

BUILDING  
A NEW  
**SOUTH  
AFRICA**

ECONOMIC  
POLICY



FOREWORD BY  
NELSON MANDELA



From 1991 to 1995, Canada's International Development Research Centre — in partnership with the African National Congress, the Congress of South African Trade Unions, and the South African National Civic Organisation — conducted a series of missions in South Africa to assist that country in its transition to democracy. The reports of these missions — earlier ones with an analysis of their impact — are presented together for the first time as four volumes in the series entitled *Building a New South Africa*.

Volume 1. Economic Policy

Volume 2. Urban Policy

Volume 3. Science and Technology Policy

Volume 4. Environment, Reconstruction, and Development

BUILDING A NEW SOUTH AFRICA

# Volume 1

## Economic Policy

*a report from the*

**Mission on Economic Analysis and Policy Formulation for Post-Apartheid South Africa**

*with a Foreword by Nelson R. Mandela*

*and an Afterword by Vishnu Padayachee*

*edited by Marc Van Ameringen*

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## FOREWORD

Our government is committed to the challenge of building the country. We need to deal with our economic and social inequalities rapidly. This means that alleviating poverty, creating jobs, delivering housing and services, and providing education and training must remain our top priorities for the conceivable future. Without evident change and improvement, the patience of our less-privileged citizens will be lost. This work will require a dedication to economic adjustment of unprecedented proportions. While playing a central role, the government also welcomes and looks forward to private-sector involvement in achieving the significantly high and sustainable rates of growth that are required to foster and protect our social reforms.

We recognize that without a sound economy none of our social aspirations can be met or sustained. This is a fundamental fact and the basis of our responsibility to fiscal discipline, to our government accepting the limitations of what the economy can deliver at any particular time, and to a need for creating an environment that encourages rather than attempts to compel business and industry to develop and grow.

The apartheid regime was successful in restricting the access of the members of the democratic movement to the nation's policymaking processes. It was for this reason that during my visit to Canada, shortly after my release from prison, I asked then Prime Minister Brian Mulroney for assistance in helping the African National Congress to understand economic issues better and to develop its policymaking capacity in this regard. Canada responded by asking the International Development Research Centre (IDRC) to assist us by bringing together a team of international experts to work with our new department of

economic policy. Through this economic policy mission, the ANC and the alliance members teamed up with international experts put forward by IDRC and, through consultations with all sectors of economic policy establishment in South Africa, developed this plan of action to prepare us for our future role in the government.

I also endorse this report as it provided, for the first time, a forum for dialogue between all the stakeholders in the economic policy community in South Africa.

A handwritten signature in black ink that reads "Mandela". The signature is written in a cursive, slightly stylized font.

**Nelson R. Mandela**

*September 1995*

# **PREFACE**

The Mission on Economic Analysis and Policy Formulation for Post-Apartheid South Africa was the first of a series of missions that the International Development Research Centre (IDRC) conducted in South Africa. This publication comprises its final report, a foreword by President Nelson Mandela, and an afterword by Professor Vishnu Padayachee, which provides a critical assessment of the process of economic policy formulation that emerged partially as a result of the implementation of the recommendations of the Mission. The afterword also reviews the experience of the Macro-Economic Research Group (MERG), which was funded by IDRC, the Canadian International Development Agency, and other international donors.

## **Background**

Recently, there have been a number of positive signs that the South African economy is finally emerging from an almost decade-long recession. The economic growth rate over the last year averaged 3 percent, and, in the first half of 1995, imports increased dramatically. Real fixed investment has been rising at a rate higher, in the last quarter, than in any of the three preceding economic upswings, thus bringing to an end the period in the late 1980s and early 1990s when South Africa's productive capacity shrank. This increase in investment is partly the result of a more investor-friendly environment.

The new Government of National Unity is committed to building the economy. To do this, it acknowledges that the low levels of investment and savings must increase, that the outward flow of capital will have to be reversed, and that the poorly structured and managed

business environment must be addressed. The White Paper of the Reconstruction and Development Programme (RDP) clearly articulates the government's planned course of action.

It stresses the importance of greater participation in the economy. Existing ownership patterns must become less concentrated and more racially inclusive, and small, medium, and micro enterprise activities should account for a substantially larger proportion of economic activity. It recognizes that the government's central priority must be employment creation. The extreme imbalances in wage and wealth generated by the apartheid system must be addressed, the capacity of all South Africans must be developed, and a prosperous and balanced regional economy must be cultivated. In essence, "the RDP provides a strategic framework to address these problems in that it recognises the interrelatedness and the necessity of meeting basic needs, developing human resources, building the economy and democratising the State and society."

This policy stance represents a major departure from the past and from the time during which the Mission was undertaken. To fully appreciate the relevance of this mission in South Africa in terms of the policy debate, it is necessary to understand the political backdrop against which this initiative unfolded.

