
Part I. Current Conditions and Problems

Chapter 1. General Remarks

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1. South Africa in the 1990s as a Major Transition Period

The democratization domino effect that swept across Eastern Europe in the latter half of 1989 was highlighted by the historic tearing down of the Berlin Wall in November to pave the way for German reunification, and was closely followed by the December US-Soviet leaders' summit between Presidents Bush and Gorbachev that confirmed the end of the Cold War. The 1990s was the first decade of the "post-Cold War era", the world's greatest historical transition period since the end of World War II. The effect of this was a far-reaching movement toward democracy (and a market economy) that was felt in all parts of the world.

Africa was no exception. In fact, far from not being an exception, Africa was where the movement toward democracy was perhaps at its strongest and fastest. A widely shared perception was that the 1990s was Africa's second era of liberation. The first was the liberation from colonial control, while the second was the liberation from dictatorial regimes (it is difficult to judge the degree to which the initial sense of hope and expectation at the arrival of the "second era of liberation" was subsequently satisfied).

South Africa progressed at an even more blistering pace in the 1990s than the rest of Africa. This was especially so in the first half of the decade: racial liberation and democratization became a reality with the release of Nelson Mandela in February 1990, Apartheid was totally abolished in June 1991, democratic elections were held in April 1994 and the Mandela administration was established the following month. When the Mbeki administration came to power following the second democratic elections were held in May 1999, South Africa showed that it had truly begun preparation for its building of a "rainbow country".

2. The Many Facets of South Africa as a Recipient of Japan's Official Development Assistance

South Africa is a regional superpower with a level of political, economic and social (and of course military) development that far surpasses the normal level for Africa, and when it is viewed in the context of a recipient of Japan's official development assistance, many differing facets of the country stand out.

First is that South Africa has a dual structure in one country: a rich developed society coexisting with a poor developing society. This is the largest legacy of the Apartheid system, and correcting this imbalance should be seen as a key element of Japan's assistance for South Africa.

Forming the core of the South African government, the African National Congress (ANC) set out comprehensive policies for rectifying socioeconomic inequities and disparities in the Reconstruction and Development Programme(RDP)it committed itself to at the first democratic (all-race) elections in April 1994; the ANC has been implementing these policies since the beginning of the Mandela administration. The Japanese government began providing practical support for the RDP immediately after the Mandela government came to power, and pledged to continue this support when the Mbeki administration took over in June 1999.

Second is that South African development has considerable potential to contribute to the development of the Southern African Region as a whole. While it is not favourable to expect as much from South Africa's role as those that espouse the view of "South Africa as a regional locomotive" may do, it is nonetheless certain that the expansion of the predominant economic influence of South Africa across national borders will stimulate the growth of southern Africa, so Japan should always be aware that assistance strategy for South Africa should be formed as part of an assistance strategy for the

southern African region as a whole. Needless to say, however, while the development and stability of the new South Africa will contribute much to the development and stability of southern Africa, follow-up is needed to ensure that it does not create a situation in which the economic chasm between South Africa and its neighbours is further widened with South Africa as the sole winner.

Third (and closely linked to the second point) is that South Africa could become an effective partner to Japan in the delivery of development assistance to the southern African region. That is, Japan should consider incorporating the effective utilization of South Africa's socio-economic infrastructure into its development aid strategy for southern Africa. Making most use of South African technology and other intellectual assets and human resources should become the main pillar of regional cooperation, so Japan's aid policies too should include active involvement in and support for regional cooperation revolving around South Africa. This will be one of the points for consideration when Japan's assistance extends beyond the bilateral level to encompass, for example, regional organizations such as the Southern African Development Community (SADC).

The fourth is the newly born South Africa's role as a model for national reconciliation. South Africa has begun an extremely positive and unique effort to bury the "criminal past" of the Apartheid years and bring about racial reconciliation, as symbolized by the activities of the Truth and Reconciliation Commission (TRC). South Africa's attempt here can become a model for many other African countries torn apart by ethnic conflict or civil war even after independence as they seek their own national reconciliation and national integration (be it unified or pluralistic integration).

Support for South Africa's attempt to realize racial and national reconciliation can, in itself, be an effective means of extending assistance to South Africa. However, on top of this, there is no doubt that such support can help to build a framework for assistance and support strategies for many African countries still weighed down by the legacy of war and conflicts.

Chapter 2. Politics and Public Administration in South Africa

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1. Present State of Democratisation: General Political Trends

1-1 The 1999 general election and the Mbeki administration

In the general election held in June 1999, the African National Congress (ANC) won 266 seats of the National Assembly, just one seat short of a two-thirds majority, and went on to reappoint Dr. Mangosuthu Buthelezi as the Minister for Home Affairs¹ after the elections, thereby maintaining its coalition with the Inkatha Freedom Party. This put in place a very stable government with 309 seats overall. On the back of this election result, Mr. Thabo Mbeki was inaugurated as the second President of the newly democratic South Africa, taking on the responsibility of presiding over the nation's policy management in the post-Mandela era.

One noteworthy aspect of the elections was the extremely high voter turnout of more than 85%, which seems to indicate the existence of a high public interest in politics as well as high expectations for government policies in South Africa.

Let us now briefly look at the line-up of the new Mbeki Administration² (see Table 1). Firstly, Mr. Jacob Zuma, a long-time political ally of President Mbeki, was appointed as Deputy President. Secondly, Mr. Trevor Manuel and Mr. Alec Erwin, who were highly regarded both within South Africa and overseas as key economic ministers in the Mandela Government, were reappointed as Finance Minister and Minister for Trade and Industry, respectively, to the applause of many domestic and overseas quarters, particularly investors. Thirdly, Prof. Kadar Asmal, who served as Water Affairs and Forestry Minister in the previous government, was promoted to Education Minister, a key government post, in recognition of his outstanding ability to get things done, raising hopes for improved policy implementation in the area of education.

Other key appointments include: Dr. Nkosazana Zuma,

Jacob's ex-wife and former Health Minister who is believed to be another Mbeki ally, as Foreign Affairs Minister; the Pahad brothers as Minister in the Office of the President and Deputy Foreign Affairs Minister; Mr. Sydney Mufamadi as Minister for Provincial and Local Government; and Mr. Steve Tshwete as Minister for Safety and Security. These appointments show, at least to some extent, a government inclination to fill key posts with close Mbeki allies. Also noticeable are considerations for balanced portfolio allocation in terms of gender (the number of female ministers doubled to eight) race (four Indians, down one, and two each for whites and coloureds, same as before), and ethnic groups (adequate representation of Zulus through the appointment of three IFP officers — Home Affairs Minister Buthelezi; Arts, Culture, Science and Technology Minister Ngubane and Correctional Services Minister Skosana — as well as the Zumas and Justice and Constitutional Development Minister Maduna).

Overall, the ministerial line-up fairly clearly conveys President Mbeki's intentions to win as much support as possible — both within and outside the country — through balanced portfolio allocation, while maintaining his initiative in key areas with a view to ensuring smooth policy implementation.

1-2 General political trends: An assessment

Regarding general political trends in South Africa since 1994, there is a consensus among South African intellectuals that a movement toward centralisation has been under way. Roger Southall of Rhodes University characterises this as "centralisation" under "a dominant party system"³, while Tom Lodge of the University of the Witwatersrand, who also describes the present South African political system as "a dominant party system", points to the ANC's authoritarian tendency and expresses concerns about this⁴.

Here, let us briefly discuss the characteristics exhibited by the South African political system in recent years and

¹ For several months in the run-up to the elections, there was speculation that Dr. Buthelezi might be demoted to a deputy minister.

² The discussion here is based on information and analysis contained in the following sources: the briefing given by Mr. Naito, Official of the Second African Division, Ministry of Foreign Affairs, at the second meeting of the Study Committee on Japan's ODA to Southern African countries on 30 June 1999; and *Africa Today*, July 1999, pp. 29-32.

³ Southall, R., (1997) pp. 443-469.

⁴ Lodge, T., (1998) p.p. 61-82.

Table 1-1 New Mbeki Cabinet(as of June 17, 1999)

President	Mr. Thabo Mbeki	
Vice-President	Mr. Jacob Zuma	
The Presidency	Dr. Essop Pahad	
	Minister	Vice-Minister
Agriculture and Land Affairs	Ms. Thoko Didiza	Dirk du Toit
Arts, Culture, Science and Technology	Dr. Ben Ngubane	Brigitte Mbandla
Correctional Services	Mr. Ben Skosana	
Defence	Mr. Patrick Lekota	Nozizwe Routledge-Madlala
Education	Prof. Kader Asmal	Smangalis Mkhathshwa
Environmental Affairs and Tourism	Mr. Mohammed Valli Moosa	Joyce Mabudafhasi
Finance	Mr. Trevor Manuel	Sipho Mphahlela
Foreign Affairs	Dr. Nkosazana Zuma	Aziz Pahad
Health	Dr. Manto Tshabalala-Msimang	
Home Affairs	Dr. Mangosuthu Buthelezi	Lindiwe Sisulu
Housing	Ms. Sankie Mthembu-Mahanyele	
Intelligence	Mr. Joe Nhlanhla	
Justice and Constitutional Development	Mr. Penuel Maduna	Cheryl Gillwald
Labour	Mr. Membathisi Mdladlana	Susan Shabangu
Minerals and Energy	Ms. Phumzile Mlambo-Ngcuka	
Communications	Dr. Ivy Matsepe-Casaburri	
Provincial and Local Government	Mr. Sydney Mufamadi	
Public Enterprises	Mr. Jeff Radebe	
Public Service and Administration	Ms. Geraldine Fraser-Moleketi	
Public Works	Ms. Stella Sigcau	Busi Nzimande
Safety and Security	Mr. Steve Tshwete	Joe Matthews
Sport and Recreation	Mr. Ngconde Balfour	
Trade and Industry	Mr. Alec Erwin	Lindiwe Ngwane
Transport	Mr. Dullah Omar	
Water Affairs and Forestry	Mr. Ronnie Kasrils	
Social Development* (Previously Welfare and Population Development)	Dr. Zola Skweyiya	

Note: Underlined ministers are newly appointed or shifted.

Source: Web site of South African Government.

associated problems as described by Southall. Firstly, the adoption of a new constitution has put an end to the pluralistic coexistence maintained under the Government of National Unity. Secondly, the activities of the ANC as a

political party at the provincial level show an inclination to stifle autonomy⁵. Thirdly, there is a move to tighten the party's internal discipline and an attempt to water down the accountability of the Parliament. Fourthly, there is an

⁵ Southall mentions the Lekotha affair in the Free State Province as an example. Lodge also discusses this issue in his paper, *ibid*, pp. 73-74.

inclination towards imposing rules and regulations upon provincial governments in the administrative and budgetary areas in an attempt to control them from above. Moreover, it appears that the institutional restraints⁶ that are supposed to control the powers of the ANC leadership are not functioning adequately — as has been pointed out by Lodge, although he acknowledges that the ANC basically respects the rules and institutional frameworks that form the basis of the Constitution.

Next, let us look at the three-way alliance between the ANC, the Congress of South African Trade Unions (COSATU), the nation's peak labour organisation, and the South African Communist Party (SACP). Although there has been a delicate change in the relationship between the three alliance partners over government policy changes and other issues, it is believed that the alliance will be maintained at least for the time being. Nevertheless, the policy division, particularly over economic policy, between the ANC, which has shifted its policy stance to a more neo-liberalist direction in recent years, on the one hand, and COSATU and the SACP, on the other, is obvious. For example, in June 1998, then President Mandela and Deputy President Mbeki strongly rebuked COSATU and the SACP for criticising the Government's macroeconomic policy⁷. The mainstream macroeconomic strategy followed by the ANC Government since the second half of the 1990s has increasingly shown a business-friendly market-oriented tendency. At the heart of this conflict lies a sharp theoretical division over the characterisation of South Africa (a country with limited international industrial competitiveness despite being a regional superpower) in the context of the world economy, where globalisation is progressing mercilessly, and over how South Africa should respond to this trend.

However, the ANC's recent market-oriented stance does not imply that it has totally abandoned its traditional egalitarian ideology⁸. Indeed, the issue of policy direc-

tions should be treated as a potential problem that may lead to some internal tension within the ANC itself in the medium term based on its relationship with COSATU and the SACP, in addition to the existing tension between the ANC and its allies. Therefore, although this may not be so obvious at present, the fate of the three-way alliance holds immense importance as a factor in shaping the future course of South African politics.

1–3 Surge in crime⁹ and safety and security

One of the biggest challenges that South Africa faces today is crime. The problem is closely linked to the country's mass unemployment and the rise in organised and international crime, which has been occurring as part of ongoing globalisation trends¹⁰. Crime in South Africa is inseparable from its past, and was often discussed during the Apartheid era in terms of a "culture of political violence", which brewed under government repression. The government of the newly democratic South Africa takes crime issue very seriously as a threat to democracy and economic development, and identifies it as one of the country's most pressing issues. Nevertheless, the actual government track record in this matter has been less than impressive. Called a "frayed state" by Bratton¹¹, the South African Government has so far failed to adequately fulfil its responsibility of providing law and order. As a reason for the poor progress in crime control, Bratton cites a deficiency in the police organisation¹².

According to a survey conducted by the Human Sciences Research Council, the proportion of people who feel safe in South Africa has been steadily falling since the 1994 election. Compared to the post-election peak of more than 70%, the figure is currently between 40 and 50%. There have been numerous reports of vicious crimes, including attacks on farms and armed robberies, and changes in the international environment, such as an influx of light/small firearms and infiltration of interna-

⁶ Lodge discusses these restraints by classifying them into constitutional restraints and parliamentary, and social restraints, which involve, among other things, labour unions, the business community and NGOs. *ibid.*, pp. 63-69.

⁷ Lodge, T. (1994) & Phillip D. (1999) p. 10.

⁸ *ibid.*, p. 11.

⁹ It is difficult to draw an accurate picture about crime as official statistics are extremely unreliable in this area — a problem also pointed out by Thompson. Thompson, L. (1999) pp. 87-89.

¹⁰ This issue is being studied from diverse angles by the academic community in South Africa, with reports released by various organisations, including the Institute for Security Studies and the Centre for Policy Studies. (See Stephen, E. (1998) pp. 49-68.) Problems often cited in these studies include the involvement of Russians, Colombians and Nigerians in the smuggling of drugs and small firearms into South Africa and smuggling of diamonds and luxury cars out of South Africa. In particular, the inflow of small firearms from neighbouring countries, such as Mozambique, is considered to be the one of the factors responsible for the escalation of crime in South Africa.

¹¹ Bratton, M. (1998) pp. 214-219.

¹² *ibid.*, pp. 218-219.

tional crime syndicates¹³, are believed to have played a part in this. In this regard, South Africa has several features that makes it an easy target for international/organised crime elements by facilitating the cross-border movement of criminal organisations and their activities. These include a long borderline (7,000 km) and coastline (2,881 km) and a well-developed domestic infrastructure (including transport and financial), which is rare in Africa and more on a par with developed countries. There are also problems with the police organisation. Firstly, the police lack adequate intelligence on the state of international crime due to its past legacies, including preoccupation with the containment of procommunist forces under the Apartheid system and long national isolation during the Apartheid era. This led to inadequacy in the police organisation during the transitional period, thereby allowing criminal elements to engage in illegal activities in South Africa relatively easily. Secondly, the National Party Government itself often engaged in various criminal activities, such as smuggling and the formation of a criminal network with various international crime organisations via its intelligence agents, as part of a desperate attempt to circumvent economic sanctions and maintain Apartheid. This is the root cause of today's crime and safety and security problems in South Africa. The economic toll of crime is also considerable, as it corrodes various parts of the economy and poses an obstacle to economic development, while hindering policy implementation in other fields. According to one estimate, economic loss caused by crime amounted to 31.3 billion rand, or 5.4% of the GDP, in 1995¹⁴. Urgent action therefore needs to be taken to control crime.

It was against this background that President Mbeki established the realisation of a society that guarantees the "dignity of every citizen" as a national goal early in his opening address to the Parliament on 25 June 1999. President Mbeki identified reform of the police organisation and the eradication of corruption in the police force through this reform as key policy measures to achieve this goal. In particular, he outlined his approach to tackling the crime problem through the co-ordination and co-oper-

ation of all organisations concerned in the section entitled "National Crime Prevention Strategy"¹⁵. Although these measures will take time to show results, it will be necessary to monitor their progress in the future.

1-4 Final report of "Truth and Reconciliation Commission" and future tasks

On 29 October 1998, the final report of the Truth and Reconciliation Commission (TRC) was submitted to then President Mandela, following some three years of activities that started at the end of 1995; the report has since been published and made accessible to the public. The terms of reference of the commission, consisting of 11 members appointed by the President, were to (i) investigate human rights abuses under Apartheid, (ii) give legal immunity to perpetrators who have fully and truthfully confessed, and (iii) make recommendations on the compensation of victims, with a subcommittee set up for each of these tasks to conduct actual investigations and inquiries. Leaving a detailed explanation to other works¹⁶, the compensation issue in (iii) will now be briefly discussed.

The TRC's power concerning the compensation issue is limited to making recommendations on ways of compensating victims of human rights abuse under Apartheid. Namely, although the TRC has made recommendations on one-off and pension-style compensation schemes, their actual implementation is left to legislative measures approved by the Parliament. The problem with this procedure is the existence of numerous victims who desperately need urgent relief and simply cannot afford to wait for such measures to take effect. So far, the Government has met such urgent compensation needs by drawing on a special fund of the Office of the Presidency. The report proposes the future introduction of a special tax to fund compensation, and the idea has been hailed as an effective way of forcing the nation to confront its Apartheid past. Nevertheless, the compensation of victims who need urgent relief remains one of the pressing issues in the newly democratic South Africa.

¹³ On 20 June 1996, the then Minister for Safety and Security, Mr. Mufamadi, put the number of international crime syndicates known to be active in South Africa at 481, which were said to be mainly involved in vehicle theft and commercial crime. Of these, 187 were said to be engaged in international criminal activities, including 125 based in sub-Saharan Africa. Mills, G. (1998) p. 3, p. 23.

¹⁴ Oosthuysen, G. (1996) p. 10.

¹⁵ The strategy itself was adopted by the Cabinet in May 1996. Since then, a number of changes have been made to make it less theoretical and more practical.

¹⁶ This issue has been discussed in Japanese papers as well. Examples include: Nagahara, (1998)(1999). See also Box 2.

2. Present State of Public Administration and Administrative Reform

2-1 Central-level reform

In the new South Africa, reform efforts are under way at the central government level. Of these, only those involving taxation and public service will be briefly touched upon in this section in light of the fact that this topic will also be discussed in other parts of this report.

In the taxation area, the Commission of Inquiry into Certain Aspects of the Tax Structure of South Africa (nicknamed the Katz Commission) has been active since its appointment on 22 June 1994, shortly after the inauguration of the Mandela Government. So far, it has released a total of nine interim reports covering areas such as the land tax system, income tax system and NPO tax system to show possible directions of future taxation reform.

In the public service area, the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa, chaired by Dr. Vincent Maphai, submitted a report entitled "Developing a Culture of Good Governance" on 27 February 1998. Notably, this commission includes foreign members from Canada, Sweden and the United Kingdom, and conducts an all-out review of the role and functions of the public service. Beside a review of White Paper on the Transformation of the Public Service, the report covered the following four goals as its main themes: structural and functional reform of public administration, the revitalisation of human resource management and development, creation of an efficient system for fiscal planning and budget formulation and greater emphasis on the importance of information management technology. It identified ongoing efforts to achieve these four goals collectively, rather than independently, as a precondition for the establishment of a culture of good governance, the title of the report. On that basis, it drew up concrete recommendations to be implemented in each area in the future. These recommendations are wide-ranging, covering not only the central government, but also provincial and local/municipal governments, as well as the relationship between different levels of government.

2-2 Present state of provincial public administration

Provincial/Local public administration in South Africa is divided into two levels: provincial and local/municipal. In this section, focus will be placed principally on provincial administration.

Provincial administration, which involves nine provincial governments, has a combined budget equal to two-thirds of the national budget in FY 1994. Of these provincial governments, Gauteng, Western Cape, Northern Cape and Free State are said to have shown a track record of relatively efficient administration since 1994. A common feature shared by all four provincial governments is relative freedom from conflict with the former homeland government¹⁷. Provincial governments that needed to "merge" with the former homeland governments, on the other hand, lack accurate and reliable administrative information¹⁸, and face various difficulties. The nature and extent of problems, therefore, vary widely from province to province.

There is, however, one common problem that most provincial governments face — that is a severe shortage of personnel with technical/specialist skills. Gauteng Province, which is relatively wealthy among South African provinces, is no exception. It faces a shortage of accountants, which is so bad that it is being forced to let staff with no more than basic bookkeeping skills manage the departmental budget, worth about a billion rand. Personnel shortages are just as severe, if not worse, in other provinces, in terms of the number of doctors at public hospitals and the quality of teachers at public schools, for example. Instances of personnel shortages causing inefficiency in public administration as a whole have also been reported. For example, an administrative irregularity of handing out physical disability benefits to 97% of the local population was discovered in a northern district of KwaZulu-Natal Province in 1996.

To take into consideration disparities between provinces, the central government has been trying to allocate more funds to provinces facing severe revenue shortages, but such efforts are sometimes undermined by provincial-level personnel shortages, making effective fund utilisation impossible. In addition, inadequate provincial-level budget execution capacity has been aggravated by the tendency for personnel with specialist knowledge to concen-

¹⁷ Lodge, T. (1999) p. 14.

¹⁸ For example, the last time government expenditure was audited in the former homeland of Transkei is said to have been 1988, with even the most basic information on the whereabouts of government organisations not properly maintained. *ibid.*, p. 14.

trate in urban areas and an exodus of personnel to the better-paying private sector.

As a result, provincial governments' overall administrative capacity is said to be on the decline. However, the findings of a questionnaire survey show that improved access to services, such as treatment at publicly-run medical institutions, has led to a more favourable public reception of provincial governments particularly among rural residents¹⁹. Namely, in some areas, provincial governments are held in relatively high public esteem because of improved service delivery. Nevertheless, the road to full acceptance of their legitimacy will be a tortuous one for provincial governments as long as their administrative capacity remains at present levels. According to a survey conducted by the Institute for Democracy in South Africa (IDASA) in 1995, provincial governments in Mpumalanga, Northern Cape and North West provinces enjoy a relatively high level of public trust, while residents do not have much trust in the Gauteng and Western Cape provincial governments despite their relatively privileged status in terms of administrative capacity and access to revenue sources. This seems to indicate that public acceptance of the legitimacy of a provincial government depends on not only administrative capacity but also other factors, such as population mix, social diversity and political expectations.

3. Relationship with Neighbouring Countries

In the context of the Southern African sub-region, where does South Africa's "national interest" lie? Is it warranted to assume that its "national interest" and the interest of the Southern African sub-region as a whole coincide? Answering these questions is not easy. They need to be examined in light of the multi-layered and intertwined interests of various players in the sub-region against a background of the underlying globalisation trend as well as the sub-region's relationship with Europe (South Africa-EU free trade agreement and Lome Convention), labour and multinational corporations.

This fact does not sit well with the traditional Japanese policy assumption that "post-Apartheid South Africa will be the driving force of economic development in South-

ern Africa". Indeed, no researchers holding such a view were encountered during the latest survey, and recent research on the economic interest of South Africa in the sub-region and its relationship with its neighbours tends to express either a cautious view that calls for more careful analysis, or a pessimistic view that raises doubts about the likelihood of South African business expansion into neighbouring countries benefiting their development. This is attributable to South Africa's increasingly obvious new economically-driven market-oriented policy stance towards the sub-region amid accelerating globalisation and economic liberalisation trends²⁰. The following view by Sato also reflects this: "on the one hand, South Africa is looked up to by its neighbours (Southern African countries) as the spokesman of their interests because of its superior economic might and bargaining clout, while, on the other hand, it is seen with suspicion by them for fear of its possible collusion with developed countries and imposition of its common ground with these countries on them by giving priority to its own interests, which are quite different from theirs. The issues of South Africa's entry to the Lomé Convention and the signing of the South Africa-EU free trade agreement symbolise this ambivalent relationship between South Africa and its neighbours²¹". The story is not much different if South Africa is looked at as a middle power. Dominant views are: South Africa's being a middle power is not sufficient reason to expect the country to provide leadership in tackling various problems in the sub-region, making it necessary to foster a collective leadership²²; and South Africa's being a middle power gives rise to a tendency for its policy decisions to be influenced by dominant economic interests within the country²³.

Differences between South Africa and neighbouring Southern African countries are not limited to economics. A typical example is South Africa's apparent inconsistency in the response to two international incidents that occurred in 1998 — the Congo war and Lesotho crisis, for which South Africa chose "neutrality" and "intervention", respectively. It illustrates, at least to some extent, the differences between South Africa and its neighbours in the area of military affairs and diplomacy. Differences in attitude towards the Congo crisis among Southern

¹⁹ Lodge quotes the findings of a survey conducted by the IDASA in 1995. *ibid.*, p. 25.

²⁰ Iheduru, O. C. (1996) p. 23.

²¹ Sato, M. (1999) p. 52.

²² Solomon, H. (1998) pp. 223-242.

²³ Van Der Westhuisen, J. (1998) pp. 435-455.

African countries not only paralysed the SADC as the sub-regional security organisation, despite a steady build-up prior to the crisis, but also brought a clash of interests among countries in the sub-region to the surface. Moreover, “open intervention” in Lesotho and seizure of its capital, Maseru, by South Africa in the name of the SADC (along with Botswana) despite having opposed military intervention in the Congo, has made it all too obvious that South Africa pursues its military/diplomatic policy towards Southern Africa on a “selective” basis in consideration of its own national interest. Although answers to the question as to whether these problems result from a ‘structural fault line’²⁴ between South Africa and its neighbours may best be left to the future, they at least show South Africa’s limitations as a middle power. Because of these limitations, there is a possibility that South Africa’s ‘leadership’ is taken as hegemony, rather than an initiative, casting a shadow over its military/diplomatic relationship with its neighbours — a point that deserves attention.

4. Relationship with Japan

As an aid donor, the Japanese government has characterised the South African government in existence since the April 1994 general election as “a textbook case of democratic and peaceful transition²⁵”. Based on this assessment, Japan has been providing assistance for South Africa from the following point of view: “In light of this process, Japan should provide South Africa with assistance as the world’s largest aid donor keen to make an active contribution to world peace and stability in accordance with its ODA charter, by focusing on South Africa’s nation-building and human resource development efforts²⁶”. In addition, Japan has also stated its policy to continue providing assistance based on “an understanding that assisting South Africa will not only facilitate democratisation and economic development in that country, but also contribute to progress in the development issues faced by the Southern African sub-region and the African region as a whole²⁷. Until now, therefore, Japanese assistance for South Africa has been driven by hopes that its benefits will flow on to southern Africa and the rest of Africa based on the assumption that South

Africa will become the driving force of economic growth on the continent.

As has been discussed, however, the reality is somewhat different from this scenario. Economically, the Southern African sub-region has internal cracks amid accelerating globalisation, while, politically and militarily, it is plagued by open internal divisions over regional conflicts. In the future, therefore, it will be necessary to pursue a new policy approach based on a balanced sub-regional understanding by taking a more cautious attitude towards the above assumption. This policy approach must include the following concepts: South Africa is destined to be the sub-regional political and economic driving force, and introduction of a new perspective of contributing to the realisation of the common interests of the sub-region and maintenance of sub-regional order.

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²⁴ Yoshikuni, T.(1999)p. 13.

²⁵ Ministry of Foreign Affairs, Economic Cooperation Bureau(ed.)(1998)p 558.

²⁶ *ibid.*, p 558.

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Chapter 3. Economic Situation

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1. International Presence of the South African Economy

South Africa is a regional economic superpower which is second to none on the African Continent. Its re-emergence in the international community as a powerful member following the historic democratization process in the 1990s, therefore, has had a profound impact on the world economy. This fact should always be kept in mind when analysing the South African economy, for trends in the South African domestic economy not only play a decisive role in shaping the course of the African regional economy, but also constitute a factor that impacts on the workings of the world economy as a whole, which encompass, among other things, the “North-South” relationship.

1-1 South Africa in world economy

South Africa's GDP, which stood at 130.2 billion dollars in 1997, is larger than Malaysia's (98.2 billion dollars) or Finland's (123.8 billion dollars), and comparable to that of Poland (138.9 billion dollars), which has a similar population size.

The international presence of South Africa is most visible in the mining sector. As is well-known, South Africa is the world's top gold producer and the largest supplier of scarce mineral resources. The country's Anglo American Corporation Group is a huge conglomerate whose output of non-petroleum mining products is among the largest in the world, and has in its fold De Beers, the company which controls 80% of the world's uncut diamond distribution. With the country's coal production output ranked 5th in the world (1997), the South African Coal, Oil and Gas Corporation (SASOL) owns the world's most advanced coal liquefaction facilities, and Eskom, a public electric corporation, boasts the world's fourth largest power generation capacity (1991). Outside the mining sector, South Africa is a world-class exporter of agricultural and allied products, such as maize, oranges

and wine; South Africa and also has many internationally active companies in construction and tourism and other industries, including South African Breweries (SAB), a large beer manufacturer ranked within the top 10 in the world with extensive overseas interests.

Thanks to such brisk economic activity in the private-sector, the Johannesburg Stock Exchange(JSE)is ranked at the 10th in terms of the combined market capitalization of all listed stocks, which is the largest amongst developing countries. As a result, the International Finance Corporation(IFC)gives the highest Emerging Market Index score to South Africa, and large amounts of foreign capital are always tied to the JSE for investment¹. This is another aspect that sets South Africa apart from other African countries, which have all but been deserted by foreign capital. In addition to the South African Futures Exchange(Safex), established in 1990, the Venture Capital Market (VCM) and the Financial Redevelopment sector² were set up under the JSE in 1994. Overseas investment by South African companies is also brisk, with its destinations spread across most parts of the world, including developed regions, Latin America and Asia, as well as the African Continent.

Clearly, South Africa needs an economic strategy commensurate with the size of its economy. As can be seen from the above, the sphere of economic activity needed by the country to achieve and maintain an optimum growth rate goes well beyond existing African regional organizations, which are no more than gatherings of some of the poorest countries on earth. For this reason, it is essential to apply a global economic perspective when observing the South African economy.

1-1-1 Indian Ocean Rim Association of Regional Cooperation

A case in point is the Indian Ocean Rim Association of Regional Cooperation (IOR-ARC), which was established in 1997 with the participation of 14 countries³. Its

¹ According to IMF(1998), overall foreign portfolio investment in South Africa stood at 12.85 billion dollars in 1997, outstripping countries like South Korea, Mexico and Brazil.

² This is a market specifically designed to provide funds for businesses that intend to undertake projects aimed at disadvantaged communities as well as individuals who wish to start a business but lack access to the traditional financial system.

³ Australia, Oman, Yemen, India, Sri Lanka, Malaysia, Indonesia, Singapore, Mauritius, Madagascar, Kenya, Tanzania, Mozambique and South Africa, with membership applications also filed by Thailand, Pakistan, Bangladesh, Iran, Egypt, R 志 nion and the Seychelles.

basic concept was first raised by South Africa when then Foreign Minister Botha visited India in 1993. The idea took off as other countries such as Australia and Mauritius gave enthusiastic support, and an establishment charter was signed after a series of preparatory meetings. To date, research and business networks have been set up, with their secretariats located at the Indian Ocean Centre in Perth and the Federation of Indian Chambers of Commerce and Industry, respectively. Although many uncertainties exist about the future of the IOR-ARC, this does not diminish the significance of the initiative provided by South Africa to create an economic zone in the Indian Ocean Rim Region, which until recently lacked such a mechanism. The move could be linked to the Asia-Africa Investment and Technology Promotion Centre, established by Japan in Kuala Lumpur.

1-1-2 Economic negotiations with the EU

Upon the establishment of the Mandela Administration in 1994, the newly democratic South Africa embarked on economic negotiations with the EC with a view to joining the Lomé Convention; the negotiations were concluded in 1997 with the granting of conditional entry⁴. The focus then shifted to a free trade agreement, but negotiations encountered numerous difficulties, and it took until October 1999 for this process to reach the signing stage⁵. Although the Lomé Convention has supported trade and economic relations between Europe and developing countries over the years, the EU intends to abolish it after the current fourth agreement (1990-2000). The free trade agreement between South Africa and the EU is attracting keen attention from ACP countries as a harbinger of the EU's post-Lomé policy.

1-1-3 Butterfly strategy

Prior to embarking on negotiations with the EU, South Africa concentrated its economically-oriented diplomatic efforts on the Uruguay Round. With the approval of pro-democracy forces centreing around the African National Congress (ANC), the then De Klerk Administration negotiated a most-favoured-nation status under the WTO in exchange for a pledge of sweeping trade liberalization, considered almost excessive in view of the actual strength of the South African economy⁶.

Since the inauguration of the Mandela Administration, South Africa has forged a close bilateral relationship with the United States⁷, and has been strengthening economic ties through the establishment of the SA-US Business Development Committee. Ties with Malaysia, which is enthusiastic about business expansion to Africa, have also made remarkable progress⁸, catapulting Malaysia to a spot next to the United States in terms of direct investment in South Africa. Moreover, upon the reversion of Hong Kong to China, South Africa established a formal diplomatic relationship with that country in an effort to strengthen mutual economic ties. South Africa's relationship with France, which until recently concentrated its diplomatic efforts on French-speaking African countries, has also been developing rapidly, with President Chirac paying an official visit to South Africa in 1997.

In South Africa, such omni-directional diplomacy is called "Butterfly strategy". At the heart of this strategy is South Africa's diplomatic stance of "bridging the North and South" based on its self-awareness as a link between the developed and developing worlds⁹. This shows that South Africa's economic strategy has assumed a global dimension.

⁴ The United Kingdom supported South Africa's attempt to become a party to the Lomé Convention, but France strongly objected because it feared the competitiveness of South African agricultural products. Consequently, South Africa was not given generalized preferential tariffs or special import quotas, and was also excluded from STABEX (Stabilization of Export Earnings) and SYSMIN(System for Safeguarding and Developing Mineral Production)—two of the unique facilities of the convention.

⁵ *Trade, Development and Co-operation Agreement*, 11 October 1999. This paved the way for the full liberalization of 95% of South African exports to the EU and 86% of EU exports to South Africa following 10 and 12 year grace periods, respectively. Agreement has not been reached on wine, spirits and fisheries products.

⁶ Early in the Uruguay Round, South Africa made a request for developing country treatment, but this was rejected. Subsequently, agreement was reached with the granting of economy-in-transition status, guaranteeing milder treatment than its earlier developed-country status. In concrete terms, agreement encompassed an average 33% tariff reduction on industrial goods over five years and an average 36% tariff reduction on agricultural products by 1999, in addition to the abolition of quantitative limits, tariffication of non-tariff barriers, abolition of export subsidies and a simplification of the tariff system.

⁷ South Africa and the United States established the SA-US Bi-National Commission in 1995 under the co-chairmanship of South African Deputy President Mbeki and US Vice-President Gore, with six standing committees set up for the following areas: Human Resource Development; Science and Technology; Conservation, Environment and Water; Agriculture; Business Development; and Mineral and Energy.

⁸ Malaysia is seeking regular contact with Southern African nations, including South Africa, by sponsoring the Southern African Dialogue.

⁹ ANC(1993), Sato, M.(1999)p42.

1–2 South Africa in African economy

The South African economy accounts for more than 40% of the combined GDP of all of the countries in sub-Saharan Africa. It dwarfs both Egypt, the second largest economy on the African Continent, and Nigeria, the leading western African power, by margins of nearly two to one and more than four to one, respectively. Within the Southern African Development Community (SADC), South Africa is simply overwhelming, accounting for 80% of the gross sub-regional product.

1–2–1 Rapid growth in exports to African countries

With the renunciation of Apartheid by then President De Klerk in 1989 marking a watershed, South African exports to African countries have been rapidly increasing. South African products have been spreading well beyond the bounds of the Southern African Customs Union (SACU), the traditional market for South African manufacturing, making inroads into all corners of the African Continent, including the Congo (formerly Zaire), Kenya, Mauritius, Tanzania, Ghana, Madagascar and Nigeria, as well as non-SACU Southern African countries. In 1996, African intra-regional exports (including those to SACU countries) accounted for 26% of all South African exports by value, and this roughly equals 13% of the value of the combined imports of all sub-Saharan countries excluding South Africa. Because of the one-sidedness of its intra-regional trade relationships, South Africa has been chalking up massive trade surpluses on the African Continent. Zimbabwe is an extreme example, with its import dependence on South Africa rising from 16% in 1989 to 47% in 1997¹⁰. This makes Zimbabwe South Africa's fourth export market, after the United Kingdom,

Japan and the United States; Zimbabwe is also the trading partner South Africa runs the largest trade surplus with. Since democratization, South Africa has developed a trade structure whereby its trade deficits with developed countries are offset by its African intra-regional trade surpluses. This means that, as African countries have increased their dependence on South African goods, the African market has become an indispensable part of the South African economy.

1–2–2 African intra-regional investment

Like merchandise exports, African intra-regional investment by South African companies has grown. South Africa is a net exporter of direct investment capital. In recent years, direct investment in Mozambique has grown particularly rapidly, recording a cumulative total of 1.9 billion dollars over the 1996-98 period¹¹. As a result, South Africa is now the largest provider of direct investment capital for Mozambique. The destinations of South African direct investment have also spread from the SACU zone and southern African sub-region, where extensive investment has already been made, to all other parts of Africa, covering a wide range of industries, including mining, tourism, construction, brewing and service industries. Helped by the entry of South African companies, the production infrastructure of the African economy as a whole has been improving, though slowly.

2. Present State of Economy

As is apparent from the above, the South African economy has an international presence that deserves the title "middle power". Let us now observe the domestic aspects

Table 3–1 Major Economic Indicators

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Real economic growth rate	-0.3%	-1.0%	-2.1%	1.2%	3.2%	3.1%	4.2%	2.5%	0.5%
Inflation rate	14.4%	15.3%	13.9%	9.7%	9.0%	8.7%	7.4%	8.6%	6.9%
Investment growth rate	-2.3%	-7.4%	-5.3%	-0.6%	8.2%	10.7%	7.5%	5.2%	4.8%
Employment growth rate	-0.6%	-2.1%	-2.1%	-2.5%	-0.6%	-1.1%	-0.7%	-1.7%	-4.4%
Export growth rate	1.7%	-0.1%	2.5%	4.8%	4.3%	10.4%	9.3%	5.5%	2.3%
Gold export growth rate	-19.1%	-4.4%	-18.8%	11.0%	-6.1%	-18.3%			
Import growth rate	-5.8%	2.1%	5.3%	8.1%	16.1%	16.9%	8.7%	5.4%	2.1%
Exchange rate to US dollar	0.39	0.36	0.35	0.31	0.28	0.28	0.23	0.21	0.18

Source: CSS (1997), SARB (1999), IMF (various years)

¹⁰ This compares to Zambia's 48% and Mozambique's 51%, both recorded in 1997 (Source: IMF (1998b)).

¹¹ Business Map (1999), p. 61.

of the South African economy, and examine any problems it faces.

2-1 Macroeconomic trends

Figure 3-1 shows trends in South Africa's real economic growth rate and inflation rate in the post-war period. The 1960s saw a relatively sound economic performance, but this deteriorated rapidly in the early 1970s. After experiencing its first negative economic growth in 1982 and 83, the country entered the 1990s in the midst of the worst recession in its post-war history. The legalization of the ANC and democratization negotiations began against this backdrop. During this period, rampant inflation did not show any signs of abating, giving rise to a situation better described as "stagflation", which is characterised by the simultaneous occurrence of inflation and a fall in the economic growth rate.

However, economic growth returned in 1993, with inflation brought under control as well. Under the Mandela Administration, the trend of improving economic performance took hold. While price increases in the 1970s and 80s had a strong overtone of import-driven inflation¹², Christian Stals, who became the Governor of the South African Reserve Bank in 1989, exercised strict

money supply control geared towards keeping inflation under control, and can take much of the credit for ridding the South African economy of its susceptibility to inflation.

2-1-1 Stagnant investment

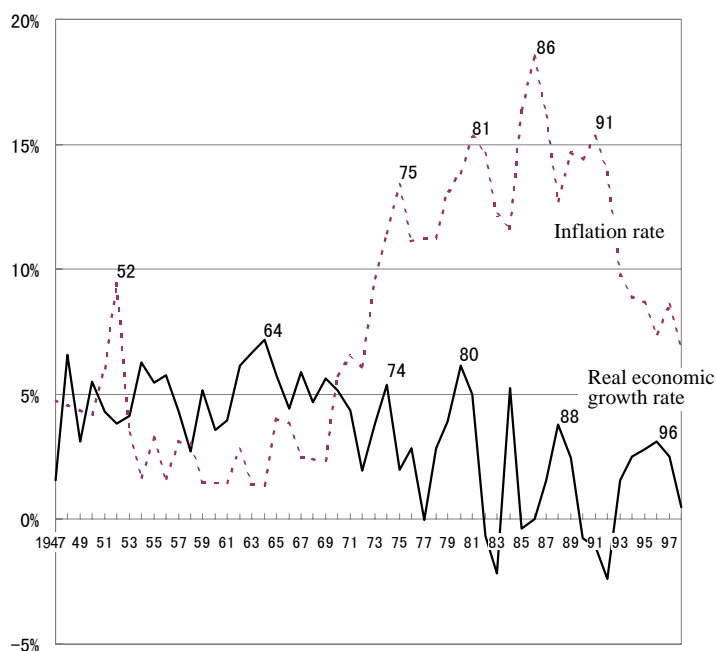
Despite all this, a slowdown in economic growth is undeniable, with the average annual growth rate steadily falling from 5.72% in the 1960s to 2.89% in the 1970s and further to 1.31% in the 1980s. The average annual economic growth rate in the 1980s even fell short of the average annual population growth rate for the same period (2.29%). As a result, the per capita national income has been steadily falling in recent years, as can be seen in Figure 3-2. According to the quadratic approximation curve in the figure, the year 1981 marked the turning point.

