

Ten Years of Freedom in the Rainbow Nation

On Wednesday 27th April 2004, South Africa celebrates its first 10 years of democracy and respect of human rights. Ten years have passed since Nelson Mandela was elected as the first President of a democratic South Africa. Ten years of freedom have been celebrated, along with the third victory of the ANC (African National Congress) Party at the last general elections – with the result of confirming Thabo Mbeki as Mandela’s heir and second South African President since 1994.

Ten years ago, Bishop Desmond Tutu described this country as the Rainbow Nation. The motto of the Nation in the Khoisan language (Ike e: xarra //ke) literally means: diverse unite people. It calls for the nation to unite in a common sense of belonging and national pride and to work towards national unity and reconciliation. A worldwide admired constitutional dispensation adopted in 1996 is the guardian of this new order. A new parliament has been elected; new tiers of government (provinces and local governments) have been created; the process of creating metropolitan governments has been managed and new fiscal and intergovernmental systems have been established. The public process of the Truth and

Valeria Miceli, *Ten Years of Freedom in the Rainbow Nation*, “Crossroads”, IV, 2, 2004: 24-43.

Reconciliation Commission between 1996 and 1999 has been a useful tool to promote awareness and a sense of moral justice across the population.

But it is also important not to underestimate the daunting political task that remains. Being a rainbow nation is not just a matter of satisfaction or proud. It is also a hard work to carry out. Given the scale of the transformation, the burden of history and the enormity of the evolution needed to bring a sense of normality to this long-divided country, it is possible to argue that they have barely started. The democratisation process in this country is in every sense of the phrase a 'work in progress': 'One state but far from one Nation' (Sunday Times 2004: 1).

The fundamental challenge facing South Africa is the need to find sustainable means to overcome the apartheid legacy of racial division, poverty, and inequality; to reverse decades of distortionary political, social, and economic policies that disfavoured, rather than promoted, development. Overcoming such distortions will be neither quick nor easy.

THE POLITICAL CONTEXT: TEN YEARS OF ANC DOMINANCE

After winning the last election (14th April 2004) with 69,61% of the national vote, the ANC confirmed itself as the South African dominant party. Since the first democratic elections in 1994, this party has dominated the South African political scene and has shaped the way this country is today.

The first term of ANC government was largely characterized by legislative developments with the purpose of creating a non-racial, non-sexist and democratic country. The government has provided democratic institutions

and practices in order to ensure check and balances of powers. This basically meant the independence of the judiciary, promotion and protection of media freedom and accountability of political institutions. At the same time, during this decade of democracy, the ANC political leadership has earned international recognition, and reputation of being a good reconciler, mediator and peace-maker in relation to political turmoil afflicting some African governments (DRC, Burundi and Zimbabwe). South Africa has taken the lead of African pan-unionism. The significance of its political leadership in the continent has been underlined by granting South Africa the chairpersonship of the African Union Commission on the occasion of the inauguration of the first session of the Pan-African Parliament, on March 18th 2004.

*South Africa
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by widespread
poverty*

However, democracy does not only mean a once-in-five years voting ritual. It must comprise the fundamental restructuring of economic power and wealth distribution. The dream of a democratic, non-racial and non-sexist society will remain just a dream if the economic ownership is not broadened, the poverty is not eradicated and social justice is not implemented. Political liberation alone is not sufficient, it has to be accompanied by economic liberation.

This side of the mandate with which voters have trusted ANC for three consecutive times can be disputed. This government has obtained remarkable results in the provision of basic services to larger numbers of communities compared to the previous era. Since 1994, the ANC government has passed a

significant amount of social legislation that helps addressing the inequities of the past. Starting from 1992-1993, spending on social services has grown from 44.4% of general government expenditure to 56.7% in 2002-2003. The government has facilitated the construction of 1.6 million new houses, supplied water to nine millions households, sanitation to 6.4 millions, and created two million net new jobs. Government also embarked on policies and programmes geared toward ensuring economic development. The Reconstruction and Development Programme (RDP) and the Growth Employment and Redistribution Strategy (GEAR) sought to address the issue of economic development and sustainable growth. The efficacy of these programmes remains debatable. While on one hand the recent sound performance of South Africa's macro-economy is attributed to the implementation of the fundamentals underlying GEAR, on the other one GEAR has had negative consequences for the poor in this country.