The Mission took place around the time when a number of political parties — once banned — were officially reinstated and when preliminary negotiations or "talks about talks" were getting off the ground. Just as great urgency was placed on political transition, the Mission process became a priority. Indeed, it was regarded by the African National Congress (ANC) and the democratic movement as imperative, for they relied on its analysis in their preparations for negotiations and governing.

The origins of the Mission date back to June 1990 when Nelson Mandela visited Canada shortly after his release from prison. During a conversation with then Prime Minister Brian Mulroney, he raised the issue of the pressing need for a better understanding of economic policy issues in South Africa within the antiapartheid movement. At this point, formal negotiations in South Africa had not officially begun, although Mandela and F. W. de Klerk of the National Party government had met a number of times, and both supported the establishment of a multiparty conference to work out the mechanics of the transition.

In June, the government and the ANC agreed on a common commitment to ending the violence and intimidation from whatever quarter and to stability and a peaceful process of negotiation. In July, the Inkatha cultural movement became a political party, the Inkatha Freedom Party. The South African Communist Party (SACP) was publicly relaunched, and the National Party opened its doors to all races. Concurrently, the Pan African Congress (PAC) and the Azanian People's Organisation rejected a government invitation to take part in preliminary negotiations.

In the months before the official commencement of the Mission's work, widespread fighting between Inkatha and ANC supporters continued to undermine the already precarious negotiations process. In May 1991, the ANC suspended constitutional talks with the government in protest of the seemingly unending violence in the country. In June, Parliament voted to scrap the *Group Areas Act* and the *Land Act*. The Mission began in July, during this time of great social and political turmoil and uncertainty. A little over a month later, the process was completed, and the report finalized and presented to the ANC leadership.

In November 1991, the government, the National Party, the ANC, Inkatha, the PAC, the Democratic Party, the SACP, the Transvaal and Natal Indian congresses, two Indian political parties, one "coloured" political party, and representatives from 10 homelands resolved to form the Convention for a Democratic South Africa (CODESA). CODESA was to be the official multiparty negotiating forum. This development was significant; two and a half years later, after considerable negotiation, compromise, uncertainty, and conflict, the first South African democratic elections were held.

## **The Mission Process**

One of the most important consequences of Nelson Mandela's 1990 visit to Canada was the agreement that Canada would provide assistance in the important area of strengthening the capacity of the ANC and the democratic movement to undertake economic research, analysis, and policy formulation. The Canadian Department of External Affairs accordingly approached IDRC, which had been actively involved in supporting economic policy research in Africa for the last

two decades and, thus, was considered to be the appropriate institution to respond to the request for assistance.

A small team of leading economists from Canada and leading South African stakeholders and academics was assembled by IDRC (see Appendix A). Although IDRC had worked with members of the ANC and the democratic movement when they were in exile, this process was clearly a new and challenging one. At the time of its execution, neither the members of the Mission nor IDRC had a clear idea of how the project would unfold. Yet, in a number of other developing countries, IDRC had provided assistance to new governments that were developing economic policy agendas. In Uganda, for example, an IDRC mission had been instrumental in helping to articulate the national economic plan during the initial years of the Museveni era. Likewise, in Chile, IDRC supported the leading think tank on economic matters before and after the first democratic election in 1990.

In July 1991, the Mission team traveled to London, Johannesburg, Pretoria, Cape Town, and Durban to assess the economic research and policy formulation capacity of the antiapartheid community in South Africa and formulate recommendations on how the need for economic research and policy formulation could be met in the period leading up to the transition to a nonracial, democratic South Africa. They met with a wide range of groups representing government, business, trade unions, academics, and political organizations.

A mood of great trepidation and uncertainty prevailed during most of these consultative meetings, especially those involving people holding key positions in economic policymaking establishments. The attitude of a significant number of these people and institutions was that the ANC, recently unbanned, was inexperienced and its policy positions were based on radical perspectives. In essence, the establishment was not accustomed to working with the ANC and black people on substantive issues in the area of economic policymaking.

Tensions were not confined to those between the democratic movement and government-supported structures. Within the ANC and the democratic movement there were obvious fundamental differences of opinion, ranging across the political spectrum but with general emphasis on economic “growth through redistribution.” However, most striking to the team, perhaps, was the extent to which Nelson Mandela seemed to envisage an economic policy framework that captured what would be required to maintain a balance between economic

transformation in South Africa and the confidence of the business community. He clearly recognized the critical role of business in economic development and progress in a postapartheid context. The articulation of this vision during a dissemination meeting, held on 9 September 1991, reflected the beginning of a significant shift within the ANC's economic policy circles from the previous demand-led, nationalization policies to a more business-friendly, market-oriented approach.

Each of the international members of the Mission team was paired with a South African member; thus, the Mission's report was jointly written. It was indeed rewarding to observe the enthusiasm that the members displayed for working and learning together as this challenging process unfolded.