The loss of growth momentum in the South African economy can be attributed to a fall in investment. From Figure 3-3, which shows year-to-year changes in the investment share of the GDP, one can see a declining investment trend starting in 1982 (or 83) that falls to mere replacement investment levels just before the inauguration of the Mandela Government, with virtually no new investments made. In short, the South African economy picked up a susceptibility to inflation in the 1970s, and became a consumption-driven economy in the 1980s, with its growth potential diminished in the process. As one can easily imagine, South Africa's income distribution is highly lopsided¹³, but rectifying this is not easy as there are hardly any growth dividends at hand to fund it. The nation's savings ratio has also been falling, from 25% of the GDP in 1989 to less than 15% in 1998. Although the private sector has more assets than debts, government fiscal deficits have been devouring these surpluses.

2-1-2 Government finance

As can be seen from Figure 3-4, government expenditures had grown to 35.1% of the GDP by 1994, when the Mandela Government was installed. Government revenues, on the other hand, did not keep pace (24.2%) due to an economic recession, pushing up the fiscal deficit for the 1993/94 fiscal year to 9.8% of the GDP. Although this resulted in a jump in government debts, the situation subsequently improved as a result of a rise in revenues,

Figure 3-1 Real Economic Growth Rate and Inflation Rate



Source: Prepared from CSS(various editions).

¹² For price trends in South Africa, see Hirano, K. (1999).

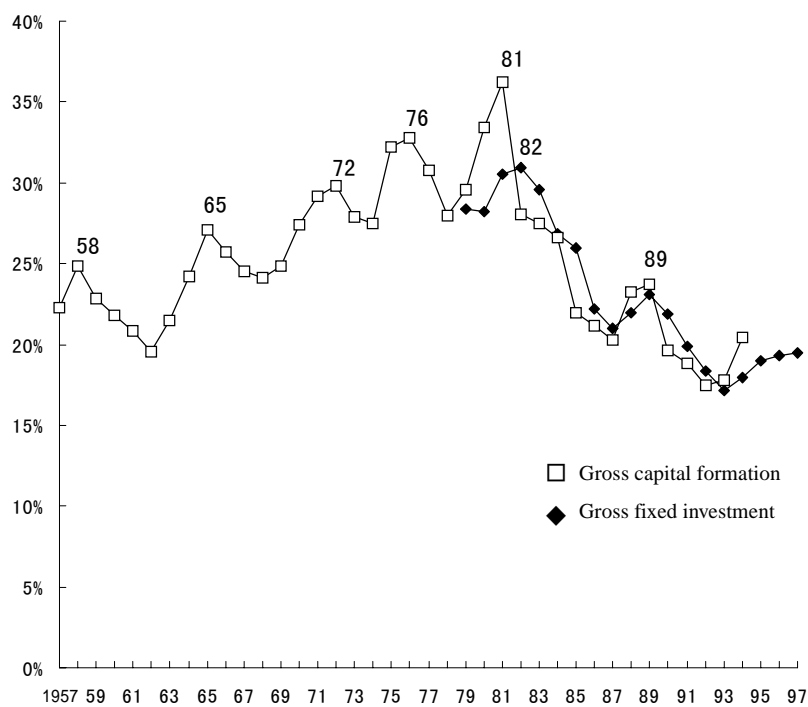
¹³ According to the World Bank (1999), South Africa's Gini coefficient is as high as 58.4, ranking only after Sierra Leone (62.9), Brazil (60.1), Guatemala (59.6) and Paraguay (59.1).

Figure 3–2 Per Capita GDP (converted to 1990 prices)



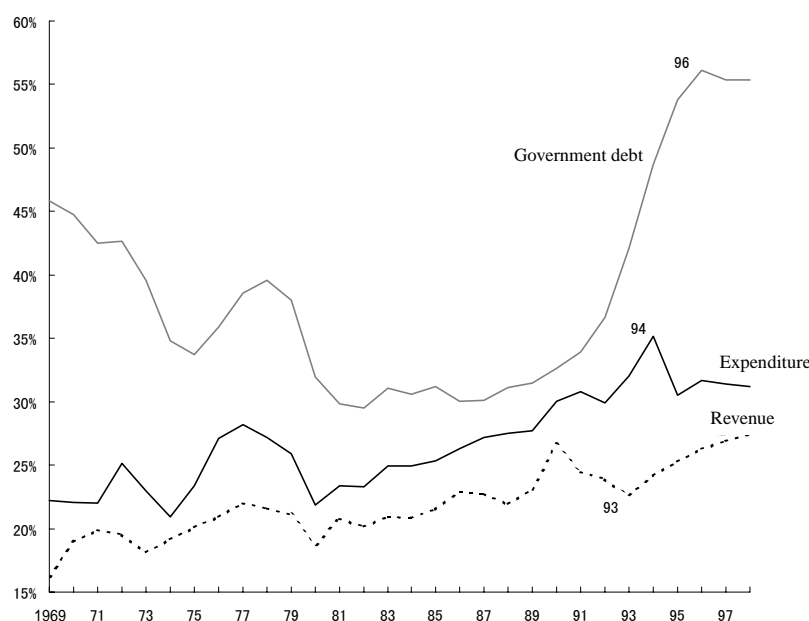
Source: CSS (1995).

Figure 3–3 Ratio of Investment to GDP



Source: CSS (1997) for gross capital formation; SARB (1998) for gross fixed investment.

Figure 3-4 Government Revenue and Expenditure Shares of GDP



Source: CSS (1997), Department of Finance (1999)

thanks to economic recovery and tax reform as well as restraints on government spending, with the fiscal deficit for the 1998/99 fiscal year estimated to have shrunk to 3.6% of the GDP. At any rate, South Africa's foreign debt is quite small, with 96% of all debts owed domestically.

Most government expenditures are consumption-type expenditures, and capital expenditures account for only 6.7% of the total (see Table 3-2) compared to more than 20% during the 1970s. Such a fall in public investment has been a factor behind the transformation of the South African economy into a consumption-driven one. During the reign of the De Klerk Government, primary educa-

tion, health care and defence became the three major expenditure items in terms of the government purchase of goods and services, while social security, agricultural subsidies and export subsidies were the top three in the area of transfer payment.

On the revenue side, government over dependence on income tax, particularly personal income tax, has always been seen as problematic. This is a consequence of government failure to make adjustments to the progressive income tax table during the high inflation period, thus imposing a heavy tax burden on low and middle income earners — a typical example of a regressive effect of a progressive tax system. To address this and other problems, the ANC Government has been working on tax reform, and the direct and indirect tax ratio has been improving. Personal income tax cuts and corporate tax cuts have been incorporated into the draft budget for the 1999/2000 fiscal year.

2-2 Sector trends

From Figure 3-5, which shows trends in production outputs in three sectors, it can be seen that the manufacturing sector, which enjoyed steady growth in the 1960s and 70s, experienced a dramatic slowdown in the early 1980s, starting in 1981. According to Table 3-3, which shows the average annual growth rates of three sectors before and after that year, the manufacturing sector was

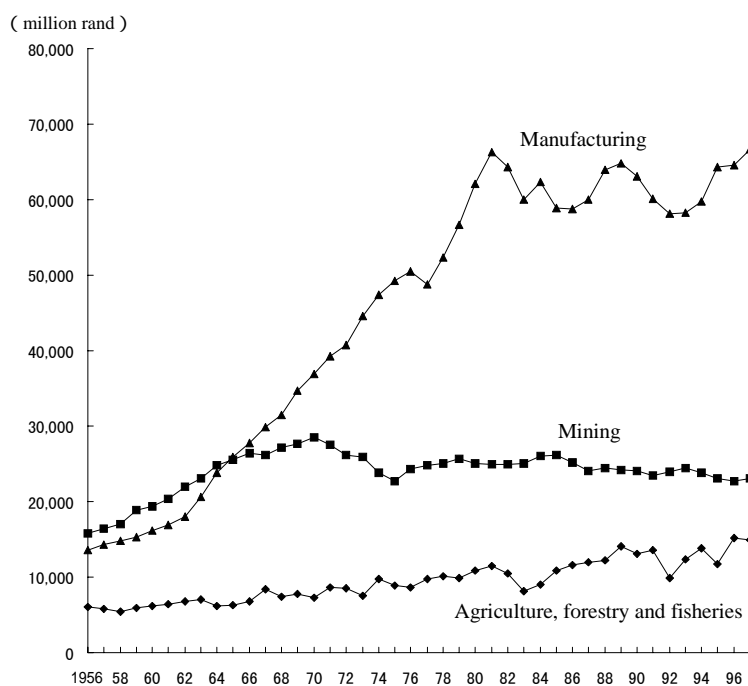
Table 3-2 Fiscal Structure (Fiscal 1998/99 estimates)

	(million rand)	(percentage share)
Overall expenditure	206,996	
Personnel expenses	81,811	39.5%
Interest payment	43,813	21.2%
Transfer payment (*)	26,905	13.0%
Purchase of goods and services	23,756	11.5%
Capital expenditure	13,921	6.7%
Overall tax revenue	181,070	
Direct taxes	105,288	58.1%
Personal income tax	76,400	42.2%
Corporate tax	20,000	11.0%
Mining tax	1,730	1.0%
Indirect taxes	75,782	41.9%

(*) Including subsidies

Source: Department of Finance (1999)

Figure 3-5 Outputs of Productive Sectors (converted to 1990 prices)



Source: CSS (1997), SARB (1998)

Table 3-3 Average Annual Growth Rate by Sector

	1956-1981	1981-1997
Manufacturing	6.83%	0.05%
Mining	1.51%	-0.67%
Agriculture, forestry and fisheries	2.66%	2.29%

Source: Calculated from the data in CSS (1997), SARB (1998)

the driving force behind economic growth until the 1970s, and all three sectors have more or less been in stagnation since the 1980s.

2-2-1 Agriculture

The agricultural contribution to the GDP is less than 5%, and agriculture only accounts for less than 10% of total employment. This is similar to what is expected of a developed country. Table 3-4 shows the main agricultural products and export goods.

Roughly speaking, South African agriculture is faced with two problems. One is deterioration in the terms of trade for agricultural products in line with progress in economic development, leading to a widening of the gap in profitability with other industries. This is a problem which South Africa shares with developed countries. Maize, which is the major crop in South Africa, is grown on 36% of all cultivated land, giving the country an

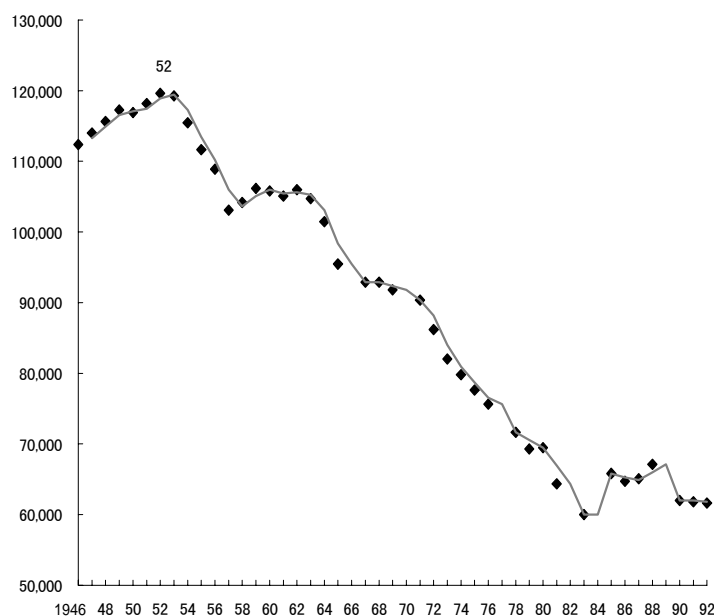
Table 3-4 Agricultural Production Output (1996)

Main agricultural product	(million rand)
Dressed poultry and eggs	6,544.6
Maize	5,994.7
Cattle and calves slaughtered	2,939.4
Deciduous and other fruits	1,962.3
Sugarcane	1,750.8
Fresh milk	1,661.9
Vegetables	1,586.8
Wheat	1,568.8
Hay	1,480.8
Citrus	1,321.5
Viticulture	1,213.6
Main export items	(million rand)
Maize	371.5
Wine	186.8
Sugar	162.3
Oranges	129.8
GDP contribution	4.4%
Employment contribution	8.9%
Export contribution	8.5%

Source: South African Communication Service (1997)
FAO (1998) for exports; Statssa (1998) for employment.

export capacity. However, as the domestic producer price exceeds the international market price, exports are always sold at a loss. The land productivity of maize in South Africa is not so high, stuck midway between the African and world averages. As a result, many farm households have been relying on government agricultural protection

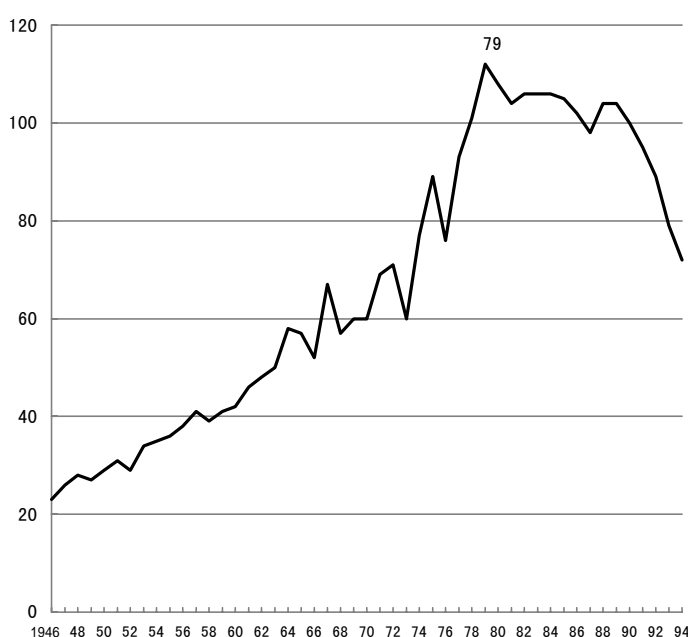
Figure 3-6 Farm Numbers



Note: Due to the unavailability of data for some years, a trend line was drawn using the moving average method.

Source: CSS (1997).

Figure 3-7 Agricultural Production Output Index (1990 = 100)



Source: CSS (1997).

measures, such as subsidies and farm financing. Due to severe droughts in 1983 and 92, farm debts have snowballed, with their cumulative total exceeding the overall income of the agricultural sector by the end of 1995. As a result, many farm households have been forced out of business, while moves by successful farms to expand operations in pursuit of the economy of scale have been under way. This has given rise to consolidation in the agricultural sector, with the number of farms falling from 120,000 in 1952 to less than 70,000 in 1992, as can be seen from Figure 3-6. As a consequence, the agricultural share of the workforce has already fallen below 5% among whites. With agricultural production output itself in a free fall (see Figure 3-7), South Africa faces the following very much developed country-type tasks: the development of export markets through improvements in competitiveness and ensuring of food security through improvements in the farm management structure.

The other problem is the extreme duality of South African society as a legacy of Apartheid. Under the Apartheid system, black agriculture was totally ignored by the Government, and the alienation of black communities from agriculture through land seizure and the transformation of black farmers into migrant workers intentionally advanced. Although estimates put the number of small-scale black farmers at between 500,000 and 1 million, their contribution to commercial production is minimal¹⁴. Namely, Apartheid systematically destroyed small-scale black farmers and black rural communities as production units that would play meaningful roles in the national economy, thus presenting the new ANC Government with the added task of restoring them, alongside implementing land restitution and employment creation policies.

2-2-2 Mining

South Africa has a total of 695 mines and quarries, and recovers 55 types of mineral resources, which are exported to 80 countries. Table 3-5 provides an overview.

Although gold still occupies an important place in the mining sector, accounting for 38% of total sales, 48% of total export sales and 62% of employment, its weight has been steadily falling. South African gold mines are plagued by high recovery costs¹⁵, and ongoing job cutting has been under way against a background of a continued

¹⁴ Lipton estimates it to be 5%. See Lipton (1993) pp. 360-361.

¹⁵ Having said this, however, South African gold recovery costs have fallen significantly in recent years, presumably due to progress in rationalization efforts based on the closure of unprofitable mines.

Table 3-5 Mining Production Output (1997)

Main mining product	(million rand)
Gold	24,904.7
Coal	16,093.9
Platinum group	8,510.8
Iron ore	2,086.0
Copper	1,681.5
Nickel	1,003.9
Total sales value	65,824.7
Main export item	(million rand)
Gold	24,645.9
Coal	8,499.8
Iron ore	1,619.3
Total export value	51,731.4
GDP contribution	7.8%
Employment contribution	3.8%
Export contribution	11.2%
Export contribution (including gold)	37.3%

Source: Department of Minerals and Energy (1998)

slump in the international gold market. In 1997, the Government held a Gold Mining Summit with labour and management representatives from the mining sector and set up the Gold Crisis Committee. Furthermore, President Mbeki promised to address problems associated with the conditions of the international gold market in his 1999 inaugural address.

Although some mining products, such as vanadium, ferrochrome and aluminium, have seen brisk business in recent years, the South African mining sector has by and large entered a maturity stage after a long period of development. A more noteworthy issue is overseas expansion by South African mining interests and capital reorganization in the domestic mining sector. South African mining interests have not only made inroads into the Congo (formerly Zaire), Zambia, Botswana, Côte d'Ivoire, Burkina Faso, Mali and the Central African Republic, but have also extended their presence to Latin American countries, such as Venezuela, Ecuador, Brazil, Argentina and Chile, as well as Indonesia, Vietnam, China, Canada and Australia. These moves are related to progress in capital reorganization and international capital tie-ups involving domestic mining conglomerates that have grown enormous by taking over formerly foreign-controlled operations that pulled out during the Apartheid era. They represent efforts by these conglomerates to adapt to the new era. Notably, some black-controlled mining companies¹⁶ have been created as part of this process.

2-2-3 Manufacturing

As can be seen from Figure 3-5, the manufacturing sector used to be the driving force behind economic growth in South Africa, and the abrupt end to growth in this sector in 1982 has been the main reason for the stagnation that the South African economy as a whole has experienced ever since. According to Table 3-6, which lists the main manufactured goods, the manufacturing sector has been heavily dependent on metal and chemical industries in terms of both gross output and export earnings, with the two sub-sectors leading the export expansion drive in the 1990s.

On the other hand, the two sub-sectors played a significant part in the 1980s investment nosedive mentioned earlier (see Figure 3-3). In the 1970s, a series of major public investments were made in public corporations, such as the Iron and Steel Corporation (ISCOR) and SASOL, and this not only increased the public investment ratio, but also propped up the overall investment level. These were strategic investments aimed at countering international economic sanctions, and are often cited as a

Table 3-6 Manufacturing Production Output (1996)

Main product (ISIC Revision 3 codes)	(million rand)
Automobiles (341)	24,881
Basic iron and steel (271)	22,279
Other chemical products (242)	19,310
Refined petroleum products (232)	17,776
Other food products (154)	17,317
Beverages (155)	16,248
Paper and paper products (210)	16,180
Basic chemicals (241)	15,552
Grain mill products, starches and starch products, and prepared animal feeds (153)	14,394
Processed meat, fish, fruit, vegetables, and fats (151)	13,865
Other fabricated metal products; metal working services (289)	12,195
Basic precious and non-ferrous metals (272)	10,842
Main export item	(million rand)
Basic metals	4,355
Metal products	3,439
Chemical products	2,940
Paper products	1,276
Food products	1,137
GDP contribution	23.8%
Employment contribution	12.3%
Export contribution (*)	76.6%

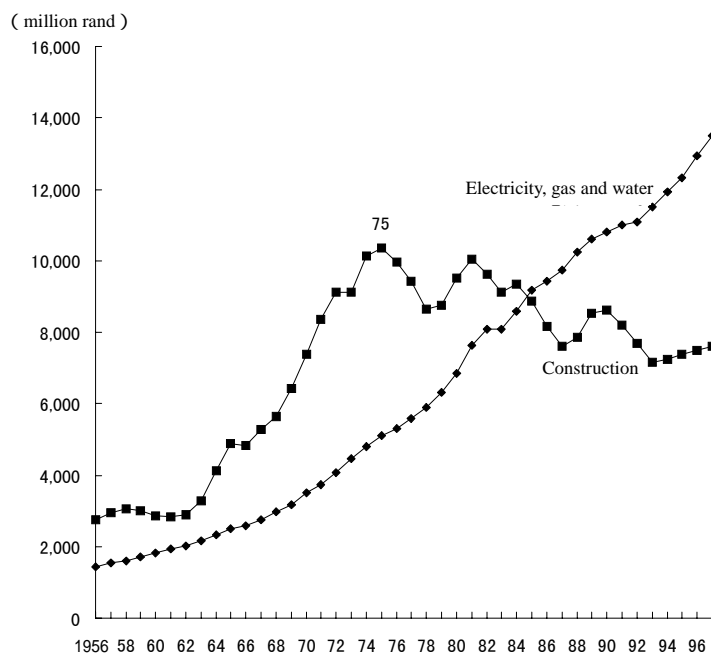
(*) 1995 data applies to export.

Source: UNIDO (1999); UN (1997) for exports.

¹⁶ Examples include Johnnies Industrial Corporation and JCI.

factor that led to excessive capital formation and a fall in capital productivity in the South African manufacturing sector. Moreover, the discontinuation of these strategic investments in the 1980s led to a plunge in overall investment. Notably, however, apart from the above two sub-sectors, the manufacturing sector has largely remained in stagnation since the early 1970s, with the only exception of the automobile industry, in which joint ventures with foreign capital flourished under a domestic industry protection policy to the extent that automobile sales are now regarded as South Africa's Diffusion Index (DI). According to Figure 3-8, which shows growth trends in energy production and construction (two sectors which are closely associated with the manufacturing sector) there is a stark contrast between the energy industry, which has been experiencing rapid growth since the 1970s, and the construction industry, which underwent a growth spurt in the 1960s and early 1970s, followed by a long-term decline starting in 1976. At any rate, with the production outputs of its sub-sectors at similar levels, the manufacturing sector does not have a leading industry.

Figure 3-8 Construction and Energy Industries
(Converted to 1990 prices)



Source: CSS (1997), SARB (1998).

2-2-4 Tertiary industry

South Africa has a well-developed financial sector, which includes 26 banks, 24 insurance companies and 14 investment trusts, just counting listed companies. There are also public financial institutions, such as the Land and Agriculture Bank of South Africa (Land Bank) and the Development Bank of Southern Africa (DBSA). In addition, 48 companies from the real estate sector and 47 companies from the distribution and sales sector are listed on the JSE. In all these industries, oligopolistic control by large corporations has been established. The financial sector is also an area where the presence of black capital, which relies on shares purchased from conglomerate-controlled insurance companies as main assets, is increasing¹⁷.

Although the largest company in the telecommunications sector is government-controlled (Telekom SA), its stock is listed on the JSE as part of a privatization process, and US (South-Western Bell) and Malaysian (Telekom Malaysia) interests as well as black capital and trade unions have bought into it. Transport businesses, encompassing railways, harbours and aviation, are also controlled by a public corporation (Transnet) but privatization has been in progress in recent years. Alongside this, as many as 480 privately-run minibus taxi companies operate, providing urban workers with a means of commuting. They cater for almost 50% of workers.

Tertiary industry (combined total of three sectors shown on Table 3-7) is one of the few growth industries in South Africa, and once again overtaken secondary industry (combined total of manufacturing, energy and

Table 3-7 Output and GDP Contribution of Tertiary Industry (1996)

	Added value output (million rand)	GDP contribution (%)	Employment contribution (%)
Finance, insurance, real estate, etc.	84,152	17.4	7.5
Wholesale/retail trade, restaurants and hotels	77,752	16.1	12.0
Transport, warehousing and communications	37,154	16.1	12.0

Source: Statssa (1998), SARB (1998).

¹⁷ These include New Africa Investments and Real Africa Investments, and are all holding companies, although New Africa Investments was forced into virtual disbandment at the end of 1999.

construction) since the early 1980s, as can be seen from Figure 3-9. The South African economy is being rapidly transformed into a “service economy.”

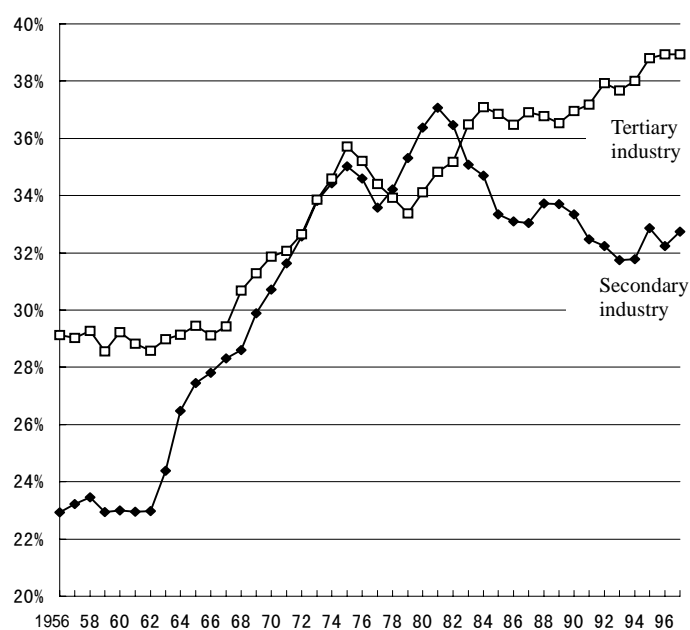
2-3 International balance of payments trends

Figure 3-10 shows trends in the exchange rate of the rand, the currency of South Africa, with respect to the US dollar. In former days, the rand was linked to the British pound on a par basis, but the pound link was replaced with a US dollar link in 1967, when the British pound was devalued. The Nixon Shock in 1971 threw the country's foreign exchange policy into chaos. In 1979, South Africa switched to a floating exchange system amid high gold prices. In 1985, however, the South African rand suffered a record fall in value due to international financial sanctions by foreign banks¹⁸, and has been steadily depreciating, even after the installation of the Mandela Government.

The financial sanctions imposed in the late part of the 1980s dealt a severe blow to South Africa, and became a contributing factor to the eventual collapse of the Apartheid. Obviously, it impacted greatly on the country's international balance of payments. As Figure 3-11 shows, the financial sanctions set off an exodus of funds, which continued until 1990, and brought South Africa's international financial management to the brink. South Africa reintroduced a dual foreign exchange system¹⁹, a practice earlier abandoned in 1983, and tried to weather the crisis by expanding trade surpluses through export promotion and import restraint.

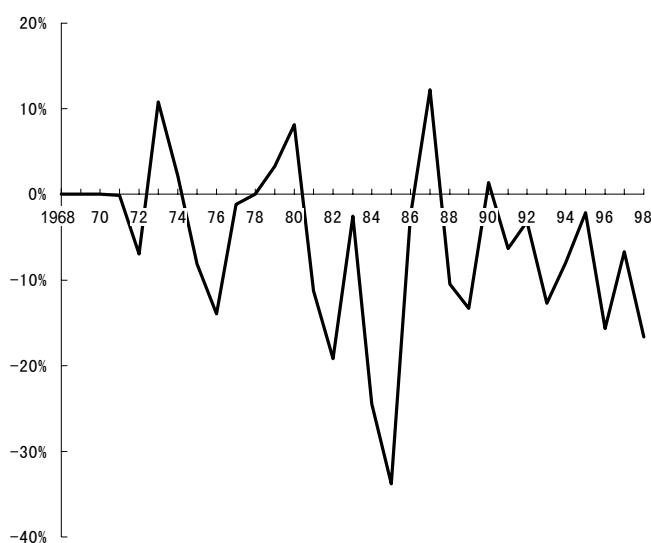
Since the inauguration of the Mandela Government, however, a capital account surplus trend has taken hold, and this has made it possible to expand imports while offsetting a current accounts deficit (see Figure 3-12). In particular, machinery imports have been showing explosive growth²⁰, thus highlighting an economic recovery. On the export front, exports in chemical products and metal products have been expanding, taking the place of ailing gold exports²¹.

Figure 3-9 Secondary and Tertiary Industries (Share of GDP)



Source: CSS(1997), SARB(1998)

Figure 3-10 Changes in Exchange Rate of Rand with Respect to US Dollar



Source: Prepared from IMF(various editions)

¹⁸ In 1985, the Botha Government declared a state of emergency amid the growing anti-Apartheid movement, and resorted to repressive measures. Under pressure from anti-Apartheid groups in the United States, Chase Manhattan Bank announced a refusal of future refinancing and suspension of all new loans 10 days after the declaration of the state of emergency, and this action was followed by other foreign banks.

¹⁹ This is an attempt to prevent capital account deficits from impacting on the exchange rate of the rand by splitting it into a financial rand for financial transactions and a commercial rand for real economy transactions. The dual foreign exchange system was abolished again in 1995.

²⁰ The machinery product share of the overall value of imports grew from 3.8% in 1990 to 30.8% in 1995. Source: UN(1997), p. 942.

²¹ The chemical product share of overall exports grew from 3.4% in 1990 to 10.6% in 1995, while the machinery product share grew from 6.3% to 12.4% over the same period. *ibid.*

Figure 3-11 International Balance of Payments

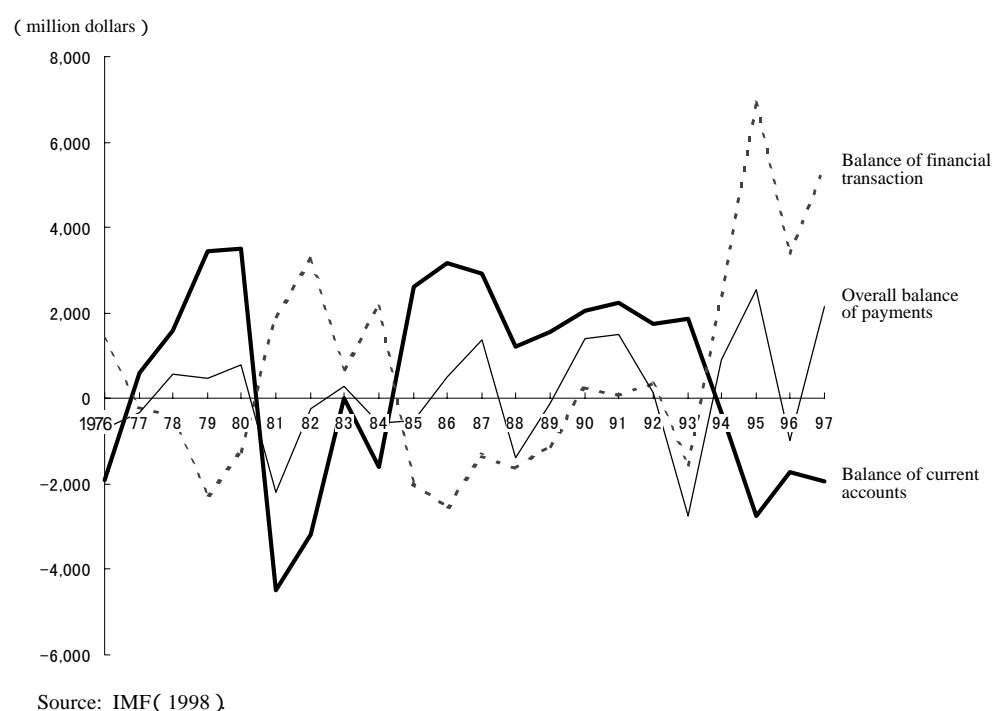
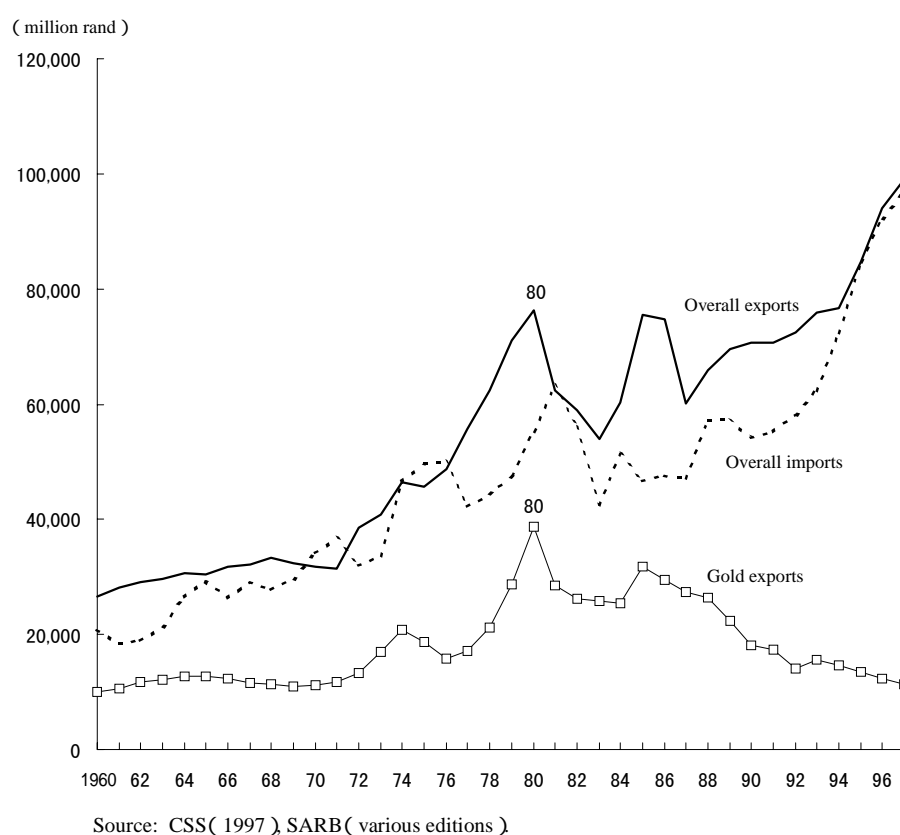


Figure 3-12 Imports and Exports(converted to 1990 prices)



2-4 Employment trends

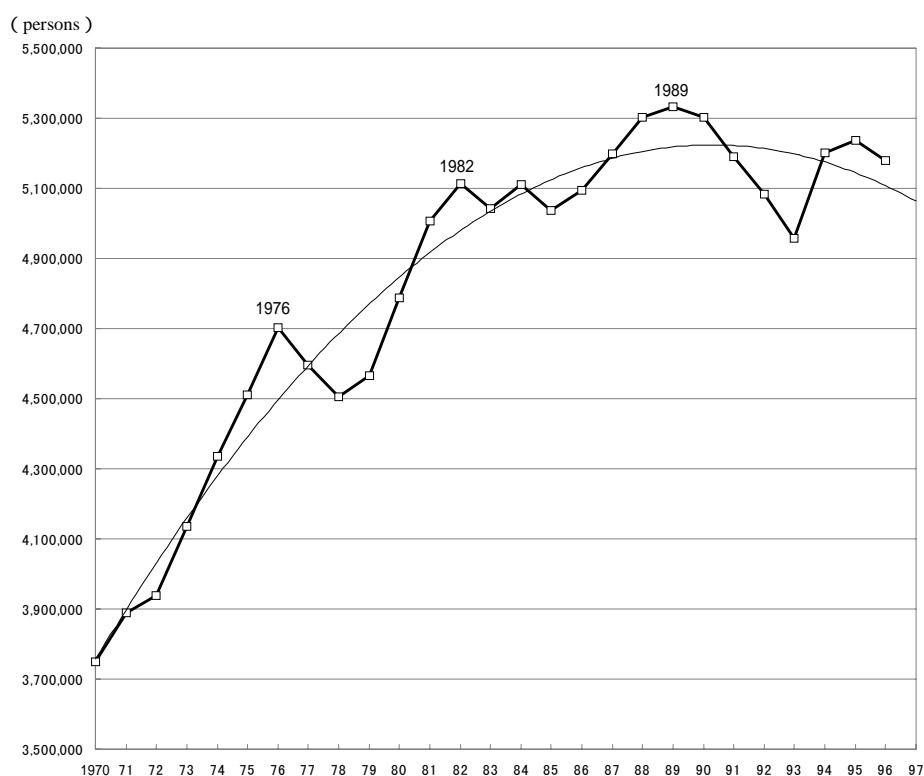
Although the South African economy has been pulling itself out of a long slump since democratization, there are still no signs of improvement in the area of employment. During the second general election, which was held in 1999, unemployment became a focal issue of the election campaign, alongside security and social security.

The first national census held after democratization (1996) revealed that the nation's unemployment rate was as high as 33.9% overall (4.67 million people) and 42.5% for African(blacks)(4.2 million people). Among African women, the figure was an astonishing 52.4% (2.4 million people). Given the fact that the unemployment rate stood at 20.9% (300,000 people) among coloureds, 12.2% (50,000 people) among Asians and 4.6% (90,000 people) among whites, South Africa's high unemployment is predominantly an African problem. In light of the existence of such a large number of unemployed people together with a large income disparity between rich and poor, the fundamental resolution of the security and social security problem does not seem likely in the near future. As President Mbeki points out, there are strong

correlations between high unemployment and deterioration in security and social security.

According to Figure 3-13, formal employment in non-agricultural sectors has been falling steadily since 1989, when it peaked at 5.33 million. As is clear from the quadratic approximation curve, the South African economy's employment creation capacity hit the wall in the 1980s, and the 1990s, the decade of historic democratization, began amid shrinking employment. As can be seen from Table 3-8, employment in the productive sectors has fallen dramatically over the years, and finance, insurance and real estate are the only sectors that have seen expansion. Figure 3-14 shows that employment expansion ceased in the mid-1970s in the construction industry and in the early 1980s in the manufacturing industry, while employment rates began to decrease in the 1980s in the transport and mining industries. Since the agricultural, mining and manufacturing industries account for the bulk of employment opportunities for blacks (see Table 3-9), employment loss in these sectors inevitably put large numbers of black workers out of work, thus posing a particularly serious problem.

Figure 3-13 Non-agricultural Formal Employment



Source: CSS(1997).

Figure 3-14 Employment by Industry

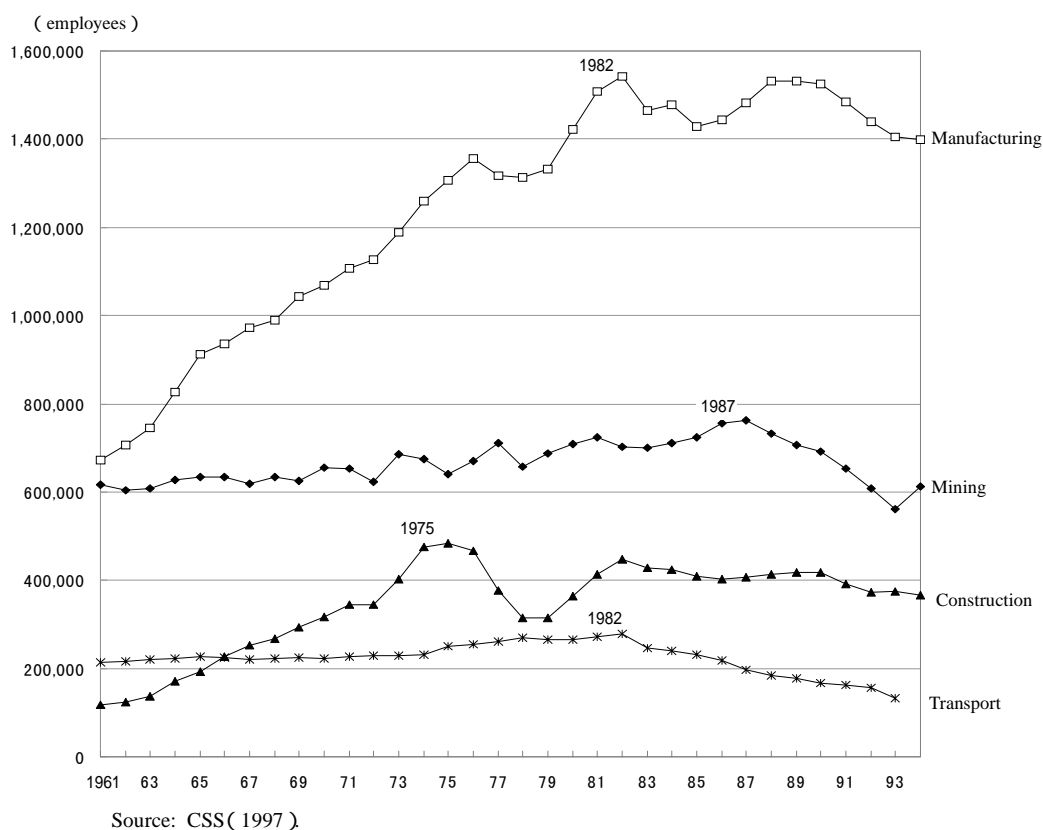


Table 3-8 Employment Breakdown by Industry(number of workers)

	1960	1970	1980	1991	1996
Agriculture, forestry and fisheries	1,687,486	2,482,452	1,306,442	1,224,435	814,350
Mining	614,852	680,384	836,359	840,747	541,546
Manufacturing	643,520	1,026,082	1,465,087	1,417,127	1,119,973
Electricity, gas and water supply	28,332	46,761	79,940	102,928	109,334
Construction	275,920	475,595	460,353	526,373	555,129
Retail and wholesale	-	-	1,010,784	1,358,292	1,098,051
Transport and communications	204,981	338,249	428,063	497,122	483,652
Finance, insurance and real estate	-	-	286,869	503,970	680,156
Social services, etc.	1,137,038	1,595,840	2,005,463	2,640,521	1,580,684

Source: CSS(1997); Statssa(1998)for 1996 data.

