 per cent, but that figure rises to 41 per cent when the state counts all those unemployed individuals who have stopped looking for a job within the last month (Statistics SA, 2005).

The dire economic situation facing the majority of South Africa's black population has triggered a rift in the ruling ANC-led government, which could result in negative implications and political uncertainty for the government when Thabo Mbeki's presidential term ends in 2009. The coalition that supported the ANC to come to power in 1994 has started to disintegrate. He has been criticized within the Tripartite Alliance, which constitutes the government of the day, for showing bias towards big business and capital, as well as allowing wages to barely keep up with inflation, which is currently standing at 6.4 per cent. This echoed broader complaints that his government's market-friendly policies have done little to improve the lives of the vast majority of the

population. This alliance includes the ANC itself, as well as the South African Communist Party (SACP) and COSATU. Today, neither faction is backing President Mbeki, leaving him increasingly isolated.

Since November 2006, the SACP has stepped up its criticism of the ANC leadership. Party leaders were recently quoted as saying in a discussion document, published by the party, that "the mode of functioning of the alliance, inherited from the earlier period (prior to 1990), might not be relevant for the current period" (Plaut, 2006). It goes on to state that: "Unless the ANC is a mass-based democratic and self-styled disciplined force of the left and begins to assert a real revolutionary authority and discipline over its legislative caucuses, for instance, a petty bourgeoisie cadre, focused almost entirely on commercial racketeering, would swallow the organization" (Plaut, 2006).

In the meantime, COSATU has come forward in recent months to criticize Mbeki's pro-business free-market economic policies, arguing that the ANC could lose the credibility that it had worked so hard to built amongst its black constituency over the past seven decades. On 25 May 2006, COSATU General Secretary Zwelinzima Vavi indicated that he saw the ANC as drifting towards becoming a dictatorial party, due to a lack of consultation between the ANC itself and the other two partners in the alliance. He further stated that government was facing its worst crisis in years and that the Jacob Zuma matter had to be seen a symptom, not a cause.

Former Deputy President, Jacob Zuma, after having narrowly escaped a conviction on a charge of rape in May 2006, is currently facing corruption charges. The allegations against him stem from an arms deal, reportedly worth \$4.8 billion, signed in 1999 for arms contracts designed to modernize the country's defence force. It included the purchase of submarines, advanced light fighter

jets, training aircraft, light utility helicopters and high-speed boats. However, his supporters, particularly those in the SACP, COSATU and the ANC Youth League, insisted that the rape claim and the pending corruption charges were political-motivated to prevent him from becoming the next president of South Africa, and that this was due to his left-ward political leanings, which are not shared by the ANC government. Zuma is a popular politician in the country and a veteran of the ANC-led struggle to end Apartheid. At one stage he was championed by trade unionists and those on the political left as a likely presidential candidate to succeed Thabo Mbeki. But analysts are increasingly indicating that the rape accusations and the corruption charges have damaged Zuma's credibility as a political leader and could eventually leave his political career in tatters.

In its own defence, the ANC government tried to squash speculation that there were ongoing efforts by the party to discredit Jacob Zuma due to his left-wing orientation. During the recently concluded policy conference of June 2007, Thabo Mbeki indicated that no decision had as yet been taken on who might succeed him as the party's candidate and presidential hopeful in the 2009 national elections. Such a decision is only expected to be taken at the ANC Congress in December 2007. On the issue of the government's commitment to free-market economic principles and its preoccupation with serving the needs of big business at the expense of the predominantly poor population, Mbeki indicated that it had not been possible to solve the country's problems during the 13 years of the multi-party, multi-racial democracy. He stated that these problems had accumulated over the past 350 years and that there was a limit to what government could have achieved during the time it had been in power. Thabo Mbeki and his senior party leaders argued that the government had to stabilize the economy, which was in a state of deep decline when they came to power in 1994. They pointed out that

their efforts to reduce the inequalities in society had largely been restricted, not due to government inefficiency or the failure of government policies, but largely as a result of the constraints imposed by the global economy.

The political wrangling taking place in the public policy arena, recurring riots across the country in recent months, and the largest public service strike in the country's history, organized by COSATU over the span of four weeks during June 2007, bear testimony to the growing rift between the members of the alliance. The strike either closed down or seriously crippled majority of the country's hospitals and schools. A deal to end the strike came after intense negotiations between COSATU and the ANC government over pay increases for public sector workers. In a compromise agreement, COSATU accepted the government's offer of a 7.5 per cent pay increase, compared to their initial demand for 12 per cent. The strike, which involved hundreds of thousands of workers, is said to have cost the country more than R3 billion or \$418 million.