## **The Outcome**

From the perspective of the democratic movement, the Mission process was useful in a number of key ways. As Walter Sisulu, then Vice-President of the ANC, commented:

For the ANC, the inclusion of members of our Department of Economic Policy in the Mission was a significant step in developing a partnership of equality and mutual respect. We are appreciative of the fact that this participation also afforded us the opportunity of gaining important insights into the existing economic and policy formulation structures in South Africa. This exposure cannot be underestimated especially for a movement emerging from 30 years of clandestinity.

The report was disseminated as a major statement of the ANC framework for developing the democratic movement's capacity for macroeconomic policymaking. It was well received by all communities. Its proposal to establish the Macro-Economic Research Group (MERG) was seized upon by the ANC's Department of Economic Policy. In fact, most of its effort focused on this major initiative. MERG made an important contribution by mobilizing economic capacity around the needs of the ANC and the democratic movement. In the afterword to this publication, Vishnu Padayachee describes the dynamics of this process in more detail.

Through the MERG process, as well as a number of other related activities (such as the Industrial Strategy Project), the ANC and the

democratic movement sought to achieve two distinct goals:

- To develop a new macroeconomic framework that would guide these organizations through the negotiations and in preparation for government; and
- To generate an environment conducive to training promising black economists to be able to participate in substantive economic policymaking.

In retrospect, it is clear that MERG's research did play an important role in molding economic thinking within the ranks of the ANC and the democratic movement. Interestingly, the RDP reflects many of the ideas, numerical targets, and projections of MERG. Furthermore, MERG was successful in training a number of people who have subsequently moved into government and currently occupy senior positions.

From IDRC's perspective, the Mission process was both challenging and rewarding. Keith Bezanson, President of IDRC, said at the time: "We were impressed with the difficulty of preparing for government in circumstances where the government-in-waiting and most of its supporters have been savagely repressed for decades, indeed still possess no formal political rights; and in a continuing context of violence and mistrust." Yet, great strides were made. It is gratifying to note the short- and longer-term impacts that the Mission has had on the economic policy formulation procedures before and after the 1994 elections.

IDRC continues to support economic policymaking processes in South Africa. Most recently, it has been involved in policy initiatives in the small and medium-sized business sector and in trade, agricultural economic, and industrial strategy. Through these activities, Canada and IDRC are making an important contribution to the ongoing reconstruction and development of South Africa.

**Marc Van Ameringen**

*Regional Director, Southern Africa International Development Research Centre*

## **ACKNOWLEDGMENTS**

The International Development Research Centre is indebted to each and every participant in the economic policy mission. This was a challenging endeavour and one that could not have been successfully accomplished without the involvement of these organizations and individuals.

The guidance they provided and the dedication and mastery displayed by the international team members is gratefully recognized. During the process, Gerry Helleiner, John Loxley, and Benno Ndulu gave far more than was ever expected of them, and their work is greatly appreciated. Their expertise is evident in the results and impact of the Mission.

The South African team members — Max Sisulu, Jaya Jose, Vivien McMenamin, and David Lewis — provided the context for the process. Their countless reflections and observations informed the Mission team at critical points. Their work was systematically and exceptionally well supported by the part-time members of the Mission — David Kaplan, Charles Meth, and Michael Sutcliffe.

All the organizations and individuals who were visited by the Mission members also deserve special recognition. Their contribution was invaluable. IDRC is also grateful for the hospitality extended to the Mission by these people.

Special mention must be made of Marc Van Ameringen for his role in this endeavour. His energy and efforts led to the effective execution of the Mission process and endless follow-up activities.

Finally, we thank Professor Vishnu Padayachee for his insightful work that appears as the afterword to this publication.



Members of the Mission on Economic Analysis and Policy Formulation for Post-Apartheid South Africa with Nelson R. Mandela.

# Chapter 1

## INTRODUCTION

The removal of racial bias from the economic and social structure of South Africa and the reduction of poverty and inequality in the country are the widely shared objectives of the mass democratic movement. The injustices inflicted by apartheid have left the majority of South Africans with poor living standards, insufficient opportunities for employment, and only limited access to adequate education, health care, and housing. Building a postapartheid South Africa hinges on the removal of these inequities.

South Africa is in a period of political transition that is expected to culminate soon with the establishment of a new constitution and the election of a nonracist, democratic, united government. Organizations of the democratic movement must prepare strategies, not only for negotiations with the current government but also for managing the future economic and social development of South Africa. The area of economic analysis and policy formulation has been identified by the African National Congress (ANC), the Congress of South African Trade Unions (COSATU), and other progressive organizations as an urgent priority. In response, the International Development Research Centre (IDRC) and the antiapartheid economics community in South Africa undertook a joint mission to assess the needs of the country in the area of economic analysis and policy formulation. The findings of this mission are presented in this report.