Table 3-9 Breakdown of Black Workers by Employment(1994)

Overall workforce	7,979,000	100%
Agriculture	825,437	10.3%
Social services, etc.	695,599	8.7%
Mining (*)	672,345	8.4%
Manufacturing	609,201	7.6%
Retail and wholesale	318,248	4.0%
Construction	257,228	3.2%
Transport and communications	58,516	0.7%
Finance, insurance and real estate	29,924	0.4%
Electricity, gas and water supply	18,178	0.2%

(*) 1987 data applies to mining.

Source: CSS(1997)

3. Economic Policies and Development Programmes

The economic policy of new democratic South Africa is fundamentally different from that of old South Africa, for democratization has institutionalised the concept of basic human rights for the first time in the country and has given “sovereignty” to 40 million people. Namely, the present South African Government rules the country based on the trust of 40 million people, and its economic policy must therefore serve the interests of these 40 million people. When analysing the present state of the South African economy, therefore, it is important to keep in mind the fact that old South Africa totally ignored this fundamental principle.

Indeed, one of the first tasks that confronted the new government was to re-evaluate the economic situation in light of new policy ideals and goals so as to identify problems and come up with solutions. This meant the formulation of a new policy framework completely different from that of the Apartheid-era National Party Government.

3-1 Shift in economic policy

However, it is not quite true to say that South Africa’s economic policy thinking remained absolutely unchanged during the Apartheid era, for an ideological trend that would develop into the present government’s stance on economic policy emerged as early as the 1980s.

With the South African economy languishing in stagflation, as discussed above, calls for fundamental changes in economic policy became stronger in the second half of the 1970s, centring around the business community, and gradually swelled into a deafening chorus. During this period, the Botha Government embarked on a “reform course”, and transferred the management of an economic advisory council responsible for the formulation of the Government’s economic plans to the private sector to have it draw up new economic policy guidelines. Under a private sector initiative, the council released its “Long-term Economic Strategy”²² in 1986. The strategy reflected a very liberal and market-oriented economic thinking aimed at reinvigorating the South African econ-

omy through drastic liberalization and the removal of government intervention.

In 1993, the then De Klerk Government drew up a policy framework based on the economic ideology embodied by the Long-term Economic Strategy with the initiative of Finance Minister Keys, a recruit from the business community. This framework was entitled “The Restructuring of the South African Economy: A Normative Model Approach” (nicknamed “NEM”)²³. NEM provided the National Party’s reform-minded faction and mainstream members of the business community with a theoretical platform, and the ANC countered this with the Reconstruction and Development Programme (RDP)²⁴ in the course of its economic debate with the NEM camp.

3-2 Reconstruction and development programme

In the meantime, the ANC organised the Macroeconomic Research Group (MERG) centring around research teams formed by five domestic universities, and conducted a comprehensive study on the South African economy and society, with the assistance of Canada, Australia, EC, Sweden, etc. The findings of the study were published under the title “Making Democracy Work: A Framework for Macroeconomic Policy in South Africa” (nicknamed the “MERG report”)²⁵. The MERG report was quite critical of NEM, dismissing it as not very different from “the (failed) policy platforms favoured by conservative political parties in the 1980s in many industrialized countries” and declaring it to basically be “a prescription for maintaining the current features of South African society”²⁶ that is powerless to address the social inequality left by Apartheid.

The MERG report provided a theoretical background for the RDP. All the concrete numerical policy targets set in the RDP were based on analyses and simulations contained in the MERG report. The ANC fought the 1994 general election using the RDP as an election manifesto, and modified and reissued it as a government white paper after coming to power. The RDP targeted an economic growth rate of 5% and the creation of 300,000-500,000 new jobs annually.

²² Economic Advisory Council of the State President(1986).

²³ Central Economic Advisory Service(1993).

²⁴ ANC(1994).

²⁵ MERG(1993).

²⁶ *ibid.* p. 4.

3-2-1 Public works programme

The RDP White Paper published by the Mandela Government identified employment creation as the top priority task; this task would be achieved through large-scale public works projects. Specifically, the approach was to make substantial public investments in areas such as housing, education and public health using labour-intensive technology with a view to providing job opportunities for people, particularly young people and women in poverty-stricken rural areas. The MERG report envisaged an increase in government capital expenditure, excluding the public corporation account, to 3% of the GDP by 2004. The ratio of government capital expenditure to the GDP in the fiscal 1998/99 budget, the last budget of the Mandela Government, is estimated to have been 2% plus.

3-2-2 Housing

To address the housing shortage, estimated at 1.3 million units in urban areas alone and 3 million units with rural areas included, the RDP promised to construct 1 million units of low-cost housing over five years. The MERG report envisioned the establishment of a system to supply 350,000 new housing units annually, including 180,000 constructed by the Government itself. Given the estimated average construction cost of 32,000 rand per unit (about 1 million yen based on 1992 prices), this translates to nearly 6 billion rand of government expenditure. This is in line with the proposed increase in housing-related expenditure to 5% of the total budget, worth slightly more than 6 billion rand, under the RDP. This was the RDP's largest expenditure item. Housing-related expenditure under the fiscal 1998/99 budget was 8.5 billion rand, which was as high as 4% of total expenditure, although this sum is only worth 4.5 billion rand if converted to prices prevalent at the time of the preparation of the MERG report. This can be described as a fair increase given the fact that the same ratio stood at only 1.2% under the fiscal 1993/94 budget. During the reign of the Mandela Government, a total of 700,000 new housing units were constructed, and while this is no mean feat, it still fell short of the election promise.

3-2-3 Social infrastructure

The RDP also incorporated social infrastructure development, including the following: the construction of 14,000 classrooms annually in the field of education; construction of 2,000 clinics and supply of clean water to all households in the field of public health; and electricity supply to 2.5 million households. By 1999, the fifth year of implementation, 4 million people gained access to clean water, and electric power distribution to 1.5 million households was completed. According to a public opinion survey conducted just before the 1999 general election, 72% of respondents rated the government policy on water and electricity supply favourably, and the corresponding figures were 66% for public health and medical care and 61% for housing.

3-2-4 Labour policy

Alongside public works projects, labour policy formed a pillar of the RDP. Although the MERG report advocated the introduction of a uniform minimum wage system by stating that "all workers should be entitled to an adequate living wage", the current mainstream argument regards a nation-wide uniform minimum wage as unrealistic. On the other hand, the boosting of the legal status of trade unions and legislation of a system of collective bargaining at the industrial level — two other proposals of the RDP — became a reality. Affirmative action was also legislated.

In this regard, the line of argument adopted by NEM was as follows: the root cause of the unemployment problem was a rise in labour costs as it encouraged the South African economy to become more capital intensive, so that real wage growth rates should be linked to productivity²⁷. In contrast, the MERG report adopted a Keynesian policy stance as follows: in the long run, employment changes as a function of aggregate demand, so that the Government should take active fiscal measures to reduce unemployment by increasing aggregate demand²⁸.

3-2-5 Industrial policy

Although industrial policy has been a focal area of policy debate in South Africa for quite sometime, it used to lean towards general macro policy which did not target any specific industry prior to the Mandela Government. In contrast, the RDP advocated targeted industry foster-

²⁷ Central Economic Advisory Service(1993)pp. 36-43.

²⁸ MERG(1993)p. 154.

ing policy that took into account long-term economic benefits, with the “manufacturing-agricultural complex” given priority²⁹. Although the agricultural sector is relatively small in the South African economy as a whole, its linkage to the domestic manufacturing sector is quite significant, given the fact that 66% of agricultural products are used as raw materials for manufacturing, while 58% of agricultural production inputs come from the manufacturing sector. In addition, agricultural product processing industries are very labour-intensive, accounting for as much as 28% of total employment in the manufacturing sector. Moreover, the manufacturing-agricultural complex represents one area where a significant expansion in demand can be expected with progress in the democratization of the economy in the future, in light of the high income elasticity of its products, particularly among low income earners. In the area of agricultural policy, it is estimated that the same level of funding used to provide subsidies for white farm households during a severe drought in 1992-93 can create at least 500,000 small black farmers. Based on these analyses, the RDP advocates the fostering of the manufacturing-agricultural complex as the pillar of its industrial policy.

In 1994, the Department of Agriculture announced a new agricultural policy framework entitled “Broadening Access to Agriculture Thrust” (BATA), and set up an agricultural training centre aimed at inculcating entrepreneurial skills in black farmers in 1996. Black farm household support was also incorporated in the area of farm financing. Land reform (which was geared towards rectifying inequalities in land ownership as a consequence of land plundering under the Apartheid and identified as one of the priority tasks in the RDP) was no exception, and the fostering of black farm households through land policy, i.e. agrarian reform, made a central theme.

3-2-6 Monetary policy

It has been explained that strict money supply control played a decisive role in freeing the South African economy from a susceptibility to inflation. In this regard, the MERG report advocated monetary relaxation that would tolerate an ongoing inflation rate of about 10% on the grounds that extremely tight monetary policy was push-

ing up real interest rates and putting the brakes on economic growth, while, in foreign exchange policy, it supported the stabilization of the real effective exchange rate of the rand through policy intervention. To this end, it proposed to put the South African Reserve Bank (SARB), an organization in charge of the country’s monetary policy, under government control³⁰. However, the RDP did not follow this through, and, as a result, South Africa’s monetary policy stance remains unchanged.

3-2-7 Government finance

The MERG report estimated the policy implementation cost required to achieve the RDP goals at 136 billion rand over 10 years. According to its simulation model, government expenditure would continue expanding at an annual rate of 3.75%, reaching 39% of the GDP in the year 2000. The government budget deficit, on the other hand, was projected to remain within 10% of the GDP based on an assumption that revenues would grow at an annual rate of 17%. NEM, on the other hand, proposed to reduce the fiscal share of the GDP to 30% through drastic cutbacks on recurrent expenditures.

The reality has turned out to be somewhere in-between. The fiscal share of the GDP has fallen to around 30%, while revenues have expanded as a result of the implementation of the tax reform proposal in the RDP.

It should be noted that only the economic policy aspect of the RDP has been discussed in this section. The RDP itself is a set of general policy guidelines containing a comprehensive future outlook on the political, economic, and social aspects of democratic South Africa. Although the RDP office, which was set up with a responsible minister, has been disbanded (with its functions taken over by departments that are responsible for overseeing individual projects), the ANC Government’s basic policy stance still centres around the RDP. According to estimates by MERG, the annual cost of implementing RDP projects is about 10% of the total government budget, which is not such a heavy fiscal burden. Nevertheless, the recovery of the South African economy was not as fast as expected, and failed to halt the contraction of employment. Namely, overall employment kept falling even after democratization.

²⁹ MERG (1993) pp. 172-5, ANC (1994) pp. 102-4.

³⁰ MERG (1993) pp. 261-263.

3-3 Growth, employment and redistribution — A macro-economic strategy

To accelerate economic growth, the Government set out to formulate new policies, and the fruit of this effort was “Growth, Employment and Redistribution — A Macro-Economic Strategy”(GEAR)³¹, released in 1996.

Unlike the RDP, GEAR is a purely economic policy document, and is characterised as a collection of additional policies geared towards achieving the RDP goals³². It was drawn up by the Department of Finance, and, apart from academics and the World Bank, only economic organs like the Department of Trade and Industry, the Department of Labour, the DBSA, and the SARB, were involved.

3-3-1 New growth target

GEAR has set a new annual economic growth target of 6%, on the grounds that the 3% or so growth rates achieved during the economic expansion phase following democratization was not enough to prevent the employment situation from worsening and to pay for the required social services. It aims to create 400,000 new jobs in the year 2000 so as to make a real dent in unemployment.

3-3-2 Methodology

GEAR is noted for its outward-looking stance based on a full awareness of globalization and neo-liberalist, market-orientated views. Its ideology is simple and easy to understand.

Concrete policy initiatives include export promotion through the boosting of international competitiveness, further introduction of foreign capital through deregulation and encouragement of investments through fiscal and monetary policy measures. Export promotion measures include tariff reduction, R&D assistance, the introduction of greater flexibility into the labour market, etc. Of these, the introduction of greater flexibility into the labour market is a controversial issue, and has given rise to heated debate. GEAR rejects the draft proposal for a nation-wide uniform minimum wage, and instead advocates a flexible bargaining system that can adequately deal with variations in region, industry and other conditions. In addition, it supports productivity-linked wage theory, maintaining that the rate of wage growth should not exceed that of productivity growth³³.

In the fiscal area, efforts are to focus on securing the necessary funds to provide basic social services through administrative reform, centring on the privatization of public corporations, the elimination of wasteful expenses through a review of expenditure items and curbing of growth in personnel costs. Cuts in income tax and import duties are to be offset by improvements in taxation efficiency and the introduction of new taxes, with the budget deficit being reduced to 3% of the GDP through natural revenue increases resulting from economic growth. Monetary policy is to focus on improving the savings ratio by maintaining positive real interest rates, while reaffirming the basic inflation control stance. Long-term interest rates are to be guided lower by encouraging long-term capital inflows via the liberalization of foreign exchange transactions and elimination of “negative savings” in the government sector. Through these measures, lifting of the savings ratio and investment ratio back up to 22% and 26%, respectively, by the year 2000 is planned. With regard to housing policy, educational investment, public health and land/agrarian reform, the course mapped by the RDP is to be upheld.

Despite its official status as the successor to the RDP, GEAR has embarked on a path completely different from the MERG report, which was the theoretical basis for the RDP, in terms of policy techniques. It has borrowed the idea of productivity-linked wages from NEM, and its fiscal and monetary policies lean considerably towards the views of the business community. To put it differently, this indicates that the influence of trade unions within the top leadership of the ANC Government has diminished.

4. Development Issues

Based on the above analyses, South Africa's development tasks will now be identified. As has been discussed, the South African economy contains both quite advanced and extremely backward elements as a consequence of the country's complicated past. Macroeconomic indicators simply average these elements up, but average values cannot be relied on when identifying real development tasks for a country like South Africa. Instead, it is necessary to split the South African economy into two parts: one which has a potential for greater economic co-operation with Japan through investment and trade based on its

³¹ Department of Finance(1996)

³² *ibid.* p. 1.

³³ Department of Finance(1996)p. 18.

characterization as an active player in the world economy; and one which Japan needs to assist by injecting ODA, if necessary.

Attention should also be paid to the fact that South Africa does not basically need external assistance even in the area of social development, for it has economic strength incomparable to any other southern African country, as illustrated by its achievement of constructing 700,000 housing units and supplying electricity to 1.5 million households in just five years. Needless to say, the key to successful development assistance lies in providing support from the sidelines while paying due respect to the recipient country's ownership.

Put into a specific national context, the development tasks of the new democratic South Africa boil down to the eradication of Apartheid legacies. Assistance should therefore focus on efforts made by South Africa along these lines, targeting areas considered difficult for it to tackle with its own resources.

4-1 High unemployment and safety and security problems — Can current policies relieve the unemployed?

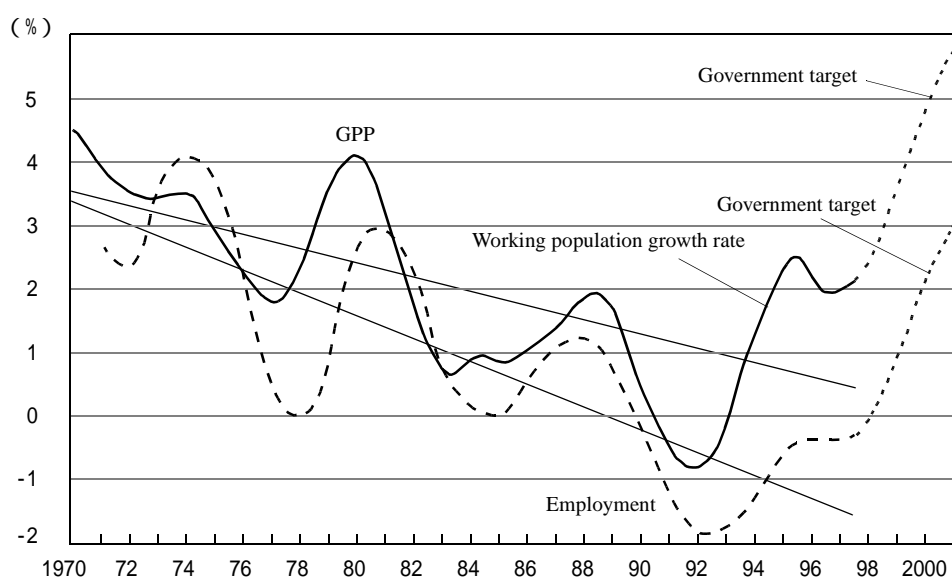
Deterioration in safety and social security and a rise in vicious crimes not only pose a serious threat to the community but are also a major obstacle to foreign investment. From an economic point of view, this problem is attributable to a scarcity of job opportunities with adequate wages as the basis of a stable democratic society.

An unimaginably high unemployment rate and the widening gap between rich and poor associated with it provide a hotbed for crime. Why is unemployment in South Africa so high? Needless to say, the main blame lies with Apartheid.

Figure 3-15 shows the medium-term fluctuation of the GDP and non-agricultural formal employment as derived from year-to-year records by removing short-term fluctuations from them. From the graphs, it is clear that the South African economy has an approximately seven-year business cycle. Notably, employment growth has been falling at a greater rate than economic growth. In the second half of the 1970s, employment growth began falling behind the expansion of the labour force, giving rise to mounting unemployment, and fell below zero in the early 1990s, signalling the start of a contraction of employment in absolute terms. Indeed, the unemployment problem is a historic phenomenon, as far as the South African economy is concerned.

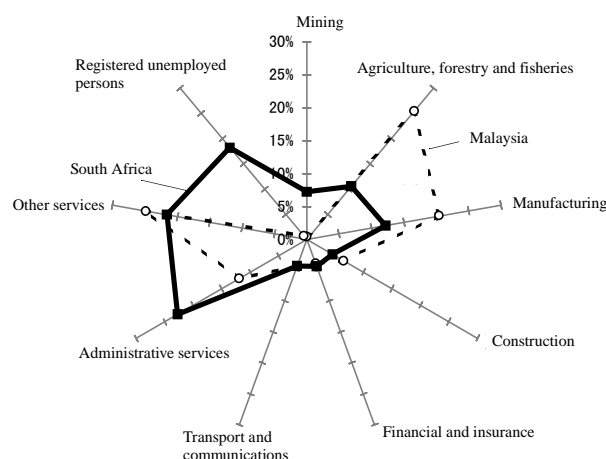
In this regard, the GEAR targets incorporated into the graphs need a reality check. Namely, how effective would boosting economic growth be in raising the employment creation capacity? Although double-digit growth rates would lift employment even under current conditions, such growth rates do not seem realistic. Given the fact that a 4% growth rate achieved in 1996 could not stop employment from contracting, GEAR's assumption of 3% employment growth resulting from 6% economic growth is not very convincing. The recent pattern of GDP

Figure 3-15 GDP and Employment Growth Cycles with Trend Lines



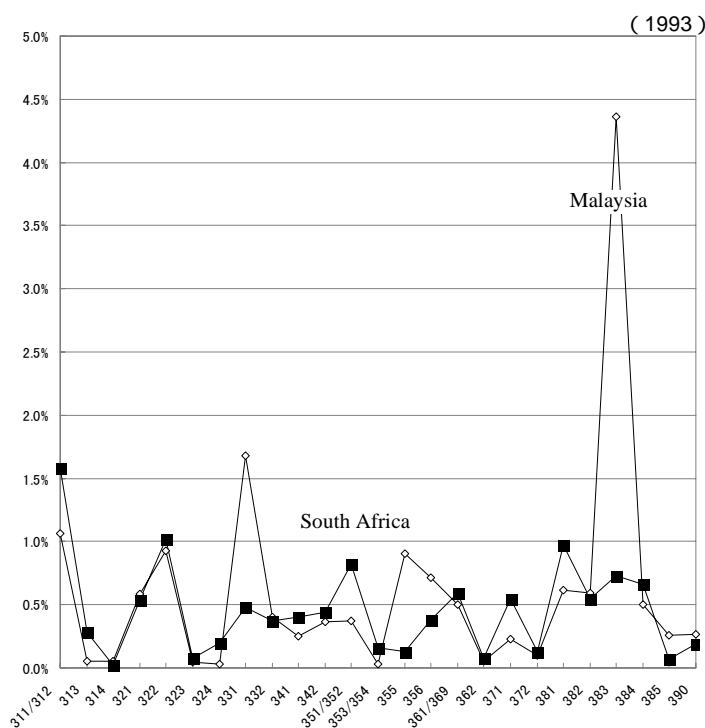
Source: Prepared from CSS (1997).

Figure 3-16 Employment Breakdown by Industry and Unemployment Rate for South Africa and Malaysia(1991)



Source: CSS(1997), SARB(1998)

Figure 3-17 Employment Breakdown by Manufacturing Sub-sector for South Africa and Malaysia(1993)



Note: International Standard Industrial Classification(ISIC Revision 2) codes

311/312 Food products	354 Misc. petroleum and coal products
313 Beverages	355 Rubber products
314 Tobacco products	356 Plastic products
321 Textiles	361 Pottery, china and earthenware
322 Wearing apparel, except footwear	362 Glass and glass products
323 Leather and fur products	369 Other non-metallic mineral products
324 Footwear, except rubber or plastic	371 Iron and steel
331 Wood and wood products, except furniture	372 Non-ferrous metals
332 Furniture and fixtures, except metal	381 Metal products
341 Paper and paper products	382 Non-electrical machinery
342 Printing and publishing	383 Electrical machinery
351 Industrial chemicals	384 Transport equipment
352 Other chemical products	385 Professional & scientific equipment
353 Petroleum refineries	390 Other manufactured products

Source: UNIDO(1996)

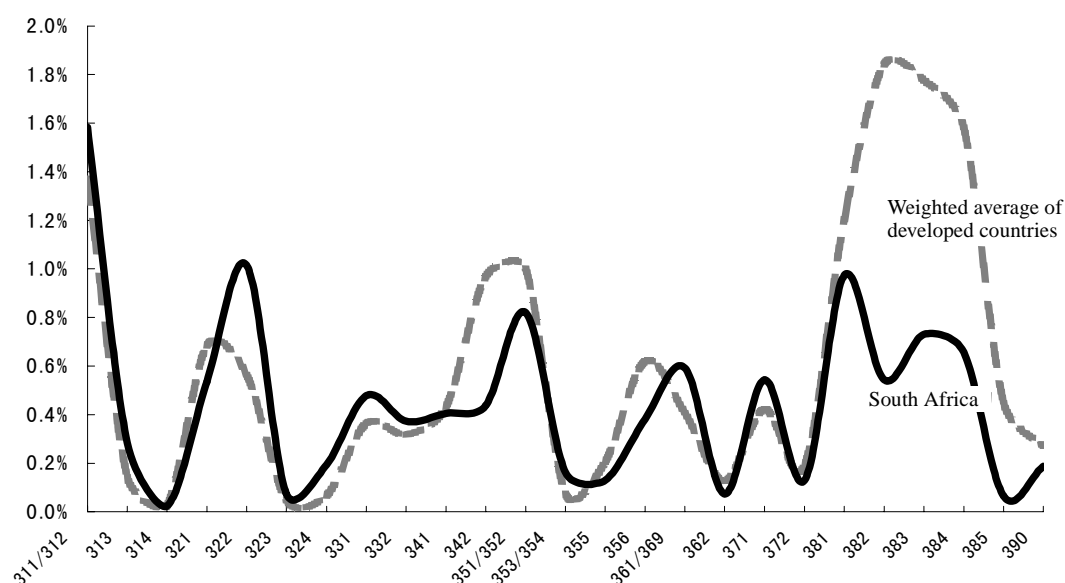
expansion only managing to slow the rate of fall in employment, rather than increasing it, seems to point to a need for a micro-level structural policy rather than a macro policy.

Figure 3-16 compares the sectoral breakdown of employment in South Africa to that in Malaysia, a country which is ranked similarly to South Africa in terms of per capita GNP. In 1991, the officially registered unemployment rate was 0.7% in Malaysia and 18.2% in South Africa. The absence of great disparities in the construction, financial/insurance, and transport/communications sectors suggests that the two countries are at similar stages of economic progress, while the huge gap in the weight of the mining sector reflects the disparity in the quantities of mineral reserves between the two countries. From this it follows that the difference between Malaysia, which was enjoying virtual full employment, and South Africa, which was plagued by high unemployment, is attributable to the difference in employment in the manufacturing and the agricultural, forestry and fisheries sectors.

Figure 3-17, on the other hand, compares two countries in terms of the sub-sectoral breakdown of employment in the manufacturing sector. Malaysia has a peak at wood processing and particularly at electrical machinery, while South Africa has none that are significant. Like Malaysia, countries with low unemployment rates usually have such peaks somewhere, rather than exhibiting similar levels of employment across all sub-sectors. Electrical machinery manufacturing plays a particularly important role as a labour-intensive industry typical of a semi-developed country — centring on household electrical appliance manufacturing, which is a barometer of a country's economic progress — as it involves both broad-based subordinate industries that supply parts/components and assembly industries, which have a great employment capacity.

Figure 3-18 makes the same comparison between South Africa and developed countries' weighted average. While the manufacturing share of employment is lower among developed countries than semi-developed countries, South Africa's machinery industries have even lower employment shares. Table 3-10 shows the employment shares of machinery industries in selected countries across the world. From the table, the following two facts emerge: underdevelopment of machinery industries in South Africa, like in other African countries; and the existence of developed countries with similar machinery

Figure 3–18 Comparison of Manufacturing Sector Employment by sub-sector of Developed Countries
(Weighted Average of Japan, US, UK, France and Germany) and that of South Africa (1993)



Source: UNIDO (1996), ILO (various years)

Table 3–10 Machinery Industry Share of Overall Workforce (%, 1993 data)

	Non-electrical machinery 382	Electrical machinery 383	Transport equipment 384	Total	Population (million)	Per capita GNP (dollars)
Singapore	4.53	6.19	2.17	12.89	2.8	19,850
Germany	2.82	2.52	2.32	7.66	81.2	23,560
Japan	2.06	2.67	1.45	6.18	124.5	31,490
Malaysia	0.59	4.36	0.50	5.45	19.0	3,140
France	1.58	1.72	1.95	5.25	57.5	22,490
Slovakia	2.75	1.25	1.04	5.04	5.3	-
United Kingdom	1.74	1.52	1.62	4.88	58.4	18,060
Denmark (1)	2.62	0.86	0.86	4.34	5.2	26,730
United States	1.50	1.16	1.34	4.00	258.1	24,740
Croatia	1.12	1.14	1.23	3.49	4.5	3,250 (2)
Finland	1.51	0.91	0.89	3.31	5.1	19,300
South Africa	0.54	0.73	0.66	1.93	39.7	2,980
New Zealand	0.80	0.63	0.39	1.82	3.5	12,600
Brazil	0.39	0.28	0.42	1.09	156.5	2,930
Uruguay	0.20	0.26	0.25	0.71	3.1	3,830
Thailand (3)	0.18	0.23	0.24	0.65	57.6	2,110
Mexico	0.07	0.22	0.27	0.56	90.0	3,610
Mauritius	0.15	0.19	0.14	0.48	1.1	3,030
Zimbabwe	0.07	0.16	0.16	0.39	10.7	520
Indonesia	0.04	0.12	0.12	0.28	191.7	740
Kenya	0.01	0.02	0.12	0.15	26.4	580

(1) 1992 data; (2) 1995 data; and (3) 1991 data.

Source: UNIDO (1996 & 1998) for sub-sectoral employment numbers; FAO (1996) for overall population and overall working population; World Bank (1995) for per capita GNP.

industry profiles, such as New Zealand (machinery industry overall) and Finland (electrical machinery and transport equipment industries). Notably, both New Zealand and Finland are small-population countries with

less than 10 million people as well as high income countries. If this means that a small population is disadvantageous for the development of machinery industries, it should be remembered that the South African economy

formed during the Apartheid era was an economy basically for only 5 million whites³⁴. With regard to machinery industries, where economy of scale plays a decisive role, the viability of domestic production in the presence of import competition is believed to be contingent on the existence of a fairly sizeable domestic market and availability of an abundant high quality workforce. According to this hypothesis, the underdevelopment of machinery industries in South Africa can be traced to Apartheid policy as a tool for institutionalised racial discrimination. In this respect, it should be noted that Brazil, a country with a similar national profile to South Africa in terms of machinery industries, has a Gini coefficient even greater than that of South Africa, indicating extremely unequal income distribution.

Table 3-11 compares selected countries' agricultural working populations. Although the UN Food and Agricultural Organization (FAO) which is the source of the data presented on the table, puts the number of people economically active in agriculture in South Africa at 1.84 million³⁵, this differs significantly from the results of the

1996 census, shown in Table 3-8. This is attributable to the fact that at first the FAO estimated the ratio of the agricultural working population to overall economically active population, with the number of workers calculated from that ratio³⁶. The estimated agricultural working population ratio for South Africa is 11.1%, which is extremely small for a developing country and rather close to the European average. Figure 3-19 shows the relationship between the agricultural working population and per capita GNP for various countries in the form of a scatter diagram. Amongst semi-developed countries, which are located halfway between the low income country group (upper left) and developed country group (lower right) and distributed in a vertical pattern, South Africa has the lowest agricultural working population ratio.

The reason why South Africa has such a small agricultural working population can also be traced to Apartheid policy. Despite being located on the African Continent, where 70% of the population live in rural villages, South Africa eliminated its own black small-scale farmers as contributors to the GDP.

Table 3-11 Share of Agriculture Workforce in Selected Countries (1996)

	(A) Overall population (1,000)	(B) Economically active population (1,000)	(B) / (A)	(C) Agricultural working population (1,000)	(C) / (B)	Per capita GNP (\$)*
Worldwide	5,767,775	2767,970	48.0%	1,305,054	47.1%	
Europe	728,778	356,069	48.9%	37,065	10.4%	
Asia	3,416,765	1,698,526	49.7%	1,022,328	60.2%	
Latin America	322,305	136,355	42.3%	26,389	19.4%	
Africa	738,730	314,106	42.5%	186,878	59.5%	
Japan	125,351	66,443	53.0%	3,490	5.3%	39,640
Argentina	35,219	13,829	39.3%	1,497	10.8%	8,030
South Africa	42,393	16,646	39.3%	1,840	11.1%	3,160
Mauritius	1,129	476	42.2%	55	11.6%	3,380
South Korea	45,314	22,008	48.6%	2,823	12.8%	9,700
Brazil	161,087	72,287	44.9%	12,924	17.9%	3,640
Malaysia	20,581	8,321	40.4%	1,844	22.2%	3,890
Mexico	92,718	36,535	39.4%	8,592	23.5%	3,320
Colombia	36,444	15,651	42.9%	3,682	23.5%	1,910
Indonesia	200,453	93,101	46.4%	49,169	52.8%	980
Ghana	17,832	8,347	46.8%	4,618	55.3%	390
Thailand	58,703	34,333	58.5%	20,154	58.7%	2,740
India	944,580	409,545	43.4%	250,556	61.2%	340
Zimbabwe	11,439	5,318	46.5%	3,520	66.2%	540
China	1,232,083	731,538	59.4%	520,355	71.1%	620
Kenya	27,799	13,417	48.3%	10,422	77.7%	280
Tanzania	30,799	15,865	51.5%	13,164	83.0%	120

(*) 1995 data.

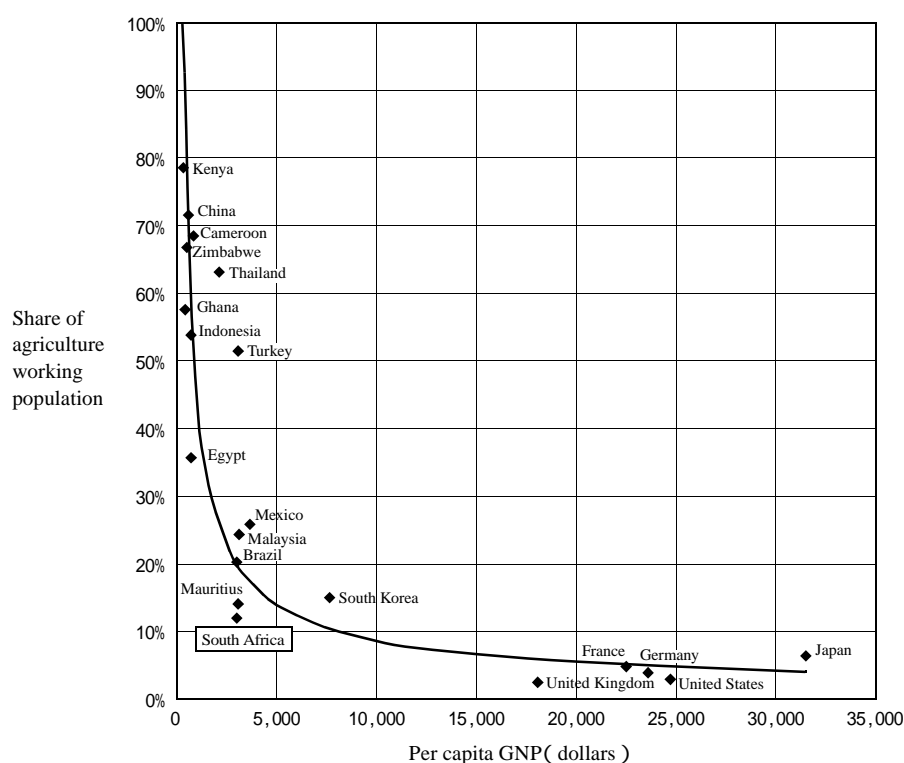
Source: FAO (1998a), World Bank (1997) for per capita GNP.

³⁴ In the 1996 national census, the white population was 4.43 million, down from 5.06 million recorded in the previous census (1991).

³⁵ FAO (1996), Table 3.

³⁶ *ibid.* p. ix.

Figure 3–19 Share of Agriculture Working Population and Per Capita GNP (1993)



Source: IMF(various years)

4–2 Industrial policy and rural village creation — Struggle against Apartheid legacies

High unemployment in South Africa is a problem that has arisen against a background of the country's peculiar industrial structure, where those industries that are major providers of employment in countries that have achieved virtual full employment are stunted. Moreover, such an industrial structure is largely attributable to the Apartheid system. This seems to imply that policies necessary to be implemented to fight unemployment are in fact industrial policies geared towards transforming the Apartheid-spawned industrial structure. In concrete terms, it seems necessary to direct efforts towards areas such as the targeted fostering of industries aimed at strengthening the domestic production of machinery (centring on household electrical appliances) and the creation of rural villages through the restoration of a small black farmer class. Although this should ultimately be left to policy debate within South Africa, it nevertheless involves areas where Japan and other Asian countries have a wealth of experience. In light of South Africa's unique social malaise characterised by the semi-permanent separation of African (black) families due to the dominant employment pattern of fathers and mothers working away from

home as migrant workers, as well as the lack of parental supervision and a family disintegration crisis resulting from it, the creation of rural villages carries particular significance in terms of laying this unfortunate past to rest.

At the same time, attention should be paid to the fact that South Africa has thriving and advanced sections in both the manufacturing and agricultural sectors. The economic policy drawn up by the Government to stimulate growth targets companies that belong to such advanced sections. However, both sectors also have considerable backward elements, which are the targets of RDP-style development policy, consisting of, for example, promotion of non-white Small and Medium Enterprises (SMEs), human resource development and black farm household support — areas to which Asian experiences may be readily applicable. Amongst South Africa's economic problems, the one that is considered to be too vast to solve using the country's own resources alone — in other words, the field that is suitable for development assistance — is unemployment, for a dramatic improvement in the employment situation under the present policy framework seems unlikely unless a major economic boom occurs.

There is little room for policy intervention in the mining sector as its employment trends are subject to international market trends and technological conditions. The financial sector appears to be enjoying overall steady growth, including employment. In these two sectors, South Africa has accumulated considerable technological expertise and management know-how, and there is a significant potential for economic co-operation between Japan and South Africa as equal partners. These sectors are therefore unsuitable for Japanese assistance, as is the case of the advanced sections of the manufacturing and agricultural sectors. In these sectors, a more appropriate approach may be to mutually confirm each other's role as a key country for economic relations between Asia and Africa by, for example, setting up a trade and investment forum under the existing Japan-South Africa Partnership Forum, with mediation between Asian countries keen on African expansion and South Africa as one of its functions.

For these reasons, it is desirable that the emphasis of Japanese development assistance for South Africa be placed on employment creation in the manufacturing and agricultural sectors. In this regard, it is important to identify organizations and groups actually involved in relevant projects and seek close co-operation with them in the rural development area. These organizations and groups will include provincial/local governments and NGOs. In the history of the anti-Apartheid movement in South African, it was NGOs that kept the flame of development projects going, and the ANC and the Government are well-aware of this fact. Not surprisingly, the role of NGOs in the social development area has been stressed repeatedly in the RDP³⁷. Indeed, when formulating development assistance policy for South Africa, it is necessary to fully understand the unique social functional division between the public and private-sector elements of the former anti-Apartheid camp.

An understanding of the government organizational structure is also essential. As discussed earlier, the control of various RDP projects has already been distributed to the relevant departments, and there is no organization responsible for overall supervision. The Department of Finance, which acts as the government interface for ODA, is an organization designed to deal with monetary

and fiscal affairs, and development is not their responsibility. At the central government level, RDP projects are supervised by the Department of Agriculture, Department of Land Affairs, Department of Housing, Department of Education, Department of Health, and so on, with implementation responsibility delegated to provincial governments. Since development involves a different type of thinking from that needed for budgets, government finance, trade or investment, it is important to always deal with the right counterpart according to the field concerned when providing assistance. One way of ensuring this may be to set up a development forum alongside the trade and investment forum mentioned earlier.

Some kind of assistance may also be considered for other projects such as those planned by large corporations with a significant employment potential, as the seriousness of South Africa's unemployment problem does not warrant confining assistance to the area of SME promotion. To bring real relief to the 4.6 million unemployed, it appears necessary to introduce new types of jobs and industries, in addition to increasing the number of enterprises. In other words, what is needed is a policy perspective to guide the South African economy in that direction. To this end, it is extremely important to have regular policy dialogue with the South African government as a vehicle for passing on Japanese experience from a viewpoint of identifying effective policies. Through the involvement of NGOs, government departments and private businesses from both countries as members, the trade and investment forum and development forum proposals would shape a comprehensive approach towards development assistance in a concrete manner. It appears that South Africa's unique social make-up requires this.

Supporting the hard-earned democracy in South Africa would have a ripple effect and promote political development throughout the African region. The growth of the South African economy would inject life into the African economy as a whole, which has been in a prolonged slump. This means that the "African Renaissance" concept advocated by South Africa and Japan's African policy presented before the world at the Tokyo International Conference on African Development (TICAD) can functionally complement each other.

³⁷ ANC (1994), p. 121, p. 132.

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Chapter 4. Social Development

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1. Characterization of Social Development

South Africa is counted as a typical example of an anomalous middle-income country which has a surprisingly low Human Development Index (HDI) for its income level¹. However, visible through this apparent paradox are extreme racial, regional and gender disparities that permeate the society. For example, whereas the HDI score for whites stood at 0.897 in 1991, which was higher than Singapore, the corresponding figure for Africans was 0.500, which was lower than Swaziland. Similarly, whereas Western Cape enjoyed a high HDI score of 0.826, Mpumalanga and Northern only managed to score 0.694 (intermediate) and 0.470 (low), respectively.

In more concrete terms, 98.4% of whites live in homes equipped with indoor running water, while the figure is only 27.4% for Africans, and 99.5% of whites have electric lighting in their homes, compared to only 38.0% for Africans (1994)². The situation is similar in the area of education, with 24.3% of Africans having received no school education at all compared to 1.2% of whites (1996). In the area of public health, 99.2% of whites have access to a flush toilet, while only 33.9% of Africans do so. Income-wise, 50.2% of male Africans and 68.9% of female Africans have to make ends meet with a monthly income of less than 1,000 rand, whereas 64.8% of male whites and 35.4% of female whites live on a monthly income of 3,500 rand or more³. Poverty spawns crime, and Africans face 20 times as great a risk of being murdered as whites, with 95% of rape victims being female Africans (1995)⁴.

These facts show that South Africa's income and HDI imbalance is not a paradox but rather a logical consequence which can be explained in terms of close correlations between poverty and human development and between poverty and human security. The establishment of a new democratic government in 1994 did not change

these basic trends, and the gap has widened even among Africans. Aggravated by worsening unemployment, the frustration of poor Africans has pushed up the crime rate, and the deterioration in public order amid rising vicious crimes has become a major stumbling block to social development, encompassing education, medical care, etc., as well as economic development in cities and rural villages alike.

Against this background, the South African government included "Meeting Basic Needs" and "Developing Human Resources" as two of the five key programmes contained in the White Paper on the Reconstruction and Development Programme released in November 1994, making it clear that meeting basic needs (encompassing "job creation, land reform, housing, services, water and sanitation, energy, telecommunications, transport, the environment, nutrition, health care, social security and social welfare") was the new government's priority policy goal⁵. The importance of education, health/welfare, housing, land reform, water/sanitation, etc. within the social/sector policy framework was reaffirmed by "Growth, Employment and Redistribution: a Macro-economic Strategy"(GEAR), a policy document released by the South African government in 1996, which exhibited a strong neo-liberalist inclination⁶.

Meanwhile, the Japanese Government proposed concrete targets such as "ensuring universal primary education by 2015" and "reducing maternal mortality to half the 1990 level by 2005" in the Tokyo Agenda for Action, adopted at the Second Tokyo International Conference on African Development (TICAD-II) in October 1998, under the banner of "Social Development and Poverty Reduction"⁷. In addition, the Japanese Government has identified the "promotion of social development" as a priority policy area, alongside "the environment", "humanitarian contribution" and "human resource development in developing countries" in its "Diplomatic Blue Book

¹ UNDP (1996) p. 6.

² *ibid.*

³ Statistics South Africa (1998).

⁴ Office of the Executive Deputy President (1998).

⁵ The Government of South Africa (1994).

⁶ Ministry of Finance (1996).