This combination of social policies in some areas and of a conservative macroeconomic programme on others led to a sort of de-racialisation of the apex of the class structure but left the largest part of the population exactly where it was: marginalised, poor and overwhelmingly black. Neo-liberist economic policies such as privatisation, deregulation, tariff reductions and low fiscal deficits targeted to boost both domestic and foreign investments and advocated by foreign investors (Washington Consensus) and the domestic business community, have been preferred to policies aimed at poverty alleviation, service delivery and social transformation advocated by the broader citizenry.

Even if one may conclude that today South Africa is a far better place than it has ever been, it is debatable if we can use apartheid as the yardstick to judge the country's political and socio-economic progress. Many South Africans have trusted democracy with the hard task to deliver jobs, wealth, healthcare, better housing and services to the people. But now that all of this is slow in arriving, a sense of frustration looms at the horizon.

The question arises: why have people confirmed ANC in its third mandate with an overwhelming majority in spite of the fact that the country is still afflicted by widespread poverty, rampant unemployment, profound inequalities in wealth distribution, lack of social services?

Different explanations could be found. According to Adam Habib, Executive Director of the Human Sciences Research Council of South Africa, ANC is not felt as a normal party, it is still seen by most as a liberation movement. Voters simply find voting for any other party but the ANC unthinkable. Citizens seem to vote mainly along ethnic lines and this is generating a growing concern that South Africa is drifting towards a one-party state. Two in three South Africans believe that the ANC has too much political power. This situation risks to damage the weak support for core principles of democracy.

It is just the lack of uncertainty in South Africa's political system that is hampering poverty alleviation. Uncertainty about elections outcome should be enshrined at the hearth of the democratic political system, and this mechanism should ensure accountability of state elites to the citizenry. In South Africa you can find democratic institutions, elections, separation of powers, a Bill of

Rights; yet substantive uncertainty is still missing. The reason is the nature of the party structure. Political elites are racially located and this results in the absence of a viable opposition. The urgent political task is therefore to reintroduce substantive uncertainty into the political system and to foster the emergence of social movements able to confront with political power. This will allow the vote to be enhanced as a mechanism of leverage and to loose up the existing configuration of power. In this way the ruling party should be forced to make concessions both ways, to the citizenry as much as to the business community.

THE ECONOMIC CONTEXT:

MACROECONOMIC STABILIZATION VS SLOW GROWTH

South Africa is one of the richest and economically most important countries on the African continent. Yet, for decades, the apartheid system prevented South Africa from achieving its potential. Apartheid economic structure was based on exclusion and it was not accidental that the policies of that period resulted in massive unemployment and poverty, particularly among the majority of African population. Historical inertia and path dependence of those structural problems determined their worsening.

Today South Africa is still engaged in solving those issues. The economy has given contradictory signals. While positive signs abound, there are also some emerging concerns.

On one hand the government has succeeded in macroeconomic stabilization (Italian Embassy-Italian Trade Commission 2004: 2): fiscal deficits

have declined and inflation has reached the lowest rate in decades (6.9%).

The low level of budget deficit/GDP ratio (1.4% in 2002 and 2.6% in 2003) has allowed expansionary fiscal policies: public expenses have increased by 7% in 2003. Balance of payment deficit is quite moderate (0.8% of GDP) in spite of Rand appreciation. Rand has continued to appreciate in 2002 and in 2003 both against US dollar (40% in 2002 and 28% in 2003) and Euro, but this appreciation risks to damage one of the pillars of South African economy, the export sector that in average represents 30% of GDP. In particular, the mining and manufacturing sectors have enormously suffered because of the Rand appreciation and the consequent difficulty in exporting, arousing troubles also on the employment side.