## **Background to the Mission**

On a visit to Canada in June 1990, Nelson Mandela raised the issue of the urgent need for a better understanding of economic policy issues in South Africa within the antiapartheid movement as it prepares for forthcoming negotiations. Because of the similar support recently provided by Canada in the area of constitutional reform, it was suggested that Canada might also be able to provide assistance in this field.

In response to this request, the Canadian Department of External Affairs approached IDRC for assistance. IDRC, a publicly funded organization with an international character, was considered appropriate because of its recent efforts to promote economic policy research in South Africa and its economic experience in Canada and abroad. One of IDRC's Canadian governors, Dr G.K. Helleiner, was suggested as an ideal candidate to lead an initiative.

IDRC agreed to become involved, with the understanding that it would have a free hand to design the proposed initiative. In consultation with the ANC's Department of Economic Policy (DEP), it was agreed that a mission would be carried out jointly and involve both external and internal members (see Appendix A). The principal client for this activity would be the antiapartheid economics community within South Africa, with particular attention to the ANC. Secondary clients would be the Canadian government and other potential donor countries that might provide financial resources to support the recommendations emerging from this initiative.

## **Objectives**

The overall objective of the Mission was to assess the needs of the antiapartheid economics community in the area of national economic policy analysis and formulation as it prepares for negotiations on the transition to a postapartheid South Africa. More specifically, the Mission set out to:

- Identify the key areas of national macroeconomic, trade, and sectoral economic policy on which the antiapartheid economics community should focus in the short term, paying particular attention to economic areas that could be affected by constitutional negotiations (for example, fiscal and monetary policy, foreign investment)

policy, trade policy, international and domestic finance, industrial and agricultural policy, and income and employment policy);

- Assess the existing capacity of the antiapartheid economics community to evaluate, monitor, and develop policy positions in the key areas identified, as well as the potential of other existing capacity within South Africa to respond to the defined needs; and
- Suggest the next steps required to complete the needs assessment (if necessary), develop means of responding to the identified needs, and begin to meet some of them, with reference to existing resources in South Africa and resources from Canada and elsewhere.

## **Methods**

During July 1991, members of the Mission traveled to London, Johannesburg, Pretoria, Cape Town, and Durban, and met with a wide range of groups representing government, business, trade unions, and political organizations (see Appendix B for a full list of organizations consulted).

We believe that the process of consultation in which our group engaged was one of its most important products. New questions were raised, old approaches were questioned, important new contacts were made, opportunities for cooperation and exchange were identified, and fresh energies were tapped. We were impressed with the eagerness and vigour of those in the antiapartheid economics community, and the latent potential for its increased contribution to the emergence of the new South Africa.

This report of the Mission's findings was prepared collectively at the conclusion of the Mission. We hope it does justice to the input received from so many helpful sources.

## Chapter 2

### EXISTING CAPACITY FOR ECONOMIC RESEARCH AND MANAGEMENT

Currently, there is a significant imbalance between the capacity of the “establishment” to formulate and implement economic policies and that of the prospective democratic government, particularly in the areas of policy-oriented research and skills in economic management. The considerable pool of South African (and other) economists who are both able and willing to contribute to analysis and policy formulation for a new South Africa is not being fully or effectively used. This is not surprising as only 18 months have elapsed since the 2 February 1990 announcements that ended apartheid, and established patterns and commitments require some time to change.

What is disturbing, however, is the limited evidence of initiatives that might significantly improve the situation. Like so many other people in the country, economists, including those most sympathetic to the democratic movement, seem to be waiting for others to act. Many have explained their failure to respond to the clear need by saying that they have not yet been asked; however, that is not the only explanation. The need for economic policy analysis at this critical moment in South Africa’s history is so great that it is unthinkable that sources of relevant experience remain immobilized or inefficiently used. The DEP should be taking the lead, supported by friendly donors as appropriate, in rectifying this situation. Those who can be drawn upon fall into five broad categories:

- Members of the democratic movement, already engaged in employment, support, or research for progressive groups, unions, etc., and demonstrably disaffected with the state;

- Economists outside state institutions or the big-business sector who are sympathetic without being activist or are ambivalent, neutral, or worse, but would respond if asked;
- Economists within the state or the big-business sector who are sympathetic and would like to help;
- South African economists who are still in exile; and
- Overseas economists sympathetic to the democratic movement.

All can be involved, albeit in different ways. The key requirements are a clear sense that their contributions matter and structures that clarify what their specific contributions are to be.