⁷ Ministry of Foreign Affairs (1998).

1998”⁸. This shows that there are no basic discrepancies between the Japanese assistance policy and South African development policy stances in terms of giving priority to social development⁹.

In the following sections, discussion will focus on affirmative action concerning race and gender, the migrant/refugee issue, and NGOs. Education and health/medical care will be covered elsewhere in the report.

2. Affirmative Action

The ultimate goal of affirmative action in South Africa is to bring about social participation, particularly employment participation, that is in line with the racial population mix (77% African, 11% white, 9% coloured and 3% Indian), as well as the gender population mix (52% female and 48 percent male). Near-term goals are to raise the minority/underprivileged shares of managerial positions in the public service (central/provincial governments) to 50% blacks and 30% women by 1999 (from 33% and 13%, respectively, in December 1997) with the disabled share of the workforce lifted to 2% by 2005 (from 0.02% in December 1997) as well¹⁰. Concrete efforts are already under way in individual departments. For example, the South African Police Service (SAPS) has set the goal of raising the black, female and disabled shares of police personnel (totalling 131,605 in 1997) to 50%, 30% and 2%, respectively, by 2000, and has decided to give special merit points to personnel targeted for affirmative action, if they wish to move on to senior positions. The police service is very popular among job-seekers, and this can be seen from the fact that, when 1,200 police positions were advertised in August 1997, 618,327 people applied for a competition ratio of 515:1¹¹. The advancement of women is most visible in the Government’s ministerial line-up, with eight out of 29 ministerial positions and eight out of 13 deputy ministerial positions taken by females in the Mbeki Administration, established in June 1999, bringing the female share of

ministers and deputy ministers to 38%¹².

Even in the private sector, where progress has been slower, the hiring of minorities and the underprivileged is gradually increasing, and, according to one survey, the African share of professional workers is expected to rise from 6% in 1994 to 15% in 1997, and to 33% in 2000. Similarly, a survey conducted by the Cape Town University Business School has found that, from 1994 to 1996, the proportion of African managers and female managers increased by 60% and 21%, respectively¹³. In August 1999, the Government launched an education and awareness campaign on affirmative action targeting the private sector.

Thus, thanks to affirmative action, participation in employment by women and Africans has been rapidly expanding, centring on the public service. However, with as many as 42.5% of all African workers unemployed (34.1% of males and 52.4% of females), compared to 4.6% for white workers¹⁴, and 1.2 million surviving by finding odd jobs in the informal sector¹⁵, the employment situation is still extremely bleak for minorities and the underprivileged, as is illustrated by the above police recruitment episode, where 500 times as many people as available positions responded to the advertisement. It is therefore fair to say that those who benefit from affirmative action are a lucky few. This means that affirmative action as a means of rectifying inequality resulting from racial discrimination will become a truly useful tool for social integration only if implemented in conjunction with other measures, such as informal sector assistance and rural development, thereby preventing it from further marginalising the poorest sections of the minority/underprivileged class.

3. Migrants

The issue of migrants and refugees who have entered the country from neighbouring countries either to work as labourers or flee from fighting presents South Africa with

⁸ Ministry of Foreign Affairs, (ed.)(1998).

⁹ The perceptions of the two governments on social development do not differ significantly from those of researchers. See the following publications: Engineering Consulting Firms Association(1995), Working Group on Social Development(1995), Institute of Developing Economies(1995), Nishikawa, Jun(ed.)(1997) and Hardiman, M. and Midgley, J.(1982).

¹⁰ Department of Public Services and Administration(1998), with data on the racial and gender mix of the population taken from the 1996 census (Statistics South Africa (1998)).

¹¹ South African Institute of Race Relations (1998) pp. 59-60

¹² *SouthScan*, Vol. 14, No. 13, 25 June 1999.

¹³ South African Institute of Race Relations (1998) pp. 263-267.

¹⁴ Statistics South Africa (1998).

¹⁵ Office of the Executive Deputy President (1998).

not only another social/human development challenge, but also a diplomatic challenge over how to lay to rest the spectre of its Apartheid-era hegemonistic sub-regional control and find ways of harmonious coexistence with its neighbours. In 1996, the ANC Government amended its immigration legislation to introduce a special provision designed to allow certain foreign contract workers — those who had been entering South Africa from neighbouring countries since the Apartheid era to work in the mines or on commercial farms based on bilateral agreements between South Africa and these countries — to enter the country for temporary work. The number of such workers is estimated to have been as high as 200,000 as of 1997, looking at the mining sector alone¹⁶.

On the other hand, large numbers of Mozambican refugees, estimated to have been in excess of 350,000 at the beginning of the 1990s, have entered South Africa since the 1980s due to a civil war in their country¹⁷, for which South Africa's past destabilization operations are partly to blame. In September 1993, South Africa concluded an agreement with the UNHCR on the certification of refugee status, and embarked on a tripartite operation aimed at repatriating Mozambican refugees on a voluntary basis with the UNHCR and the Mozambican Government. By March 1995, the number of Mozambican refugees who returned home from South Africa under the UNHCR programme reached 67,060, and at that point the South African Government announced a discontinuation of the refugee treatment of Mozambicans¹⁸. Apart from this, a total of 9,653 Mozambican refugees had applied for refugee status by October 1995, and, of these, 2,048 were recognized as convention refugees¹⁹.

As can be seen from these figures, the number of refugees who either returned home or became convention refugees is relatively small, and the vast majority — Mozambican as well as other nationalities — are believed to have chosen to stay on in South Africa illegally. In the national census conducted in October 1996, the number

of foreign nationals amounted to 455,000 out of the overall population of 40.584 million²⁰, but this only covers part of the foreign population, most notably legal residents. Although the South African police authority put the number of illegal foreign residents at 8.75 million as of November 1996²¹, this is considered to be an overestimate. Currently, the Department of Home Affairs uses 2.5 million to 4.1 million, an estimate contained in a report released by the Institute for Strategic Studies, University of Pretoria, in 1996, as the semi-official figure²².

To address the illegal immigrant problem, South Africa took a carrot-and-stick approach, which consisted of the granting of amnesties to illegal residents who satisfied certain conditions (such as living in South Africa for more than five years), and the promulgation in 1997 of personal identification legislation, effective from 1999, aimed at barring illegal immigrants from accessing social security services through the issuance of an ID card to all residents. Amnesties were granted in two stages: first in 1995, targeting mining workers (50,692 people accepted); and second in 1996, targeting people of SADC countries (100,218 out of 199,596 applicants accepted)²³. Meanwhile, 176,351 foreigners were deported for illegal stay in 1997 (180,713 in 1996). Of these, 83% were Mozambicans, followed by Zimbabweans (12%) and Lesothans (2%), with the three nationalities accounting for most of the deported foreigners²⁴. According to the South African Government, the above amnesties were specifically designed to officially recognise the status of people whose existence had been ignored during the Apartheid era despite their virtual residency in South Africa as mining workers, etc.; the government also indicated that there would be no more amnesties in the future²⁵.

Against this background, the Southern African Development Community (SADC) proposed a phased liberalization of population movement within the community and the abolition of national borders 10 years down the track in June 1995 by releasing a draft agreement on

¹⁶ Ministry of Home Affairs (1997).

¹⁷ Crush, J. (1997).

¹⁸ *ibid.*

¹⁹ Cohen, R. (1997).

²⁰ Statistics South Africa, (1998).

²¹ Cohen, R. (1997).

²² An interview at the Department of Home Affairs (Mr. Claude Schraivesande, Director, Admissions and Aliens Control), 10 August 1999. The original report was: Human Sciences Research Council and Institute for Strategic Studies (1996). At the beginning of 1997, there were 658,000 overstayers, of whom 425,000 had entered the country before 1996 (Cohen, R. (1997)).

²³ Cohen, R. (1997).

²⁴ South African Institute of Race Relations (1998) p. 111.

²⁵ An interview at the Department of Home Affairs. Different treatment is said to apply to the 90,000 Mozambicans who entered Mpumalanga during the civil war.

Southern African free movement. At present, South Africa is opposed to the agreement, citing regional conflicts and border control problems as official reasons²⁶. In this regard, a counterproposal centring on allowing set numbers of workers from SADC countries to enter South Africa through the allocation of quotas is being discussed in some quarters²⁷.

4. NGOs

Many South African NGOs can be traced to the Apartheid era. Roughly speaking, they are classified into four groups according to their roots: 1) charity organizations dedicated to the relief of the poor, which accepted the Apartheid system as a fact of life; 2) humanitarian aid organizations that relied on white liberals, who were critical of Apartheid; 3) organizations formed to facilitate the implementation of development policy based on the wishes of the industrial community; and 4) organizations dedicated to black community development under the ideological influence of the black consciousness movement and the ANC, which have grown rapidly since the 1980s. Organizations belonging to the fourth group, which is now dominant, are called Community-based Organizations (CBOs) in the community. They used to be known for their anti-government stance, as opposed to political neutrality which was pursued by NGOs from developed countries. After the discrediting of the National Party, they provided an interface for financial assistance from overseas aid donors, thus assuming a function of government²⁸.

Although the exact number of NGOs/CBOs that exist in South Africa is not known, the Transitional National Development Trust (TNDT), a public NGO support agency, has listed 8,000 organizations in its database²⁹, while the South African NGO Coalition (SANGOCO), an NGO umbrella body, estimates the number to be somewhere between 35,000 and 60,000, including its 4,000 members³⁰.

The growth of NGOs since the 1980s owes much to

financial support provided by foreign donors, with the EC's special programme launched in 1985 and the Kagiso Trust established in 1986 as the vehicle for receiving and managing funds provided under the programme playing particularly important roles. By 1993, a total of one billion rand is said to have been provided to finance more than 600 projects. Upon the establishment of the new democratic government in 1994, overseas donors began directing their funds to government-initiated RDP projects, and, as a result, many CBOs ran into financial difficulties, with some forced to close down. According to a survey conducted by the Independent Development Trust in 1995, as many as two-thirds of all NGOs complained about fund shortages around that time³¹. Apart from this, NGOs have been severely affected by staff shortages due to the headhunting of their key personnel by government bodies and the private sector. Although many NGOs, including those belonging to SANGOCO, still depend on foreign donors for up to 80% of their funds, they have begun intensifying their efforts to boost their local fund sources, such as operating revenues and domestic contributions³².

Against this background, the Government set up the TNDT in 1996 to provide NGOs with financial assistance, and assistance for individual projects began in 1997, with a total of 550 projects having received assistance to date. Although the TNDT was meant to be a stop-gap organization in existence only until the establishment of the National Development Agency (NDA), the launch of the NDA has been postponed due to a delay in the appointment of directors and other factors, with almost two more years needed to bring it into operation³³. At the end of 1998, a budget of 50 million rand, which was initially earmarked for the NDA, was allocated to the TNDT.

Despite slow government action and financial and manpower difficulties, the importance of the NGOs' role has not diminished. Namely, apart from providing checks and balances for the ANC Government, which has entered its second term following a landslide election vic-

²⁶ *ibid.*

²⁷ Cohen, R. (1997).

²⁸ Mine, Yoichi and Shirato, Keiichi (1996), Makino, Kumiko (1999).

²⁹ An interview at the Transitional National Development Trust (Mr. Afsaneh Tabrizi, General Manager, and others), 13 August 1999.

³⁰ An interview at the South African National NGO Coalition (Mr. Eugene Saldanha and Ms. Laura Maxwell Stuart), 11 August 1999.

³¹ Makino, Kumiko (1999), p. 160.

³² An interview at SANGOCO, *op. cit.*

³³ An interviews at the TNDT, *op. cit.*

tory, work geared towards achieving policy consensus within the civil society, while maintaining a co-operative but arm's-length relationship with the Government, will continue to be needed for a considerable period in light of the deeply entrenched racial inequality and the country's complex ethnic composition, as illustrated by the existence of 11 official languages.

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Chapter 5. Rural Development and Environment

Koichi Ikegami (Kinki University)

1. Trends in Agricultural Production

1-1 Role of agriculture in national economy

Agriculture occupies a relatively insignificant place in the South African national economy, which is reminiscent of a developed country. Agriculture's contribution to the GDP is only a few percent, which is a far cry from its heyday in the 1920s, when the figure was around 20% (see Figure 5-1). At face value, South African agriculture looks like a typical example of Petty's Law, which states that the relative weight of the agricultural sector in the economy gradually falls in the course of economic development. However, this appearance is deceptive, and the more decisive factors seem to have been a gold-dependent commodity-led economic growth pattern and a large government sector, as well as slow growth of agricultural production.

For its low economic contribution, agriculture employs fairly large portions of the overall population and economically active population. Namely, the proportion of the agriculture-dependent population to the overall population and that of the agricultural working population to the economically active population remained above 10% even during the 1990s¹.

1-2 Stagnation of agricultural production

According to IBRD data², agricultural production has been growing at an annual rate of 1-2% since 1976. The overall growth pattern may be described as follows: stagnation in the 1970s; a recovery followed by a fall in the 80s; and little movement in the 90s. Meanwhile, the production index of cereals, the category of agricultural products which has large implications for small-scale farmers, has fluctuated wildly from year to year, and this is a reflection of the weakness of rain-dependent cultivation. As a result of an increase in population against a background of stagnant gross agricultural production, per capita agricultural production has gradually fallen over the years (see Figure 5-2). This trend has been particularly strong with cereals.

1-3 Production output by sub-sector/product and crop switch

The commercial production of cereals, which mainly consists of maize and wheat, is virtually the exclusive realm of white-operated farms. The combined harvested area of cereals, which remained in the 6-7 million ha range in the 1980s, often fell below 6 million ha in the 1990s. The production output trend is characterised by a basic pattern of a fall followed by a feeble recovery.

One of the contributing factors to this was a drought that hit in the early 1990s, which resulted in a plunge in both production output and harvested area for all products in 1992. Other factors include a return to the fold of the world economy, a shift in agricultural policy and a fall in international competitiveness.

Among non-cereal food crops, roots and tubers deserve attention for their production increases, thanks to improvements in yield. Vegetables and fruit, characterised as both domestic-consumption crops and cash crops, have shown a steady growth trend³, and this is believed to be partially attributable to the promotion of vegetable cultivation by some provincial governments and NGOs. In the small farmer crop cultivation sub-sector, the introduction of vegetables and fruit as small-scale commodity crops to replace or complement traditionally grown maize appears to have begun.

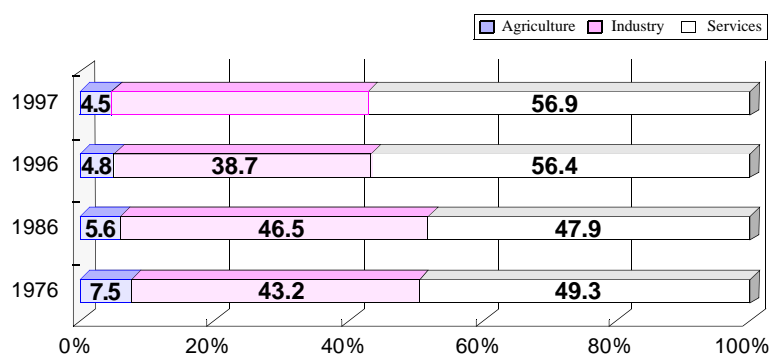
Let us now move on to the livestock sub-sector. Figure 5-3 shows trends in gross production and per capita gross production in the livestock sub-sector. Growth in gross production in the livestock sub-sector has been steadier than in the crop sub-sector, but has turned negative in recent years, after peaking in the early 1990s. The recent downward trend began even earlier in per capita gross production, with negative growth already emerging in the second half of the 1980s. This happened because the growth rate in gross production in the livestock sub-sector began falling behind the population growth rate, and as a result, per capita gross production in 1994 was as low as about 70% of the 1979-81 level.

¹ FAO(various years)

² IBRD(1999)p. 31.

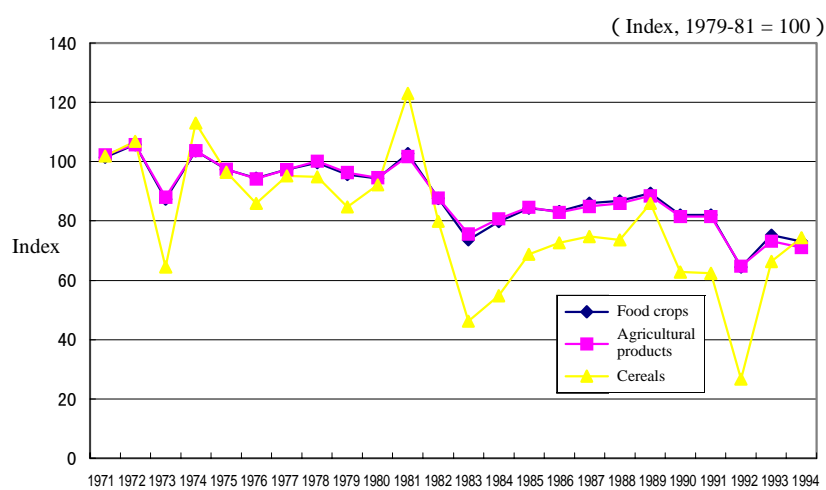
³ FAO(various years)

Figure 5-1 GDP Breakdown by Sector



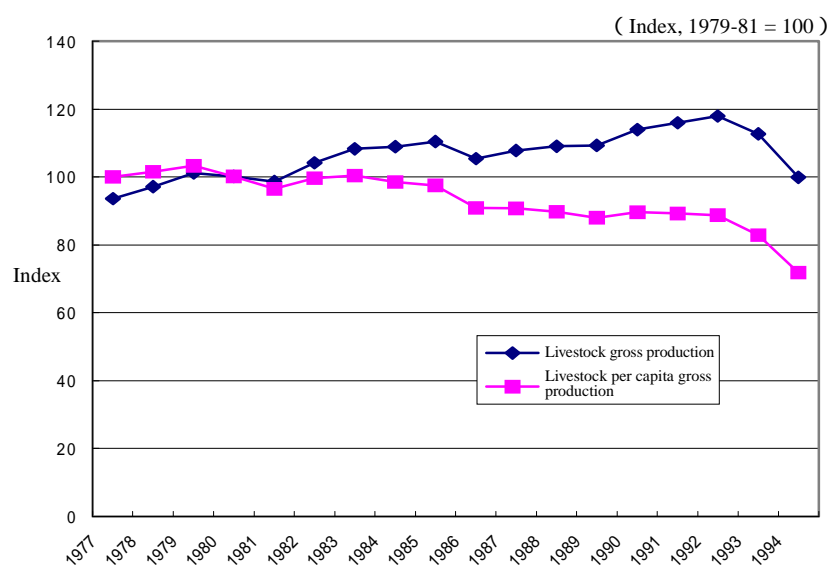
Source: IBRD(1999)p. 31.

Figure 5-2 Trends in Per Capita Agricultural Production in South Africa



Source: FAO(various years)

Figure 5-3 Production Trends in the Livestock Sub-sector in South Africa



Source: FAO(various years)

1-4 Distribution of agricultural resources

According to Sekai Kokuseizukai⁴, the combined area of cultivated land, including perennial crop cultivation fields, in South Africa is around 13.2 million ha or slightly more than 10% of overall national land, and this has changed little since the 1970s. Of this, irrigated farmland accounts for a tiny fraction, slightly more than 1 million ha. As the probability of large-scale irrigation dams being built is very small, agriculture is basically rain-dependent. Therefore, the introduction of green revolution-type improved varieties is not realistic in light of their heavy dependence on the injection of artificial resources such as irrigation water, chemical fertilisers and pesticides. The situation is similar in the livestock sub-sector, with options likely to be limited to free-range raising of grazing animals or farmyard raising of small to medium-size animals and fowls due to a limited domestic feed grain production capacity. Desertification triggered by the excessive grazing of sheep and goats on arid land is a phenomenon widely observed in various parts of Africa⁵.

Important points that need to be kept in mind when looking at the distribution of agricultural resources are province-to-province disparities and the dual structure of agriculture. The dual structure of agriculture refers to the gap between subsistence agriculture carried on in the former homelands and commercial farming practised at white-owned farms. Table 5-1 shows that commercial farming uses almost 85 million ha of land, compared to just over 14 million ha used in the former homelands,

although the data is somewhat dated. The proportion of arable land is also lower in the former homeland areas.

Similarly, agricultural machinery, a typical example of an artificial agricultural resource, is mainly used by white-owned farms, with its use by small farmers limited to aid-related access and wage labour. Agricultural machinery represents a labour-saving technology geared towards improving productivity, but this does not necessarily mean a guaranteed increase in income. Indeed, agricultural machinery ownership has fallen rapidly in recent years even among white-owned farms, which used to invest heavily in machinery, due to a rise in the number of farms unable to achieve a level of productivity gain that justifies the capital expenditure. For example, the number of tractors fell from 220,000 in 1970 to 130,000 in 1995, with harvester/thresher ownership showing a similar decline, from 21,500 in 1975 to 12,878 in 1995.

1-5 Composition of agricultural producer in South Africa

The dual structure of agriculture is intertwined with a racially lopsided agricultural producer composition, which is a legacy of Apartheid. In concrete terms, this takes the form of a divide between white-owned farms, which are engaged in commercial agricultural production, and small-scale farmers in the former homelands, who carry on with subsistence farming. In a country like South Africa, where intensive agricultural techniques (such as protected horticulture) have not been well-developed, the greatest limiting factor for the scale of

Table 5-1 Breakdown of Agricultural Land Utilization by Province

Province	Agricultural land area (1,000 ha)		Arable land share (%)		Grazing share (%)	
	Former homeland	Commercial farming	Former homeland	Commercial farming	Former homeland	Commercial farming
Western Cape	—	11,484	—	12.4	—	62.4
Northern Cape	—	29,108	—	1.3	—	67.3
Orange Free State	188	11,496	15.1	32.9	47.0	56.1
Eastern Cape	4,002	10,557	10.2	5.4	44.4	77.7
Kwazulu Natal	3,090	4,093	10.0	15.1	61.3	26.5
Easter Transvaal	493	5,103	20.4	21.3	25.1	4.6
Northern Transvaal	3,395	5,689	14.7	14.0	73.3	45.9
PWV Area	—	774	—	23.4	—	4.5
North East	3,313	6,316	25.0	29.9	49.0	44.2
Total	14,480	84,671	14.9	12.7	54.4	55.3

Notes: 1) "Arable land share" and "Grazing share" were calculated with regard to the respective provincial land areas.

2) The former homelands are referred to as "developing farming areas" in the original data source.

Source: DBSA (1994).

⁴ Fujitsu Learning Media (1999).

⁵ Unlike cattle, which only eat surface plants, sheep and goats sometimes accelerate desertification, as they dig up roots with their hooves and eat them, thus hampering vegetation regrowth.

agricultural operation is land. However, land ownership is one area where an enormous gap exists between commercial agriculture and former homeland small-scale farming. The fact that land is the most fundamental factor of production in agriculture makes land redistribution a particularly important issue for South African small farmers.

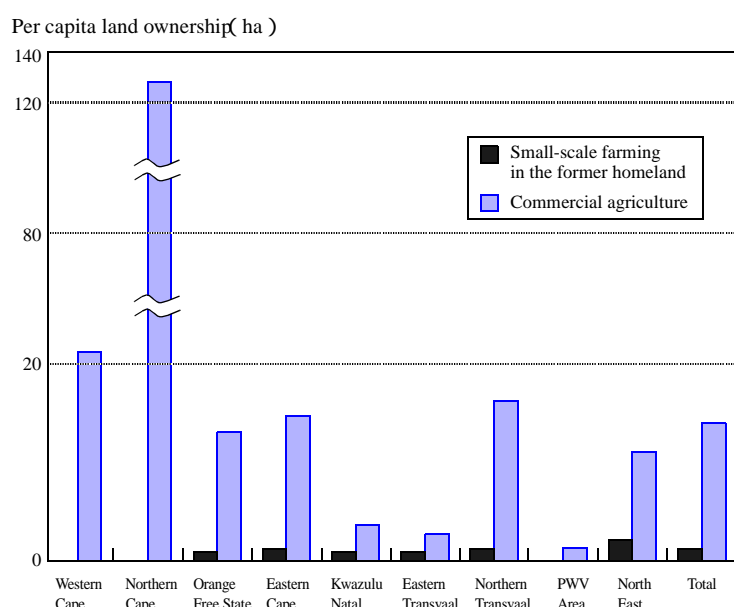
The disparity in agricultural land utilization results in income disparity. Despite the fact that the combined gross farm income of the former homelands rose 4.2 times from 1981 to 1991 as shown in Table 5-2, it falls far short of the corresponding figure for white-owned commercial farms.

Having gone through a natural selection process in the 1970s, a considerable disparity has also developed among

white-owned farms as the main players in commercial agriculture in terms of division between small to medium-scale farms, which are faced with a chronic financial crisis, and well-organised business entities, such as large-scale high-productivity corporatised farms. Namely, consolidation is under way in commercial agriculture, whereby operations are becoming more and more concentrated in the hands of a small number of corporatised farms and other similar business entities.

On the other hand, many family farms are struggling financially, and even those that are free from financial difficulties are often unable to find a successor. If this situation continues, a considerable number of family farms could simply “disappear”, and it would be extremely difficult to stem this trend. This gives rise to the need for a system that facilitates the transfer of the control of closing white family farms to black farmers. A case in point is a move to encourage black farm workers to acquire farm shares and participate in farm management. If this is combined with preferential assistance, it may pave the way for the conversion of closing white-owned farms into farm worker co-operative-type farms in the future.

Figure 5-4 Comparison of Per Capita Land Ownership by Province and by Form of Agriculture



Source: DBSA(1994)

1-6 Importation of agricultural products

South Africa is a net importer of food. In 1976, food imports amounted to 482 million dollars on a CIF basis, but this increased to 890 million dollars in 1986 and further to 1.842 billion dollars in 1996 (1.65 billion dollars in 1997), thus roughly doubling every ten years⁶. This is a consequence of the increased demand associated with population growth and urbanization.

In contrast, agricultural production, particularly cereal production, has been stagnant, with a trend of crop switch away from cereals under way. As a result, cereal imports have been on the rise. For example, despite the fact that

Table 5-2 Comparison of Gross Farm Income by Province and by Product (in the Former Homelands)

(Unit: 1,000 rand)

Province	1981				1990			
	General field crops	Horticulural crops	Animal hus-bandry products	Total	General field crops	Horticulural crops	Animal hus-bandry products	Total
Western Cape	120,896	75,454	182,800	379,150	420,318	191,004	584,808	1,196,130
Eastern Cape	140	1,272	718	2,130	1,906	6,493	4,027	12,426
Kwazulu Natal	21,148	14,491	77,976	113,615	119,323	120,377	230,750	470,450
Eastern Transvaal	53,822	37,293	48,196	139,311	165,774	15,477	160,132	341,383
Northern Transvaal	2,926	1,664	2,115	6,704	22,003	3,851	9,274	35,128
PWV Area	22,646	14,204	37,847	74,697	32,957	32,051	91,245	156,253

Note: Data is not available for North Cape, Orange Free State, and North West.

Source: DBSA(1994)

⁶ Fujitsu Learning Media(1999)

South Africa is a major maize producing country, maize imports have shot up from 4,000 tonnes in the 1980s to 700,000 tonnes in 1995 and 500,000 tonnes in 1996.

In the meantime, South Africa has made export-led economic growth the centrepiece of its post-Apartheid economic strategy. The export dependence of the South African economy is traditionally low, with the country's export share of the GDP hovering just above 10% from 1971 to 1988. Although there was a considerable increase in 1994, the figure was only 16%⁷. Against this background, agriculture is expected to contribute its share in expanding exports so as to achieve economic growth and employment expansion.

1-7 Significance of agriculture in South Africa

As can be seen from the above, the place of agriculture is fairly low in the context of the country's economic performance. However, this does not mean that agriculture is unimportant. Far from it. Agriculture makes other great contributions, such as supply of raw materials for agriculture-related industries and earning of export dollars, which cannot be measured in terms of its GDP share.

Besides, agriculture plays a significant role in maintaining social stability. In this regard, the significance of agriculture is twofold. Firstly, it provides socially disadvantaged people, such women and the elderly, with job opportunities, thus contributing to an improvement in employment. Given the incredibly high unemployment rate, much hope is pinned on the employment potential of agriculture.

However, it should be noted that the raising of the employment capacity of agriculture is a double-edged sword. Positive aspects include the "socialization" of labour provided by the elderly, women and other marginalised workers, whom the formal sector is unwilling to employ, and provision of a social safety net. Negative aspects include an excessive manpower level in agriculture. In other words, although its large employment capacity can be very useful in terms of providing a social safety valve in light of the present employment situation in South Africa, its can potentially hinder the improvement of agricultural productivity. This gives rise to a need for measures geared towards absorbing excess manpower.

Secondly, it provides South Africa with food security. It is particularly important to consider this issue in light

of population growth. South Africa's average annual population growth rate from 1990 to 1996 was 2.3%, creating a natural population increase of 540,000 between 1990 and 1995. This trend is expected to continue in the future. According to the United Nations' long-term forecasts, the country's population will exceed 46 million by the year 2000, reaching 71.62 million in 2025 and 91.47 million in 2050, although the average annual population growth rate will slow down to 1.76% in the 2000-2025 period and 0.98% in the 2025-2050 period⁸.

Most of these population increases are expected to occur among poor blacks, thus raising the population pressure on cities by intensifying the traditional rural to urban population movement based on poverty in rural villages ("push" factor) and the attraction of cities ("pull" factor). Indeed, the urban population has been steadily increasing since the 1960s, exceeding 50% of the overall population in 1994, and there is a need to boost food production to meet the ever rising demand for food.

When agriculture is looked at from a community or personal perspective rather than a national perspective, positives far outweigh negatives. Above all, it provides people with a livelihood and a chance to become socially independent.

2. Shift in Agricultural policy and Future Directions

2-1 From protection to market orientation

South Africa's agricultural policy basically targets commercial agriculture. This is illustrated by the fact that agricultural development programmes for the former homelands were initially modelled after large-scale white agricultural operations — an extremely unrealistic approach.

To begin with, large-scale white agricultural operations themselves had become extremely dependent on government protection — to the extent that they would not be able to survive without lavish protection. Things went from bad to worse, and protection for white-owned farms was expanded to strengthen food self-sufficiency, as international economic sanctions against Apartheid, as well as product boycott and other forms of public protest, spread. At the same time, the Government adopted a developing country-style agricultural policy designed to

⁷ Ginsberg, A.(1998)p. 205.

⁸ United Nations(1996)

utilise agriculture as the foundation for industrialization by demanding self-sufficiency from white-owned farms through the introduction of heavy agricultural machinery and the supply of labour at factories and mines from small black farmers. This amplified the structural duality of agriculture.

The FAO classifies South Africa's agriculture policy since the establishment of nationhood into three phases: the first from 1913 to 1948; the second from 1948 to the mid-1980s; and the third from 1985 onwards⁹. According to this classification, the first phase is characterised by the formation of the structural duality of agricultural, with the second and third phases characterised by the transformation of large-scale white-owned farms into capital intensive operations and progress in the reform of the agricultural sector, respectively. The transition from the second to third phase occurred amid severe budgetary constraints and an increasingly obvious loss of competitiveness on the part of white-owned farms. One notable factor of this process was over-investment and the resulting deterioration in capital productivity.

The reform of the agricultural sector in the third phase, therefore, has taken the form of sweeping deregulation and the cutting back of agricultural protection. In short, it is a shift to a market-oriented agricultural policy. As can be seen from the lowering of the maize price support level since 1987 and the abolition of price control for wheat and flour in 1991, the income support policy based on price support has been overhauled. In recent years, the trend towards a market-oriented policy stance has accelerated through the adoption by the ANC of the Reconstruction and Development Programme (RDP) and GEAR.

2-2 Position of agriculture in RDP and GEAR

In the RDP and GEAR, the ANC has laid out its plans to pursue the development of human resources, social and economic reconstruction and democratization so as to meet people's basic needs, as well as steadily implementing reconstruction projects. These reconstruction projects are meant to follow a set of principles, including comprehensiveness, sustainability, community participation and peace & security.

Agricultural policy must play a part in the economic and social reconstruction of the country, and a set of agri-

cultural guidelines have been drawn up to show its direction. The guidelines encompass the following seven goals: the adequate and stable supply of affordable food and textile products; achievement of living conditions that allow all farmers to maintain their dignity as human beings; sustainable rural development; employment creation and poverty reduction; proper rewards for labour inputs and business efforts; expansion of the agricultural contribution to the national economy; and conservation of natural resources for future generations (to ensure the continued existence of society).

To achieve these goals, ensuring equitable access to land and other agricultural resources is absolutely essential, for, without this, the efficient utilization of resources will not be possible. It is for this reason that the ANC emphasised the inseparability of rural development and land reform in the RDP, and proposed the redistribution of 30% of agricultural land within the first five years. The setting of a numerical target was a significant development, but it was short-lived. Namely, land reform was dropped from the agenda of the RDP White Paper adopted by the Parliament in 1994, and this move undoubtedly pushed down rural development on the priority list.

The policy goals of the RDP were taken over by a macroeconomic strategy document called "Growth, Employment and Redistribution" (GEAR), and the materialization of the ideals of the RDP was re-emphasised in all areas, including basic needs, human resource development, democratization and participation. Despite this, GEAR had no choice but to set policy directions along the lines of the market-centric pursuit of a small government, transformation of the economy into an export-driven one and greater emphasis on self-help efforts in the face of various economic constraints (including fiscal deficits, fallen foreign investment, inflation and unemployment). As a result, it failed to come up with new initiatives in the agricultural area, and toned down land reform as a policy goal by linking it to housing policy and social infrastructure development.

Nevertheless, it may be true that the RDP has just entered the implementation stage following the establishment of the Mbeki Government, as a Department of Agriculture official has pointed out¹⁰. The previous minister for agriculture had to first tackle the establishment of the

⁹ FAO(1995)pp. 87-97.

¹⁰ Based on an interview with Mr. V. B. Mothuloe of the Department of Agriculture on 11 August 1999.

guiding principles of agricultural policy and its policy framework on a priority basis, and did not have time to move on to implementation. In this regard, much hope is pinned on the action and leadership of the new minister.

2-3 Goals and measures of agricultural land policy

Traditionally, land policy was widely seen as housing-related land redistribution in South Africa. However, a move to establish a system to seriously address agricultural land reform under land policy is in progress, and the notion that the fate of agricultural land reform will determine the outcome of the rural poverty problem is taking root, particularly at the Department of Land Affairs (DLA).

Indeed, land reform not only represents a moral imperative of rectifying historical injustice but also advances national unity by narrowing the extreme gap between the haves and have-nots, as well as providing the key to the fulfilment of the two closely related tasks of employment creation and poverty reduction. On the other hand, large-scale white-owned farms have started to show signs of financial difficulties, giving rise to a renewed appreciation for small-scale family farms.

The main targets of agricultural land reform policy are therefore the inhabitants of the former homelands, people who forfeited their land through forced relocation policy and residents of white-owned farms (labour tenants¹¹ and farm labourers). For these target groups, the Government introduced the following three land reform programmes in the White Paper on South African Land Policy of 1997: land redistribution, land restitution and land tenure reform.

Land redistribution, which is the centrepiece of the land reform programmes, aims to supply the poor with land for housing and production purposes. In concrete terms, this is to be carried out through market-based land sale, and a grant of up to 15,000 rand per household is to be provided under the Settlement/Land Acquisition Grant system. Priority is to be given to marginalised people and women in need and projects which can be implemented quickly and effectively.

Land restitution aims to return land to people dispossessed of it after the enactment of the Natives Land Act of 1913 due to forced resettlement, etc. Land claim cases

will be handled through the establishment of the Land Claims Court and the Commission on Restitution of Land Rights as bodies for the investigation of claims, provision of arbitration and enforcement of decisions. If a decision is made to return land, the current owner will receive compensation. In cases where returning land is difficult, the claimant will receive alternative land or monetary compensation. Successful claimants are eligible for financial assistance worth up to 15,000 rand.

Land tenure reform aims to protect the rights of people who lease land or engage in tenant farming under precarious arrangements. However, as this is a very complex issue, a concrete policy framework is yet to emerge. The White Paper on South African Land Policy only lists examples, such as the Interim Protection of Informal Land Rights Act and the Communal Property Associations Act, both passed by the Parliament in 1996. In the end, however, the Government will probably pursue the acquisition of land actually resided on/cultivated by these tenants.

What is the actual track record of land reform like? As can be seen from Table 5-3, the combined area of land redistributed under the land redistribution programme has reached some 18 million ha, although it has benefited less than 20,000 households. Namely, market principles only allow relatively wealthy households with money to spare to participate in the land reform process, leaving poor households out in the cold, despite the fact that they should be the focus of land reform. Moreover, according to data compiled by the Commission on Restitution of

Table 5-3 Land Redistribution Records
(April 1994 - March 1998)

Province	Combined area of redistributed land (ha)	Number of projects	Number of beneficiary households
Eastern Cape	1,209,645	11	3,768
Free State	1,374,144	21	1,220
Gauteng	8,354	1	75
Kwazulu Natal	5,818,511	33	6,237
Mpumalanga	1,778,215	14	3,978
North East	455,211	6	1,750
Northern Cape	7,294,311	8	1,683
Northern	391,309	4	784
Western Cape	65,985	3	356
Total	18,395,685	101	19,851

Source: Sidiropoulos, E. *et al.* (1998) p.326.

¹¹ "Labour tenant" refers to a tenant farmer who cultivates a portion of land belonging to a white farm owner in exchange for working for him/her for three to nine months a year. This is a customary arrangement that is not based on legal contract, making the position of labour tenants very tenuous.

Land Rights as the cumulative total of claims filed between May 1995 and January 1998, the overwhelming majority of land restitution claims come from cities, with rural-based claims accounting for only 3,503 of the overall 23,414 claims¹². This indicates that land restitution is a policy measure basically only suited to cities, where it is relatively easy to prove past ownership and take legal action.

2-4 Agricultural marketing policy and reorganization of the domestic market

The South African marketing system was first defined by the Agricultural Marketing Act of 1937. The act was amended several times, and regulatory controls were strengthened. The Government has had wide-ranging market intervention powers, and has set up/drawn up monopolistic marketing boards and marketing plans, while adopting price support systems. This can be characterised by, among other things, a monopolistic single-channel marketing mechanism, monopolistic buy-up system and fixed prices¹³.

The clumsy introduction of a wholesale market system was part of this process. Prior to this, hundreds of town markets existed throughout the country, stimulating small-scale commodity production and trade. However, the Apartheid-driven National Party Government integrated these town markets into 15 national fruit and vegetable wholesale markets located in major cities. This concentration of sales outlets shut out many small farmers from marketing due to the high transport costs associated with taking their products to a wholesale market and made it difficult for small merchants to purchase stock. In short, wholesale markets represent a marketing system geared towards large-scale farmers and large-scale retail capital, and have been destroying local-based production industries¹⁴.

However, the monopolization of marketing by marketing boards based on the Agricultural Marketing Act, and their large retail margins and inefficient management practices gradually became a problem. As a result, the Kasser Commission was set up in 1992 to review the Agricultural Marketing Act, and later released a report calling for the relaxation of government controls and reg-

ulations¹⁵. This led to the abolition of marketing plans for six products including bananas, chicory and chicken eggs, as well as the replacement of the single-channel purchase/marketing system with a multi-channel one for maize, tobacco, etc. Moreover, the silo construction approval system for main cereal crops, a measure introduced to protect the monopolistic interests of milling companies, has also been abolished.

Since 1996, more sweeping reform efforts on agricultural marketing policy have been under way. These aim to create a more efficient and flexible market structure and improve market access for small to medium-size farmers in the belief that this will lead to employment creation, income expansion, a rectification of the urban-rural gap and the supply of food at fair prices. The Marketing of Agricultural Products Act, which came into force in 1997, limited government intervention to the collection of levies and a few other areas, and stipulated the abolition of all remaining marketing boards (maize, sorghum, oilseed and cotton) by the beginning of 1998. On the back of these deregulation measures a futures market for agricultural products was established, thus making the hedging of risk possible¹⁶.

Such radical reform is closely related to South Africa's return to the international stage and progress in the Uruguay Round of GATT. As a result of its active efforts to comply with the WTO framework, South Africa has earned a reputation as a country with one of the most liberalised markets in the world, alongside Australia and New Zealand. Although this may be a plus for the country's macroeconomic strategy centred on export-led economic growth, it does little to help small to medium-scale farmers as the main target of the marketing reform. For them, things like futures trading border on the irrelevant, and a far more pressing issue is greater market accessibility.

2-5 Farmer organizations and agricultural co-operatives

South African farmers are very well-organised, and have formed various organizations that promote agricultural interests, such as community-level development committees, farmers unions and industry-specific unions.

¹² Sidiropoulos, E. *et al.* (1998) pp. 325-326.

¹³ Groenewald, J. (1998) pp. 203-204.

¹⁴ Department of Land Affairs (1997) p. 32.

¹⁵ Groenewald, J. (1998) pp. 204-205.

¹⁶ Ministry for Agriculture and Land Affairs (1998) p.p. 16-17.

Of these, the most important are agricultural co-operatives.

Agricultural co-operatives began spreading throughout South African rural villages after a decision to promote them was made by the Department of Agriculture in 1910 and the Land Bank started providing white-owned farms with financial assistance through them¹⁷. Following the establishment of marketing boards under the Agricultural Marketing Act of 1937, agricultural co-operatives became their agents and their standing soared. However, this killed off farmers' enthusiasm to improve efficiency by enabling them to ship their products without much effort.

In the former homelands, agricultural co-operatives functioned as the Government's direct agents and took on responsibility for the supply of agricultural equipment/materials and provision of credit services. Nevertheless, homeland-based agricultural co-operatives did not develop fully due to Apartheid. They were eclipsed by small business associations and grassroots savings unions when they came into existence in the second half of 1980s under the DBSA Farmers Support Programme. Historically speaking, therefore, homeland-based agricultural co-operatives did not become a real force.