3. Land Reform Crisis

In 1994, following the jubilant celebrations that accompanied South Africa's first multiracial democratic elections, a number of economic and political crises awaited the newly elected ANC government of Nelson Mandela, of which none was more pressing and controversial than the much anticipated land reform programme. President Nelson Mandela's government inherited one of the most racially skewed land distributions in the world. White South Africans (predominantly 60,000 farmers) and the state effectively owned approximately 87 per cent of the country's agricultural land, while their impoverished 19 million-strong black counterparts in rural areas were restricted to the remaining 13 per cent.

This serious misdistribution of land is perhaps the most regretful tragedy to have resulted from the racially discriminatory laws and policies dating back as far as 1658, when the Khoi people were instructed to relocate from their traditional lands west of the Liesbeeck and Salt Rivers. The Native Land Act of 1913 effectively removed black share-croppers and cash tenants from their land, while restricting the area of land available for black occupation. As a result, a mere 10 per cent of the land was reserved for blacks. By 1937, the Natives Laws Amendment Act was passed, prohibiting blacks from buying land in urban centres.

By 1950, Pretoria passed the Group Areas Act, which introduced policies designed to provide some solutions to the problems faced by black peasants who were evicted from their ancestral lands to make way for commercial white farms. This included moving people into villages, and the fencing off of fields and grazing land from residential areas. The following year, the Prevention of Illegal Squatting Act was introduced, which established resettlement camps for these landless black peasants. The last piece of legislation aimed at relocating blacks from major agricultural and industrial areas was the Blacks Resettlement Act of 1954, which allowed for the forced removal of thousands of black farm and factory workers living in the magisterial district of Johannesburg and adjacent areas.

These major pieces of legislation, amongst others, strengthened the differentiated social strata within the country, while perpetuating the position of blacks as a cheap and often mobile labour force for capitalist Apartheid South Africa, which could help to explain the lasting acute social inequalities between the different racial groups. It is therefore no surprise that, as early as 1993, a World Bank report sternly warned the Apartheid government that, unless the country took concrete steps in restructuring its rural economy and implemented much needed reforms by redistri-

buting farmland to black peasants who had been removed from their ancestral lands by previous white governments since 1913, the country could be facing an acute increase in rural violence, which could escalate into a civil war. It was against this backdrop, coupled with the country's resolve to attract much needed foreign direct investment to help stimulate economic growth, which had been stagnant for the past decade due South Africa's economic and political isolation from the international community, that the Mandela government embarked on a highly controversial programme in 1994 to resolve the centuries of racial misdistribution of the country's 122 million hectares of land.

Given the task at hand, the new ANC government introduced a sweeping land reform programme. Such a programme was to be essentially 'demand-driven' while its primary aim was to provide productive and residential land to the poorest section of the black rural population. According to this framework, the government's land reform was based on three important pillars: redistribution, of mainly agricultural land, to redress the discriminatory policies of the Apartheid period, whereby government would assist communities to buy land from existing white farmers on a willing-buyer-willing-seller principle, by providing households with grants of approximately R15,000 (\$2,100); restitution, which seeks to restore land ownership while compensating those forced off land during Apartheid; and, land tenure reform, which sought to secure tenure for all South African citizens, particularly farm labourer tenants. These measures were to have been facilitated by newly established legal channels that would allow claims to be registered with the newly formed Land Claims Court for the return of, or compensation for, land loss as a result of racist laws, following the promulgation of the 1913 Land Act.

In 1997, the government sought to fast-track its land reform policy. The 1997 Extension of the Security of Tenure Act provided

the blueprint for procedures regulating the land eviction process. During the Apartheid years, white farmers effectively evicted black tenants without obtaining a court order. With the new Tenure Act, new eviction orders had to be processed by the legal system. However, a number of organisations, such as COSATU and the National Land Committee, criticized the measure as not contributing anything to put a stop to evictions altogether.