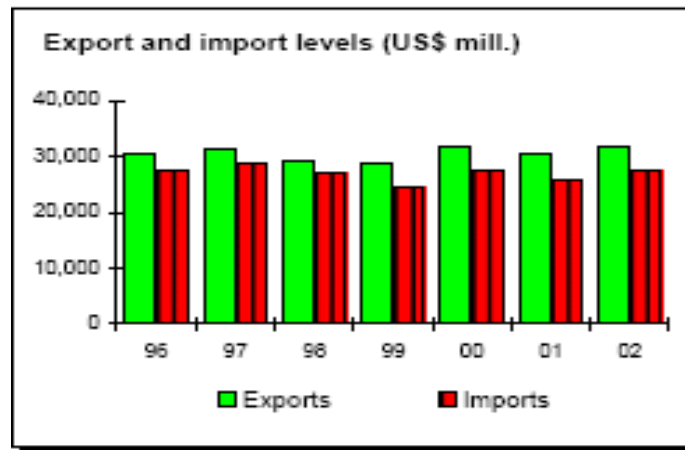


Figure 1: South Africa Exports and Imports. Source: WB 2002

In order to attract huge financial flows and offset the detrimental effect of Rand appreciation on the balance of payment, interest rates have been lowered in the second semester of 2003 by 5.5 percentage points (down to 8%). Moreover International Rating Agencies have improved the evaluation of South African debt because of the substantial macroeconomic equilibrium and the reliable economic and financial policy. Nevertheless, growth has remained low: 3.6% in 2002, 2% for 2003 (figure 2).

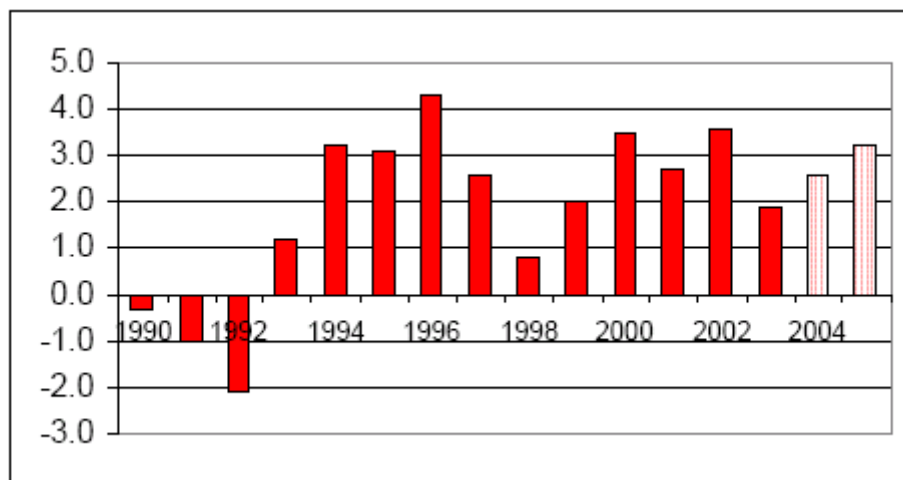


Figure 2: South Africa GDP variations on the corresponding period. Source: FMI 2004

Job losses have continued throughout the 1990s. Foreign direct investments are decreasing from 6.789 million dollars in 2001 to 754 million dollars in 2002 (UNCTAD 2003: 3). The level of national savings is not capable to bear a sustainable development. This structural vulnerability results in resource

constraints that limit progress in addressing the human and physical investment needed to solve the issue of inadequate service delivery.

South Africa situation can be summarized comparing it to lower-middle income country group as it follows in the following figure 3.

The last ten years growth has not been enough to create new jobs for the poor. A South Africa Central Bank study records that there were 5.1 million non-farm jobs in 1980, but only 4.7 million in 2001, even though the population has grown by nearly two thirds to 45 million. This report argues that unemployment has been high for so long that it can not be cured by growth alone. Unemployment crisis is the biggest concern for South African economy. It is estimated at more than 40% - among the highest in the world -

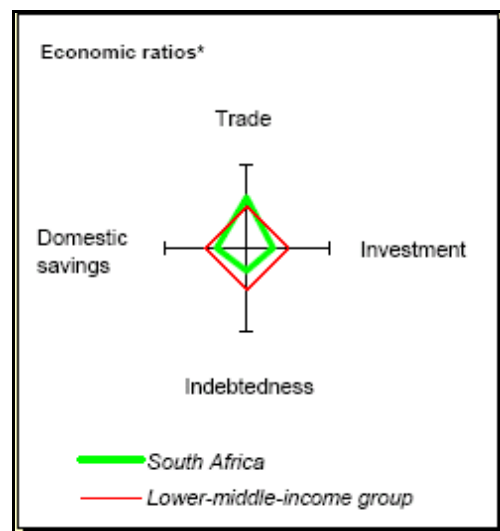


Figure 3: South Africa situation against lower-middle income group countries. Source: WB 2002

and its rate increased from 16.4% to 30.5% between 1995 and 2002. It poses a monumental political and social, as well as economic challenge, and contributes to the potential for political and social instability.