Even so, agricultural co-operatives have the potential to benefit small to medium-size farmers enormously by providing them with bargaining power against primary merchant capital and a vehicle for the joint purchase of agricultural equipment/materials, sharing of joint facilities, access to farm financing and credit, technical extension, access to agricultural information, etc. The abolition of marketing boards will act as a catalyst for agricultural co-operatives to go back to these more traditional roles, and the survival of agricultural co-operatives rests on this. This is because the Government is no longer in a position to provide them with generous financial assistance, and farmers are now free to sell their products directly to food processors or merchants.

This means that agricultural co-operatives must transform themselves into organizations capable of assisting small to medium-size farmers with sales strategies. For example, if an agricultural co-operative owns a silo, it will save many small to medium size farmers with few financial resources from hastily selling off their products soon after harvesting, at bargain prices if necessary, due to a lack of a storage facility. In addition, if an agricul-

tural co-operative organises truck-based joint shipping, it will greatly improve the market accessibility for small to medium size farmers.

On the other hand, given the hard reality of many rural villages being devoid of agricultural activity, it will be of strategic importance to explore the possibility of developing multi-purpose agricultural co-operatives that incorporate non-agricultural elements. In particular, labour-intensive small-scale processing industries, such as the processing of farm products (food, sundry goods, etc.) and making of handicraft products, will definitely be worth considering. In this case, however, there will be competition with existing businesses, so that the development of niche products should also be given due attention.

In view of improving the status of small to medium-size farmers and other rural residents, it is important to realise inter-community multi-purpose co-operative activities capable of meeting their needs by involving several communities and to organise provincial-level agricultural co-operatives as federations of these inter-community co-operatives for the purpose of increasing the economic efficiency of their activities — be it a farm product production/sales co-operative or a rural village co-operative. In this regard, capacity building for co-operative management is an essential precondition.

2-6 Resource and environment policy in agriculture

The South African Constitution stipulates that every person has the right to live in a healthy environment and have the environment protected to the benefit of present and future generations through the prevention of pollution and ecological degradation and pursuit of sustainable development (Section 24). Agriculture-related resource and environment policy follows this guiding principle.

The issue here is the meaning of "sustainable development". In the South African context, sustainable development amounts to the realization of social justice, for, without it, the poor will continue to be forced to survive from hand to mouth by using up their resources, making it impossible to manage the environment on a sustainable basis. Namely, sustainable development means ensuring sustainable living conditions for people.

The importance of this understanding lies with the fact that many environmental problems in rural villages are

¹⁷ Van Rooyen, C.J. and Van rooyen, I.M.(1998)p. 236.

attributable to absolute poverty. The South African rural environment exists on a precarious balance of nature due to low and unreliable precipitation. Nevertheless, farmers have no choice but to go against traditional wisdom and overuse agricultural resources because of a shortage of land, population pressure, and constraints in irrigation access, energy use, etc. Phenomena such as soil loss, degradation in fertility, excessive grazing, diminishment of forests and water pollution are consequences of this. Of these, soil loss is a particularly serious problem, with its incidence in the former homelands estimated to be about five times as high as on commercial farms.

Therefore, the biggest task of agriculture-related environment policy is to break the vicious cycle of poverty, population increases and environmental degradation. However, the reality is that the current agricultural policy relies on a market-orientated approach, and has so far failed to put forward clear-cut environment protection measures. Although the Department of Agriculture set up the Committee on the Sustainable Resources Use, the system is still based on the Conservation of Agricultural Resources Act, and the slow pace of agriculture-related environment policy is unmistakable.

3. Social Aspects of Rural Areas and Reorganization Directions

3-1 Definition of rural areas

The two kinds of rural areas — namely, areas where agriculture is the dominant industry and areas where people live — do not always coincide. When looking at the issue of social development, it is necessary to distinguish them and examine the relationship between them. This gives rise to the question of how to define rural areas. Focusing on the agricultural aspect, the 1995 White Paper on Agriculture defines South African rural areas as follows: areas located outside the legally drawn fixed boundaries of local governments and dominated by agricultural activity¹⁸. However, such a definition based on industrial classification gives rise to a number of problems.

Namely, people engaged in agriculture as an industrial activity, i.e. commercial agriculture, make up a tiny minority in South African rural areas, and the vast majority consists of small farm households having difficulty raising enough crops to feed themselves and tenant farm households. It is therefore far from the truth to say that farm income plays a central role in rural economic activity. Rather, what really support the rural economy are non-agricultural incomes, such as wages, pensions and remittances made by people working away from home as migrant workers. For these reasons, it is more realistic to characterise rural areas as living spaces rather than industrial spaces.

It is therefore necessary to redefine rural areas along these lines. In this regard, attention is focused on an alternative definition given by the Central Statistics Service in terms of central place theory, population density and functional classification based on existing services¹⁹. According to this definition, rural areas are depopulated areas supported by farming or natural resources (lack of socio-economic services) and include villages, small cities and rural settlement clusters in the former homelands²⁰. This definition takes non-agricultural economic activities and social aspects into consideration²¹.

3-2 Rural poverty and food supply

The above definition of rural areas highlights the biggest challenges faced by rural areas: poverty and lack of socio-economic services. In South Africa, the poverty line has been drawn at a monthly income of 301 rand per person or 800 rand per family. In 1991, 70% of the population was classified as living below the poverty line in South Africa, and 75% of them were rural residents. Although rural residents account for 53% of the population, they have a less than 10% share of national consumption²². The poor are overwhelmingly concentrated in rural areas, and as many as 80% of the poorest are rural residents. Among the former homelands, the proportion of people living below the poverty line is highest in Transkei (92%), followed by Qwa-Qwa (88%) and Lebowa (83%), and even the lowest figure is still 48%

¹⁸ Department of Agriculture (1995) p. 5.

¹⁹ Department of Land Affairs (1997) p.p. 17-18.

²⁰ Large-scale settlements without any livelihood other than transferred income.

²¹ Based on this definition, the Central Statistical Service has conducted a household survey by using the following four land classification categories: urban, peri-urban, rural settlements and agricultural.

²² Ginsberg, A. (1998) pp. 36-37, p. 196. For example, the average income of Africans is estimated to be a little less than a tenth of the average income of whites, with the average personal income in the informal sector put at less than 500 rand.

(KwaNdebele)²³. Thus, poverty tends to be concentrated in the former homeland areas (though not limited to these areas) with female-headed households often being the poorest in the community, and this is largely attributable to a lack of livelihood in the former homelands. According to the FAO²⁴, gross agricultural production in the former homelands only accounted for 3.1% of their combined share of GDP in 1990, with only 28.9% of agricultural products sold through the market.

This makes agriculture all the more important from a food security viewpoint. Although food security needs to be examined in terms of availability, safety and intergenerational/intergenerational distribution, availability, which is the most important immediate factor, also boils down to the distribution issue, including resource utilization. Although the food price index has steadily risen from 100 in the base year of 1987 to 313 in the 1990-96 period²⁵, this is likely to have only increased the burden on consumers without much benefiting small farmers. Namely, the rise in food prices did not translate into an increase in producer income due to inefficient resource allocation. For poor farmers, market-based agricultural land reform is basically beyond their reach. So, the best short-term solution would be to boost production through a community-level co-operative approach with a view to improving nutrition and pursuing opportunities to sell any excess crops.

3-3 Traditional authority in rural areas

In rural areas, traditional chiefs still hold authority, and such traditional authority used to play a decisive role in the administration of land distribution — a role currently attracting fresh attention. In the former homelands, a traditional-style communal ownership and land distribution system was also introduced through customary law, and its application and administration became the responsibility of traditional chiefs. Under Apartheid, collaborative chiefs were handpicked and installed by the Government, leading to the concentration in their hands of power over communal land. For this reason, the former homelands

became “scene where people’s survival strategies and political strategies over traditional chiefs were played out”²⁶.

The basic scenario remains the same today, and two opposing but intertwined forces, i.e. dependence on traditional authority and rivalry, are still at play. The 1996 Constitution has given a kind of “endorsement” to this system by recognising the organization, status and role of traditional leadership. On the back of this, the Council of Traditional Leaders Act was put into force in 1997. The act defines the roles of the council as follows: the promotion of the role of traditional leadership within a democratic constitution, enhancement of the unity of traditional communities, and giving advice on traditional leadership and customary law to the Government²⁷.

Although the public rehabilitation of traditional authority has been partly motivated by political considerations, it is also a reflection of the Government’s realization that running rural villages is impossible unless it is done through traditional chiefs. However, the revival of traditional chiefs is a double-edged sword, in that it facilitates the administration of rural villages while risking the abuse of power by these chiefs using government endorsement as an excuse. This gives rise to the need for democratic education and monitoring for traditional chiefs.

3-4 Gender issue in rural areas²⁸

In South Africa, “households headed by women (hereinafter referred to as ‘female-headed households’, including cases of the husband being always or mostly absent from home)²⁹” have a high poverty ratio compared to those headed by men (hereinafter referred to as “male-headed households”). As of 1995, female-headed households, which accounted for about 39% of all households, had a more than 50% share of households in poverty. Moreover, while the proportion of households in poverty is about 44% for male-headed households, the figure jumps to slightly less than 70% for female-headed households (see Table 5-4) Although the data quoted

²³ RDP(1995), Department of Land Affairs(1997)

²⁴ FAO(1995)p. 86.

²⁵ IBRD(1999)p. 37.

²⁶ Sato, Chizuko(1997)p. 22.

²⁷ Sidiropoulos, E. *et al.*(1998)pp. 481.

²⁸ This section is based on a draft prepared by Ms. Yoko Konishi.

²⁹ Female-headed house holds represent a diverse array. Racial differences aside, they encompass widows with grown-up children, widows with young children, single mothers and wives whose husbands are absent. They have different levels of accessibility to various resources and social status.

Table 5-4 Household Structure and Poverty

Household structure	Population share (%)	Poverty share (%)		Poverty rates (%)	
		Poor	Ultra	Poor	Ultra
de jure female head	26.9	33.9	35.0	66.5	37.5
de facto female head	10.5	13.9	13.7	69.9	37.5
female head	1.2	1.5	1.2	67.7	29.2
resident male head	61.4	50.7	50.1	43.6	23.5
Total	100.0	100.0	100.0	100.0	100.0

Note: Although the two "total" cells under the "Poverty ratio" column have 100 as entries by following the original data, these should be replaced by the proportions of poor households and extremely poor households in all households.

Source: Ministry in the Office of the President(1995)p. 13.

does not provide an urban-rural (the former homeland) breakdown of female-headed households in poverty³⁰, rural-based female-headed households are believed to be even poorer with less power than what the data suggests, judging from the general distribution of poor households.

This has major implications for the gender issue in rural areas. Firstly, rural areas have large dependent populations, thus placing a considerable burden on female household heads. With virtually all male adults economically active having left villages to become migrant workers, most domestic chores, including the carrying of water and gathering of firewood, are undertaken by women, on top of any economic activities³¹. Secondly, access to farmland is restricted for them. In rural areas, traditional customary law, which only gives land rights to married male household heads still applies. It does not even allow a freehold tenure to be transferred to a daughter. Thirdly, mental and physical violence by husbands and lovers hinder the independence of rural women. African women experience about 10 times as much violence as white women, while rape is said to be more prevalent in poorer provinces³².

Therefore, there is a need to tackle the gender issue and poverty together, and it is important to provide assistance and support for the economic independence of women. In addition to providing economic support

(encompassing, among other things, land access, financing for small business start-up, education, job training and literacy programmes) establishing a social support system, incorporating enhanced health and medical care, shelter against violence, counselling, legal advice, and the like is an urgent task.

In view of the special nature of rural areas, the highest priority should be given to access to farmland. The Department of Land Affairs (DLA) has named the following as the gender targets in land reform: 1)abolition of legislation which restricts women's access to land; 2) active participation by women in the decision-making stage of land reform; 3) land registration in the joint names of all household members; and 4)preferential provision of land acquisition grants worth up to 15,000 rand. However, as has been discussed, this land reform is market-oriented, so that it is virtually impossible for women without funds or bargaining power to acquire land. Moreover, a concrete procedure for women's participation in the decision-making stage of land reform has not been established. In this regard, it should be noted that men and women have different priorities with respect to land use³³.

On the back of a string of success stories from various parts of the country, the Department of Agriculture has recently been promoting women's community garden

³⁰ In 1993, the female-headed household rate among African households was 28% in rural areas and 29% in urban areas(excluding the capital region)(See the JICA Planning Department(1998)p. 12.)

³¹ Eighty-eight percent of the poorest households have to carry water everyday. Of them, about 24% have to walk more than 500m to get to the water source. These households spend about three hours a day carrying water and collecting firewood. See Ministry in the Office of the President(1995)p. 18.

³² Callaghan, N., Hamber, B., and Takura, S., "A Triad of Oppression: Violence, and Women and Poverty", <http://www.wits.ac.za/csvr/artgend.htm>.

³³ According to Cross, C. and Friedman, M.(1997)pp. 26-29, men tend to desire a large area of land suitable for grazing by linking it to political power, whereas women are more likely to want a relatively small piece of land with a marketing advantage by seeing it as a means of production that provides a livelihood.

projects. Given the irregular nature of remittances and pension payments³⁴, such agricultural activity will provide a badly-needed cash income and secure food supply, albeit on a small scale. To facilitate the spread of these projects, however, it is desirable that active assistance be provided in areas such as market access, market information supply, extension/guidance and the development of farming techniques, as will be discussed in a case study in section 3-5. Along with community garden projects, handicraft making during the off-peak season also provides women with a precious income source. However, despite the fact that these activities aimed at expanding income earning opportunities will require some start-up funds, there are few lending institutions that give poor women any consideration. It is desirable that the services of the Women's Development Bank, which engages in lending activities targeting rural women, be expanded. Other South African government efforts concerning the gender issue include the activities of the Office on the Status of Women (OSW), which is the country's national machinery for gender equality, although their activities do not focus on rural women.

While there are quite a few NGOs that are working on the gender issue, those that focus on rural women are still few in number. Apart from community projects being undertaken by women with financial assistance from donors, the most active women's organization in South Africa is the Rural Women's Movement. It is a nationwide network-oriented CBO which engages in lobbying geared towards rural women's empowerment and financial assistance for projects aimed at improving women's income. Several rural development NGOs are also undertaking community garden projects targeting women.

Neither the South African Government nor NGOs have a full grasp of the situation that rural women are in. So far, limited research has been done on these women, and relatively little is known about them. It is therefore necessary to first draw a complete picture of their situation and needs and analyse them in the context of their social environment by actively incorporating techniques such as participatory rural assessment, followed by action geared towards facilitating women's participation in project planning and empowerment.

3-5 Case study of agricultural/rural development project for empowerment of rural women

In some South African provinces such as KwaZulu-Natal, small-scale horticultural projects involving rural communities in the former homelands are being promoted. Given the fact that rural areas have been going through "feminisation" for quite some time, these projects amount to the empowerment of rural women. The ARDC provides assistance for several such community garden projects. Let us now look at a project being undertaken in Northern Province and examine its present state and future tasks³⁵.

The community garden is located about an hour's drive from Pietersburg, the provincial capital. It is about 3 ha in size, and draws water from a small canal located about 300 m away via a pump and piping system. The irrigation method used is a kind of furrow irrigation. It is based on a pipe installed underground with risers attached at several locations. Water is accessed by inserting the tip of an irrigation hose into the float valve built into one of the risers, which is kept shut by water pressure when not in use. Except for the pump and piping, it is a relatively simple system which can be built and operated without sophisticated technical skills. Technology and a scale of operation that are self-manageable are the strengths of the project.

Five pumping stations have also been built on the canal to supply water to three irrigation projects located on the other side of the canal. With each covering more than 100 ha of land, the projects' combined irrigation area stands at 338 ha. The crops grown are cotton, wheat and maize, which consume large amounts of water during summer. As the canal is fairly narrow, competition for water is intense, and the community garden is often denied its share because it is the weakest of the canal users. Due to this irrigation constraint, year-round planting is difficult at the moment. This shows that community revitalization based on small-scale irrigation will have to involve a readjustment of irrigation rights³⁶.

The community garden is being run by 21 women. The 3-ha parcel of land has been divided into individual plots, with each woman taking personal responsibility for her plot, although the traditional chief is involved in the dis-

³⁴ According to a survey conducted in Mpumalanga Province in 1992-93, a mere 29.4% of women with children receive monthly remittances from their former or current husbands, and even the figure for twice annual remittances is not much higher, at 35%.

³⁵ Based on a field inspection conducted on 12 August 1999.

³⁶ In recent years, debate on the redistribution of irrigation rights has begun. However, such a debate would require accurate nationwide hydrologic and irrigation data as a prerequisite. In this regard, the preparation of irrigation maps for the former homeland areas would be a particularly urgent task.

Figure 5-5 Female farmers in Community Garden in Northern Province



photo by Yoko Konishi.

tribution of plots. During the dry season, the garden is irrigated two to four times a week, and various vegetables, such as cabbage, spinach, tomatoes, melons, beets, onions, carrots, green peas, butternut and peanuts, are grown. The only major production inputs are manure collected from farm animals and twice yearly pesticide application (for cabbage), but crops have been growing well, probably because of good maintenance efforts. After taking seeds, harvested crops are primarily used for home consumption. Although any leftovers are sold, women do not do the peddling themselves. Rather, they wait for customers to come to them from nearby areas. To move this project a step further along the social development path, securing market access is essential, and this will be the main task in the future. Possible approaches include the setting up of a farm product pickup point within an hour's walking distance, arrangement of transport by the agricultural co-operative and the creation of a farm product market in the neighbourhood.

At any rate, all the women involved in the project are cheerful and energetic, and the project appears to be a resounding initial success in terms of the empowerment of women. Indeed, the steady accumulation of these modest efforts may be the key to successful social development.

3-6 Agricultural research and extension

Public agricultural research institutions include the Agricultural Research Council (ARC), seven universities, the Department of Agriculture and the Foundation for Research Development. These research institutions have a very limited accumulation of research on small-scale farm production. For this reason, they have not been able to meet the needs of the vast majority of small farmers. Moreover, they are greatly lacking in suitable techniques for identifying these needs, including the knowledge of on-field research, participatory survey & development, etc., as well as research staff.

Therefore, when it comes to the collection and systematisation of traditional knowledge, virtually nothing has been done. Consequently, research has badly lagged behind in the areas of mixed cropping, local varieties, anti-drought techniques and traditional cooking/food processing techniques. Such traditional knowledge has been greeted with renewed appreciation in other African countries for its great potential to contribute to sustainable food production and stabilization of people's lives. The South African Government has also expressed its intention to give high priority to research topics, such as mixed cropping and other farming techniques for small-scale farm production, integration of cultivation and livestock farming and evaluation of risk reduction effects in the future, when allocating research funds³⁷.

In the course of research of traditional knowledge, extension workers, who regularly come into direct contact with farmers, play an important role in two areas, namely the collection of traditional knowledge and feeding back of the systematised technical knowledge derived from it. Needless to say, these activities are in line with the primary functions of the agricultural extension system — to identify the needs of small farmers, to pass them on to research institutions and to deliver research results to these farmers in an easy to understand manner. The fulfilment of these functions will make it easier for extension workers to organise small farmers and give assistance to rural communities, and this gives rise to hopes for the enhancement of marketing capabilities, improved market access, greater creditworthiness, and organised efforts such as agricultural resource management, co-operative activities and farm product processing.

³⁷ Ministry for Agriculture and Land Affairs(1998)p.p. 41-42.

In this regard, there are four issues to sort out. The first is the distance between extension workers and research institutions. If no functional common ground exists between the two, extension workers will not be able to play a go-between role with regard to farmers, because of the traditional lack of a co-operative relationship between them. The second issue is the ability of extension workers and economic/material infrastructure. Usually extension workers have inadequate ability, and a means of transport can be a problem. The third issue is the incentive for participation on the part of small farmers. The fourth issue is the relationship of mutual trust between small farmers and extension workers.

3-7 NGO activities geared towards rural development³⁸

In South Africa, some 3,500 to 6,000³⁹ non-governmental organizations (NGOs) and community-based organizations (CBOs) are said to be active, centring on NGOs and civic groups based in urban townships. Most NGOs involved in rural development are relatively young and small in number. Even so, there are about 10 international NGOs (e.g. Oxfam and NOBIV) and about 200 South African NGOs — numbers that are higher than many would think. In recent years, NGOs involved in rural development have been on the increase, partly due to an ongoing shift in the destination of donor assistance to the former homelands. Although their activities used to centre on assistance for small-scale non-agricultural businesses and education/health, they have begun to expand into other areas, such as natural farming and community development.

South African NGOs have an umbrella organization called South African NGO Coalition (SANGOCO), which encompass rural, land and environment sectors. NGOs involved in natural farming have set up a network organization called PELUM. Among Japanese NGOs, the Japan International Volunteer Centre (JVC) has been engaged in extension activities in the former homelands in Eastern Cape Province, supporting for the management by residents of village-level community development committees and natural farming. The extension of natural farming methods aims to bring about self-reliant production activities (self-sufficiency of the poor) and environmental recovery (review of crops to suit land). A South

African NGO called Ecolink concentrates its efforts on environmental education in rural areas, public health/hygiene, agroforestry, and intergenerational transfer of traditional knowledge based on co-operation between women and older farmers.

Based on an observation of the activities of these rural-based NGOs, the key to successful rural projects may be summarised as follows: collaboration with traditional authorities and local governments, introduction of agricultural production compatible with local environmental conditions, efforts to create job opportunities in regional areas using agricultural and non-agricultural approaches and co-operation with CBOs.

CBOs can be very effective local counterparts in participatory development, despite the fact that they do share human resource and budgetary constraints with South African NGOs, at least to some extent. Except for those which receive assistance from international NGOs or donors, NGOs now have to compete for government funds due to the efficiency requirement introduced by the South African Government with regard to NGO assistance, resulting in activity cutbacks and suspensions.

3-8 Social infrastructure in rural areas

In rural areas, social infrastructure designed to satisfy basic human needs (BHN), encompassing water supply/sanitation, clinics, schools and electricity supply, is manifestly inadequate. Apart from urban and rural disparities, there are huge gaps between provinces. Social infrastructure development has been particularly slow in Northern, Eastern Cape and KwaZulu-Natal provinces. The United Nations' human development index (HDI), which is calculated from average life expectancy, literacy rate and income, is believed to reflect, at least to some extent, the level of social infrastructure development concerning medical care, sanitation, education, etc. Therefore, to illustrate the inter-provincial social infrastructure development disparities, the HDI scores of the highest and lowest-scoring provinces are compared as follows (old province names used due to the limitations of the source): 0.76 for Western Cape Province (highest) and 0.40 for Northern Transvaal Province (lowest)⁴⁰.

To lift the level of social infrastructure development and satisfy BHN, investment is necessary. The Municipal Infrastructure Investment Framework (MIIF), which was

³⁸ This Section is based on a draft prepared by Ms. Yoko Konishi.

³⁹ See Section 4, in Chapter 4.

⁴⁰ DBSA (1994) p.18, Table 1.

established in 1997, provides investment guidelines, covering both urban and rural areas. Its most fundamental principle is to put the responsibility for social infrastructure development in the hands of municipal governments. Although initial investment may be subsidised by the Central Government, management, maintenance and equipment/supplies purchase costs are to be borne by municipal governments. Even when a subsidy is considered, it is subject to an investment cost-benefit comparison and the ability of the municipal government to pay recurring expenses. Thus, the guidelines are fairly tough, so that the burden on each household will be substantial, even when rural minimum-level infrastructure development is undertaken, as can be seen from Table 5-5. Therefore, if this framework is enforced to the letter, the gap between urban and rural areas will further increase.

Table 5-5 Social Infrastructure Investment Costs for Rural Areas

(per Household, Unit: rand)

	Minimum level	Basic level	Intermediate level	Most desirable level
Water	300	1,300	4,100	6,700
Sanitation	2,000	2,000	2,000	6,800
Electricity	2,400	4,200	4,100	4,200
Roads	0	2,100	4,000	11,500
Total	4,700	9,600	14,200	27,200

Source: Department of Land Affairs(1997)p. 47.

3-9 Forestry and fisheries as basic rural industries

In South Africa, forestry and fisheries are fairly low-key industries. According to 1994 data, the country's forests only occupy 8.2 million ha of land, with no more than 25.33 million m³ of timber harvested⁴¹, while the commercial fisheries industry is virtually non-existent outside the Western Cape Province. In general, commercial forestry and fisheries operations threaten to undermine the rural livelihood even if they contribute to the GDP due to their tendency to plunder resources.

For example, efforts by commercial forestry operators to expand timber production have been the main factor in the dramatic reduction in forest area, although they have led to an expansion in exports. Indeed, given the fact that the collection of firewood has been steady at 7 million m³ since the 1970s⁴², the diminishment of forest area is

largely attributable to commercial logging and the clearing of forests for other land use. On the other hand, the importance of firewood as the main rural energy source remains, and this gives rise to conflict between commercial forestry operations and the daily needs of small farmers. Commercial forestry operations have also been causing other problems, such as a further reduction in forests' already depleted water retention capacity and a fall in their tourism value due to a reduction in biodiversity.

Solutions to such conflicts are basically being sought at the local level. Efforts include: (i) organization of forest forums which include the representatives of community interests, (ii) a tighter control on logging through an afforestation permit system, (iii) promotion of a timber processing industry which adds value to timber and brings an economic benefit to the community, (iv) effective use of timber industry leftovers, (v) organization of rural residents towards participation in afforestation, and (vi) introduction of a profit-sharing forest management system⁴³. These all aim to foster/protect forests as an essential resource in daily life and promote locally-based craft/timber processing industries, instead of relying on large-scale capital-intensive forestry operations, which exclude rural residents. Although they represent a step in the right direction, the crucial point is practice.

4. Basic Perspectives of and Recommendations for Agricultural/Rural Development Assistance

4-1 Basic perspectives of agricultural/rural development assistance

There are several basic perspectives that should feature in agricultural/rural development assistance. Firstly, development assistance must take root in the community and lead to self-sustainable community development. Namely, the content of development assistance must be community-oriented, rather than 'imported' from outside. For example, it is not enough for assistance to improve agricultural productivity and the standard of living in the rural community. For it to have lasting effects, it must allow the local procurement of parts and supplies after the expiration of the donor's assistance period.

Secondly, it is important to recognise the indigenous nature of agriculture and the rural community. Agricul-

⁴¹ Fujitsu Learning Media(1999)

⁴² *ibid.*

⁴³ Department of Land Affairs(1997)p. 40.

ture involves the injection of natural resources into production processes, but these natural resources are localised, and cannot be broken up or removed by people. For this reason, ways of utilising and relating to nature take on an area-specific character, and give rise to the formation of traditional local knowledge over time, encompassing, among other things, farming methods, processing techniques and people's outlook towards nature. In South Africa, however, the passing on of such knowledge from generation to generation has been disrupted by the forced relocation policy — to the extent that local knowledge may be lost forever unless action is taken now. This makes it an urgent task to dig up and piece together hidden local knowledge as a prerequisite for the best choice of crops and farming methods, which accompany sustainability and comparative advantage.

Thirdly, this type of agriculture has a natural affinity for agricultural policy as an extension of social and environmental policies, but is at odds with agricultural policy as part of industrial policy which focuses solely on boosting economic output through the massive use of extraneous resources. Therefore, the crucial point is to put emphasis on human/institutional development, rather than material development. Infrastructure development should therefore be thought of as a basis for human/institutional development, with assistance provided from that viewpoint.

Fourthly, in South Africa, where agriculture has a low share of the GDP (which is reminiscent of developed countries) the main target of agricultural/rural development must be the residents of the former homelands, which account for about 14% of national land, because the former homelands are the areas where poverty is most concentrated and where socially disadvantaged people are forced to live under extreme conditions. However, it is also necessary to pay attention to the considerable number of poor people who live in urban and suburban areas, as small-scale horticulture and raising of small livestock animals are beneficial for those people.

4-2 Recommendations on agricultural/rural development assistance

1) Rural development through a cross-sectoral approach

Conventional rural development assistance tended to be provided under isolated projects such as water/hygiene, clinics, roads and schools, with little co-ordination between them. There was also little co-ordination between assistance for income earning activities in agriculture, forestry, fisheries, processing, etc. and that for rural development. Buildings and facilities constructed in isolated aid projects are sometimes discarded due to the recipient's inability to pay maintenance/management expenses. This gives rise to the need for comprehensive development assistance that transcends the traditional boundary between rural and agricultural development.

2) Preferential assistance for the creation of rural villages and farming activities in areas undergoing land reform

It is obvious that unequal land distribution has been the major stumbling block to stable social development, poverty reduction and employment creation in South Africa. However, it is also true that internationally competitive large-scale white commercial farms are making a considerable contribution to the South African economy, and the forcible implementation of radical land reform programmes could lead to social chaos. Besides, the three types of ongoing land reform programmes all have problems⁴⁴. Nevertheless, exploring ways of providing indirect support for land reform is worthwhile in light of its enormous importance. One possible way of doing this is to concentrate on assisting emerging farmers who have acquired land with the launching of farming operations. In the case of two or more farmers purchasing land together, an effective way of providing assistance would be to support a trust that the farmers must set up to purchase land by contributing funds. After a trust is set up, the

⁴⁴ Land restitution takes a long time before the recognition of rights occurs. Land redistribution is largely out of reach for small farmers because of its utilization of a market mechanism. A concrete framework for land tenure reform is still on the drawing board.

trustee takes on the responsibility for the management of the trust as its representative because of the trust's considerable lack of farm management skills, equipment/materials and funds. If a trust can be developed into a production co-operative, it may spur land acquisition through this method. Regarding actual forms of assistance, the provision of access to microcredit-type credit facilities and training aimed at improving credit management and farm management capabilities will be more desirable in the long run than the provision of equipment. In many cases, land subject to restitution or redistribution is not located in either a former homeland or township, so that virtually no basic social infrastructure exists, e.g. schools (particularly middle schools), clinics and a municipal water supply. For this reason, successful comprehensive assistance that combines social and agricultural development will provide a model for land reform assistance.

3) Assistance for establishment of small-scale enterprises

It is desirable that mechanisms that encourage the establishment of small-scale enterprises with an employment capacity be created as part of the sector program. Although these enterprises can engage in diverse business activities, the production of national brand products with superior competitiveness will be out of the question initially. A more realistic scenario may be the production of processed foods or household goods intended for local consumption or craft products for tourists. The key task is to create mechanisms for the organization of entrepreneurial people capable of making decisions on their business activities, improvement of their management skills and mobilization of traditional skills and local resources.

4) Development of local knowledge into a database and establishment of new farming techniques based on it

The boosting of food production based on techniques and equipment/materials brought in from outside is often unsustainable in the mid to long term unless they are 'localised'. The 'localization' of new technologies requires their integration with local knowledge. This makes it necessary to, among other

things, develop local knowledge into a database and preserve local plant varieties as part of this process. Natural farming being promoted by NGOs can win widespread support through the incorporation of local knowledge. Natural farming and other new farming methods are generally labour intensive and conducive to an expansion in employment.

5) Effective integration of agriculture (both cultivation and livestock farming), forestry and fisheries industries

The integration of agriculture, forestry and fisheries industries creates matter cycles between them, and makes sustainable resource utilization possible. The integration of cultivation and livestock farming would be the absolute minimum. The raising of fowls and other small farm animals in sheds (built using local materials) can bring significant benefits without a large initial investment, including the use of fowl droppings as fertiliser, nutritional improvements through the in-house production of chicken eggs and earning of cash through the sale of excess eggs. Although agroforestry, which combines afforestation and farming, is very limited in South Africa and not a policy priority at the moment, its technical feasibility should at least be investigated. Integration of farming and inland fisheries operations should also be considered where conditions are favourable. Raising fish in small irrigation reservoirs seems to be a realistic option. Assistance geared towards making rural residents aware of the benefits of these efforts and helping them take the plunge will facilitate the circulation of resources within the local area and its sustainable development.

6) Assistance for the creation of an accessible market

The dominant form of retail trade in South Africa has already moved to shopping malls⁴⁵ similar to those found in developed countries, and this has not only robbed small farmers of a market for the marketing of their products but also deprived urban masses of a market for the purchasing of goods. Therefore, the revival of traditional regular open-air markets will prove to be a feasible marketing arrangement which will satisfy the needs of both parties. In Kenya and Zimbabwe,

⁴⁵ "Shopping mall-style retail trade" refers to retail trade conducted in a shopping area formed around a square or block, particularly one located in the suburbs, which contains multiple retail shops and is clearly distinguishable from its surrounding area. Users of this shopping area are assumed to own a vehicle.

they are already producing favourable results. Their benefits include easy market access, low management costs and a rise of local businesses around the markets. This arrangement may also facilitate the formation of transport/shipping groups because of the visibility of the markets.

7) Creation of urban-rural integrated marketing zones

Assistance for the creation of the above markets will strengthen the ties between rural villages and regional small-to medium-size cities. At present, these ties are very weak in South Africa. Although regional small- to medium-size cities tend to be overlooked because they do not exactly fit into either urban policy or rural policy, they are very important for rural villages. This gives rise to the need to develop a system that makes it possible to plan and implement infrastructure development geared towards promoting regional small- to medium-size cities luring private-sector investment along with rural social infrastructure development and marketing enhancements in an integrated manner.

8) Development of a mechanism for participatory assessment/development planning and its accumulation of know-how

The main players of the above efforts are rural residents. The ultimate goal of development assistance is to enable rural residents to develop independence and the ability to plan, implement and manage development projects. To this end, a mechanism for participatory assessment/development projects which goes beyond mere OJT is needed. In this regard, the compilation of local knowledge as a database can form part of a participatory assessment, since the local knowledge collection process helps the elderly and women living in rural areas, who are the ones who retain the local knowledge, realise the significance of their knowledge. Assisting NGOs and CBOs which actually operate in rural areas as partners is also efficient because of their know-how.

9) From extension workers to facilitators

Extension workers play an important role as an intermediary between the community and provincial/ local governments. Although they are also expected to act as co-ordinators/leaders in participatory assessment/development projects, they lack the necessary

expertise at present. For this reason, the transformation of extension workers into facilitators capable of handling organizational management and project planning through retraining and skills-upgrading should be given priority as a key factor of participatory assessment and development planning.

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Chapter 6. Urban Problems in South Africa

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1. Urban Problems

Issues in large cities in South Africa have spatial characteristics in that ‘developing cities’ are layered on ‘modern’ urban planning, and this has come to be referred to as the urban apartheid structure. City planning in South Africa have much in common with those in North America, central business district (CBD) with planned high-density integration of functions, and suburban residential areas laid out with a view to individual home ownership, trunk road networks linking the two, and suburban centers or edge cities comprising retail centers and office buildings located at junction points. In contrast, a ‘developing city’ panorama can be seen in the townships and the free-land settlement located on the outer rim of the well-ordered residential districts. Residents in areas of small and densely packed housing lots or in squatter camps that fill the space between areas of residential land are continuously confronted by urban issues of water supply and drainage, and other social necessities, waste management, elementary toilet facilities encircling the villages, and a complete lack of transportation linking these areas with residents’ places of work. These problems on the urban apartheid structure, without doubt still exist in post-apartheid era today. Planact explains the problems were that the housing supply had failed to function and with spatial system of townships and the homelands underpinned an inefficient labour supply structure.

Urban issues can be viewed as a serious problem, or as a normal part of the urban landscape, depending on how the phenomenon is perceived. Even in debate about excessive urbanization, there is no clear agreement on exactly what is meant by excessive. The same can be said about debate on developmental intervention in the urban planning. While economic activities and general life on each rationale goes on, dealism of urban planning have hardly filled the gap.

Urbanites have different perspective on urban problems from that of local authorities. The long-term urban economic plans, spatial plans, and territorial administrative integration tend not to attract general interest of

urban residents. When Japanese ODA address urban issues, ODA allocation should be carefully planned between visible projects and invisible policy formulation support.

Urban issues are readily politicized, and exploited as an instrument in political campaigns. Toward the end of apartheid, roughly eight million people were in illegitimate accommodation, and housing as a basic human right was put forward along with unemployment, education opportunities and sanitation problems as demands for the new administration. Central to the politicizing of housing issues were civics. Civics were organized in townships across South Africa and constituted an important support base for the ANC. Problems in the townships formed the civics’ political agenda, so naturally this also became the platform of the ANC administration. Together with NGOs that sought to improve the housing environment, civics helped establish the National Housing Forum (NHF) during the transitional period. Through this process, the liberation movement and NGOs gained a mandate for an expansion of housing supply. The NHF in 1994 at its national congress in Botchabelo, adopted the Botchabelo Accord, which stated that housing policies should be the highest priority of the Government of National Unity. And the provision of one million houses was a clearly specified election promise by the ANC. In fact, after its election, the Mandela Administration raised the reconstruction of urban areas devastated by pre-election riots, and housing supply as emergency issues, and implemented, for example, the reconstruction of East Land along with 13 other regions as presidential projects.

In 1994 the Mandela administration announced three policies to tackle remaining urban apartheid by way of the Urban Development Strategy¹. The strategy aimed at providing urban infrastructure and services as a short-term goal, and establishing urban governance. In the medium term, it seeks to promote urban planning that integrates segregated structures, infrastructure development, including housing, and comprehensive economic development and social policies. It seeks manageable growth and development of cities in the long term².

¹ Ministry in the Office of the President(1995)

Thus, urban problems in South Africa have their own unique background. How, then, do they compare with problems in other African cities?

2. Johannesburg as a “Megacity”

Urbanization trends in Africa in 1995 was, at 34%, lower than other regions in the world. South Africa's urbanization rate of 50.8% is higher than other highly urbanized African states like Cote d'Ivoire (43.6%) and Kenya (27.7%), indicating that core functions and production are concentrated in cities in South Africa. (Table 6-1)

The dominance of primate city, as in the case of Seoul, Bangkok and Jakarta., South African unipolar concentration is not a factor, as there are four major urban centres with a million population - Johannesburg, Cape Town, Port Elizabeth, and Durban - and numerous medium-sized regional centres. The rank size rule of South African cities³ at Figure 6-1 shows a slight S curve, indicating that South Africa is rather falls between unipolar concentration and a multipolar pattern, i.e. a combination of developed and developing nation patterns. So in this sense, four major urban centres and numerous mid-sized cities make South Africa in good position to promote regional development.

The population exceeding eight million in the Johannesburg metropolitan area is one of the largest of all the cities in sub-Saharan Africa. The built up area is more than ten times as large as Cairo and Lagos, and thus the spatial concentration per area is lower than in other African countries (Figure 6-2). The urban primacy rate is 56.5% for Dakar and 45% for Abidjan, while Cape Town is only 12.7%. However, there is no clear correlation between the level of urbanization and the level of unipolar concentration; for example, unipolar concentration in Bolivia, Ecuador, and Dominica, claims same standard of urbanization to South Africa, of respectively, 11.1%,

14.5%, and 30.1%, whereas Argentina, more urbanized (88.4%), has a unipolar concentration of 41.6%. Yet Venezuela with a similarly high urbanization rate has a unipolar concentration of only 10.1%. This highlights the difficulty in measuring the gravity of urban problems from the level of unipolar concentration.

3. Urban Decay

3-1 Inner city and the living environment

Malfunction of CBD, and the deterioration of the living environment are paid attention in South Africa as well. An outflow of the population from the major cities in South Africa has been quite pronounced since the 1970s. In the economic downturn of the 1980s, the contraction or collapse of many businesses accelerated the exodus of production functions. Following this, fewer white businesses were leasing office space, and rising vacancy rates made it difficult to attract new tenants, so while it may have been illegal, nonwhite tenants were given leases, and this marked the beginning of hollowing out of the white economy and the urban concentration of the nonwhite economy. This is what is referred to as the graying of the CBD⁴.

Manufacturers were relocated into the border areas of the former homelands or industrial area specifically laid out buffer zones between the townships and the white urban areas. Wholesalers moved into planned zone with good access to the highways, while retailers concentrated in exclusive business commercial districts in the northern suburbs in the case of Johannesburg.

In the inner city commercial districts that had been badly affected by this business exodus, shop space that was not just left vacant has been used for low cost commodity retailing⁵, NGO offices, or small service industries⁶. Small garment manufacturers also began to move into low rent buildings⁷. These manufacturers specialized in African dress, ladies clothing, school uniforms and

² The target period for this is after 2000.

³ The relationship between urbanization and city size is shown in a logarithmic figure of population and ranking known as rank size rule. In cases where there is moderate dispersion of major cities, the distribution of points (cities) form a straight descending line from left to right, and where there is a high level of unipolar concentration, the gap between the major cities and regional cities is greater, and the points do not form a clear line. Generally, developed nations form a gentle S-shaped curve (i.e. several well dispersed large cities and numerous medium and small cities), while developing nations form a reverse S-shaped curve (i.e. a vast gap between major cities and regional cities, and a very large number of local towns). South Africa is considered to be a mixture of both.

⁴ Pickard-Cambridge C. (1998)

⁵ Mainly owned and run by Indians or Chinese.