More criticism of the government's land reform programme began to surface, as its track record fell short of its promise to redistribute 30 per cent of the country's land before the 1999 elections. By December 2004, the redistribution programme had succeeded in transferring an area of approximately 3.4 per cent of commercial agricultural land to blacks (Milazi, 2004). A large proportion of this land was located in the dry and harsh terrain of the Northern Cape Province. Anecdotal evidence had shown that little post-settlement support was actually provided by the provincial government. Consequently, shack dwellers from surrounding areas moved into these areas, having little practical farming experience, which resulted in low agricultural output, indebtedness and unsecured loans. Few believed in the government's ability to fulfil its commitment of redistributing up to 30 per cent of agricultural land to black owners by the new deadline of 2015. While evictions continued unabated, farm labour remained an insecure source of income and highly vulnerable to fluctuations in the price of agricultural exports. According to national labour statistics, the average monthly wage for farm workers in 1999 remained below R500 or \$70.

In a presentation to the Portfolio Committee on Agriculture and Land Affairs during the 2004 budget hearings, Chief Land Claims Commissioner, Tozi Gwanya, told the Committee that the commission was facing several problems. These included opposition by white farmers to the restitution programme, difficulties in

processing rural claims, due to a lack of proper documentation, and exorbitant land prices. He pointed out that it took approximately two years to finalize a typical rural claim, since the majority of land in question was unregistered, which made archive and deeds research all the more complex. At a July 2005 national land summit in Johannesburg, Deputy President Phumzile Mlambo-Ngcuka acknowledged that the government's then neo-liberal market-based approach to land reform was not functioning as planned. The sharp rise in land prices had distorted the value of the land market over the past decade. This was further aggravated by the then recent waves of foreign purchases of farmland across the country. This situation effectively prompted white farmers to demand more for their land; therefore putting further strain on government allocations for the necessary capital for its land redistribution programme.

At present, there are signs of growing impatience with the government's ambitious land distribution programme. Violence in the countryside continues unabated, as the nation's news media repeatedly report on the killing of white farmers and their families by a growing number of disillusioned black farm workers, squatters and shack dwellers, who are often frustrated with the slow pace of reform. Genocide Watch, an international coalition, dedicated to eradicating genocide around the world, reported that up to 1,700 murders had been recorded against mostly white farmers since 1994 and has since criticized the national government for its lack of action in this regard (Graef, 2005). Moreover, white farmers have become increasingly wary of proposed plans to speed up the land distribution program, fearing that it could create an atmosphere conducive to land-grabbing, similar to the land invasions that have been taking place in neighbouring Zimbabwe over the past five years, and which have brought about the dramatic destruction of that country's agricultural sector and, effectively, its economy.

In the meantime, the prospects of a better life for millions of poor and working class rural black South Africans are getting bleaker. In 1999, then Minister of Agriculture and Land Affairs, Thoko Didiza, presented a new policy statement entitled, *Strategic Directions on Land Issues*, which shifted the national government's attention away from empowering poorer black rural communities to rather focus on creating a black agrarian capitalist class. In fact, this policy focus threatens to entrench the existing class and gender-based rural inequalities even further. Analysts in South Africa argue that government's aim to create a class of black emerging commercial farmers derives from policy failure and the realization that the land reform process is not only too ambitious, given its countless objectives, but would also be detrimental to the agricultural sector in the long run. It is more economically viable for government to support a small class of black commercial farmers, rather than a whole host of poorer rural peasants who have little or no experience of farming.

4. The HIV/AIDS Epidemic

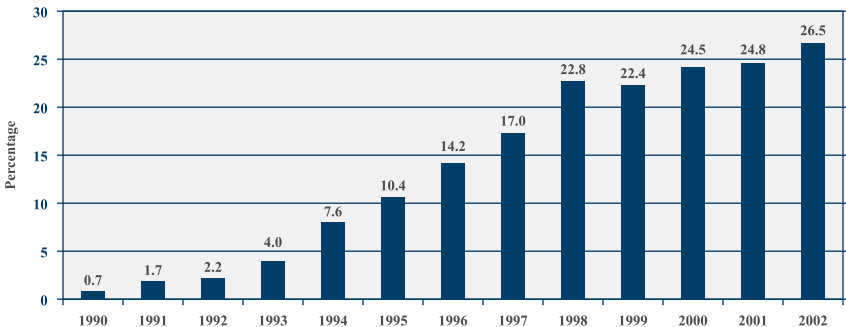
Over the past 13 years, the ANC government has been battling with the disastrous effects of the HIV/AIDS epidemic on the country. Due to the disease's substantial economic and human repercussions, the dramatic rise in infections over the past decade has allowed it to become the most significant 'development' of the country's post-Apartheid period. The statistics are devastating to say the least. A total of 2,000 South Africans contract this fatal disease daily, while another 900 die from an AIDS-related illness (UNAIDS, 2006). Statistics South Africa puts the total number of AIDS-related deaths at approximately 1.5 million since the last count in 2004. By the end of 2005, there were an estimated 5.5 million South Africans living with HIV. While to date, approximately 500,000 South Africans have AIDS – the most severe form of the HIV virus. On an even more sombre note, the govern-