Our discussions with people at many levels of the democratic movement have led us to identify two main functional gaps with respect to its capacity to develop and implement coordinated democratic policy. First, there is a dearth of capacity to support leadership in formulating coherent and viable perspectives on economics policy that are consistent with broad policy directions contained in key documents. The lack of capacity is in terms of skilled personnel and contextual experience as well as a lack of a clear organizational structure necessary to provide effective policy advice at the top end of the organization. The urgent need to strengthen both forms of capacity is dictated partly by the immediate pressure on leaders to respond to anxiety and uncertainties over economic policy changes, and partly by the need to develop an effective mechanism for formulating economic policy. The outcome of negotiations will intensify the pressure on both fronts.

Second, a large amount of analytical and proactive research is being carried out in a largely uncoordinated fashion (sometimes with duplication) at various levels of the progressive economic community. The output from this research tends to dissipate before it reaches the leaders, mainly because of the lack of a body to coordinate the process and synthesize results for policy use at the national level. The absence of such a body also means that demands for supportive research from the policymaking level are not reaching the research community.

# The ANC's Department of Economic Policy

## Structure and process

The current structure for economic policy formation in the ANC consists of:

- National Executive Committee;
- National Working Committee;
- Secretary general;
- Department of Economic Policy; and
- Regional economic associations.

The key policymaking body is the National Executive Committee (NEC). The DEP responds to and services both the general membership, through the regional economic associations, and the NEC, through the secretary general. The 14 regional economic associations consist of representatives from every branch; they vary considerably in quality. However, the level of economic knowledge is low, raising issues of economic “outreach” and the need to present economic matters in a readily accessible fashion.

The DEP routed the ANC's *Discussion Document: Economic Policy* (DEP 1990) through the regional economic associations. Discussions at that level culminated in a national workshop organized by the DEP in May 1991, at which a *Draft Resolution on ANC Economic Policy for National Conference* (ANC 1991) was drawn up. Unfortunately, because of time constraints, this document was not discussed in detail at the National Conference, but was adopted as a working document for discussions on policy to be held at another conference within the following 6 months. This delay created the impression that ANC leaders attach less importance to economic issues than they should. However, the process of taking complex economic issues to the local level is to be encouraged if the democratic nature of the ANC is to be reinforced.

## **Relations with the Congress of South African Trade Unions**

The ANC discussion document was the outcome of both internal discussions within the ANC and discussions with COSATU. In May 1990, a conference on economic issues was held in Harare with significant input from the Economic Trends Group working with COSATU. The University of London's Economic Research on South Africa (EROSA) group also contributed at that meeting as a component of DEP. In September 1990, 60 people, including representatives of COSATU, attended an ANC economic workshop to draw up the discussion document. Working meetings on issues of common concern are held regularly between COSATU coordinators and DEP.

## **Operations**

Currently, DEP consists of a head and seven staff members; only four are active, as three are in training courses. The functions of DEP are numerous and clearly exceed the capacity of its staff. Its responsibilities include:

- Briefing ANC leaders on economic affairs;
- Liaison with trade unions, business, and the international community;
- Promoting awareness and participation of ANC members in economic policy formulation through the regional associations;
- Training of ANC cadres in economic affairs;
- Coordination of economic research in agencies outside the ANC;
- Establishment of an institute of economic policy research and training that would serve the democratic movement; and
- Gathering and processing economic intelligence.

Staff are inundated with day-to-day administrative problems and visits and enquiries from overseas agencies and donors. The main casualty in this situation is the policy formulation capacity of DEP. The aim of the institute and the other arrangements proposed below would be to shift responsibility for some of the research coordination and training away from DEP.

DEP's approach to research is to draw on clusters of researchers in organizations working on a common theme. Some of the themes currently being studied are a foreign investment code, regional integration in southern Africa, conglomerates, and financial institutions. Some EROSA work — on the mineral–energy complex (with the National Union of Mineworkers) and on the savings–investment constraint and financial markets — will be directly available to DEP.

Some DEP staff believe that they are undertrained and lack security in their terms of employment with the ANC. Therefore, there is a visible inadequacy of professional capacity to support the ANC leadership at the policymaking level. The gaps are not only in terms of capacity for absorbing analytical materials and adapting them for policy purposes, but also in determining requirements for supportive analytical research. Lack of contextual experience for policy guidance increases these gaps.

Even more important, no clear lines of communication in terms of policy advice have been established between the ANC leadership and supportive advisory structures, although this situation is being addressed. A National Working Committee was appointed recently — a major step toward solving the problem. However, responsibility for the various economic portfolios has not yet been assigned.

As a government-in-waiting, the ANC must advance in this area and begin to function as if it were in power, thus facilitating the eventual transition. Strengthening the policy-formulation capacity of the ANC is urgently required.

- Economic policy that shapes South Africa's future and limits the discretion of a future democratic government is being made daily on national, regional, and local levels. The ANC must have the capacity to deal with and shape these policy issues now.
- The ANC must be ready to assume power and establish early credibility in a postapartheid government.
- The ANC must convince others in the democratic movement, especially COSATU, that it is capable of analyzing economic issues and formulating economic policy in the interests of the movement.
- The ANC must demonstrate that it has an organized, disciplined process through which its public pronouncements on policy pass,

to improve public confidence in the coherence and reliability of such pronouncements.