⁶ Rogerson, C.M. and Rogerson, J.M. (1997)

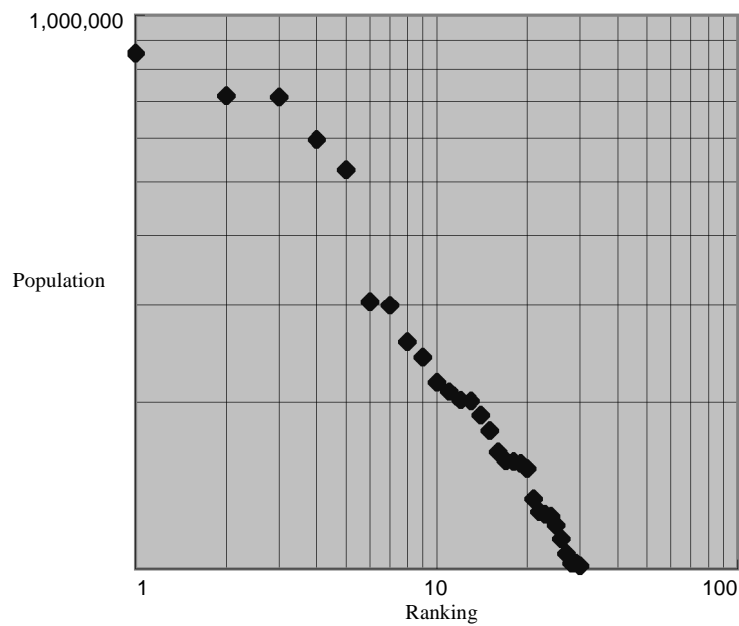
⁷ Rogerson, C.M. (1999)

Table 6–1 African Urbanization

	Average annual urbanization rate (%)		Population urbanization rate (%)		
	1965-1980	1980-1990	1960	1991	2000
Tanzania	11.3	10.5	5	33	47
Mozambique	10.2	10.4	4	27	41
Botswana	12.6	9.9	2	28	42
Rwanda	7.5	8	2	8	11
Kenya	8.1	7.9	7	24	32
Niger	7.2	7.6	6	20	27
Mauritania	10.6	7.5	6	47	59
Lesotho	7.5	7	3	20	28
Togo	6.6	6.9	10	26	33
Chad	8	6.5	7	30	39
Madagascar	5.2	6.4	11	24	31
Libya	9.8	6.3	23	70	76
Malawi	7.4	6.2	4	12	16
Zambia	6.6	6.2	17	50	59
Gabon	7.3	6.2	17	46	54
Liberia	6.2	6.1	19	46	57
Nigeria	5.7	6	14	35	43
Zimbabwe	6	5.9	13	28	35
Cameroon	7.6	5.9	14	41	51
Angola	6.4	5.8	10	28	36
Guinea	4.9	5.7	10	26	33
Somalia	5.4	5.6	17	36	44
Burundi	6.9	5.5	2	6	7
Ethiopia	4.9	5.3	6	13	17
Sierra Leone	5.2	5.3	13	32	40
Burkina Faso	4.1	5.3	5	9	12
Namibia	4.6	5.3	15	28	34
Benin	8.9	5.1	9	38	45
Zaire	4.9	4.8	22	40	46
Central African Republic	4.3	4.8	23	47	55
Algeria	3.9	4.8	30	52	60
Congo	3.5	4.7	32	41	47
Cote d'Ivoire	7.6	4.5	19	40	47
Uganda	4.8	4.4	5	10	14
Morocco	4.3	4.3	29	48	55
Ghana	3.2	4.2	23	33	38
Senegal	3.3	4	32	38	45
Sudan	5.9	3.9	10	22	27
Mali	4.4	3.7	11	19	23
South Africa	3.2	3.7	47	58	66
Egypt	2.7	3.1	38	47	54
Tunisia	4	2.9	36	54	59
Mauritius	2.5	0.4	33	41	42

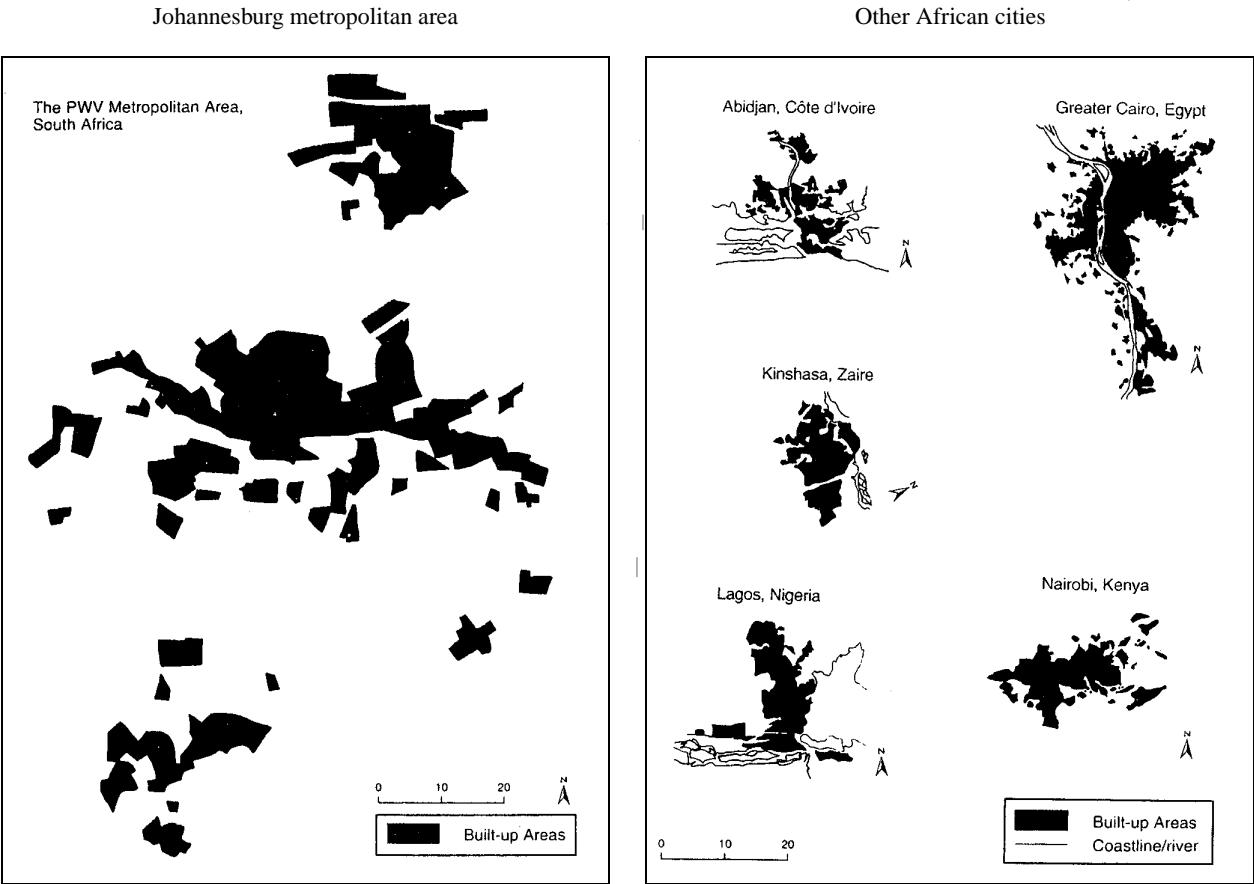
Source: Simon, D.(1997).

Figure 6-1 Rank Size Rule of South African Cities



Source: Original

Figure 6-2 Built up Area of African Cities



Source: Rakodi, C. (1997)

other kinds of specialty clothing that does not compete with imports from East Asia⁸.

Clustering of new industries in the CBD will contribute to its resurgence, but measures aimed at its drastic rejuvenation have yet to advance past the talking stage. And overcrowded, tenant exceeding the planned population of apartment, is creating a range of problems, such as breakdowns of elevators and shortage of water supply and drainage systems, solid waste and power.

High-rise residential area with pre-war history in Johannesburg CBD, more than 50-60 years old, are in need of extensive repair work, but the title relationship is extremely convoluted with apartments individually owned, sublet, jointly owned, jointly leased, and the like, so getting all property owners to agree on having such extensive repairs carried out is difficult to say the least⁹.

Along with a surge in crime, this hollowing out of the city area has brought about a decline in tourists and visitors to the city centre, and because of this, 5-star hotels in the city centre have been closed, while other hotels have changed their target customer base and streamlined their level of service in response¹⁰.

3-2 Clustering of new industries

Rejuvenation of cities has proven to be difficult because of falling tenant occupancy rates, and a drop in the value of property that has not been renovated. On the other hand, some companies have taken advantage of the declined rent to set up new operations, so in that sense, we are seeing a certain dynamism in business establishment in the city. African dress and garment businesses mentioned before are operating in such vacant office or residential space to form new areas of industrial cluster. By setting up within proximity of their market these industries have greater access to market information, and by taking advantage of declined commercial rent to cut their operational costs, they are able to allocate more of

their business funds to capital cost. Growing number of industries with limited funds are for seen to concentrate in the CBD, and so too will functions in line with the consumption tastes and purchasing power of low income earners. Underdeveloped black media industry¹¹, low-cost catering, low-cost private nursery schools, various private educational institutions, and general shops specializing in second-hand goods will be seen.

3-3 Public order

South Africa shares the same inner city issues with other countries throughout the world. South Africa has the highest crime rate in the world, both on an international comparison and on a comparison of cities. For example, the crime rate as a percentage of the population for Johannesburg is the highest among 11 of the world's major cities¹². According to the survey on rapes in Johannesburg (1992) and rape murders in Cape Town (1996-98), the occurrence of rapes in Western Cape was 1.5 times the national average and 40 times as high as the average of European cities, and the occurrence of rape murders was 12 times as high as the average for the United States¹³.

Also organized crime, such as large-scale trafficking in drugs and jewellery, and illegal immigration and employment fraud has increased sharply in recent years. Most of this kind of organized crime is run by crime syndicates based in the major cities under crime international network¹⁴.

3-4 Foreign immigrants to the cities

Foreign immigrants flowing into the cities come from a diverse range of backgrounds. They can be broadly classified into gold mine workers retrenched because of a drop in gold prices, foreign workers who are dismissed, white farm workers because of shrinking white farming after subsidy cut, border traders, various street traders¹⁵,

⁸ Handle both made-to-order and ready-made clothing.

⁹ From an interview with Mr. Cedric DeBeer(National Urban Reconstruction and Housing Agency) on August 11, 1999.

¹⁰ However, since 1994, more hotel rooms than the reduced number in the city centre have been provided in Santon Rosebank, and other northern edge cities, while the change in the target customer base to lower priced accommodation by city centre accommodation facilities is seen as a response to regional diversification of demand from a city-wide perspective.

¹¹ Media in the various black languages, TV program production, advertising agencies, and the like; TV stations and newspaper head offices are still located in the CBD.

¹² South African Institute of Race Relations(1994)

¹³ Detailed data on crime is available at the home page of the South African Police Service, Crime Information Analysis Centre: http://www.saps.organization.za/8_crimeinfo/bulletin/index.htm

¹⁴ "SA Crime is getting organized" 13 February 1998, *Weekly Mail and Guardian*;

"Cape Town - from wine route to drug route" 25 July 1997, *Weekly Mail and Guardian*.

¹⁵ The positional meaning of street trader is more limited than the informal sector. The term street trader is used here in the light of recent debate that the significance of the informal/formal classification in African urban economies is fading.

and small businesses.

The urban poor in South Africa, show open hostility toward the increasing number of foreign immigrants because of the perceived threat to their own employment opportunities, regardless of the type or place of work. Since 1993 this has caused frequent confrontation between South African blacks and foreign migrants, including a series of confrontations with Chinese migrants mainly in Johannesburg in 1993, assaults on foreign taxi drivers in Alexandra township and demonstrations by the Illegal Foreigners, Crime and Drugs Lobby in 1995, and a series of demonstrations by the Down With Foreigners group and the Greater Jo'berg Hawkers' Planning Committee in 1997.

This reaction to migrant workers is not mere xenophobia. Since 1995 the Institute for Democracy in South Africa (IDASA) has been conducting research on migrant workers in Southern Africa, and has highlighted, for example, the role of migrant workers from Mozambique in the construction industry. Many migrant workers do not view their stay in South Africa as permanent, rather it is a temporary opportunity to build up enough funds to start their own businesses in their own country. Believing the problem is the existence of systems along the border region that aid and abet the flow of illegal migrants rather than migration on an individual basis, IDASA has proposed the granting of short-term stay permits to migrant workers¹⁶.

3-5 Street traders and migrant workers

Estimates place the migrant worker population at roughly eight million¹⁷. The stereotyped view is that they are mainly engaged in mining or work on white farms, but it has also been pointed out that there is not an insignificant number of migrant workers living in the cities and working in miscellaneous urban industries¹⁸. I carried out a street survey in the centre of Johannesburg in August 1999, and 34 of the 111 street traders, were foreigners from various countries, including Cote d'Ivoire, Ethiopia, Tanzania, Mali, and Mozambique. Some were employed by a third party for a monthly wage, and they were supplied with the position, stall and products for sale. In other words, migrant workers become street trad-

ers themselves, or they run street trading businesses in various locations, hiring black South Africans or other migrant workers legally or illegally to sell products imported through border trade and illegal trafficking¹⁹.

Much of the food sold by street traders is locally produced, but most clothing and daily necessities are products of China, South Korea and other parts of East Asia. There have been cases where street traders have been harassed by local shopkeepers when they are in direct competition, but my survey revealed that there is also a degree of cooperation with local shops in the supply of goods.

In the first half of the 1980s the number of street traders in the main inner city streets soared, and by 1999 the number had grown to such an extent that street traders were operating on almost all inner city streets. The government tried to group street traders in typical informal sector support projects, or limit their operations to approved areas. One example of a grouping project by the Johannesburg City Council was a plan for a two-story bazaar-style building for street traders in an area next to a black taxi rank in the city centre. Grouping of street traders falls within the concept of urban planning and control. All attempts to group and control street traders anywhere in the world have ended in failure. If the grouping project is in a wrong location, tenant traders will struggle to make a living, whereas if it is appropriately located, traders can survive, but other traders will simply flow into the vacant spaces they left behind, thereby exacerbating the original problem.

Nevertheless, there is a need for support systems aimed at street traders, small manufacturers and service businesses that have the potential to grow, such as tax breaks, microfinance, and information services. It is hard to see the need for group facilities in which only some gain any benefit; instead it would seem much more rational to look to projects that encourage the business efforts of companies, such as small-scale financing and marketing services.

Urban gentrification requires not just a more conducive residential environment, but a comprehensive approach that includes revitalization of the labour market and business activities, and the prevention of crime and

¹⁶ IDASA's Southern African Migration Project (SAMP) plays a pivotal role in research and advocacy regarding migration from neighbouring countries. Its research is published as the Migration Policy Series. Rogerson, C.M. (1999)

¹⁷ Peberdy, S. and Cush, J. (1998)

¹⁸ Rogerson, C.M. (1997)

¹⁹ The survey was carried out along Market Street and Pretoria Street in August 1999.

other illegal acts. In Johannesburg, where this urban decline is quite severe, wide-ranging steps are being taken to address this issue, including the establishment of an inner city office within the city council, a crackdown on crime by the police, zero tolerance policies and the arrest and deportation of illegal migrants by the immigration authorities, support for small urban businesses and various urban redevelopment projects and social housing. The South African police are tackling street mugging and other crimes that present a negative image to tourists and potential investors by increasing police patrols on CBD streets and setting up police offices cart on the sidewalks of major streets.

4. Housing Issues in Urban Planning

4-1 Tradition of illegal habitation

With roughly 20% of the population illegitimate housing and a massive racial disparity in the residential environment, South Africa has raised housing as a priority urban issue. The number of squatters was once estimated to be eight million. Within the squatter area, although informal, lots are subject to property use rights, and leases are drawn up for land or housing.

In two- or three-bedroomed publicly developed housing in the suburban townships, relatives often lodge with the prime tenant, and in case of detached house, renting backyard shacks out is almost part of urban life of low income group. This forms what are referred to as invisible slums, and in fact half of squatters are living under this kind of multiple dwellings. This takes various forms, from sharing a bed to having one's own room space, depending on the affordability.

Housing shortage has been a major factor in the origin of countless squatter, and regardless of whether it is urban or rural, squatter camps are formed by social network under community ties or kinship with the residents in neighbouring township. Squatters on private land are more subject to harassment by the landowners and forcibly evicted, so squatter camps in many cases are maintained longer on public land.

Inner-city residents in Johannesburg, particularly in Hillbrow and its neighbouring zone, became racially mixed since the 1930s. In the 1950s the government attempted the forced resettlement of nonwhites to Soweto

and other townships, but migrants continued to increase in the area. Similar to the inner-city decline in North American cities, territorial 'greying' hastened the exodus of white middle-income earners from inner-city, and with no new tenants to fill the vacancies, the greying process gained momentum. To reduce housing costs, people living in inner-city apartments would often take in lodgers, and the resultant overcrowding placed an unsustainable strain on water supply and other utilities. And with no investment in housing repair or renovation, Johannesburg increasingly began to suffer from the same kind of inner-city problems seen in North America²⁰.

4-2 Politicized housing problems and actual policies

Before democratization, the South African Nationalist government had been addressing the issue of low-cost urban housing. Central to this was the site and service scheme. Public apartments were built for example in Soweto and Alexandra, but due to structural cost of building very little development of high-rise housing progressed since ever. Provision of site and service in the fringe of the townships made commuting to city as inconvenient as it was before.

Despite the fact of its habitation style, squatters pay for their own improvements to their living environment and utilities. Perhaps it would be more realistic to accept open residential areas, or "self-help cities", formed by the residents themselves, and develop the basic infrastructure and living environment as appropriate.

Provision of 750,000 dwellings by the ANC government were supported by several donors. The U.S. government had conducted extensive research and held policy discussions with the liberation movements, the National Housing Forum, and academics since U.S. government played a ready role in her transitional stage, developing housing models, and set up mortgage guarantee system with the commercial banks²¹. And with support from the Swedish and Norwegian governments, the subsidized housing policies indeed enjoyed wide backing.

While aiming to benefit individual households, under the current housing policy, the home purchase subsidy is paid to the builder, when the homebuyer buys a ready-built house from a private builder (Table 6-2). Building style is indeed varied, from pure subsidy housing or a

²⁰ Griffiths, G. and Clay, P. (1982)

²¹ The debt guarantee fund of the National Urban Reconstruction and Housing Agency, the debt guaranteeing organization, is backed by the Open Society Institute, headed by Mr. George Soros, through USAID.

converted bunk-room in an existing hostel, to 2-3 bed roomed housing bought with subsidy and loan combined. A subsidy of R16,000 (320,000 yen) for pure subsidy housing is meant to cover land, connection of utilities and construction of the house, so 16-20m² huts are supplied in bulk. The subsidy scheme covers virtually all households, irrespective of income or contribution so maintenance of utilities will be the next subject.(Figure 6-3)

Table 6-2 Low Cost Housing Development in South Africa

Year	Housing policy / implementing body	Details	Results
-1955	NATIONAL HOUSING COMMISSION	Transfer of title after 30-year lease	
1968	MINISTRY OF BANTU ADMINISTRATION	Abolishment of Cease Policy, short term rent only	
1975	MINISTRY OF BANTU ADMINISTRATION	Approval of the marketization of 30-year rent	
1977	URBAN FOUNDATION	Address the 99-year leases and self-help housing	
1978	BLACK URBAN AREAS AMENDMENT ACT	Approval of 99-year leases	Approval to use banks and housing finance scheme
1986	SA HOUSING TRUST	Site and service scheme and small loans	38,500 dwellings, loans for 6,500 dwellings, average R29,000/'92 (63% first homebuyers, 35-50m ²)
1990-	HOME LOAN GUARANTEE FUND (UF, Mortgage Lenders Association)	Credit for guarantee R12,000-35,000 for first homebuyers	Reduction of deposit 10,236 dwellings(until 1993)
1990	INDEPENDENT DEVELOPMENT TRUST	Site and service scheme limited to people aged 21 or less with dependents and a monthly income of no more than R1,000	R7,500/dwelling, develop 112,690 plots
1992	DE LOOR Report	Highlighted the need for new policies; establishment of the National Housing Forum(NHF) resident's participation, prioritization in the socioeconomic policy and urban regional policy, market functions, increase of expenditure by 3-5% per annum, expansion of eligibility for subsidy.	
1993	MERG Report	Criticism against 'site and service' for its weak relations with urban strategies (urbanization, population density, bias in funds provision, need for public housing and rent assistance as social services) and De Loor's self-propagation through DBSA, IDT, UF, SAHT.	Construct 38,000 houses per year 35,000/y 18,000 R32,000
1994	A NEW HOUSING POLICY AND STRATEGY FOR SOUTH AFRICA (The Ministry of Housing)	Protection of informal housing/squatter rights.	
	RECONSTRUCTION AND DEVELOPMENT PROGRAMME	Local government integration, policy organization with SMME development strategy, housing right, homeless protection and access to safe water.	
	PEOPLE's HOUSING PROCESS	Provision of subsidy according to monthly income: R16,000 subsidy for monthly income of R0-1,500; R10,000 subsidy for R1,501-2,500; R5,500 subsidy for R2,501-3,500	750,000 dwellings 1994-1999
	Social housing by NGOs of the urban sector network	Housing association, housing union, public housing, urban low-cost collective housing	2,248 dwellings

Data: Race Relations Survey(various years), National Urban Reconstruction and Housing Agency(1999), Department of Housing(1999), Built Environment Support Group(1998), Urban Problems Research Unit(1982)

Figure 6-3 Low-cost housing provided in recent years

1. Low-cost housing in Cape Town suburbs.



2. Worker hostel before conversion in Cape Town



3. Worker hostel after conversion; the second floor has been added on.



4. Sold after use as an athletes' hostel for the Africa Game '99, Johannesburg



Photo by Eiichi Yosida

For example, it is assumed that low-income households in the range between R1,000-2,000/month are expected to buy a house of 40-60m² with a combination of subsidy and government guaranteed mortgage²². Subsidy housings are in many cases developed on the outer edges of existing townships because of land availability, so less convenient transportation is also next subject.

To keep construction costs down social housing has been successfully implemented in which homebuyers will often provide their own labour to make the best use of subsidy for construction material and utilities. The supply of social housing is as small as 2,000 dwellings, whereas

more than 750,000 dwellings have been supplied under government housing. Nine NGOs that belong to the Urban NGO Network are involved in social housing in the six major cities. For example, the NGOs buy abandoned inner-city apartments, and sell them to low income earners after the necessary repairs and renovations with subsidy and debt guarantee.

4-3 Commuting and urban transport systems

Most of the subsidized dwellings were supplied in the fringe of townships, so the urban apartheid structure was just as firmly entrenched as it was before. Tomlinson,

²² Small houses of this scale are generally two-bedroom, and the price is set according to the size of rooms, quality of the utilities, and number of windows.

Table 6-3 Housing supply record (March 1994 - December 1997)

Provinces	Share (%)	Construction schedule	Subsidy approvals	Dwellings constructed
Eastern Cape	15.2	152,000	74,424	17,793
Free State	6.9	69,000	33,891	20,313
Gating	24.3	243,000	134,829	55,210
Kabuli-Natal	19.5	195,000	128,649	42,907
Mpumalanga	5.3	53,000	61,031	18,426
North West	7	70,000	72,791	22,107
Northern Cape	1.8	18,000	17,994	7,082
Northern Province	8.6	86,000	61,450	12,966
Western Cape	11.4	114,000	88,129	38,905
Total	100	1,000,000	673,188	235,709

Source: South African Institute of Race Relations(1997)

who has long been involved in spatial planning in South Africa, pointed out the inefficiency of long commuting distances, and highlighted the importance of urban restructuring policies after democratization²³. Over the long term, the well-positioned inner city area needs to attract strategically competitive industries to raise the urban function, thus new consensus is required to locate low-cost housing in areas of high productivity to reduce transportation cost of low income group.

5. Conclusion and recommendations - Burying Urban Distortion

Transport policies are pitted against current housing policies that lean toward spatial expansion²⁴. It seems that the housing authorities will maintain the current housing subsidy scheme in the short term, and the transport authorities, while showing intention to reduce subsidized commuting system, realize that in reality it would be very difficult to shift to a completely user-pays system. There are various ideas for the use of vacant land closer to the city center, and it is hard to imagine that such areas with the potential for private-sector development would be set aside as residential areas for low income earners, unless the location of low cost housing takes into account the optimum location on transportation cost and affordable rent depending on consumption structure of low income group. Otherwise the friction between the transport and housing authorities will not be settled. Assistance from the specific donors has played important role in housing though the project soon need to be self-sustained.

Housing, which highly politicised after the Botchabelo Accord and the subsequent RDP, were not affected by the policy shift to GEAR. Japan may need to explain deliberately to appeal for urban centre living. Also, criticism against the limited areas of subsidised, should be tackled and social housing should be promoted in rural South Africa.

Inner-city situation will be exacerbate after relocation of the Johannesburg Stock Exchange, and it may hasten the outflow of the small number of core functions that currently remain in the CBD. And perceptions of the inner city will plunge with deteriorating safety and security, rising numbers of homeless and street children, and the business activities of illegal immigrants, causing consumers, tourists and the business sector to give this area a wide berth.

On the other hand, there is also the view that traffic congestion in the suburban areas has become so critical that companies are finding it hard to continue operating, and the progress of suburban development is stalling. For example, development ideas such as building a second highway between Pretoria and Johannesburg, or an inter-city train linking the two cities and the airport have been made public. If we agree with the view that we are entering a period in which urban expansion will grow sluggish, now is the generally accepted time to expand inner-city reconstruction. Therefore inner-city reconstruction, for which there are few aid projects, can be held up as a new field for Japanese cooperation.

To tackle the problems of the inner city and long-distance commuting, there is a need for structural reform

²³ Tomlinson, R.(1990)

²⁴ The following sources were used for information on transport policies: Ministry of Transport(1999), Greater Johannesburg Metropolitan Council(1998), South African Rail Commuter Corporation(1998)

that can lessen the distance between home and work. The relocation of production and distribution functions has been promoted in townships under industry decentralization plans, but there is also a need to move core urban functions. Examples of this are the Metro Johannesburg council's plan to develop office space in the area around the second Soweto rail station in Baragwana, and also we can suggest to provide Alexandra township, which is near the city centre, with more advanced functions.

Suburban edge cities that have attained functional autonomy, and this is paving the way for a social dynamism fuelled by an increasing number of people choosing to live near their place of work. An acceleration in the move between suburban cities, clustering of new clothing manufacturers and the advance of social housing and low-cost service industries (change in target customer base by hotels, and attracting casinos) into the inner city area are all urban dynamism. It is more constructive to see the declining rent as laying the foundations for new business opportunities. As the inner city decline gains momentum, there is a need for measures that can enable new business activities aggressively moving in or incubated, and becoming established to improve the health of inner city finances. Administrative support is essential to guarantee free business dealings, and also to intervene in the convoluted issue of property title.

Further wide-ranging measures are necessary to halt the deterioration in safety and security. Here the measures adopted by New York city can be useful as a guide. The New York police intensified their patrolling and monitoring of areas with frequent crime and illegal business activities, while the city development authorities completely redeveloped areas of instability, and through these initiatives, New York has regained its image as a safe city, and consumers and businesses have been returning to the inner city.

Street trading as a means of survival has given a status of free commercial activities since provincial administration took over this matter from central government in 1995. Given this, market information should be made more available to street traders and micro entrepreneurs. Various support systems, such as protection against harassment and tax exemptions can be considered. It is difficult to judge whether to accept or eliminate street trading by illegal migrants depending on the business type. It would be more realistic to take measures against and toughen the penalties for the system existing that aid and abet illegal immigration than to try and remove the

countless migrants engaged in street trading. There is already a growing feeling permeating among the inner-city poor that migrant workers should be expelled. This new xenophobia and 'racism' should be carefully followed.

Following are the suggested areas to help the South African government to tackle urban problems.

- (1) To reform the remained urban apartheid structure
 - Re-examine and suggest initiatives regarding the commuting system maintenance costs (costs for subsidized buses, railways, road maintenance, and microbus-related costs), and housing supply costs corresponding to commuting distance.
 - Expand the supply of apartments to low income earners using the social housing system, and promote inner-city living (promote the maintenance of safety and security and the clustering of small businesses)
 - Improve the living environment in multi-habitation township by expanding capacity of utility.
 - Review the transport system centered on the private car, and encourage the greater use of convenient low-cost public transport and bicycles.
- (2) To accept and foster the dynamism of the informal sector and street traders
 - Accept street traders and illegal migrants with technical and management skills as business incubators, develop the relevant laws and systems, and provide them with tax breaks.
- (3) To tackle urban law and order
 - Adopt sweeping measures to restore social security and redevelop the inner-city areas, and encourage street traders to take up a safety and security maintenance function.

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Chapter 7. Health and Medical Care

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1. Health Sector and the Legacy of Apartheid

- Substantial gaps in health standards among income levels, regions, and races, and inequality in access to health services
- Dual Structure of Poorly funded public medical facilities, and private medical facilities that boast a high level of medical care
- Outdated primary health care

1-1 Overview of health sector

The health sector in South Africa today is still characterized by striking structural inequalities formed during the Apartheid era. Substantial gaps in health standards between income levels, between regions, and between races, combined with an inequality in access to health services are a major impediment to the growth of South Africa's health sector. One of the remnants of Apartheid in health is a clear differentiation between private medical facilities that boast a high level of medical care and poorly funded public medical facilities. About 23% of the population uses private sector health services, with expenditure (mainly privately funded or using private health insurance) estimated at more than 60% of total health care spending in South Africa. Before 1994 the Ministry of Health was split up into 14 different offices to meet the needs of the Apartheid structure. Access to public health services at that time was extremely poor, and people had to travel considerable distance to receive treatment at facilities that were quite limited. And local hospitals generally had no permanent doctors on staff.

The South African government is currently endeavouring to integrate and enhance various initiatives aimed at better and more equitable access to health services. To this end, the government is taking a pluralistic approach to improving the delivery of health services, and is restructuring the badly fractured public health sector it inherited from the Apartheid era to include one national and nine provincial departments of health in an effort to build a uniform national health system.

1-2 The wide gap in health standards

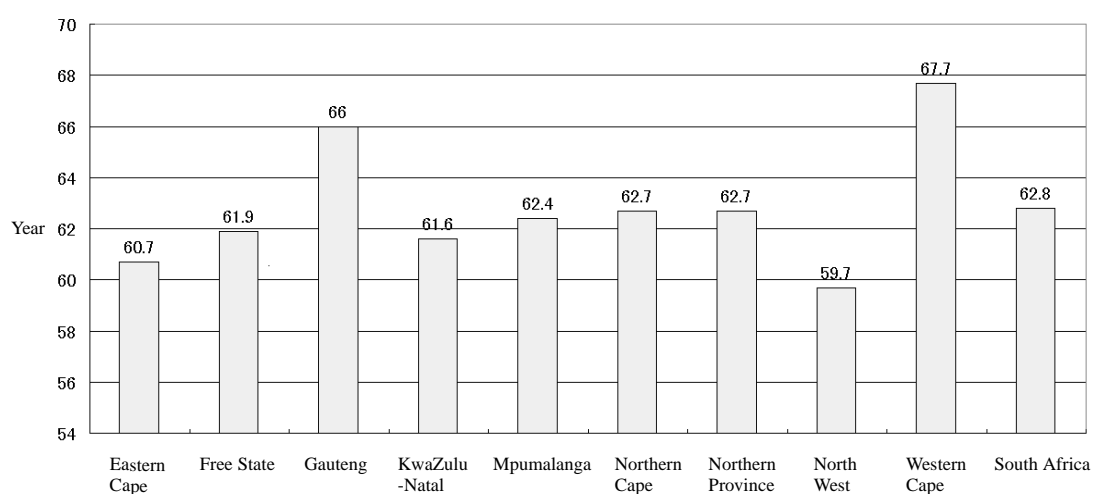
The problems and issues of the health and medical care sector in South Africa are very much problems of the bipolarity of a socioeconomic structure split into a wealthy minority (overwhelmingly white) and an impoverished majority (overwhelmingly African). Although no official statistics have been gathered on the disparity in health standards between these two population groups or between races, the average life expectancy of the African population is estimated to be about 10% lower than that of the white population. South Africa can be broadly divided into provinces that have a relatively large white population and those that do not, so there is considerable disparity between regions, and this can be interpreted as largely reflecting the disparity between population groups. For example, a large gap in life expectancy can be seen between Western Cape with 67.7 and North West with 59.7 (Figure 7-1).

The spread of AIDS in recent years has caused a further decline in health standards in impoverished regions, but in these regions the lack of demographic data and other health-related data is also a problem. In 1998 the government conducted the South African Demographic and Health Survey, and it would appear that the average life expectancy in provinces with a large African population has become even lower. The main causes of death in South Africa are tuberculosis, HIV/AIDS, malaria, smoking-related illnesses, and violence/trauma, so a major cause of death is social ailments that are a part of impoverished and devastated societies (Tables 7-1 and 7-2). There is also quite a gap between regions in infant (12-23 months) immunization, with the immunization rate in Eastern Cape especially low.

1-3 Disparity in access to sanitation systems and medical facilities

A major regional imbalance exists in public health care resources. For example, the ratio of doctors (GPs) in the most affluent province is more than four times as high as that in the poorest province (Figure 7-2). Measuring the state of access by number of GPs, we can see there is a considerable gap between provinces that have a relatively large white population and those that do not in the number of public-sector GPs per 10,000 population (Figure

Figure 7-1 Life Expectancy of Different Provinces



Source: CSS(1998).

Table 7-1 Infectious Diseases by Province(1996 and 1997)

Province	TB notification rate per 100,000 population (1996)	TB notification rate per 100,000 population (1997)	Malaria notification rate per 100,000 population (1996)	Malaria notification rate per 100,000 population (1997)
Eastern Cape	154.3	177.3	24.7	53.3
Free State	59.7	231.5	0.1	0.1
Gauteng	267.8	247.9	1.5	1.6
KwaZulu-Natal	170	160.8	12.2	8.1
Mpumalanga	96.6	116.6	47.6	124.8
Northern Cape	94	93	70	183.4
Northern	588.6	295.6	2	1.9
North West	37.6	42.2	37.5	87.9
Western Cape	54.3	210.5	1.2	9.5
Whole South Africa	568.9	409.2	1.6	1.4

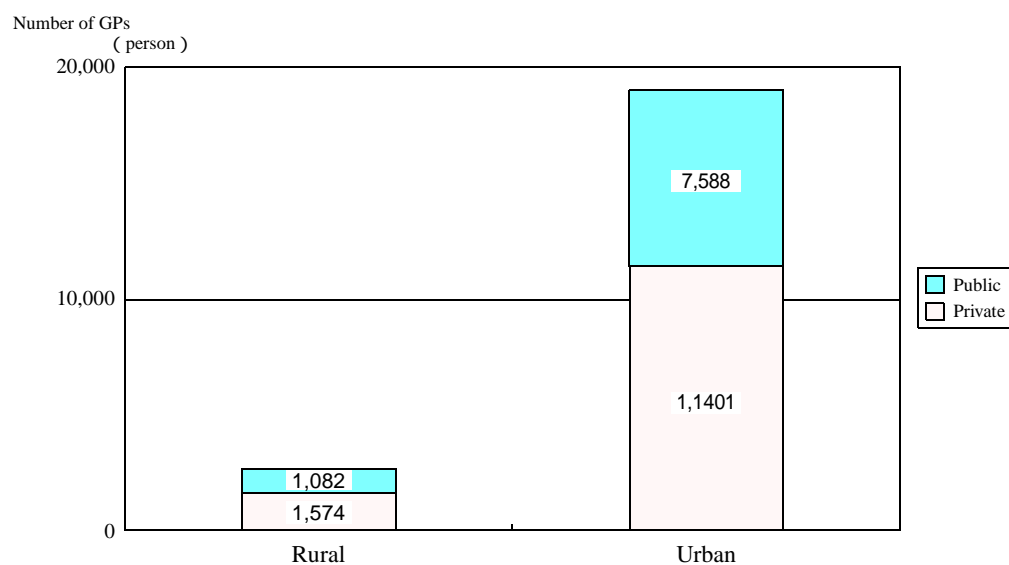
Source: DOH(Dec.1996/Jan. 1997), DOH(1998), DOH(1997)

Table 7-2 Measles Contraction Rate and Death Rate by Wound(1996 and 1997)

Province	Measles eradication rate per 100,000 population (1996)	Measles eradication rate per 100,000 population (1997)	Death rate by wound per 100,000 population (1997)
Eastern Cape	1.9	1.4	47.1
Free State	18.6	3.6	119.3
Gauteng	12.9	2.9	184.3
KwaZulu-Natal	32.0	2.5	107.1
Mpumalanga	29.9	2.6	94.3
Northern Cape	31.4	1.3	143.5
Northern	37.8	3.3	37.4
North West	7.6	2.2	66.9
Western Cape	21.7	6.0	162.7
Whole South Africa	20.6	2.8	103.7

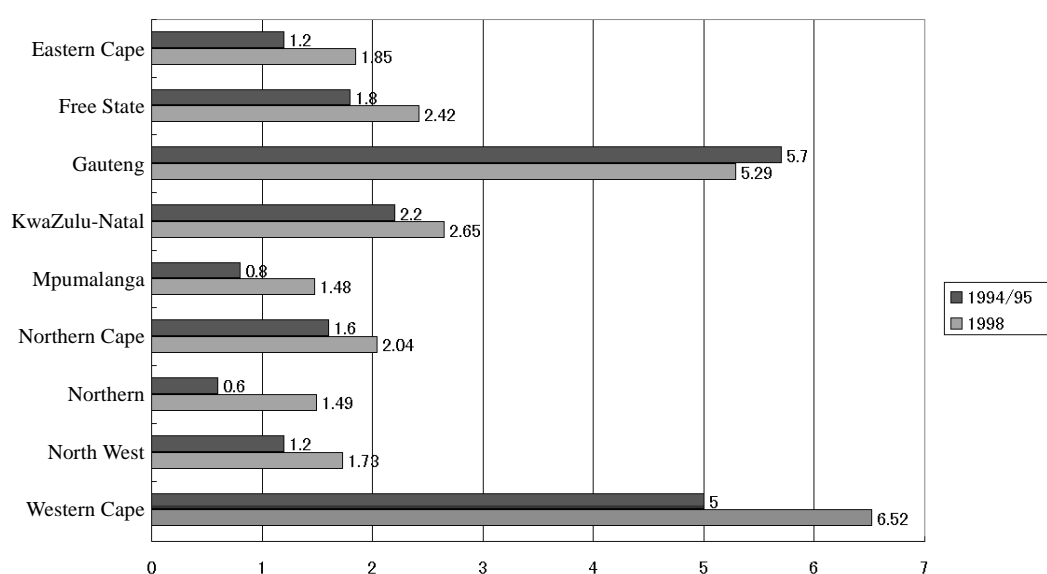
Source: DOH(Dec. 1996/Jan. 1997), DOH(1998)

Figure 7-2 Number of Doctors (GPs) in Urban and Rural Areas



Source: MASA database (1998), October Household Survey (1995)

Figure 7-3 Number of Public-Sector Doctors (GPs) per 10,000 residents (1994/95, 1998)



Source: Health System Trust (1998b)

7-3). And because GPs in the private sector are concentrated in provinces with a large white population, the gap in the ratio of doctors to population is thought to be even greater. According to 1995 data, a national average of 62.2% of the population live within five kilometres of medical facilities, but the figures are considerably lower than the national average in Northern Province and KwaZulu-Natal with 46.4% and 54.3% respectively (Table 7-4)

A similar regional disparity between provinces that have a relatively large white population and those that do not can also be seen regarding safe drinking water, sewerage and other sanitation systems, and food safety guarantees. It can also be surmised that there is still a substantial gap between African in rural districts and white populations (Table 7-4)

Table 7-3 Factors to Decide the State of Health - by Province and Population Group

		Percent of household with access to water supply (1995) a)	Percent of households with access to water supply (1996) b)	Percent of households with access to sewerage systems (1995) a)	Percent of households with access to sewerage systems (1996) b)	Percent of households with food security (1995) c)
Province	South Africa	51.4	44.8	92.3	87.6	58.9
	Eastern Cape	27.6	24.7	84.1	70.9	47.7
	Free State	41.6	40.6	90.7	91.2	62.6
	Gauteng	77.6	67.7	99.3	97.5	65.1
	KwaZulu-Natal	45.7	39.8	88.6	84.8	67
	Mpumalanga	51.4	37.3	90.7	91.3	45.4
	Northern Cape	53	17.8	92.7	89.3	65.9
	Northern Province	23.2	17.8	86.6	78.8	49.7
	North West	37.3	30.6	95.3	93.6	42.9
	Western Cape	76.6	76.4	98.6	94.6	70.1
Population Group	Africans	32.7	27.3	90.1	83.6	45.9
	Africans - Urban	56.1	-	99	-	-
	Africans - Rural	12	-	80.2	-	-
	Whites	96.9	96.4	99.9	99.1	95.7
	Coloreds	72.2	72.4	96.8	94.9	70.6
	Indians	96.8	97.6	100	99.8	98.1

Source: a) CSS(1995) b) Statistics South Africa(1998) c) CASE(1995)

Table 7-4 Access to Health and Medical Care Services - by Province and Population Group

		Access to primary health care; Percent of households within 5km of medical care facilities (1995) a)	Immunization; Percent of infants who have been immunized (1994) b)
Province	South Africa	62.2	74.7
	Eastern Cape	61.2	58
	Free State	63	72.7
	Gauteng	70	85.1
	KwaZulu-Natal	54.3	70.7
	Mpumalanga	64.3	73.8
	Northern Cape	63.5	80.6
	Northern Province	46.4	84.4
	North West	60.3	82
	Western Cape	72.9	80.4
Population Group	Africans	-	-
	Africans - Urban	77	-
	Africans - Rural	40.4	-
	Whites	72.2	-
	Coloreds	71.2	-
	Indians	71.1	-

Source: a) CSS(1995) b) SAVAG(1994)

2. Basic Health Policy

- Promoting better and more equitable access to health services
- Tackling HIV/AIDS and its social impact
- Strengthening the stable and efficient operation of public hospitals
- Pluralistic approach to improving health services

The basic government policy objectives to alleviate the structural problems in the health sector raised above can be summarized as follows according to a series of publications released by the South African Health Ministry. The basis of the policies is to remove inequality in access to health services and enhance measures to reduce poverty.