ment expects AIDS to claim a total of 9 million lives by 2020 – i.e. since the start of the epidemic more than a decade ago, while reducing life expectancy to a mere 41 years over the next decade, as opposed to 49 years in 2001.

According to the United Nations Development Programme, the number of AIDS orphans had increased to more than 900,000 in 2004. This situation is placing an unbearable strain on communities, extended families, as well as on public service delivery. The disease is also having a wide range of indirect and direct economic effects, not only on the state, but also on households and businesses. These costs include increased expenditure in the administering of antiretroviral drugs by companies to workers infected with HIV/AIDS, healthcare and funeral expenses, additional recruitment and training expenditure, as well as lower productivity.

A survey on the social ramification of the HIV/AIDS epidemic in the country, conducted by the South African Business Coalition in November 2003, found that one third of the 1,000 companies surveyed were experiencing increased absenteeism, lower profitability, increased costs in employee benefits and lower produc-

Figure 2. HIV Prevalence Rates



Source: South African Department of Health (2003)

tivity. Meanwhile, one fourth of the companies concerned reported increased training and recruitment costs. Government is of the opinion that these adverse effects will intensify over the next decade, as HIV/AIDS mortality intensifies.

Government has projected that lower public and private savings, resulting from increased government and private expenditure on HIV medication and research, would ultimately contribute to a reduced GDP growth rate of between 0.3 and 0.4 per cent a year over the next 15 years (Quattek, 2000). Due to lower household savings, domestic savings are expected to drop by 2 per cent over the next decade, which would put a strain on domestic investment and push up interest rates. Meanwhile, public resources have already experienced strain in recent years, as government has increased its spending on public healthcare. Direct public spending increased to R2 billion in 2003-04 (\$271 million), from a mere R30 million or (\$4 million) in 1994-95. This constitutes an acute problem for South Africa, given the fact that these resources could have been spent on efforts to alleviate poverty amongst the 34 million disadvantaged South Africans living on \$2 a day (UNAIDS and UNDP, 2006).

In an effort to counteract the effect of AIDS, the government has begun to take action to counter the spread of the disease. In October 2000, the Minister of Health gave authorization for administering Nevirapine to HIV-positive pregnant mothers. The drug was considered cheaper than AZT treatments and less toxic. The drug would enable these mothers to give birth to HIV-negative babies. In November 2003, the government announced it plans to provide free access to antiretroviral (ARV) treatment for people living with HIV/AIDS, via the Operational Plan for Comprehensive Care and Treatment for People Living with HIV/AIDS.

This followed on years of public discussion about the costs and benefits of administering ARVs as a way of stopping the spread of the disease. Government always insisted that there was a need to look at alternative treatment options and prevention strategies. This shift in government strategy in addressing the HIV/AIDS epidemic, and its attitude towards the administering of ARVs to HIV/AIDS patients by 2004, was brought about by a court battle, in which pharmaceutical companies agreed to produce low-cost generic versions of their drugs for the country. This allowed South Africa to become one of the first states on the continent to locally produce its own cocktail of AIDS medication.

While the government's decision to administer ARVs to HIV/AIDS patients living in the country is a positive development, its implementation has, nevertheless, been rather slow. Contrary to the government's plans at the start of the campaign in 2003, to have more than 381,000 people on the publicly funded ARV treatment by 2006, only about 85,000 patients have received their treatment thus far (South Africa, 2005). UNAIDS estimated that at least 79 per cent of South Africans who needed ARVs were not receiving them by the end of 2005 (cited in WHO, 2006). Critics point out that HIV-positive people, living in the poorer, more rural provinces, such as Mpumalanga and Limpopo, are less likely to receive ARVs than those living in Gauteng and the Western Cape, which constitute the heart of the country's economic engine.