Major restructuring of some parts of the ANC, particularly of DEP, is recommended.

## **Trade Unions**

The trade union movement is a major political force in the struggle for liberation. It is committed to participating actively in debate over the macroeconomic policy and the future of the South African economy. This was stressed repeatedly by all trade union groups consulted during the Mission. The issue is how best to facilitate the participation, in view of the fact that the capacity of the union movement is already stretched.

Few individual affiliates of COSATU and the National Council of Trade Unions (NACTU) have research capacity; among those that do, the focus is, understandably, on the collective bargaining needs of their members. Generally, they are unable to develop policy positions, even though pressure on the unions to do so is often great. The National Union of Mineworkers, for example, has been forced by poor circumstances in the industry and the serious problems facing the workers to prepare what is essentially a policy position on the industry.

COSATU is committed to developing its own macroeconomic policy and has made significant progress in this direction. It has been assisted by the Economic Trends Group (see pp. 11–12) and the interest of its own leaders. In addition, a number of COSATU commissions are dealing with issues that can be classified, to some degree, as macro-economic: industrial restructuring, workers' control, an investment code, housing in a development strategy, unemployment, and health and social welfare arrangements. Participation on these commissions by officials and shop-floor workers is voluntary and in addition to normal workloads.

COSATU and NACTU are also preparing to enter into negotiations with the state and business on a number of issues directly related to macroeconomic policy, such as retrenchment, productivity, industrial relations legislation, and a possible "social contract." COSATU is seeking to address key policy issues in its proposed workers' charter.

There is general agreement in the union movement that macro-economic research will be commissioned from the network of progressive academic and service organizations and, occasionally, mainstream institutions such as the Urban Foundation and the Development Bank. However, COSATU believes that a small core of researchers is needed to monitor research elsewhere and to help prepare policy positions based on it. Both COSATU and NACTU believe that there is a critical need in the union movement to disseminate information to members in a form that can be understood and, thus, lay the foundation for genuine worker participation in policy formulation.

## **Economic Trends Group**

For the last 6 years, the Economic Trends Group — a well-organized, coherent group of over 20 economists with strong and varied skills — has provided economic policy advice to COSATU. In its first phase, the research group focused on the nature and origins of the economic crisis in South Africa. Much of its creative output was published in *South Africa's Economic Crisis* (Gelb 1991), which provides a macroeconomic overview and a detailed look at several key sectors of the economy. Although primarily analytical, some preliminary consideration is given to policy options in some sectors, such as employment. The external and internal nongovernmental organizations (NGOs) and labour organizations who sponsored this work also provided for its “translation” into language more readily accessible to COSATU rank and file. This aspect of the project has not proceeded satisfactorily, although at least one service organization (Trade Union Research Project in Durban) has popularized some of the research group’s work.

The Economic Trends Group operates as a purely voluntary network under the guidance of a coordinator. Members must be invited to participate. Although this ensures broad compatibility in terms of theoretical and political outlook, it has led to accusations of exclusiveness. Last year, the group became more structured when the coordinator’s function shifted to the University of Cape Town and was funded half time. A half-time administrator was also hired.

Next year, the research group hopes to launch an ambitious Industrial Strategy Project under which, for the first time, its members, including new recruits, will be financed for full-time research. The

18-month project is expected to address many of the research needs of the industrial sector. The group also plans to extend its capacity as a network. It will deal systematically with criticism, internal and external, about its structure and operations and is acutely aware of the need to attract more researchers who are black, female, or both. It intends to address, much more systematically, improving accessibility of its papers to COSATU members.

A major area of concern is extending its services through training. At the moment, the Economic Trends Group does not directly help in the training of economists as researchers, although many individual members are teachers. The group does not have a clear idea of how to go about this. The Industrial Strategy Project contains a training component, but no final decision has been made on what form it should take. COSATU would like to bring shop stewards and others into the research process for selected elements and short periods of time. Others think that economists should receive training. The project will absorb 12 skilled researchers; some people are unhappy with this because it threatens to make heavy demands on the limited research capacity available.

Despite its structural problems, the Economic Trends Group represents the strongest organization of progressive economists in the country. Some members are also working with the ANC–DEP through the research clusters mentioned earlier, but they are a minority. The group's close relationship with COSATU and weak links with the ANC are explained by the absence of a formal ANC presence in the country when it was established, by the foresight and energy of COSATU in encouraging the formation of the network, by the lack of aggressiveness on the part of the ANC in attempting to draw on this progressive research community, and, perhaps, by the reticence of some members of the research group to have their research associated directly with the political movement.