- (i) To integrate and enhance various initiatives aimed at better and more equitable access to health services
- (ii) To resolutely tackle HIV/AIDS and its socio-economic cost
- (iii) To improve the efficiency of hospitals and to seek the stable operation of public hospitals, including additional funding
- (iv) To adopt a pluralistic approach to improving the delivery of health services

The following are underscored as the basic approach to achieving these strategic objectives:

- (i) To strengthen mutual cooperation and partnership among local communities, major stakeholders, the private sector, and NGOs/CBOs.
- (ii) To build an accountable public health care and medical sector that can meet the needs of better health service levels as a means of ensuring a healthy population and a healthy nation.

The following lists the policies introduced since 1994 and their outcomes.

- (i) Policy formulation from deliberations on the 1997 White Paper on the Transformation of the Health System.

- (ii) Transformation of the discriminatory structure of the health sector.
- (iii) Restructure of the badly fractured public health sector split into 14 different offices the government inherited from the Apartheid era into a uniform national health system comprising one national and nine provincial departments of health.
- (iv) Transformation of the disorganized, racially divided and hospital-centered public health system into a comprehensive and integrated public service. Greatest priority should be placed on enhancing services for the socially disadvantaged, especially those living in the rural areas.
- (v) Progress being made on building the foundations of primary health care.
 - Since 1994, more than 700 clinics have been expanded, rebuilt, or newly established.
 - About 2,300 primary health care clinics have received new material and equipment.
 - 124 new health posts have been established.
 - 125 mobile clinics have been set up.
 - Child birth, health services for children aged 6 or younger, and all primary health care will be free.
 - Progress being made on management of the district health system by institutionalizing regional offices and district offices,
 - A list of essential drugs and guidelines for their prescription have been drawn up at the primary health and hospital level. (This is expected to result in the potential for greater use of essential drugs at public institutions)
 - Introduction of a system of compulsory service for a set period in primary health care for new medical school graduates.
- (vi) In October 1998 then Deputy President Thabo Mbeki started the Partnership Against AIDS, in which NGOs, regional leaders, private industry, and sporting teams and personalities formed a partnership to promote AIDS prevention.
- (vii) South Africa's first comprehensive demographic and health survey was conducted.

3. Public Hospitals

- In addition to poor hospital management and a shortage of doctors, there are very few experienced doctors
- Experienced doctors are concentrated in private medical facilities
- The fee structure for medical treatment is not fully developed, public hospitals are not permitted to maintain internal fund reserves, and hospitals have a poor performance record in fee charge
- It is generally pointed out that even though public hospitals may be administered but not 'managed' by provincial governments

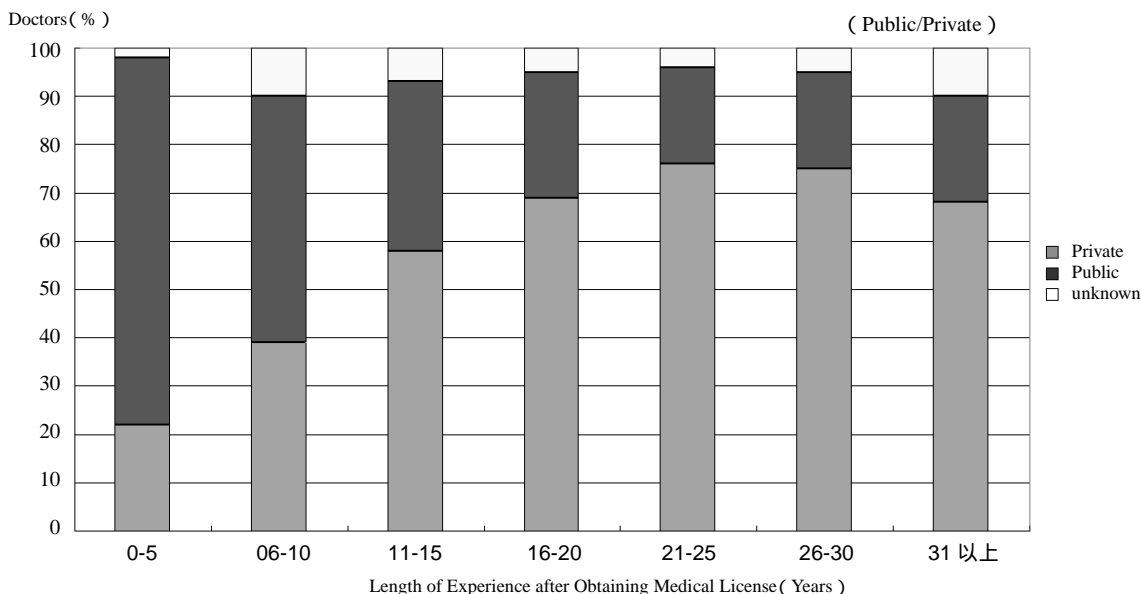
Public hospitals play a pivotal role in the health care of a majority of South Africans (especially the African population) but in a reflection of the Apartheid, they face severe difficulties in funding and operational management. The quality of care at public hospitals is a problem, and there can be no denying that even low income earners tend to prefer to strain their own resources and receive treatment at private clinics or hospitals. In the public sector, the problem of poor hospital management and a shortage of doctors is compounded by the fact that there are very few experienced doctors. An overwhelming

majority of experienced doctors work in the private sector. As shown in Table 7-4, young doctors with only a few years experience are concentrated in the public sector: about 80% of doctors with five or fewer years experience, and 50% of doctors with 6-10 years experience. On the other hand, doctors with at least 15 years experience are concentrated in the private sector. We can therefore see that not only is there a shortage of doctors in the public sector, but the overwhelming majority of doctors working in the public sector are not experienced. The problem is further exacerbated by the difficulty in securing capable management personnel.

Public hospitals are facing a severe funding gap as they strive to meet the demands of a growing population and epidemiological changes, as well as changes in essential health services. Another factor contributing to this funding gap is extremely inequitable and inefficient distribution of funds, with hospitals in the major cities and university hospitals receiving priority allocation of financial and personnel resources. Also having an impact on this would appear to be the government's current austere financial policies and the sudden budget shift to primary health care.

Poor hospital management is also making the problem of public hospital operation even more serious. The general view is that highly confrontational labour relations are undermining improvements in hospital operation, and making modern management more difficult. So there are

Figure 7-4 Length of Experience of Doctors after Obtaining Medical License



Source: MASA database (1998)

Table 7–5 Income and Medical Care Expenditure/Budget by Province

(Unit: rand)

Province	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001
Eastern Cape	388	497	433	404	435	442
Free State	538	539	536	525	514	504
Gauteng	895	966	912	903	952	912
KwaZulu-Natal	460	554	470	456	455	462
Mpumalanga	290	322	308	303	310	324
Northern Cape	405	452	429	412	412	398
Northern Province	229	437	398	349	332	330
North West	351	377	355	336	333	351
Western Cape	919	1,012	846	734	712	711
Provincial average	495	586	527	499	506	505
Total (including national budget)	516	606	536	509	515	512

Source: Department of Finance(1998) Maken *et al*(1996) Doherty and Van den Heever. (1997)

more than a few instances where management positions (hospital director or deputy director) go unfilled even after extensive advertising for applications. This results in an inability to build a modern personnel management structure, and this in turn deepens confrontation, affects morale, and lowers hospital productivity. Hospital strikes have occurred in most provinces since 1995. Thousands of nurses and other hospital staff are demanding a pay rise of 25-33%.

Hospital systems management is said to be extremely centralized, and hospitals themselves have only very limited authority to make their own decisions, so with competent managers taken up by private hospitals, the public sector finds it very difficult to nurture a hospital management culture. In fact, it has been pointed out that even though public hospitals may be administered by hospital departments in provincial governments, they are not managed by them. Consequently, hospital boards are often said to be a mere shell of an organization.

Partnership with private hospitals has hardly progressed at all, except in Western Cape Province and a limited number of other regions. In the meantime, doctors and nurses are moving out of the public system into private hospitals, while patients with the capacity to pay generally prefer private health services.

In relation to the health insurance system (private) operations that are not profitable are being passed on to public hospitals because health insurance companies are skimming the cream off the top, and members of a health insurance scheme often conceal the fact that they are covered by private insurance and register as public patients to receive free medical treatment. Various factors such as these end up causing grants or subsidies to flow from the

public sector to private hospitals.

Weak management structures and sluggish policy response by provincial governments also have an impact on the collection of payments for medical diagnosis and treatment, and because the fee paying structure is not fully developed and there is little incentive to collect fees, hospitals have a poor performance record in fee levying.

4. Health and Medical Care Spending

- Spending on health services is high at about 8.5% of the GDP
- In a reflection of South Africa's decentralized financial management, there is a considerable gap (from two to three times) between provinces in the level of spending on public health (this gap is also between regions, between income levels, and between races)
- Major inequity in health services between regions
- Discussion about the introduction of a national health insurance system

4–1 State of medical finance

The quality of public medical services in South Africa is grossly inadequate, even though the nation spends R30 billion on health services, or a high 8.5% of the GDP. All provinces appropriate roughly 20% of their budgets to health and medical care. Since 1996 spending on health and medical care by all provinces has been trending upwards, and in the 2000/2001 fiscal year, this will reach 25% of the GDP in some provinces. However, the budget

amount alone does not reveal the full extent of the problem; the problem of structural inequity in health services must be tackled and alleviated (Table 7-6).

As can be seen in Section 2, the government is planning to reform the health sector. The policy agenda concerning health and medical care spending is based on the understanding that strengthening the economic management aspects of the health sector and rectifying the inequity in health services must be tackled as one. In reality though, there are many difficulties to overcome, and prospects are just as tough as they have always been.

The health budget has risen from R16.5 billion in 1995/96 and R21.1 billion in 1996/97, to R26.4 billion in 2000/01 (R17.5 billion in 1995 rand value) or 11% of total budget expenditure. However, this increase has been offset by the growth in South Africa's population¹, and while the total health budget has increased in nominal terms, per capita spending is in fact trending down slightly.

The public health service largely depends on tax revenue for funding. Public health spending eats up 10-11% of the government's budget expenditure, so there is little hope that more tax money can be allocated to health. This is a macroeconomic policy issue; for example, it depends on the repayment of government debt under low economic growth and plans to reduce the budget deficit, and on demands for increased funding by other social sectors. Other sources of funds for health are provincial government revenue and consultation fees, but these make up only a very small part of overall funding.

To date public health services have been biased towards curative, hospital-based care, and spending here has reached 76% of total recurrent health expenditure. Primary health care services account for 11% of recurrent medical care expenditure, while university and other tertiary hospitals account for about 44%. The South African Health Ministry feels this spending ratio indicates a bias in the allocation of resources.

In a reflection of South Africa's decentralized financial management, there is a considerable gap (from two to three times) between provinces in the real level of spending on public health. This is also causing the major inequity between provinces in health services to become even more pronounced. Moreover, HIV/AIDS further adds to the pressure on medical care funding. This disparity is evident in infant mortality rate figures, with Eastern Cape and KwaZulu-Natal recording, respectively, 61.2 and 52.1 per 1,000 live births compared to the national average of 45.

4-2 Revenue measures

Over the past several years attention has been drawn to consultation fees and a national health insurance system for additional financing. Negotiations with provincial health authorities on maintaining payments for treatment as internal fund reserves by medical facilities seem to have reached a standstill, and medical facilities performance in levying fees remains quite low. Despite this, discussion seems to go no further than fees for treatment at tertiary care hospitals and university hospitals.

Table 7-6 Health and Medical Care Expenditure/Budget to Total Provincial Expenditure/Budget (excluding academic hospitals)

Province	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001
Eastern Cape	18	18	19	22	23
Free State	17	17	19	20	21
Gauteng	21	18	19	21	21
KwaZulu-Natal	21	18	21	23	24
Mpumalanga	15	15	17	18	19
Northern Cape	16	14	17	18	18
Northern	19	18	18	18	19
North West	15	16	17	18	20
Western Cape	19	17	17	19	20
Provincial average	19	17	19	20	21

Source: Department of Finance (1998) Maken *et al.* (1996) Doherty and Van den Heever. (1997)

¹ South Africa's annual population growth rate is high among the medium developed countries at 2.1%, while the growth rate among the African population is a very high 2.4%.

The central discussion about national health insurance is approached from the perspective of better and more equitable access to health services rather than securing a stable source of health care revenue. However, considering health insurance membership is extremely limited, and also considering the medical scheme membership ratio in the modern sector, the positive effect of insurance on the revenue of public hospitals is not particularly significant. But if virtually all employees in the formal sector and their dependents take up compulsory health insurance membership, and if not only outpatient care but hospitalization costs can be covered, it is thought that the number of people who use public hospitals will rise sharply. And if the public health and medical care sector suddenly improves access to primary medical care, the issue of funding will need to be addressed urgently.

4-3 Social insurance

These days there is growing debate in South Africa about the introduction of national health insurance (NHI). This debate is not merely limited to interested academics and technocrats in the Ministry of Health, but is also being pursued in the National Assembly. The key points of this debate are as follows.

- i) Incorporating members of medical schemes in the formal and modern sectors and their families into NHI, and raising consultation fees at public hospitals, will boost revenue by an expected R4.3 billion. With this additional funding, health insurance membership will rise from the current 17% of the population who are covered by a medical scheme to about 56% of the population who can join NHI.
- ii) NHI will give priority to primary health care, and will alleviate its shortage of funding sources. It will also give priority to cost effective treatments covered by insurance. This will also be an efficient allocation of government funds.
- iii) NHI will establish "social Health Insurance Fund". The Fund will be managed by the "Social Health Insurance Authority", which will be established outside of the government. The Authority is responsible to explain its activities to the congress and the Ministry of Health. Besides, some non-governmental representatives will be assigned to the members of the management committee to secure capable resources

for flexible and efficient management.

5. Health Indicators

- Average health indicators in South Africa remain low compared with other middle-income developing countries
- There is a wide disparity in health standards between ethnic groups
- Because of low nutritional levels, there is an extremely high rate of stunted growth (22.9%)
- Because of HIV/AIDS, the infant mortality rate is expected to worsen to 60:1,000 in 2004

5-1 Major health indicators

Reflecting the discriminatory structure of the social and health sectors, South Africa continues to record low scores in health indicators despite being a middle-income developing country and having high health spending at 8.5% of its GDP (and the existence of a relatively large private health sector). Infant mortality stands at 45:1,000, but this is expected to deteriorate to 60:1,000 in 2004 because of the ravages of HIV/AIDS. Moreover, infant mortality has a very strong racial bias: about 52 among African, followed by Coloureds with 30, Indians with 9, then Whites.

The spread of HIV/AIDS has reached serious proportions, and the recent Annual Antenatal Survey reported that in the one-year period between 1997-98, the number of HIV/AIDS cases jumped 33.8%, but exploded by 65.4% among the population aged 10-19. It is estimated that the number of people who are HIV-positive will rise from 3.75 million in 1998 to 5.5 million in 2000. At this rate, the number of new cases of HIV infection will double in 15 months. AIDS-related deaths will soar to about 400,000 in 2000 from 175,000 in 1998. As for hospital beds occupied by AIDS patients, in Gauteng the number is expected to rise sharply from 2,000 to 8,000 over the same period. Ninety percent of the people who are HIV-positive are African, and of the remaining 10%, 6% are Whites and 4% are Coloureds.

The incidence of TB is 377 cases per 100,000 people, so it has already deteriorated into an epidemic by WHO definition (more than 200 cases per 100,000). The maternal mortality rate is more than 200 per 100,000 normal births, while the Under-5 mortality rate is 66 per 1,000.

This indicates that, although South Africa is a middle-income developing country, it has low health standards (Table 7-7)

At the heart of these low health indicators is the fact that many people endure low nutritional levels. This has resulted in high levels of stunted growth (22.9%) and according to a report by National Food Secure, 9.3% of children aged 5 or under are underweight, and 9% are suffering from malnutrition (Table 7-7). These problems are especially pronounced in Eastern Cape, KwaZulu-Natal, and Northern Province.

5-2 Family planning and reproductive health

There is also a significant gap between regions in the total fertility rate. While the total fertility rate for South Africa was 3.9 in 1995, the rates in Northern Province, Eastern Cape, and KwaZulu-Natal were 5.8, 4.8 and 4.3 respectively, placing them on a par with the high-birthrate countries in sub-Saharan Africa. In contrast, the birthrate in Eastern Cape was only 2.7. Another problem is the high teenager pregnancy rate - 16.4% in Northern Province, 13.1% in Eastern Cape, and 15.3% in KwaZulu-Natal. With 35% of women admitted to maternity wards in public hospitals in the 10-19 age group, unless a concerted effort is made to address reproductive health issues among the nation's teenagers, there are few prospects that South Africa's high birthrate can be reduced.

6. Private Health Sector

- Private health sector is Estimated to account for 60% of total health spending in South Africa
- Difficulty in cooperation between the public and private health sectors
- Half of the total number of beds in private medical facilities are located in the residential areas of the top 5% income earners, and 77% of private hospitals are located in the residential areas of the top 25% income earners
- 70% of doctors with at least 15 years of experience are concentrated in the private sector
- Rapid rise in consultation fees, and expansion of cream skinning against patients

Unlike the public sector which has been frail for quite some time, the private health sector is centered on

advanced medical care institutions that are both extensive (estimated to account for 60% of total health spending in South Africa) and modern. Private-sector medical care consists of large organizations structured as joint-stock corporations, organizations runs by NGOs, and small nonprofit organizations. Here, I will only touch on the large medical organizations, which are by far the most important in terms of government finances and number of hospital beds.

Many private hospitals are joint-stock companies, and are structured into corporate groups. There is quite a disparity between regions in the number of beds in private-sector medical facilities (number per thousand people), and especially between provinces that have a relatively large white population and those that do not. In contrast to the high number in Gauteng and Western Cape, Northern Province has only one-tenth the number of beds of Gauteng (Table 7-8). According to the 1995 household economy survey among others, half of the total number of beds in private medical facilities are located in the residential areas of the top 5% income earners, 77% of private hospitals are located in the residential areas of the top 25% income earners, and 90% of all beds in private medical facilities are in the cities (Table 7-9).

The private sector also enjoys a dominant position in health personnel - 76.6% of special doctors and 52.7% of GPs work in the private sector. And 70% of doctors with at least 15 years experience are concentrated in the private sector. Considering roughly one-quarter of the population receive health services through the private sector, the extent of this uneven distribution of resources is quite obvious. These percentages remained virtually unchanged from 1989 to 1998. As shown in Figure 7-4, the vast majority of young doctors with only a few years of experience work in the public sector - about 80% of doctors with five or fewer years of experience. On the other hand, doctors with at least 15-years of experience are concentrated in the private sector. We can therefore see that not only is there a shortage of doctors in the public sector, but very few doctors working in the public sector are experienced. Apart from this imbalance, the way the private health sector operates poses numerous problems with regard to equity in health care. The most controversial issues are skyrocketing medical fees, an escalation in cream skinning as a result of the incorporation of a risk rating regime into the medical fee structure, and the dumping of high-risk patients on the public sector through their economic exclusion — a logical conse-

Table 7-7 Survey on Health in Developing Countries

Country	Per capita GDP (1997)	Infant mortality rate (1996)	Maternal mortality rate per 100,000 births (1996)	Under-5 mortality rate per 1,000 persons (1996)	Children 5 or under suffering from malnutrition 1995-96 (%)	Access to safe water (%)
South Africa	3,400	49	239	66	9	70
Costa Rica	2,640	12	53	45	2	N.A.
Panama	3,080	22	55	25	7	33
Mauritius	3,800	17	112	20	15	98
Gabon	4,230	87	206	145	15	67
Malaysia	4,680	11	43	14	23	88
Chile	5,020	12	180	13	1	N.A.
World average	1,860 ¹⁾	35	N.A.	43	N.A.	83

Note: Average of all incomes by world social development.

Source: World Bank (1995)

Table 7-8 Private Hospitals and Beds by Province

Province	No. of hospitals	%	No. of beds	%	No. of beds per 1,000 persons	No. of beds per 1,000 medical scheme members
Eastern Cape	14	9	1,207	6	0.2	2.5
Free State	7	4	827	4	0.3	1.7
Gauteng	66	40	10,049	48	1.5	3.7
KwaZulu-Natal	27	17	3,371	16	0.4	3.1
Mpumalanga	5	3	627	3	0.2	1.4
Northern Cape	4	2	288	1	0.4	1.9
Northern Province	2	1	273	1	0.1	1.3
North West	10	6	928	4	0.3	2.2
Western Cape	27	17	3,338	16	0.8	2.8
Total/average	162	100	20,908	100	0.5	2.9

Source: Private Health Care(1998), Statistics South Africa(1995)

Table 7-9 Private Hospitals and Beds in Regions Classified by Average Income

	No. of hospitals	%	No. of beds	%
Income percentiles*				
Regions with an average income in the bottom 25%	3	2	373	2
Regions with an average income in the bottom 25-27%	34	21	3,429	16
Regions with an average income in the top 5-25%	53	33	6,652	32
Regions with an average income in the top 5%	72	44	10,454	50
Total	162	100	20,908	100
Urban - Rural				
Rural	20	12	1,873	9
Urban	142	88	19,035	91
Total	162	100	20,908	100

Note 1) "Income percentiles" were derived from the average income of the magisterial district in which the facility is located.

2) Urban areas were those in which 57% or more of the population live in urban settlements.

Sources: Van der Merwe *et al.* (1998), Statistics South Africa(1995)

quence of the private health system medical fee structure. However, as was touched on in 3, discussions on building a cooperative relationship between the public and private sectors have only just started. Medical fee structure in the private hospital is said to be in the process of being.

7. Recommendations for Japan's Assistance in the Health Sector

- South Africa's health and medical care strategy is to improve and strengthen primary health care and public hospitals
- To Enhance partnership with the South African government
- Assistance should be limited to the area consistent with the government policy
- To Promote aid coordination with other donors
- To improve and strengthen primary health care and public hospital

7-1 To improve and strengthen primary health care and public hospital

Poverty and low health standards seen among the many African poor places South Africa below other middle-income developing nations (Table 7-7). The two key pillars of South Africa's current health and medical care strategy are to improve and strengthen primary care and public hospitals. USAID and other aid organizations are providing assistance to strengthen primary care at the provincial level mainly through NGOs (e.g. Eastern Cape Province). In view of the limited financial and personnel resources of provincial governments, such an approach is highly valued and appreciated by the recipient governments. It is desired to strengthen effective primary care without placing a heavy financial burden on the provincial governments. Support programs based on detailed planning that incorporates management aspects are preferable. The UK's DFID is promoting a program to strengthen management at South Africa's public hospitals, and much is expected from this. With such an approach, though, one can argue that there is no conspicuous input in the form of capital investment (grants).

7-2 Partnership with South Africa

A report by the World Bank and South Africa's leading think tank Health Systems Trust² states that R1.5-2.5 billion will have to be spent to rebuild the public sector's primary health care services. The master plan for this stresses the need for capital expenditure, such as primary health care-related facilities and community hospitals, and increased operating expenditure to enhance the various services. It highlights the need for external donor funding to meet the costs of rebuilding the health sector. Indications such as this are as yet quite novel in South Africa, however, the government is cautious of development aid with a capital bias. It is quite often heard from the central government right through to provincial governments that they do not want donor countries to look at South Africa as merely an aid recipient; rather they want to take part in aid negotiations as a partner. So instead of the conventional approach of first implementing the project, there is a need to establish a relationship of confidence with the South African Health Ministry as a partner and participate in policy discussions to rebuild the health sector as well as discussions on drawing up comprehensive plans for funding the required rebuilding work while narrowing down the necessary items.

7-3 Focused assistance consistent with the health policy

Despite its very contrasting attitude towards foreign aid compared to other sub-Saharan countries, South Africa shows an intellectual interest in the Sector-wide Approach being implemented in several African countries and seems to have a good understanding of it. This is attributable to its desire to forestall the negative effects of foreign aid on the health sector, the threat of which rises with increased aid, and avoid problems such as the fragmentation of the health sector and confusion in health policy and strategies, which have occurred in many sub-Saharan countries as a result of haphazard implementation of project-type assistance. Namely, it reflects South Africa's desire to avoid being swamped and swept away by the one-way influx of medical technologies with diverse specifications and obligation to comply with varying expenditure and payment terms set by aid donors, as well as its firm understanding of the importance of the following in the rehabilitation of the South African health sector: prevention of routine contacts with aid donors put-

² Health Systems Trust and the World Bank (1995). This report was approved as a policy paper by Health Minister Zuma.

ting a drag on domestic services by eating away at staff time; and proper management of the supply of capital goods to prevent it from becoming a one-sided operation totally out of kilter with the normal budgetary process. These facts explain why South African counterparts insisted that the members of the study mission treat them as active partners.

Assuming compatibility with Japan's policy stance towards the provision of coordinated assistance with other aid organizations and more microscopic aid strategies, its parallel financing for primary health care programs through the supply of capital goods and other forms of assistance is believed to hold great promise for aid effectiveness, provided that it is designed properly. The establishment rate for equipment provided to public hospitals under Japanese grant aid is still low in that sense.

As mentioned above, the institutional capacity of public hospitals varies widely, so rather than scattering aid around without any clear focus, it would be much more worthwhile to provide equipment in line with plans aimed at strengthening hospital management. For example, almost all equipment provided to regional hospitals in Gauteng under Japanese grant aid has been installed and is operating, and South African officials concerned have indicated that the selection of equipment was generally appropriate. Therefore, it is also important to extend follow-up support so that the equipment provided can also be installed and used in other hospitals, and to provide support programs based on detailed planning that incorporates management aspects. For example, the UK's DFID is promoting a program to strengthen management at South Africa's public hospitals, and planning for capital assistance can be carried out in parallel with these activities. Given the ongoing acute shortage or degradation of primary health care facilities in low income areas, Japan's parallel financing for the primary health care programs of USAID and other aid organizations through the supply of capital goods and other forms of assistance is believed to hold great promise for aid effectiveness, provided that it is designed properly.

Therefore, promotion of effective aid coordination among donors is considered to be extremely important in South Africa.

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Chapter 8. Education and Human Resource Development

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1. Historical Background

Education in South Africa has a complex history of evolution under the Apartheid regime. With the enactment of the Bantu Education Act in 1953, a racially discriminatory education system which cannot be seen anywhere else in the world came into existence. The law aims at building a segregated education system and curricula only for the African population based on the view that African people need only be of value in African communities. The government therefore created a system in which the necessary budget for education for the African population was cut off from general sources of government revenue, relying instead wholly on tax revenue collected from African people themselves. At that time, education for Whites, Asians and Coloureds was racially divided, so each group had its own administrative body for education. African education, on the other hand, was managed on a residential area basis through education departments established in each of the homelands. While putting forward the ideal of African self-administration, the system functioned to segregate and control the African population. This in turn has led to a massive educational disparity between white and African children. South Africa finds itself in a unique situation marked by the coexistence of a modern educational sector and a second educational sector faced with the urgent task of qualitative improvement and quantitative expansion of basic education that is no different from that in other African countries.

In this way, historically, education and training has functioned to preserve racial inequality in South Africa. Drastic reform of this system is the most crucial issue facing post-Apartheid South Africa as it strives to build a democratic nation, and reform here is seen as having the potential to be an important catalyst for change in other sectors.

Education and training has traditionally been classified by the idea that white people receive education and African people receive training. While there are probably various ways of defining the difference between education and training, under the Apartheid regime, it was under-

stood that education was a theoretical concept and the opportunity for it was only given to white people, whereas training was a practical concept and it was given to African people. This is why the terms education and training have been used side by side in numerous policy documents. Moreover, The term vocational training is hardly ever used these days, having largely been replaced by skills development.

2. Educational Reform

2-1 National policies

The Reconstruction and Development Programme (RDP) announced by the government in 1994 set human development as one of its priority tasks. RDP describes its importance as the following.

“We must develop an integrated system of education and training that provides equal opportunities to all irrespective of race, colour, sex, class, language, age, religion, geographical location, political or other opinion.”¹ With this, the hitherto convoluted and disjointed racially based education administration was brought together in the Department of Education, and Provincial Departments were established in each provinces.

In 1995 the Department of Education released the White Paper on Education and Training based on the RDP concept. Set as a core document for the reconstruction of education in South Africa, the White Paper contained a number of critical structural and institutional reform measures aimed at introducing a fair and equitable education and training system that did not discriminate by race, and the qualitative improvement and quantitative expansion of education and training. It included the comprehensive development of education and training under a new national qualification system, and the ideal that all children would receive ten years of free compulsory education. In line with this design and through cooperation between the Education and Labour Departments, in 1997 the government established the National Qualification Framework (NQF).

¹ African National Congress (1994)

Against this backdrop, the government's policy goal is to provide all South Africans with ten years of quality elementary education, giving adult basic education the same importance as general school education. This ten years education consists of one year of preschool and nine years of primary and secondary education (six years of primary school and three years of secondary school) in a school education system. Schools, however, are not the only place of learning; equivalent qualifications can also be obtained at the workplace and through NGOs, depending on the educational level of the individual concerned.²

Steady advances were made in education-related legislation, and in 1996 the National Education Policy Act was enacted to guarantee the right to receive basic education, equal access to education institutions, and the right to choose the language of instruction. In the same year the South African School Act stipulated that the new school system will provide all students with an equal opportunity to develop their capabilities. Also in 1996 the Constitution of South Africa was enacted. Article 29(Education) stipulates the following, including the right of adults to receive basic education, freedom to choose the language of instruction, and the right to establish private schools.

- i) Everyone has the right to a basic education, including adult basic education; and to further education, which the state, through reasonable measures, must make progressively available and accessible.
- ii) Everyone has the right to receive education in the official language or languages of their choice in public educational institutions where that education is reasonably practicable. In order to ensure the effective access to, and implementation of, this right, the state must consider all reasonable educational alternatives, including single medium institutions, taking into account equity, practicability, and the need to redress the results of past racially discriminatory laws and practices.
- iii) Everyone has the right to establish and maintain, at their own expense, independent educational institutions that do not discriminate on the basis of race, are registered with the state, and maintain standards that

are not inferior to standards at comparable public educational institutions.

- iv) Subsection iii) does not preclude state subsidies for independent educational institutions.

2-2 Curriculum 2005

Introduced in 1998, Curriculum 2005 is a master plan for education reform into the 21st century. Its objective is not just to rebuild the old system, but to overturn the paradigm for all educational processes, while the overall goal is to create in South Africa a culture of lifelong learning.³ This seeks to make formal and non-formal education interchangeable through the NQF, and transform the focus of curricula from content to outcomes.⁴ Highly advanced and indeed ambitious even by world standards, the curriculum reform being attempted by South Africa does not aim at simply transferring the experiences of developed nations into its own situation; rather, it seeks to bring about far-reaching educational reform based on lifelong learning without parallel anywhere in the world.

On the other hand, it is pointed out that considering the current state of education in South Africa, the plan will do little other than give rise to chaos in the classroom, and besides not having the capacity to carry through such a sudden and radical paradigm shift, the government has not secured the budget or other financial resources necessary for this.⁵ It would seem clear that political objectives have taken over, and the reform process is moving along too quickly. While the policy is now at the implementation phase, considering present circumstances in which not even the demands of traditional knowledge-based learning can be satisfied, it is not hard to imagine the considerable difficulties the government will face in its implementation. In fact, the phased implementation schedule has already fallen behind. How Curriculum 2005 progresses, and what kind of training opportunities will be given to present teachers are among the many developments and changes that will need to be watched carefully over the coming years.

2-3 The discrepancy between policy and implementation

The Mandela administration formally assumed power

² Department of Education(1997)p.30 and JICA(1997)p.105.

³ Department of Education(1997a)p.4.

⁴ Department of Education(1997b)

⁵ Meerkotte, D.(1998)

in 1994, but before then from about 1990 the African National Congress (ANC) had been researching the education systems in various countries around the world in an effort to ascertain the most suitable system for a new South Africa. The draft to the 1995 White Paper on Education and Training was completed the year before, and comments and opinions about it were sought not just from within South Africa, but from the broader international community as well.

In this sense, South Africa's education policy is literally drawn from the collective wisdom of the world, but some see it as little more than an idealistic view that fails to take into account current realities in South Africa with its limited education budget and administrative capabilities. The biggest problem facing the government is how to shift into the policy implementation stage. Not only will the policy take considerable time to filter down to the teachers teaching in the schools, but it is questionable as to whether implementation structures can be established in regional areas with their meagre resources. The general view is that while the policy document is indeed full of marvellous rhetoric, it is lacking in realistic consideration of specific actions and investments needed to realize its objectives, and the government has only limited capability to implement such a policy. Fully aware of such challenges, the Department of Education stated in the introduction to the 1995 White Paper "Policy is important, but execution is more important."⁶

3. State and Problems of Education and Training

3-1 Primary and secondary education

Primary and secondary education is a priority area for the government, especially considering its stated goal of providing ten years of free compulsory education to all. South Africa is facing basically the same primary and secondary education issues that other African countries have to confront and resolve - expanding educational opportunities and improving the quality of education. What is vital for this to become reality is true social equity in which discrimination because of race, gender, language, age or any other grounds ceases to exist. Limited resources must be used effectively and efficiently, and perhaps some degree of financial contribution by the beneficiaries cannot be avoided.

Curriculum 2005 was planned to be progressively introduced from Grade 1 (first year of primary school) and Grade 7 (first year of secondary school) from 1998, but to date it has only been introduced in grades 1 and 2. Current expectations are that its introduction will be completed up to Grade 12 in 2005. Some teacher training has been provided, but progress in this aspect will have to be closely monitored. It goes without saying that underpinning the success of this plan and its implementation will be department efforts to raise the quality and capabilities of teachers, and also the necessary financial backing.

One problem with South Africa's education system that must not be understated is, like other African countries, the immense disparity between regions. In what is a legacy from the days of Apartheid, the educational environment in many areas of Eastern Cape Province and other regions that contained the former homelands is indeed substandard. The poor standard of science and mathematics at the former black schools is quite striking, and this becomes even more obvious as students progress through the higher school years. The White Paper mentions the need to expand and enhance science and mathematics teaching at the secondary level as a basis for developing the higher education system. In this regard, too, there is a pressing need not just to expand opportunities to gain a higher education, but to improve the quality of that education as well. That said, though, the reality of the situation is that the education budget is already coming under severe pressure, and teacher numbers are being cut.

3-2 Higher education

Institutions of higher education in South Africa are a complex mix of universities, technikons (technical schools) and colleges. More than a few graduates of secondary school have an inadequate language capability or a poor understanding of science and mathematics, but at the same time, there is some concern that because higher education is opening up and being made more accessible, standards at universities and the like may drop. As the government continues to cut subsidies for higher education, many universities etc. are exploring and devising their own means of earning the funds they require.

The standard of education and research at the former white universities has been world-class, whereas at the former black universities, besides other constraints, the

⁶ Department of Education (1995) p.13.

academic capabilities of students graduating from secondary schools were often less than adequate, so naturally there were limits on the quality of the education provided. These days, many talented black students are studying at the former white universities, while the social standing of the historically black universities continues its downward spiral. Another factor exacerbating the problem of declining quality is that funding has not kept pace with the sharp rise in the number of students entering the former black universities⁷. And even after the students graduate, their chances of finding employment are extremely limited.

The 1997 Programme for the Transformation of Higher Education sketches a framework for reform of South African higher education that seeks to build a single uniform national system which fixes past inequities and which can meet the needs of the new nation and society.⁸ Focusing entirely on higher education reform, the document seems to deliberately avoid touching on the issues such as the labour market and employment opportunities for graduates.

The general trend is that higher education budgets are being cut, and the number of entrants into universities has levelled off these past few years. The reason for this is not just an issue of funding; another important factor is that because the quality of primary and secondary education is not being maintained, in absolute terms the number of secondary school graduates who are able to pass the senior certificate examinations has not been increasing. Moreover, jurisdiction over some teacher training schools is to be shifted from the provinces to the national Department of Education, and the impact this is likely to have on primary and secondary education will need to be examined.

3-3 Adult basic education and training

Historically, many black people were not able to receive a suitable school education. With its focus on these people, adult basic education and training (ABET) has become a driving force for their social participation and for economic development, and occupies a pivotal position in the RDP. One characteristic feature of South African education is that through the NQF and its empha-

sis on lifelong education, adults can obtain through adult non-formal education the same qualifications available through normal school education. Therefore, indeed ABET is a means of enabling people to achieve the end of gaining a higher level of education, and not the end itself. Government policy affords ABET the same status as school education, but current realities are that the education budget is under severe pressure and there is not enough funding even for schools, let alone education targeted at adults.

ABET is conducted by labour groups, churches, NGOs and the like. There are also adult basic education centres and adult schools that use primary school facilities after hours, but for the government's part, it is not entirely clear what organizational approach it is taking.⁹ At some workplaces (for example Gauteng Province's Public Works Department) literacy education is carried out away from the workplace for workers already employed by the government. However, the government has shown no sign of actively attempting to systematically combine school education and education facilities and giving illiterate people the opportunity of gaining an education. The government has, if anything, the optimistic view that it can make effective use of existing educational facilities so there is no need for new buildings, and because there is also the potential for distance education, ABET is highly cost-effective.¹⁰ Unless adult basic education is placed on an equal standing with school education, Curriculum 2005 will not be completed, and while coordination among the departments that provide or supervise adult education other than the Education Department is essential, to date this has not looked like happening.

3-4 Vocational training

As mentioned before, South African policy documents do not use the term "vocational training". The Department of Labour's basic policy document Green Paper: Skills Development Strategy for Economic and Employment Growth in South Africa puts forward a strategy for high-level skills development to meet the need for international competitiveness, and also states that even those people who have not had the opportunity for school education or skills training will benefit from the reform.¹¹ It

⁷ Herman, H.(1998)

⁸ Department of Education(1997b)

⁹ Murata, Y.(1998)p.118.

¹⁰ Department of Education(1995)p.31.

¹¹ Department of Labour(1997)

must be said that this policy is indeed ambitious. In other African countries two skills development systems - informal apprenticeships and contemporary vocational training - coexist, but South Africa is clearly seeking to create a single unified system.¹² In many other countries, including the developed nations, vocational training certainly does not have a very high social standing, but South Africa is endeavouring to position it at generally the same level as school education within the NQF.

Vocational training should basically be discussed in connection with industry. Needless to say, effective skills development is impossible if the vocational training establishment is detached from the reality of the actual place of production. While obtaining a skill does not mean that it will lead directly to a job, there is also a need to consider providing the opportunity to acquire basic skills for earning a living, including the potential for self-employment in the informal sector.

The private sector is much more mature in South Africa than it is in other African countries. At the same time, though, the Department of Labour is aware that training is not being carried out on an organized basis in companies, and the lower level workers are hardly given any opportunities for formal training. As mentioned before, skills development is carried out in connection with NQF, and in November 1998 the government enacted the Skills Development Act. This legislation lays down measures for developing the skills of the labour force, and prescribes the establishment of a national skills agency and its related organizations to implement these measures. Under the Skills Development Levies Act, which was enacted in April 1999, employers are to be levied 1% of their taxable amount, and local governments are to use this as a foundation for skills development training.

4. Direction of Assistance for Education/ Human Resource Development

4-1 Basic perspectives

When considering assistance to South Africa, it is important to be aware that the South African government has yet to fully set up the necessary structures for receiving assistance from overseas.¹³ For roughly 25 to 30

years before 1994, bilateral aid agencies and international agencies provided assistance through NGOs for educating black South Africans. So unless the conventional aid approach is rational, it may not be accepted. Especially regarding the accounting system, in some respects the method and form of Japan's official development assistance lacks flexibility compared to that of other donor countries or organizations. There is some concern that talks between South Africa and Japan to formulate items for cooperation will not progress smoothly, but greater effort is also needed by the Japanese side. In other words, if the "New Global Partnership" proposed in the "New Development Strategy" adopted by DAC in 1996 is implemented and if donor countries and recipient countries aim at a purely equal relationship as partners rather than a higher and lower relationship, there is a need to listen carefully to what South Africa has to say.

The role South Africa can play in the development of education within southern African region is by no means small, provided the region can achieve political and economic stability. In 1998 South Africa hosted the 7th Conference of Ministers of African Member States, and at the conference, Education Minister Bengu stated that South Africa's tertiary education facilities would be opened up to other African countries as a part of the intra-regional exchange program.¹⁴ South Africa also hosted the meeting of the Human Resource Development Senior Officials and Ministers of the Southern African Development Community (SADC) in 1998, and was nominated to preside over the Technical Committee on Certification and Accreditation.¹⁵ The objective of this technical committee is to develop the mechanisms for evaluating academic qualifications in SADC member countries, with the long-term view of creating a single uniform regional framework. While it is not entirely clear how other member countries will respond to this, what is clear is South Africa's predominance in higher education institutions, and it is widely hoped that this framework will promote the effective use of information technology in areas such as distance education, and advance exchanges that will work for the benefit of all. When considering regional cooperation in relation to other African countries, it is important to utilize South Africa's resources effectively, but at the same time, care is essential to ensure this does

¹² King, K. (1998) p.14.

¹³ King, K. (1999)

¹⁴ Department of Education (1998) pp.21-22.

¹⁵ *ibid.* p.22.

not work to further widen the substantial gap between South Africa and other countries in Africa.

4-2 Recommendations for Japan's aid approach

The following basic aspects of aid should be taken into consideration in formulating projects and programs in the field of education.

(1) Priority to primary and secondary education

To provide cooperation that can benefit a vast majority of black South Africans, priority should be given to education at the primary and secondary level, including teacher training and education. There is a need to focus on retraining for current teachers and, with the cooperation of local higher education institutions and NGOs, ensure that the training is effective and conforms to the level of local teachers.

(2) Improve the quality of education

While there is a need to expand the access to education in some regions, cooperation should always help to improve the quality of the education, including educational content. There is not only a need for material cooperation; it is also important to help bring out local capabilities to work out how to shift to the steady implementation of policies, including the development of sustainable systems.