5. Unrelenting Crime Wave

Crime is one of the most demanding challenges facing South Africa in the post-Apartheid era. The country's crime rate is amongst the highest in the world, affecting every South African in one way or another. While causing the victims and their families much grief, and emotional as well as physical pain, its social and economic ramifications are often difficult to quantify.

Currently, more than 300 violent crimes take place in the country every day. Along with Columbia and Iraq, South Africa is amongst the three most crime-ridden states in the world. Although government has recently stressed that there has been a 10 per cent decline in the number of serious crimes since 1994, the country continues to record more than 18,500 murders a year, averaging around 50 each day. Equally discouraging is the fact that security analysts in the country are quick to point out that the country's justice system and police force have systematically failed to manage crime over the past one-and-a-half decades. A 2004 report by Christian Action Network, pointed out that for every 1,000 crimes that were committed in the country, a mere 430 criminals were arrested. Of these, only 77 received outright convictions, while eight served sentences of less than five years, due to good behaviour and an easy and early parole system. Government sources indicate that the nation's convicts display a 94 per cent recidivism rate, further confirming the fact that the prison rehabilitation program is failing the majority of inmates.

The report, which is substantiated by documents released by Interpol, the Central Statistical Service and the South African Medical Research Council, further points out that government's crime statistics are largely inaccurate. It refutes the government's claim that crime levels are under control and that the murder rate is stabilizing and even declining. It claims that approximately 60 to 70 per cent of all crimes are not reported to the South African Police Service (SAPS). In a separate document, released by Interpol during the same period, South Africa experienced the second highest per capita murder rate in the world, trailing just behind Columbia.

In recent years, the country's shocking crime rate has been attributed to a number of economic, political and social ills and policies. Firstly, the legacy of Apartheid continues to haunt present-

day South Africa. With income inequality rising between the country's historically affluent white population and their disadvantaged black counterparts and an unemployment rate of over 41 per cent post-Apartheid South Africa has become a fertile ground for violence (Statistics SA, 2004).

Secondly, the criminal justice system is regarded by state prosecutors as inadequate and overloaded and in need of a major overhaul. It has often been reported that only half of the murder cases make their way to the state courts, of which only a fraction result in criminal convictions. Thirdly, in recent years, social and health workers around the country have been voicing their concerns about the alarming increase in alcohol abuse. Sociologists have always claimed that there is a direct link of violent and non-violent crimes with alcohol abuse. According to the country's National Injury Mortality Surveillance System, 56 per cent of homicide victims were intoxicated at the time of a reported criminal incident.

Lastly, a number of government studies have claimed that there is a direct link between organized crime and illegal migration from impoverished neighbouring states, particularly Zimbabwe and Mozambique, as well as from Central and West African states, particularly the Democratic Republic of Congo and Nigeria. An African Union report, released during January 2007, indicates that crime is increasingly being blamed on foreign elements in the country – armed robberies, drug dealing and burglaries in particular. In turn, this has resulted in increased xenophobia and racist attacks on black migrants. Last year, a number of Somali traders were indiscriminately killed in Cape Town by local rival traders who accused them of monopolizing the market and bringing crime to the area.

In recent months, opposition party leaders have described the current crime levels as unacceptable and have collectively urged

the national government to release more accurate crime statistics on a regular basis, instead of only every 12 months. The country's main opposition party, the Democratic Alliance (DA), has indicated that the alarming crime wave will inevitably hamper the country's ability to host a successful and crime-free FIFA World Cup in 2010, the first to be held on the African continent. Even amongst the government's once staunch supporters, recent criticisms of the Mbeki administration has been widespread, for its poor handling of the crime situation in the country.

In a speech delivered in Cape Town during October 2006, the much respected Desmond Tutu, South Africa's Nobel Peace Prize winner and former Anglican Archbishop, warned about the escalating crime rate and the failure of political leaders to take concrete action to address its root causes, namely a widening income gap and prevailing poverty amongst the vast majority of the country's black population. He went on to state that the country was "sitting on a powder keg," which could explode at any time, and which could be detrimental to the country's security, if concerns about unemployment, poverty levels and income disparities amongst the racial groups, were not properly addressed.