Whatever the reasons, a strong case can be made for the ANC negotiating with the research group and COSATU for assistance in some key policy areas. Although the group has expertise in most sectors, it is weak in the more technical macroeconomic issues and in fiscal expenditure restructuring.

## Universities

The involvement of academic institutions in research of direct relevance to policy formation for the democratic movement is limited. Most policy-oriented academic research has been carried out on behalf of the state by Afrikaaner universities. Other universities have been excluded, by and large, from participating in this type of work. In the university culture, policy-oriented research is generally considered inferior to strictly academic research; its admissibility in the tenure and promotions process is questioned. Universities and many individuals within them are cautious about being drawn into the political process through the research function, both in principle and, especially, at a time of great political uncertainty. Many also question whether policy advisers should be drawn from the traditional culture of academic research — with its individualism and elitism; such experts, they believe, ought to be informed by the daily struggles and aspirations of the rank and file members of the democratic movement, who inhabit an entirely different cultural space.

Aside from such cultural constraints, several practical, contextual difficulties inhibit a more extensive involvement of universities in policy-oriented research. Universities have been subjected to severe fiscal restraint recently, while enrolments have increased significantly. Teaching loads are heavy and time available for research is accordingly limited. Graduate programs that promote research are underdeveloped. Several university researchers have observed that the international academic boycott has had the effect of isolating many South African professors from theoretical and policy developments elsewhere; thus, the general academic environment is not lively or stimulating in terms of either teaching or research.

Although these constraints are important, they have not been absolute. A significant number of progressive economists have undertaken policy-oriented research of a high quality. The core of these researchers are members of the Economic Trends Group, but not all of them. Some are in Afrikaans universities, but most appear to reside in other universities. The democratic movement may be able to draw them into the policy-formulation process through research if they could be persuaded of the need and if time could be made available to them. However, provision would have to be made for linking those with similar interests, as they are scattered throughout the country.

In addition, other liberal-minded economists might be of use to the democratic movement and would readily work with it. They might tend to have a more constrained view of policy possibilities than the first group, but they could be useful members of teams or work on specific, clearly defined areas of policy.

Together, these two groups represent a substantial body of skills that could be drawn upon in the coming critical phases of policy determination. The key to their availability will be the presence of support systems (replacements, money for release time, travel costs, assistance, etc.) and a guarantee that standards of academic integrity and independence will be maintained in the research process.

## **Service Organizations**

The service sector represents a major source of progressive research. This sector is highly developed in South Africa and contains groups with widely varying capacities, resources, and skills working at diverse levels of analysis. Most emphasize a bottom-up, grassroots contribution to policy and seek to develop capacity at that level. The theoretical and practical insights of groups such as Planact, the Built Environment Support Group, and the Centre for Organization, Research and Development would be enormously important in the development of sectoral policies, covering urban development and housing on one hand, and rural and regional development on the other.

A number of groups, such as the South African Labour and Development Research Unit, the Labour Research Service (LRS), the Trade Unions Research Project (TURP), the Labour and Economic Research Centre (LERC), the Community Research Unit (CRU), and the Labour and Economic Research Project (LERP), serve the immediate collective bargaining, training, and educational needs of the trade union movement. They coordinate their activities to avoid duplication and, hence, specialize. Most are also involved, at one level or another, in macro or sectoral policy research and development, but here, coordination within the service organization sector and with other institutions could be strengthened. For example, CRU and LERP are embarking upon research into industrial restructuring, much of which seems to be already covered by the Economic Trends Group and EROSA-DEP. Likewise, both LRS and TURP are undertaking research

on job-creation programs; although both appear to be well organized, systematic, and insightful, it is not clear whether their activities are coordinated. They may also have to turn over their findings to groups that have the capacity to develop the technical parameters for implementing such a program.

Several service organizations (such as TURP and LERC) have developed expertise in translating technical economic research into forms that can be disseminated widely in the community. This capacity must be strengthened if the policymaking process is to be truly democratized.

Researchers in service organizations, like those in the trade union movement, earn low salaries compared with those in the private and state sectors. They work largely out of a commitment to activism, but this limits their numbers.

## **Business and Government**

The capacity for research and policy formulation in the democratic movement is paltry compared with that of business and government. The government alone admits to spending about 500 million rand on research and this is unlikely to be a comprehensive figure<sup>1</sup>; neither does it cover amounts spent on policy formulation nor the amount spent by the Reserve Bank on its large contingent of economists. Therefore, the capacity of the establishment is formidable, as shown by the rash of documents on national economic strategies, alternative economic scenarios, and macro and sectoral policies produced by business and the state. Furthermore, these sectors have the resources that enable them to draw on the services of private consultancy firms with economic expertise and on academic consultants.

In the rapidly changing political climate, certain segments of the state and business are anxious to engage the democratic movement in discourse and some are willing to share their economic intelligence. However, for the most part, this huge research capacity is not available to the movement. The best that it can hope to obtain from this source in the immediate future is likely to be unconditional access to the information base on which proposals for macro and sectoral policies and strategies are being formulated.