(3) Rectify regional disparities

As the primary school enrolment rate is low especially in provinces containing the former homelands, and the educational gender gap is also far from small, consideration should be given to eliminating regional and gender disparities in school enrolment rates. There is also a need to take care that socio-economic differences do not give rise to inequities in educational opportunities.

(4) Emphasis on science and mathematics

Under Apartheid, black South Africans did not receive appropriate education in science and mathematics; and strengthening education in these subjects at the secondary school level will increase their opportunities to advance to higher education institutions. Over the long term, this is also likely to contribute to the promotion of science and technology in South Africa.

(5) Support for employment creation

There is a certain limitation in creating job opportunities through skills development Japan could provide cooperation not just for industrial skills, but for comprehensive social development programs connected with skills improvement, including literacy programs, and institutional building that can contribute to self-sufficiency and the creation and development of agricultural villages. Technical education at the higher education level would basically be outside the scope of aid.

(6) Cooperation in management aspects

It goes without saying that cooperation in the necessary "hardware-like" aspects of funding such as efficient facilities construction is important, but Japan should also actively engage in cooperation in the "software like" aspects such as the institution and systems building through the dispatch of experts and accepting trainees. There is a need to examine the interconnecting of the various programs so that the cooperation is as a whole both efficient and effective.

(7) Effective use of local resources

South Africa has many educational experts with tremendous depth of experience, mainly in higher education institutions and NGOs. The positive utilization of these important human resources will not only promote partnership, but also revitalize the higher education sector as it endures further budgetary cuts.

(8) Flexible response to aid needs

South Africa needs not just traditional Japanese cooperation in the form of transferring Japan's own experience and knowledge, but also flexible and creative cooperation, and Japan must incorporate as much flexibility as possible into its development aid system. Forms of aid in which expenditure is not effective or rational will not be able to raise the level of participation by the South African organizations concerned.

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Chapter 9. Infrastructure and Energy

Satoshi IJIMA (Japan Bank of International Cooperation)

1. Energy

1-1 General trends in energy sector

South Africa is a country blessed with rich mineral resources, including gold and diamonds. With limited oil and natural gas reserves and hydropower potential, however, the country's energy resources are relatively insignificant, except for its abundant coal, leading to a lopsided energy consumption structure through over dependence on coal.

In more concrete terms, coal claims a lion's share of South Africa's energy resources, three-quarters (74%), while crude oil and natural gas account for only 12% and 9%, respectively. Hydropower's share is a mere 0.2%. At 9% of the total, the renewable energy share is surprisingly high, but this is attributable to the continued popularity of firewood use among poor black families. The indoor burning of firewood or paraffin gives rise to health and environmental problems (including the destruction of forests).

(1) Coal

Estimated at 120 billion tons, South Africa's coal reserves are ranked 6th in the world. As mentioned above, coal is the country's largest primary fuel source, and its annual production output stands at 242.6 million tons (1997), about two-thirds of which (170 million tons) is consumed domestically (mainly through power generation), with the remaining third (70 million tons) exported. South Africa is the world's No. 3 coal exporter, and coal is the most important export commodity for the country, after gold.

(2) Oil

Because of its modest oil production, South Africa relies on imports for most of its oil needs. Oil imports mainly originate in the Middle East, particularly Iran, but efforts have been made in recent years to diversify supply sources to Kuwait, Saudi Arabia, Egypt, North Sea and other areas. The limited oil production and prolonged international economic sanctions against Apartheid led to the development of a synthetic fuel production industry based on coal and natural gas, as will be discussed later, while spawning a lopsided

energy supply-demand structure through over dependence on coal.

(3) Natural gas

Natural gas development preceded oil development, and production took off around 1991. Natural gas production output stands at 65 billion cubic feet (1997), and natural gas reserves are estimated at 780 billion cubic feet (1999). At present, a gas field is operational at a site 90 km off Mossel Bay, with the extracted gas transported to land via an undersea pipeline. Most of the gas produced is turned into a petroleum product (synthetic fuel) and consumed as such.

(4) Renewable energy

The most popular form of renewable energy in South Africa is firewood, which still accounts for about a third of energy consumption by African households. Firewood use, however, has a downside in that it gives rise to air pollution and forest destruction. On the other hand, the development of solar energy and wind power is gathering momentum to take advantage of the country's huge potential.

(5) Assistance aimed at energy field in general

Among the existing assistance programs aimed at the energy field in general is corporate sector-led assistance for photovoltaic power generation (Shell), with Germany also moving to extend cooperation in this area.

Photovoltaic power generation, wind power generation, etc. geared towards the electrification of black households appear to have high potential as areas of Japan's future South African assistance. Use of wastes from coal-fired power plants and general refuse for power generation is also considered worth looking at as possible areas of future assistance.

1-2 Electric power

(1) General

South Africa has the largest power network on the African continent. The nation's power generation capacity of 38,000 MW (40% of total African

capacity) is more than double that of second ranked Egypt (about 16,000 MW). This, however, is largely built on the power consumption of the white population, which makes up just 10% of South Africa's total population of 40.58 million, while a large percentage of black poor, who form the majority of the population, still have no access to electricity.

(2) ESKOM

Power generation in South Africa has to date been under a virtual monopoly by ESKOM (Electrical Supply Commission), which produces as much as 95% of South Africa's total power needs (1998). Established in 1923, ESKOM is a 100% state-owned utility that is directly supervised by the Department of Public Enterprises.

The scale of ESKOM's generating facilities ranks the utility fifth in the world, but 89% of its total power output is from coal, a resource that is produced cheaply and in large quantities mainly in the national capital's neighbouring province of Mpumalanga. Power generation in South Africa consumes about 90 million tons of coal a year. Next in scale is nuclear power accounting for 4.8% of total output, and it is generated by the Koeberg nuclear power plant, located in the northern outskirt of Cape Town and South Africa's only nuclear power generation facility. The Koeberg power plant was completed in 1984 while international economic sanctions were still in place, and to date has been using locally produced uranium (including that produced as a by-product of gold and copper) but the plant is expected to shift to imported uranium in the future because of the high cost of local fuel. The South African government is also quite anxious about the environmental consequences of nuclear energy, and unlike the early 1990s when more nuclear power facilities were being planned, these days there are no plans to build any new nuclear power plants. South Africa also runs two gas turbine power plants, though they only account for a small 0.9% of total output.

(3) State of electrification

The RDP set high priority on the electrification plan, because only 30 percent of South African house-

holds were electrified in the early '90s.

The new electrification plan to electrify another 250 million households was formulated by the end of 1999, and the final target of the plan was to upgrade total electrification rate to 75% by 2000. (175 million households were to be electrified by ESCOM, and the rest of 75 million were allocated to the local governments.) Consequently, approximate 183 million households were electrified and present electrification rate had risen to 59 % by the end of 1997.

(4) Privatization and future power development

The government is presently carrying out a drastic review of government-run corporations, including their privatization, and ESKOM is one of its targets. As the first step, in December 1998 the government enacted the ESKOM Amendment Act, and under it, ESKOM will lose the tax exemption status it has enjoyed to date.¹ The government is looking at setting up five regional electricity distributors (REDs) to sell within their respective regions power purchased from ESKOM and other power companies through IPP.

Some in ERIC (Electricity Reform Inter-ministerial Committee) voice the opinion that because ESKOM is pivotal to the regional electrification plan under the RDP (Reconstruction and Development Plan), ESKOM should be exempt from paying tax for a set period corresponding to the electrification plan in an effort to facilitate the plan's smooth implementation, while NER (National Electricity Regulator) has proposed that the RDP electrification plan should be under the direct control of the government, and financed by a national electrification fund (NEF) into which ESKOM's dividends are distributed.

(5) Cooperation with neighbouring countries

Through ESKOM, South Africa is an important player in power supply in the southern African region. Central to this is the SAPP (Southern African Power Pool), set up by a protocol concluded in August 1995.

The SAPP program is an interregional plan backed by the World Bank among others, and seeks to link SADC countries into a power network centering on South Africa so that electricity can be distributed with the most effective use made of available facilities. In

¹ However, the way in which ESKOM will be taxed is currently being examined by the Taxation Department, Department of Finance, and Department of Minerals and Energy.

this respect, it is similar to the EU power network, but it is distinctive in the fact that it is heavily dependent on South Africa, and that the network will eventually extend to Egypt to link all of Africa.

In recent years South Africa has been producing more power than it needs, so it has been exporting electricity to its neighbours, and at the same time, dismantling or selling off excess generation equipment. Since 1997 South Africa has closed down 34 power plants (coal, gas-turbine, etc.) whose operations had been suspended, with a total output capacity of 4,814 MW.

However in the medium to long term, power shortages are expected as South Africa pushes ahead with its electrification program, and as a national strategy, it is looking at the extensive hydroelectric potential of the - Congo and Zambezi rivers, including the Cabora Bassa hydroelectric facility in Mozambique and the Inga hydroelectric scheme in the Democratic Republic of the Congo.

ESKOM is cooperating with SADC in joint projects, but it is also showing interest in privatized power companies(Uganda, Zambia, etc.)

(6) Donor support for electrification

The World Bank is providing technical support for SAPP construction, France and other countries are cooperating in the electrification plan (loans through DBSA etc.), and EIB (European Investment Bank) is providing cooperation for reinforcement of power grid in the areas of Durban, Pietermaritzburg, and Cape Town.

Moreover, EIB and JBIC (Japan Bank of International Cooperation) are providing loans for the construction of the South Africa-Swaziland-Mozambique power transmission network. JBIC is using the untied loan scheme of the former Export-Import Bank of Japan(Exim-Bank).

2. Transportation

2-1 Roads

(1) General

South Africa's roads account for 80% of passenger and 90% of freight movements. The road infrastructure

itself expanded rapidly in the 1960s and 1970s with the extensive construction of primary roads, including highway networks.

While primary roads are comparable with those in developed countries, only 17% of regional roads are paved (1999), and this figure includes the primary roads. Similar to other facets of the economic infrastructure, roads are also subject to a national "north-south divide" with rural roads in particular badly neglected.

Regional roads are statistically classified into primary roads, secondary roads, and tertiary roads. Primary roads connect major cities and are often characterized as international roads. Secondary roads connect other cities, and tertiary roads are mostly rural roads that mainly carry local traffic. With only 17% of regional roads and 24% of urban roads paved, South Africa's road pavement rate is still quite low, and raising this remains an ongoing issue.

(2) Road policy

The Department of Transport is responsible for all road-related policy in South Africa. The Department produces a business plan² that includes rail and other modes of transport, and in this plan it lays down its road policies.

The South Africa Roads Board (SARB) which came under the Department of Transport, was restructured by the National Road Act 1998 into the South Africa National Roads Agency (SANRA). The Agency is responsible for maintenance and construction of national roads.

(3) Highways

Extending 2,032 km, most of South Africa's highways are four-lane, though six-lane highways run a total of 239 km. While highways are for the most part national roads, 639 km are provincial roads. Toll highways currently in use extend 842 km, of which 722 km are national roads, and 120 km are contracted to the private sector through concession agreements.

SANRA has administrative jurisdiction over South Africa's roads, including toll roads operated under the concession system. To date, toll roads have been built directly under government control, or through the concession system based on government guarantees³.

² Fiscal 1999 plan released in March 1999.

However, the government is planning to develop 6,000 km of toll roads, including the 842 km currently in service.

(4) Road issues

Maintenance is a major issue regarding roads in South Africa. The Transport Department has pointed out that only 18% of roads in the national network are in good repair, mainly due to a lack of money for maintenance and damage from overloaded trucks. There are also concerns that, considering the present low national road pavement rate, if this situation continues, the total length of paved roads will actually decrease because of delays in necessary maintenance.

In fiscal 1998 SANRA expenditure on roads totalled R 567 million, including R 185 million for routine maintenance, R 158 million for periodic/special maintenance, and R 173 million for rehabilitation and upgrading, but this is far from sufficient to maintain the 7,000 km of roads under direct SANRA control.

The Transport Department reports that 35% of heavy vehicles are overloaded, causing R 600 million damage to national roads each year, so bringing this under control has become an urgent issue.

(5) Urban transport

About nine million South Africans in cities depend on public transport (buses, rail, taxis) while a further 5.4 million walk or use bicycles.

While 67% percent of black residents in townships commute at least the average of 20 km from home to work every day (in Asia the average commuting distance is 9 km) access to transport is poor, and many cannot even afford the bus or train fare. The coverage of public bus routes is inadequate, and safety and security is a problem on commuter trains, so many commuters end up having no option but to use minibuses or taxis, further exacerbating the problem of traffic congestion, exhaust pollution, and accidents. The upgrading of public transport services (including bus services) is an important issue in the management of urban roads.

The South African government's basic policy is premised on the phasing out of public-sector involvement

in urban transport where possible, and investment by the private sector under competitive conditions, and through this, it seeks to improve the quality and facilitate the expansion of transport services⁴.

(6) Possibility of assistance for road sector

Roads in South Africa have been developed by the South African government itself, and little overseas aid has been available for this area. Over the past few years, however, some funds have been provided for road rehabilitation as a part of aid for black communities, and there are also cases of back financing for Build-Operate-Transfer (BOT) agreements and other private-sector participation in road construction, as seen in the provision of EIB loans for the N3 Highway.

Key areas that can be considered for future roads-related assistance are, depending on the form of the loans, large-scale infrastructure development through private-sector participation, and the construction and maintenance of access roads for poor black communities. As road maintenance is identified as an urgent issue, technical cooperation and soft loans to this area are also worth examining.

2-2 Railways

(1) General

South Africa's rail network is the most advanced on the African continent, and virtually covers all major cities in South Africa.

The rail network of the southern African region (SADC countries) excluding South Africa covers roughly 20,600 km (including lines where services have been suspended), while South Africa's railway accounts for 60% of the total SADC rail network. South Africa's railway is linked to the rail networks of neighbouring Mozambique, Zimbabwe, Botswana, Swaziland, and Namibia, making it possible to build a rail network covering the entire SADC, including Tanzania and the Democratic Republic of Congo.

However, whereas most of the South African rail network is double-tracked, almost all the other SADC railways are single-tracked (parts of Zimbabwe are double-tracked) and run on a narrow gauge, and the

³ National Highway No.1 toll road 120 km length from Pretoria to northern direction is operated by a private company premised on 23 years of concession guaranteed by the government. The cumulative route length of South African roads is 534,000 km, consisting of 364,000 km of regional roads (including arterial roads) and 172,000 km of intracity urban roads.

⁴ Government subsidies to bus services in fiscal 1999 totaled R 1.3 billion, however the government is intending to reduce this.

infrastructure is not well maintained, so there are still many obstacles to the active use of railways in southern Africa for international distribution.

(2) Railway management

Originally, South Africa's rail network, including the commuter rail network, was run by SATS (South African Train Services) as a monopoly, but in 1989 it was broken up into SARCC (South African Rail Commuter Corporation), which operates the urban commuter rail network, and Spoornet, which runs all other rail lines. Spoornet is a public corporation belonging to the Transnet Group, which comes under the Department of Public Enterprises, whereas SARCC falls under the Transport Department. As is mentioned later, SARCC owns the rail infrastructure, but Metrorail, which also belongs to Transnet, actually manages and runs the entire urban commuter service.

Rail freight carried by Spoornet has generally remained at about 170-180 million tons over the past several years. A critical factor contributing to this levelling off is tough competition from road transport, mainly because of ongoing government deregulation and low road freight charges due to over-capacity.

Against this backdrop, Spoornet's general freight service continued to run at a loss, and in fiscal 1998 Spoornet's overall net earnings plunged from surplus to deficit (though coal and iron transportation continued to be profitable, it could not offset the loss by general freight). In an effort to improve its business operations, Spoornet set up a joint transformation committee (SJTC) in October 1997, and is currently adjusting its work force,⁵ but with its operations essentially running at a loss, new investments are not proceeding as the corporation would have hoped. Therefore restructuring the unprofitable service lines has also become an important issue.

(3) Urban commuter rail service

As mentioned earlier, SARCC has been responsible for the urban commuter rail service since 1989. Black South Africans are the main users of this service. Under Apartheid, black workers lived long distances from job opportunities and places of employment, so commuting for them was both time-consuming and

expensive. Demand for rail as a means of urban commuting has been at about the same level as that for bus services, so rail has become an important means of transport for the black poor.

During Apartheid, the commuter rail network did not receive appropriate investment, and in the absence of systematic and uniform transport policies, management and operations remained inefficient, and rolling-stock and other related infrastructure deteriorated. Meanwhile, train violence and destruction became rampant, peaking immediately before all-race elections in 1994, and in the face of growing popularity of and intense competition from minibus taxis, the number of passengers using commuter rail services fell sharply.

The Mandela administration reviewed the effectiveness of inexpensive, environmentally friendly, and, in terms of accidents, relatively safe rail transportation, and gave a high priority to the maintenance and extension of the commuter rail network in the public commuter transport plan with a view to a future urban development plan.

However, safety and security is a definite problem in trains and at stations, and measures must be taken to ensure passenger safety. This, coupled with a policy decision to keep fares low to affordable levels for the main users of the service, poor black people, and the high number of fare-evaders (said to be about 40% of total passenger numbers) are all major financial burdens that have to be borne by SARCC.

Moreover, with a deteriorating infrastructure and a drop in subsidies, Metrorail is being forced into the position where it has no alternative but to reduce the number of services, stations and jobs. At the same time, SARCC's infrastructure plan, including the rolling-stock fleet mentioned above, requires R 400 million a year and investment funds exceeding R 16 billion overall, and in view of the government policy of abolishing subsidies, SARCC has no choice but to comprehensively review the plan, including the 60 new trailer and motor coaches planned to be purchased with yen loans.

As a conclusion to the section on rail services, it is important to add that both Spoornet and SARCC are responding to the government's affirmative action ini-

⁵ Reduction in the number of rolling-stock and employees. Spoornet cut its work force from 66,000 in fiscal 1994 to 43,000 in fiscal 1998.

tiative and promoting the employment of black workers (especially train drivers), and embracing the obligation to increase local procurement of rolling-stock and the like. Spoornet is giving positive support to rail companies, not just in South Africa but also in other SADC countries, and is embarking on business operations as a concessionaire, including in Mozambique.

2-3 Ports and harbours

(1) General

With its relatively smooth coastline, South Africa can hardly be said to be blessed with good natural ports, but situated at the southern tip of the African continent and a vital link between the navigation routes of the Indian and Atlantic Oceans, and also the major pillar of the southern African economy, South Africa has long had well-developed harbours such as Durban and Cape Town.

There are seven major ports in South Africa: Durban, Richard's Bay, Port Elizabeth, East London, Cape Town, Saldanha Bay and Mossel Bay. South Africa has long been the door to the ocean for many SADC countries, and in 1996 South African share of all goods handled by southern African ports (SADC countries) stood at 91%. The South African government has also been helping to develop Maputo port in Mozambique, which is about 80 km closer to the Greater Johannesburg area than are Richard's Bay and Durban.

(2) Ports management

South Africa's seven major ports are managed by Portnet, an operating arm of the Transnet Group. Portnet accounts for 34% of bulk cargo handled through South Africa's ports, 76% of break bulk cargo, but 99% of containerized cargo, so it enjoys a virtual monopoly.

There has been criticism from both within South Africa and overseas that because of Portnet's monopoly, ports are not always as efficient as they should be, and in April 1994, the government announced that it would move toward the staged deregulation and privatization of South African ports. Under this, the management of container and bulk terminals is likely to be handed over to the private sector through concession or lease agreements.

2-4 Aviation

(1) Airports

South Africa has more than 200 airports of all sizes, of which three are international airports — Johannesburg, Cape Town and Durban. Most (three-quarters) are under public management, but in the past few years the government has been pushing ahead with privatization. Johannesburg International Airport has already shifted to private-sector management.

The largest airport in South Africa, Johannesburg International Airport has two runways of 4,418 m and 3,400 m, and handles about 5.3 million passenger arrivals and about the same number of passenger departures (1999). It is also among the largest in Africa, and with the end of Apartheid and South Africa's closer ties with other African countries, its role as a hub airport linking Africa with Europe, North America and Asia has become much more prominent.

(2) Airlines

1) General

Airlines operating in South Africa are South African Airways (SAA) (and its affiliate SA Express, SA Air Link), COMAIR, and Sun Air; however, SAA commands an overwhelmingly dominant share of the air transportation market. COMAIR has linked up with British Airways and services the route between Johannesburg and Zimbabwe's Victoria Falls, while Sun Air has suspended operations because of deteriorating business conditions.

2) Privatization of South African Airways

South African Airways was a 100% government-owned and government-run company affiliated with the Transnet Group, but in 1998 the government embarked on a program of organizational and management reform in which costs were cut and customer service improved.

As an extension of this, in April 1999 the government decided on a policy of privatization, and in summer 1999, Swissair purchased a 20% share in SAA. The government is continuing to search for buyers for the remaining 80% of SAA stocks.

3. Telecommunications and the Postal Service

3-1 Telecommunications

(1) Communication infrastructure development

South Africa has the largest number of telephone lines in Africa with 4,645,000 (all figures here are from 1997 data) and ranks third behind the Seychelles and Mauritius in teledensity at 10.72 telephones per 100 population (1.97 per 100 population for all Africa) South Africans also own 1.6 million mobile phones, substantially more than the 74,000 in second-placed Morocco. This is a good indication of just how advanced South Africa is in telecommunications compared to its neighbours.

As a regional power, South Africa has a well-developed and modern telecommunications infrastructure, but because this infrastructure has been developed over an long period, its digitalization is also taking a long time. On the other hand, with a high technological level and growing needs, South Africa is quickly catching up to the developed countries in the introduction of mobile phones and the internet.

As with other areas of infrastructure, however, the telephone penetration rate is still quite low among black communities, and rectifying the racial gap in the telecommunications infrastructure has become a key issue that the government must address.

(2) Telephone connection gap

A look at the telephone penetration rate by race reveals that in 1996 while 29% of all South African households were connected to the telephone service, only 11% of black households had a telephone (89% for white South Africans and 77% for Indians), and whereas 18% of all South African households have no access whatsoever to a telephone, among black households this figure reaches 24%.

By province, the household telephone penetration rate is highest in Western Cape at 55%, followed by Gauteng at 45%, and, reflecting the wide chasm between provinces, lowest in Northern Province at 7%, compared to 29% for South Africa as a whole. These figures show that, centering on the former homeland areas, the higher the proportion of population in the province, the lower the telephone penetration rate.

In an effort to correct the racial disparity in tele-

phones, the government embarked on a five-year plan from fiscal 1997 to establish 2.8 million new telephone lines with the goal of raising the household telephone penetration rate from 29% in 1996 to 50% in 2001.

(3) Reform of the telecommunication sector

For almost a century from its origin with the national telegraph service in 1860 until 1948 when the service was taken over and run by the government (through the Cable & Wireless Company), communications in South Africa had been in the hands of the private sector. Since then the Department of Communications has been responsible for the postal and telecommunication services.

In October 1991 the Department of Communications was divided into a telecommunications division and postal division, and from these Telkom and SA Post Office were formed. While these two companies are 100% state-owned corporations, they have much more independence in their business operations than was previously the case. This division marked the start of telecommunication reform in South Africa, but it was not until the Apartheid system was finally dismantled in the mid 1990s that reform began in earnest.

In February 1998 telecommunications regulation operation was separated from the Communications Department, and handed over to the newly established South African Telecommunications Regulatory Authority (SATRA) SATRA is responsible for licensing telecommunication operators, frequency allocation and monitoring, and coordination relating to promoting competition in this field.

(4) Telkom

Telkom is the 28th largest telecommunications company in the world, and contributes 2.2% of South Africa's GDP. Although maintaining a profit, Telkom had allowed its telecommunications infrastructure to deteriorate due to inadequate maintenance, and in 1997 it was left with no option but to initiate an extensive rehabilitation program for its network (expenditure of R 810 million in fiscal 1997 and R 1.44 billion in fiscal 1998) The program ended in fiscal 1999, but the massive investment required for this, coupled with the plan to increase telecommunications circuits, is placing tremendous pressure on the company's earnings.

(5) The internet and IT (Information Technology)

South Africa is going through the same internet boom experienced by many other countries in the world. It is estimated that there were 1.3 million internet users in South Africa in 1998, and 1.8 million the following year. To meet this surging demand, Telkom is quickly building up its internet communication network, and is laying internet lines for schools in poor regions (2,000 schools online by 2000).

The government is also making every effort to develop a framework for catching up to other developed countries in information technology (IT). On March 4, 1998, Cabinet approved the framework for a new information technology strategy for South Africa, and under it, task teams were set up in the Communications Department. The State Information and Technology Agency (SITA) was established to introduce cutting-edge information technology into all aspects of the Department's work, and progress is being made in this area.

(6) International cooperation

South Africa is playing a positive part in the telecommunications network development plan to link all regions of Africa, and in May 1998 hosted the Africa Telecom '98 Conference, organized by the International Telecommunications Union, in Midrand (Gauteng Province), for which a report on the plan was prepared. In March 1999 Mr. Jay Naidoo, South Africa's Minister for Posts, Telecommunications and Broadcasting, ran the African Connection Rally from Bizerte in Tunisia to Cape Agulhas in South Africa, and as well as drawing the attention of governments and the investment community to the plan and the contribution telecommunications can make to African development, along the way he took the opportunity to meet and discuss the plan with his ministerial counterparts in other African countries.

Technical cooperation in telecommunications is provided through Telkom, and mobile phone companies in particular are enthusiastic about the business opportunities in the mobile phone market in southern Africa.

In October 1998 South Africa signed an IT cooperation agreement with Egypt.

(7) Issues

For a developing country, South Africa possesses a high level of technology and has a well-developed infrastructure, however there are still many telecommunication-related issues that must be addressed, including the low telephone penetration rate among black communities, measures to counter crime such as theft of telephone cable, unpaid telephone charges in poor regions, catching up to the developed countries in information technology, and international cooperation focusing on southern Africa.

What is needed from Japan is technical cooperation more so than loans; for example, offering advice on the organizational reform of Telkom, and providing IT-related assistance. Loans, however, still have an important role to play along with technical cooperation, though, in connecting poor rural areas to the telephone network as an integral part of comprehensive regional development.

3-2 Postal service

(1) Policies

Recognizing the racial and regional disparities that existed in the provision of postal services under the Apartheid structure (especially in the former homeland areas), the South African government is aiming at providing a quality postal service at an affordable price regardless of race or physical location (Universal Service Operation). This means providing a uniform service also to remote areas and regions of low population, and to this end, the government is aware of the need to maintain a government-run monopoly service provider.

Also aware that this monopoly mentality is leading to a decline in the quality of service provided, the government is looking into a new policy framework firmly based on user needs, and structural reform, including the abolition of subsidies.

As mentioned earlier, by the end of 1999 the government will open the way to strategic management partnerships (SMP) to improve the effectiveness of SA Post Office operations, and place the corporation on a better market footing. As of summer 1999, a consortium of Canada's Post International and New Zealand's Royal Mail is the leading SMP tenderer.

In fiscal 1999 the government provided SA Post Office with subsidies amounting to R 283 million, but it has indicated it will halve subsidies to R 143 million in fiscal 2000, and completely abolish them in fiscal 2001.

(2) Service structure

South Africa's postal services are provided by SA Post Office Ltd., a wholly government-owned corporation placed under the Department of Communications. Originally, it was a division of the Department of Communications, but in 1968 it was granted autonomy, and in 1991 the telecommunication service and postal service were split to form the two independent companies of Telkom and SA Post Office.

Postbank operates as a division of SA Post Office, and its corporatization is being actively tackled by the government. Originally, postal savings were not taxed, but from 1991 tax was imposed in stages, resulting in a massive outflow of funds. These days, about 1,500 post offices provide Postbank services, but under a policy detailed in the White Paper on Postal Policy, the government will restructure Postbank with the view of making it financially viable and sustainable, while ensuring that it is in line with the overall financial sector.

(3) Issues

An important but tough issue the government has to tackle in the postal sector is the need to achieve goals that are difficult to reconcile; namely responding to full-scale competition from the private sector (especially considering the marked drop over the past few years in parcels and express delivery items handled by SA Post Office) strengthening the financial base as government subsidies are withdrawn, expansion of postal services to poor communities, and preventing theft from the postal service.

4. Water and Sanitation

4-1 Water resources

(1) Water as a natural resource

South Africa is largely an arid or semi-arid country, and most water resources are concentrated along the eastern and southern coastlines. South Africa's average annual rainfall of just under 500 mm is well below the

world average of 860 mm. Sixty-five percent of South Africa receives less than 500 mm, generally regarded as the minimum rainfall for successful dryland farming, while 21% receives less than 200 mm (desert belt). The Drakensberg mountain region is the wettest area in South Africa with an annual rainfall of about 2,000 mm.

The total average annual runoff is estimated at 53.5 billion m³ (including that from Lesotho), but no more than 9% of rainfall reaches the rivers, and only an estimated 33 billion m³ of runoff can be used cost-effectively with today's technology.

(2) Current state and issues of water resource development

South Africa's water resources tend to be concentrated in remote regions, so water often has to be piped considerable distances to places of demand, limiting the volume of water and supply and pushing up water resource development costs.

Along with runoff, groundwater is also being developed, but there are problems with this source in that only about 5.4 billion m³ of water a year is obtainable, groundwater boreholes are scattered throughout the country and all are of a small scale, and the quality of the water obtained is generally poor and not particularly suitable for drinking. Nonetheless, groundwater still fulfils a role in farm irrigation in dry areas, and for water supply in black rural communities.

Water demand in South Africa is expected to jump from 20.045 billion m³ in 1996 to 30.415 billion m³ in 2030, so unless substitute sources of water are developed or the increase in water demand is curbed, the supply-demand gap will inevitably expand.

(3) Water-related structure

The 1996 Constitution guarantees that everyone has the right to have access to sufficient water, indicating the importance of water supply as a national issue. The government is drawing up laws and regulations setting out water-related policy under the Constitution, and as a part of this, in 1997 the Water Services Act and in 1998 the National Water Act were enacted. Both laws prescribe the efficient management and utilization of water resources and the provision of basic water and sanitation services under the administrative control of the Department of Water Affairs and Forestry.

While the government is making every effort to

increase water supply to meet the growing demand, many of the areas identified as suitable for dam development are already developed. It is therefore emphasizing cooperation in the development of water resources in neighbouring Lesotho and Swaziland as a means of securing water for Gauteng Province and its metropolitan areas.

4-2 Water supply and sewerage

(1) Racial inequity in water supply and sewerage infrastructure development

The racial inequity in water supply and sewerage infrastructure development is symbolic of the living environment in which black South Africans were placed under Apartheid. In 1993-94 when Apartheid was abolished, 95-100% of Whites, Indians and Coloureds were connected to water supply and sewerage systems (99% if community water taps are included) but only 43.3% of Blacks were connected (67.1% if community water taps are included) In black rural areas this figure was even worse at 21.6% (48.4%) so the government realized that developing piped water facilities for rural black communities as quickly as possible was a issue of national importance.

As in many other aspects of South African life, the country is in fact two societies in one: in the cities people have access to world-class water utilities(access to piped water for Whites and Indians exceeds Japan's national average of 95%) whereas people living in black residential areas in the former homelands do not even have access to community water taps. For them, reality is constant trips to carry water from the local well or river, but the quality of the water even from the wells is quite poor, and sanitation is often a problem. Roughly twelve million South Africans have inadequate access to drinking water, and more than a million households have to walk at least 200 m from their house to obtain drinking water.

(2) Water supply and the RDP

In 1994 the government positioned water and sanitation as a priority area in the RDP (Reconstruction and Development Programme) stating that all South Africans have the right to receive the benefits of water and sanitation to secure their fundamental livelihood rights.

To promote the water supply provision of the RDP,

the community water supply and sanitation program was set up in the Department of Water Affairs and Forestry as the first step in the formation of an implementation structure, and along with this, in November 1994 the Department released the White Paper on Water Supply and Sanitation Policy. The White Paper emphasized water supply to black rural communities and that sanitation systems must be environmentally sound.

(3) Water supply structure

South Africa's water supply projects are generally managed through three tiers. The first is the central government (Department of Water Affairs and Forestry) and under the Mandela administration, the Department was given powerful policy making authority in areas ranging from water resources development to administrative guidance and supervision concerning water and sanitation. In many black residential areas water boards or local authorities are not properly structured, so in these cases, the Department has stepped in and taken direct responsibility for implementing the project as an interim measure.

The second tier consists of the water boards. There are 16 water boards in South Africa, but they do not necessarily correspond to the provinces, and indeed some are responsible for areas extending over several provinces. In the mid 1990s water boards supplied water to 20 million people, or roughly half of South Africa's population, and the largest of these — the Rand Water Board — serviced about nine million people mainly in the Johannesburg and Pretoria areas. Under the supervision of the Department of Water Affairs and Forestry, water boards implement water and sanitation (sewerage etc.) plans and provide services to the third tier, in principle, as independent financial entities on a break-even basis.

The third tier comprises local authorities (municipalities etc.) and statutory local water committees, and their roles are to provide water and sanitation services from the water board directly to their communities, collect charges from residents for these services, and forward these payments to the relevant water board.

(4) Water services

Under the Water Service Bill promulgated in May 1997, the government expanded the role of the water boards, and strengthened the organizational structure

and clarified the responsibilities of the third tier.

Since fiscal 1994 the government has spent R 60-130 million each year on numerous water projects in all provinces, and as a result, in the five years from April 1994 to March 1999 an additional 3,524,000 people gained access to water supply services. There is no denying, however, that much still needs to be done to increase access to clean water.

Water projects can be implemented under the direct budgetary control of the Department of Water Affairs and Forestry, or they can be financed through DBSA (Development Bank of Southern Africa). Generally, projects are carried out under the direct control of the Department in areas where the water board or local authority structure is yet to be firmly established (e.g. poor regions in the former homelands), while other projects are carried out with finance from the DBSA.

(5) Sanitation

The RDP highlights sanitation, including sewerage systems, as a priority area along with water supply, but sanitation facilities were in an even poorer condition than water supply, making their development that much more difficult.

In 1993/94 an estimated 21 million South Africans did not have access to adequate sanitation facilities. The RDP's short-term goal is to provide all urban households with adequate/safe sanitation facilities; the medium-term goal is to provide at least 75% of rural households with adequate sanitation facilities; and the long-term goal is to provide every South African with affordable sanitation facilities. As is the case with water supply, there is substantial racial inequality in access to sewerage systems, with the level of access among black communities manifestly low. Aware that its sanitation policies are not clearly defined, the government is directing the authorities responsible for water, sanitation and public health to work together and formulate clear guidelines.

(6) International assistance for water and sanitation facilities development

Water and sanitation infrastructure development is being financed by the Department of Water Affairs and Forestry and DBSA, but EIB and donor countries such as France, Germany, U.K. and Denmark, are also providing positive assistance in this important area.

This is also an important area in Japanese aid to

South Africa, and to date Japan has provided assistance to the KwaZulu-Natal Region Water Augmentation Project (soft loans through the Department of Water Affairs and Forestry), and the Rural Social Infrastructure Program (soft loans for water and sanitation infrastructure through DBSA). JICA is also providing assistance to the Study on the Expansion of Capacity of Magalies Water (including implementation of pilot projects). KwaZulu-Natal and Magalies are in former homeland areas, and if the Magalies project can be realized, the achievements in regional assistance can give an added boost to Japanese aid to South Africa.

5. Recommendations for Aid in Infrastructure and Energy Sector

About three years ago when I first visited South Africa, I was on a plane heading from Nairobi to Johannesburg. Out the window I was enthralled by Tanzania's expansive savannah plains, the enormous Lake Malawi, and other sights that in my mind were typical of Africa's majestic scenery. Before long, the plane started its descent into Johannesburg International Airport.

Although I had spent considerable time in Africa, the view of the metropolitan area and the rural belt on its outskirts I could make out around the heads of my fellow passengers made me feel as though I was about to enter a completely new world. Vast and orderly rural belt; reservoirs and water canals here and there; highways running between them; gradually we passed over the kinds of residential areas and shopping centres that would not look out of place in suburban New York, then groups of towering buildings from Pretoria to Johannesburg interwoven by roads, and railway lines on which ran trains of yellow and various other colours.

Upon landing, the plane taxied toward the Johannesburg International Airport terminal, so huge that I could not help thinking that compared to it, the Nairobi Airport terminal (itself large by African standards) I had left not too many hours before looked like a scale model toy. Initially to me an airport this size seemed out of place on the African continent, as if an American hub airport had been picked up and shifted there.

As I continued my travels, I came to realize that my first impression of South Africa as an advanced nation was merely one side of a country that is indeed a mosaic of peoples and lifestyles. While Oswego and other black townships on the outskirts of Johannesburg indeed gave

me a sense of African vitality, the vast gap between these areas and the mainly white suburban cities left an indelible mark on my mind. Unpaved roads lead to poor black communities like those in Kwandebele where families live in barracks-like houses that seem almost to be resting on each other, and, in more than a few cases, have no clean water supply.

As has been often said, South Africa is a dichotomy of a sophisticated infrastructure that is the equal of any developed country, and an infrastructure that is impoverished even by developing country standards; a nation in which a developed country and developing country exist side-by-side. While this imbalance stands as a symbol of South African instability, it is also a sign of the tremendous potential this country has when it finally manages to conquer this problem.

This chapter revisits the infrastructure issues touched on by the various chapters dealing with social development, rural development and urban development, and looks at infrastructure in each of its subsectors.

The following points have become clear.

- (i) There is still a substantial gap between the living environment of black people, who make up the majority of the population, and that of white people and other races in South Africa. To break free from this oppressive legacy of Apartheid, the government has been tackling a range of important issues, such as electrification, road maintenance and development, and water and sanitation, but the gap is still very wide indeed.
- (ii) South Africa had a strong leaning toward a controlled economy revolving around state-owned enterprises, but since the dismantling of the Apartheid structure, the government has been introducing competitive market principles, and the privatization of state-owned enterprises is proceeding at a fairly rapid pace. Companies under the Transnet umbrella (Spoornet and South African Airways), ESKOM, Telkom, and other public service companies that typify South Africa are one after the other being forced to face up to market realities.
- (iii) Maintenance of the existing infrastructure network is already becoming a vital issue, but the network will further expand as the infrastructure for black communities continues to be developed. If maintenance is not allocated the funds, manpower and technology it requires, the situation could well happen in which

infrastructure built up by white people steadily deteriorates, as has been seen in Kenya.

What is clear is that there is an ongoing need to inject significant amounts of money in all infrastructure areas, and to identify how those funds will be obtained and who will take the lead in infrastructure development as the central government continues along its path of “small government”, reduced subsidies and privatization.

While the government has made the right choice in promoting private-sector participation in the delivery of public services to improve the quality and efficiency of those services, there are still many areas that cannot be covered by the private sector, and even the current method of compelling public corporations to develop the infrastructure for black communities is probably not enough.

In this sense, it is imperative that South Africa makes effective use overseas aid funds for the medium term.

The next question is what kind of assistance can Japan give in infrastructure development. The South African government is quite wary about accepting foreign aid for fear that it may leave itself open to attempts at political influence, and because local markets are comparatively well-developed, the government is extremely sensitive about aid funds (and especially about the terms of loans provided)

Japan's aid schemes tend to be less flexible than those of other donors, so in view of the above characteristic, in some respects Japan's aid conditions are not particularly attractive to South Africa, and if Japan tries to impose its terms, it could be taken as “forcing them to adopt Japanese methods”.

If this happens, it could defeat the original purpose of the aid, so when providing aid to South Africa, Japan must present schemes that are in line with South African needs and are as flexible as possible (specific methods of making aid more flexible are discussed in “Proposals for future Japanese ODA”)

To alleviate the wariness felt by South Africa, both side must patiently discuss the various issues at all levels, from policy to implementation, and from government to private sector.

As it is often difficult for Japan to change its ODA schemes, including making yen loan conditions more flexible, some are questioning whether it is worth making such an effort in South Africa. But considering South Africa's overwhelming politico-economic capacity within

Africa and the strong relations it is forming with the U.S., Europe, South America and Southeast Asia (much stronger than Japan imagines) in building its global strategies, any effort Japan puts into strengthening its ties with South Africa will certainly not be wasted.

Moreover, considering the size of the South African market itself is easily the equal of that of a mid-sized European country, and the massive market potential if the surrounding area is included, South Africa must be seen as an important part in the market diversification of Japanese industry.

In this light as well, support for South African political, economic and market stability has great significance for Japan.

On what areas of the infrastructure, then, should Japan focus its ODA?

Basically, Japan should consider an extension of the ODA line it has been following to date. That is, priority must undeniably be given to improving the living environment for black communities. Specific targets for ODA include electrification, roads, commuter rail, water supply and sewerage systems, telephones, and housing development in areas surrounding the major cities.

Additional fields not necessary limited to black communities that can also be considered include the development of renewable energy and measures to reduce coal ash arising from the use of coal in power generation, both important global environmental issues.

South Africa has in place its own development structures, including funding schemes, so when providing aid in these fields, Japan should utilize these structures wherever possible, and offer technical advice to help South Africa further strengthen them.

Grant aid is being directed to community development programs at the village level, but considering the vast amount of funds needed and the high income levels in South Africa, it would be possible to backup prompt development by providing grant aid linked with loan assistance.

Promoting JICA technical cooperation (tie-up with Japanese companies) in upgrading South African industry is appropriate. At this time, it is worth exploring the possibility of providing cooperation in concert with Malaysia and other countries with which South Africa has close and strong relations.

It is expected that the private sector will extend funds and provide assistance for natural resources development and profitable type economic infrastructure development

on a private or semi-private base, so Japan should also look into providing fund assistance centered on the use of, for instance, the OOF (other official flows) such as JBIC untied loans (including BOT-type programs).

Finally, Japan has not always been systematic in its collection, maintenance and use of South African infrastructure-related data, but considering the increasing activity of interregional infrastructure development in southern Africa, and the growing participation of South African companies in infrastructure projects in southern Africa and indeed throughout Africa, there is also a pressing need to upgrade and strengthen Japan's data collection, storage and retrieval structures.

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