However, Thabo Mbeki's government has hit back against media reports suggesting that crime is spiralling out of control. South Africa's Minister of Safety and Security, Charles Nqakula, and the president have repeatedly claimed that the crime situation is exaggerated and that the media is to be blamed for sensationalizing the issue. The ANC leadership contends that crime rates should fall in light of the unprecedented economic growth that the country has been experiencing in recent years – which, coupled with the government's anti-crime measures, should rescue millions from poverty. These measures include increasing the police force to 180,000 staff members by the end of 2009, while addressing corruption in the country's security services.

Table 2. Crime in South Africa

Crime Category	2001/2002	2002/2003	2003/2004	2004/2005
Murder	21,405	21,553	19,824	18,793
Rape	54,293	52,425	52,733	55,114
Attempted murder	31,293	35,861	30,076	24,516
Assault with the intent to inflict bodily harm	264,012	266,321	260,082	249,369
Common assault	261,886	282,526	280,942	267,857
Robbery with aggravating circumstances	116,736	126,905	133,658	126,789
Common robbery	90,205	101,537	95,551	90,825
Indecent assault	7,683	8,815	9,302	10,123
Kidnapping	4,433	3,071	3,044	3,880
Culpable homicide	10,944	11,202	11,096	11,995
Carjacking	15,846	14,691	13,793	12,434
Robbery at residential premises		9,063	9,351	9,391
Malicious damage to property	145,451	157,070	158,247	150,785
Burglary at residential premises	302,657	319,984	299,290	276,164
Drug-related crimes	52,900	53,810	62,689	84,001
Driving under the influence of alcohol or drugs	24,553	22,144	24,886	29,927

Source: South African Police Service, 2006

Even in Parliament, government and opposition parties have debated the extent and severity that the high crime rate had on public life over the past decade. Eminent South Africans and expatriates have resorted to rather innovative methods to build a sense of security for their families. A large number of affluent South Africans abandoned central business districts in large urban areas, particularly in the country's commercial capital, Johannesburg, opting to move to gated communities in the suburbs.

A number of middle to upper-class South Africans resorted to the services of privately-owned security companies, with armed

security guards, in the absence of effective policing by the SAPS. Their efficiency and effective patrolling have prompted the SAPS to use these companies to patrol the police stations in the suburbs, so as to help free police officers for duty in the more crime-ridden areas. On an equally discouraging note, more than a million white South Africans, often skilled professionals, emigrated to other English-speaking Western states – Australia, Canada, New Zealand, the United Kingdom and the United States in particular – many of out of fear for the escalating crime rate.

6. The Brain Drain

The exodus of South Africa's educated elite and highly mobile professionals (mainly white South Africans) continues relentlessly, despite efforts by the government to stem the tide of emigration. Continuous departure of white South Africans, particularly since the beginning of black majority rule in 1994, has been attributed predominantly to a number of social ills, such as a sky-rocketing crime rate, affirmative action policies in the workplace (which favour blacks and other groups discriminated against during Apartheid), decreasing job opportunities, the AIDS epidemic and a deteriorating healthcare system. Moreover, many of those emigrants were enticed to move abroad by prospects of better living standards, favourable exchange rates and lower levels of crime in predominantly English-speaking Western countries.

According to government data released by the national data agency, Statistics South Africa, during the period 1994-2004, more than 153,000 people made formal plans to emigrate (Statistics SA, 2004). However, more credible data, released by the University of South Africa (UNISA), points out that more than 1.6 million people are thought to have left the country since 1994, few of whom have returned to formally re-settle in South Africa. According to the South African Council for Educators, up to 5,000 South

African teachers are working in the UK at any given point in time, with no immediate plans to return. The UNISA study points out that 70 per cent of skilled South Africans, who are still in the country, are thought to be seriously considering emigration. This mass exodus of young, educated and skilled white South Africans is a major setback for government's plans to boost economic growth to 6 per cent over the next five years, in order to be able to make substantial progress with a reduction in poverty, as well as reducing the income disparity between blacks and whites. Indeed, this unprecedented development is draining the country of much-needed human resources, but also of economic resources. The national government has indicated that emigration has eroded, and continues to erode, its tax revenue base, although no data has been published which indicates a loss of state revenues as a result of emigration since 1994.