According to central bank estimates, South Africa's economy will be able to create new jobs only when the economy as a whole will be able to grow rapidly at a rate of 6% cent or more. In the meanwhile the labour market ends up being not robust enough to serve as a proper bridge between economic

growth and poverty reduction.

Absolute poverty has declined significantly, with the percentage of people living below the national poverty line falling from 51.1% in 1995 to 48.5% in 2002 (SA Human Development Report 2003: 4). The Human development index (HDI) for the country has declined slightly over the last few years, currently registering 0.68 for 2002 compared to 0.70 ten years ago. The main reason appears to be the deterioration of life expectancy due particularly to AIDS spreading (life expectancy at birth is 46 years).

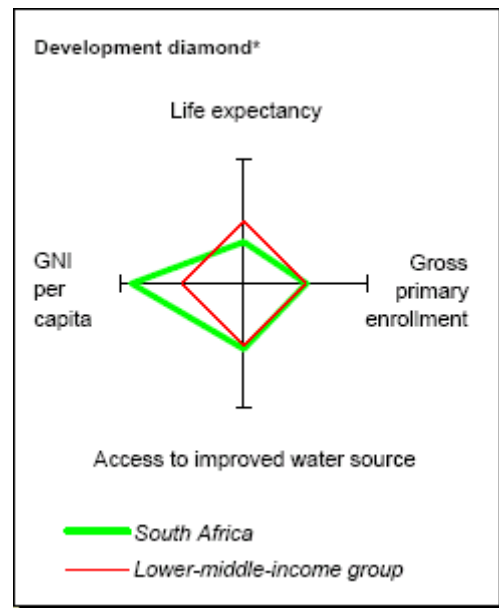


Figure 4: South Africa development against lower-middle income group countries. Source: WB 2002

Development situation in South Africa compared to lower-middle income countries appear to be as in figure 4. South Africa continues to be one of the most unequal societies globally, with a Gini coefficient of 0.635 for 2001, just slightly higher than 0.596 recorded in 1995. Inequality has worsened within all racial classifications but less within the white group.

THE ECONOMIC CONTEXT: THE CHALLENGE OF ECONOMIC DUALISM

South Africans inhabit distinct socio-economic worlds and this highlights the important reality of dualism in the political economy of the region.

In South Africa, two parallel economies live together. The First economy is modern, produces the bulk of the country's wealth and it is integrated within the global economy. The Second economy (or marginalized/informal economy) is characterized by underdevelopment, and contributes little to the GDP, but involves a big percentage of the population incorporating the poorest of rural and urban areas. Furthermore, it is structurally disconnected from both the first and the global economy, and is incapable of self-generating growth and development.

There is no logic or dynamic in terms of which growth and development of the first economy automatically contributes to improvements in income or livelihoods for people in the marginalised 'informal' economy.

Nevertheless, the second informal economy constitutes an important part of South Africa's economy. Its emergence is largely attributed to the divergence between the growth especially in the urban population and employment growth in the formal economy. The shortage of productive employment opportunities in the formal sector, therefore, compels people to fend for themselves. Although the emergence of informal economy is largely stimulated by unemployment and low income, it is evident that informal businesses are also being established as a result of entrepreneurs seizing business opportunities. The informal sector comprises a variety of activities ranging from small commercial operations to small production and services enterprises. The majority of informal businesses are located in the trade sector.

Economic dualism is not new in South Africa. It was the product of the particular trajectory of capitalist development that emerged under colonialism

and apartheid. The dominant capitalist mode of production of the period of colonialism and segregation, originally emerging in the mining sector, was articulated with pre-capitalist modes of production. The historic pattern of dualism has been under pressure for decades and has clearly undergone major changes. The net result is that today an 'informal economy' exists in townships, homelands, city centres. It is characterised by subsistence production, but also embraces petty commodity production and trade. It has been fed by exclusion/expulsion of unskilled workers from the formal economy.

President Thabo Mbeki has often spoken of two nations and two economies in South Africa and the need to transcend this dichotomy. The issue of dualism and how to overcome it will probably continue to be a major issue as South Africa moves into the second decade of liberation and strives to reduce unemployment, poverty and inequality.