In the past, the government was slow to react to the emigration trend. It resisted any attempts to increase the immigration of skilled immigrants from abroad, mostly from India, China, Cuba, Zimbabwe, Nigeria and Pakistan. Government's lack of reform where its immigration policies are concerned has discouraged skilled workers from coming to the country. Instead, government has lent support to the training of local blacks to fill the gap left by the skilled white South Africans. Although the country has the institutional infrastructure to continue providing sufficient and capable pools of professionals, particularly doctors, accountants, scientists, researchers, engineers and nurses, this is usually at a huge costs to the state from funds that could have been used to address the root causes of emigration in the first place.

The International Organization for Migration states that the cost to South Africa, as a result of emigration, has been more than \$5 billion in "lost human capital" since 1997 (McClelland, 2002). According to the South African Department of Labour, training

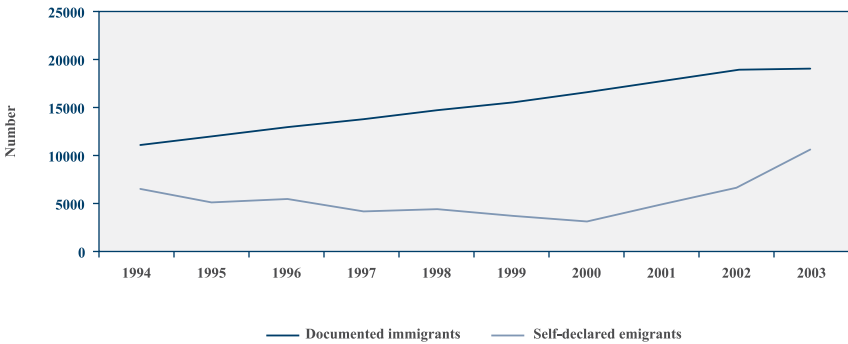
a doctor in a specific field of specialization, costs the state approximately R1 million (\$152,000) over a period of seven years. This enormous investment is considered as expensive for any developing country, particularly one that grappling with some of the most pressing issues that threaten its newly found democracy, following decades of oppressive white minority rule and colonialism.

This has prompted the government to engage seriously with business and civil society over the past two years, in an effort to find ways of stemming the tide of mass emigration of its skilled professionals. It is in the process of considering a number of policies, designed to lure its skilled workers back to their country. National Education Minister Naledi Pandor has recently proposed measures to entice South African teachers and researchers back home, including government incentives for those who hold the necessary qualifications and boast the experience to take up lucrative positions in the state's higher education centres and universities. The South African Department of Education has been studying proposals to provide funding for the upgrading of campus laboratories for returning South African academics and scientists.

This is widely regarded by South African analysts as a positive development; a departure from the reactive and often defensive approach that has characterized official government policy in the past, resulting in a brain drain of skills over the past decade. However, it is too early to predict whether the government's latest response would be sufficiently effective to lure the country's diaspora back to their country. Ultimately, the success of this initiative will depend on the government's ability to work concurrently on controlling crime levels, boosting economic growth, lowering income disparity and creating an atmosphere of equal opportunities and inclusiveness in the new post-Apartheid environment for anxious white South Africans. The government's principal

dilemma, namely how to bridge the income divide between whites and blacks, depends on its effective utilization of the skills, brought back to the country by returning white professionals, for the training and education of both black unemployed and white-collar workers.

Figure 3. Documented Immigrants and Self-declared Emigrants, 1994-2003



Source: Statistics South Africa (2004b)

7. Lessons Learned and Policy Options to Consider

Several lessons can be learned, and policy options considered, from the above analysis on poverty and inequality – the two underlining causes that threaten to give rise to state fragility in post-Apartheid South Africa.

- a) South African society is currently experiencing high levels of economic growth, following the sluggish economic growth of the past two decades. As shown above, this will inevitably result in greater inequality. The goal of transforming the composition and ownership of the economy, so as to reflect the country's demographic characteristics

more accurately, is expected to aggravate the situation even further in the period ahead.

- b) Although the black/white divide remains the main cause of inequality, an intra-group divide between affluent and impoverished blacks has undermined the government's ability to, and credibility in addressing the social and economic legacies of Apartheid.
- c) Even though the public works programme is beneficial in generating employment opportunities in the short-term, it shouldn't be pursued at the cost of economic growth. Sustainable high economic growth and expansion of the labour market should remain the central pillar of any policy geared to address poverty and inequality.
- d) South Africa's continual drive to secure market demands for high-skilled labour is both a blessing and a curse in disguise. Although it helps to promote productivity and competitiveness in the economy, it tends to prevent millions of unemployed South Africans from entering the workforce. Skills development and improved educational standards in, primarily schools and centres for higher education should continue to remain top priorities in government's efforts to address the labour market shortage in the medium-term, while encouraging the immigration of skilled labour in the short-term, in order to offset the shortfall.
- e) Government should be encouraged to take a more proactive approach when dealing with the brain drain crisis. Business leaders have long called on authorities in Pretoria to actively approach the diaspora and encourage them to return to South Africa to take up leadership positions in the understaffed, yet important sectors of the economy – the service sector in particular. However,

government would need to address the soaring issues of crime and affirmative action in order to be effective in their efforts to woo back South Africans from abroad.

- f) There is a need for government to balance its social spending in crucial areas, particularly in the fields of providing education, fighting crime and dealing with the HIV/AIDS epidemic, as well as where the land restitution programme is concerned. However, these all require substantial resources and government does not have adequate resources for these issues at present. It has long been suggested that the private sector has a role to play in this regard. Public-private partnerships could be established to provide the necessary technical expertise and financial resources required. Public-private partnerships can leverage existing resources while enhancing the efficiency of state spending.
- g) In addressing poverty from its 55/45 level (approximately 45 per cent of the population live in poverty and 55 per cent do not) to 70/30 by 2014, as envisaged by the UN Millennium Goal Challenge, the economy would need to generate more than 3 million jobs by 2014. This will require a current growth rate of no less than 6 per cent over the next seven years. Such growth would require prudent management of macro-variables, as well as growth-inducing measures. These include monetary stability, the removal of obstacles to investment and growth, enhanced productivity and reduced transaction costs.
- h) High levels of economic growth in the absence of measures to analyze the current structures of the economy, coupled with a need for a focus on securing maximum productivity levels, greatly undermine government's efforts to address poverty in the long-term.

- i) There is a growing realisation that South Africa's poor will not be absorbed into the formal sector in the short to medium-term. For the foreseeable future, the country will have to live with the status quo of a two-tiered economy. This necessitates the need for a comprehensive social safety net to help alleviate extreme poverty. Government is encouraged to view social spending as a form of investment in poor peoples' lives, rather than "soft" spending.
- j) In dealing with income inequality and poverty, there is a tendency to group South Africa's poor as one large homogenous group. This has invariably undermined the effectiveness and the implementation of past efforts by government to address the issue. Progress aimed at alleviating poverty should take on a variety of interventions and formats.

8. Conclusion

In retrospect, this paper was an attempt to address some of the political and economic ills that the country inherited from the previous Apartheid regime. Given the political changes that have taken place during the peaceful transformation of the country from a pariah state to an internationally recognized multi-racial democracy, modeled on a progressive Constitution and built on a diversified and robust economy, it is safe to conclude that South Africa has achieved what many on the continent have been aspiring of accomplishing since the advent of the independence period of the 1960s. The country's demonstrated commitment to democratic governance and peaceful political change, as well as its relatively sophisticated economy, as compared to other African states, has helped elevating it to the status of a sub-Saharan pivotal state. With much antici-

pation, Africa is beginning to look towards South Africa for guidance and leadership in areas ranging from political reconciliation and good governance to painful macro-economic reform. The question that now remains is whether or not South Africa would be able to meet these expectations.

The government's ongoing ability and willingness to rectify the legacy of Apartheid promises to be the country's most important test to date. A period of great anxiety and anticipation awaits South Africans as they impatiently long to reap the economic benefits of their struggle for a multi-ethnic and politically stable nation. The remarkable economic growth experienced by the country in recent years, facilitated by a sound, neo-liberal open-market economic policy, abundant reserves of mineral resources, and a first-world infrastructure, has done little to change the lives of millions of impoverished black South Africans. Unless targeted economic and social reforms are sped up, South Africans will be disillusioned with, and disfranchised from all which they have fought and died for during the past decades – racial harmony and economic and social equality in particular. In the meantime, South Africans continue to ponder on whether ASGISA and BBBEE are the miracle solutions they have been looking for or whether they would go down in history as another failed initiative to bridge the economic divides that rules post-Apartheid South Africa.

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