The real challenge is to transform both poles of the dual economy as well as the pattern of articulation between them. In the formal sector, a greater labour absorption and job retention should be promoted. 'Informal sector' activities have to be transformed into higher income and higher quality productive activity. Banks are now innovatively looking for ways to bring lifeline services to certain categories of low income people in townships and rural areas. Major boost to infrastructure spending with an emphasis on underdeveloped regions and communities; development of small enterprises and cooperatives both in urban and rural areas; black economic empowerment; special programmes for women's economic development; the

expansion of micro-credit to enable the poorest to engage in productive economic activity; restructuring of education system to give youth the necessary skills to engage in economic activities; incorporation of unemployed within programmes of training and re-qualification; implementation of agrarian reforms. These are all tools that can contribute to transform the current pattern of systematic marginalisation and exclusion of informal activities into an articulated one (Mbeki, 2003: 5).

THE SOCIAL CONTEXT: THE IMPORTANCE OF COLOURS

The important reality of dualism in South Africa is not only an economic, but also a social concern, and profoundly divides South African society.

The issue of social dualism in this country is mainly related to the apartheid legacy and therefore is clearly linked to the differences in skin colours and in races.

Skin colour still profoundly divides and defines South Africa. Race and colour still influence the views and future of South African citizens. In this country, as everywhere, there are optimists and pessimists, but in this country the divide between them is quite related to race or colour. Two thirds of all blacks say the country is going in the right direction while majorities of coloured, Indians and white disagree. Three in four blacks are optimistic about the future, a view shared by fewer than half of all whites.

Although South Africa's 2002 per capita income of US\$2,520 (Atlas method, WB 2002: 6) and Human Development Index (HDI) score, place it firmly in the ranks of middle income countries, these indicators mask a

striking dualism. Differentiating the HDI by race, white South Africa would rank in 18th place (WB 1999:7) similar to New Zealand, while black South Africa falls to 118th place, close to countries such as Vietnam, Bolivia and Lesotho. Thus, even more than other "dual" economies, South Africa is really two societies in one. At one extreme, the (largely white) society, with about 13% of the population (around 5 million people), is "first world" in every sense: there is electricity, running water and modern sanitation in almost every home; two thirds have at least a high school education, childhood mortality rates are low, and poverty is minimal. At the other extreme, there is another society - comprising about 53 percent of the population (22 million people) and overwhelmingly black or coloured - in which half have less than a primary school education, over a third of children suffer from chronic malnutrition, electricity, running water and modern sanitation are not privilege of all households.

The gap between the rich and the poor has increased steadily since 1994 and so has the disparity between black and whites. The average income of black households fell by 19% between 1995 and 2000, while white household income rose by 15% (Western Cape University: 8). In 2001, the average income of a white household was six times that of an African household (SA, Human Development Report 2002: 9).

Moreover, race and colour still influence job opportunities and economic remuneration. Among black people, unemployment in 2002 was 36.8% compared to 14.1% for other groups. Among top managers whites still outnumber blacks by nearly ten to one, according to government employment

statistics released in 2002. Even among middle managers, whites still outnumber blacks.

Thanks to black economic empowerment, a new black elite was born, but since this process has not benefited a broad basis of population, a middle black class still does not exist. The initial black empowerment indeed has largely benefited a tiny minority of blacks at the expense of the majority during the early stages of democracy.

Today the real discrimination does not lie in racism *stricto sensu*, but in a kind of substantial and economic segmentation and disalignment of the population.

**THE SOCIAL CONTEXT:
WHAT FREEDOM WITHOUT EMPLOYMENT AND SAFETY?**

According to a comprehensive survey (The Star 2004: 10) carried out by 'The Washington Post' in cooperation with Harvard University on a sample of 3.000 South African citizens including 1.715 black, 612 whites, 364 coloureds and 265 Indians, black and white are worlds apart but in some surprising ways they share similar opinions.

The most important and worrying issue regards unemployment, which leads the list of the country's major problems, topping crime and HIV/AIDS. Nearly half of all South Africans say their own financial situation is getting worse. Currently, 42.1% of all adults are unemployed. Since 1995, the national jobless rate has risen, on average, by more than one full percentage point per year.

Along with unemployment, crime is now cited as the new source of oppression. It soared everywhere during the 90's, from townships to the wealthy suburbs of Johannesburg as well as isolated farming communities in rural KwaZulu Natal. In 1994, slightly more than 2 million crimes were recorded nationally, according to government statistics. In 2002 that figure had grown to 2.5 million, a 25% increase. The number of violent crimes grew even faster, although recent statistics suggest that crime rate may have stabilised. The collection of townships in Cape Town or in Johannesburg - the crime capitals of South Africa (Cape Town recorded 1.361 murderers in less than a year) - testify that ten years of democracy have apparently done little to improve the social situation.

Dismal employment prospects contribute to growing crime and social tensions. Moreover, for many urban participants in the anti-apartheid struggle, activism and political engagement have yielded to disempowerment and displacement from the political arena, leading some to turn to gangs, violence, and domestic abuse to vent their anger and frustration. Tensions over resource allocation and access have intensified. Unmet expectations about governmental programs to provide basic services and redistribute assets have led to confrontation over resources such as land, housing, and water.

If you try to live in Johannesburg for a while, you immediately realize that you can not even walk in the streets. You can touch people's fear of aggression in the palisade fencings, security bars, alarm and guardian systems that you find in every house you see. You need to phone the guardian when you come back home to be escorted into your property. You do not even stop

at the traffic lights during the night, you just cruise on through, because you are far more worried about hijacks than about car accidents. White South Africans have literally abandoned the city centre in favour of safer fortresses. Even in the country where the hillsides, the plantings, the nature and the casual waves of friendly people suggest security and peace, you cannot feel safe.

The question arises: how good is a government that cannot guarantee for its citizens' safety? Eight South Africans in 10 think that crime represents a serious threat to democracy in their country.

Even some South Africans oppressed under white rule said they would trade democracy for safety. Some say: 'You have got freedom now, ok. In those days we could not eat in a white restaurant or ride in white buses. Now you are free to do everything but you can not. What does freedom really mean for us?'.

THE CHALLENGE OF THE FUTURE: THE LONG WALK TO ECONOMIC FREEDOM

At the threshold of its third political term, ANC has to cope with the quest for economic liberation that should top its agenda in this next term of ruling.

According to some academics and political activists, the government's economic stance has begun to change in the past three years, as the rise of social expenditure and increasingly leftist speeches made by the President Mbeki testify. The change has already happened and the government is reappraising its position. Today the Rainbow Nation finds itself in a post-

stabilisation era.

Five main challenges of development are at issue:

1. Eradicating poverty and reducing income and wealth inequalities.
2. Providing affordable access to basic services.
3. Reducing unemployment.
4. Attaining sustainable high growth rates.
5. Ensuring environmental sustainability.

President Mbeki has recently started to veer to the left, backing economic policies that take into account the role of the state in the economy and that provide support to the weakest groups of the population. He has affirmed the importance of a strong public sector since it is now clear that the free-market paradigm is not able alone to build a stairway between the First and the Second Economy.

Since macroeconomic stability has been attained in the previous decade, there is now more space for massive social and economic interventions by the government. Along with improved social services and an expanded social security system, measures have to be taken to foster and integrate the second economy into the formal sector, in order to generate sustainable growth and employment. Measures on the table include Expanded Public Works Programme, better labour market intelligence, improved access to micro-credit for productive purposes, cooperatives, faster land reforms and more effective skills developments. Other interventions such as new laws controlling medicine prices came into force; plans to privatise big state firms have been dropped; the government is intervening more in business through an

industrial policy that should favour an increase in the labour intensity of production, favour companies that hire and ensure a more broadly based transformation of ownership.

Then the eradication of poverty, the reduction of income inequalities, and the fall in unemployment should naturally favour also the decrease in crime records.

In April 2004, ANC won the great opportunity to keep the promises made ten years ago to the citizenry and to finally realize the economic liberation of this country.

“I have walked that long walk to freedom...and I have discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb... I can rest only for a moment, for with freedom comes responsibility, and I dare not linger, for my long walk is not yet ended”. With these famous words, Nelson Mandela concludes the epic drama of his pre-1994 life, ‘Long Walk to Freedom’.

Ten years in politics is not a long time and this young democracy has still a long walk to solve all the problems that it has inherited from its difficult past. South Africa’s long walk to economic freedom has barely started.

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