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<sup>1</sup> In August 1991, about 3.35 South African rand = 1 United States dollar. By October 1995, 1 US dollar was equivalent to 3.7 South African rand.

## Chapter 3

# PRIORITY AREAS FOR ECONOMIC RESEARCH, ANALYSIS, AND POLICY FORMULATION

When a movement has been repressed in every way for decades, preparation for government is a daunting task. The expertise of other countries making transitions to majority rule suggests that it is critically important for economic policies to be soundly and carefully formulated. Solid economic analysis and policy are necessary for effective government (although certainly not sufficient). The democratic movement in South Africa has not yet demonstrated its grasp of this need.

In this section, we identify the most urgent and important areas requiring national-level economic policy in a new South Africa and in the transitional period. We do not address the evident needs at the micro, local, or regional levels, except insofar as they relate to national policies, because we do not have the expertise, time, or mandate to do so. At the same time, it is important to recognize that the subnational and local needs for effective economic policy are of utmost importance for the future constitutional and development needs of South Africa. Constitutionally, the division of South Africa into regions could have important implications for the macroeconomy. There is a need to analyze the effects of macroeconomic policies on the urban, rural, and regional context, as well as to recognize (and research) the effects of urban, rural, and regional processes on national economic policy.

Our terms of reference suggest that, in identifying key areas of economic policy, we should pay particular attention to those economic questions that might be affected by constitutional negotiations. We

have interpreted this part of our mandate very broadly and have not addressed concrete controversial issues such as the precise nature of economic rights or the appropriate structure of government. Rather, we have sought to improve the structures for and the quality of economic decision-making in the belief that, if these matters are addressed properly, the economic aspects of constitutional negotiations will be among the areas in which important social benefits will be realized.

For each priority area, we assess the timeframe within which policy analysis is required and the local capacity to provide it. Recommendations are then offered.

## **Highest Priorities**

### **Monitoring**

Monitoring of developments in the economic arena is an important but often underrated aspect of research, analysis, and policy formulation. State economic policy is clearly changing, and there is a danger that immediate initiatives might “lock-in” the democratic movement to particular policy directions for many years to come. Likewise, the world economy is undergoing radical structural and institutional changes that will necessarily have an impact on the performance of the South African economy, its structure, and its growth potential. The private and parastatal corporate sector is constantly adjusting to the changing competitive and regulatory environment, both domestic and foreign, and adapting organizational structures, management techniques, and production technologies to respond to pressures from labour for improved terms of employment. Even the key personalities, and the interests they represent, will change over time. It is essential for the democratic movement to be kept abreast of such developments as they occur, to understand them, to react to them, to inform its members of possible implications in both the short and long term, and to adjust policy if necessary.

Monitoring is not merely a matter of gathering newspaper clippings and filing them, important though this is. It must also include monitoring relevant technical publications, South African and foreign, the *Government Gazette*, white papers, bills, acts, regulatory announcements, reports on state commissions, annual reports and accounts, statistical bulletins, and, if possible, the Reuters economic service or its

equivalent. Reports of the key international economic institutions — the International Monetary Fund (IMF), the World Bank, the General Agreement on Tariffs and Trade, the Economic Commission for Africa, Southern African Development Coordination Committee, etc. — must also be monitored in a selective and systematic fashion. Documents of the individual components of the democratic movement must also be circulated widely within the movement itself.

Beyond the written word, information is increasingly being made available on computer disk or through computer networks. The democratic movement must be able to tap into this form of communication where appropriate.

Finally, a good deal of monitoring is best performed through regular personal contact with informed individuals within the system: in state structures, business, service organizations, trade unions, or the international community. A systematic and decidedly selective approach is needed here too.

The monitoring function is crucial and should not be left to develop randomly. It requires careful review and evaluation of sources of information and the adoption of a clear strategy to keep abreast of developments. This strategy would need to take into account the limited number of people, materials, and time available to the movement.

### **A macroeconomic framework**

Economic policymaking for a postapartheid South Africa must take place within some overall macroeconomic framework. The democratic movement's lack of such a framework limits its capacity to assess the overall implications of specific policy proposals that are placed before it and to evaluate the macroeconomic implications of alternative overall policy programs. The lack of an agreed-upon macroeconomic framework also undermines business confidence in the future economy as a whole. Existing models incorporate the objectives and perspectives of others and fall short of the requirements of the South African democratic policymaking community. This community, and the ANC in particular, must have, and be seen to have, its own macroeconomic model or frame, and thus its own macroeconomic projections.

Such a frame need not be highly complex, at least in the first instance. However, it should allow for projection of such key

macroeconomic variables as private and public consumption, savings, and investment; exports and imports of goods and services; external capital flows (in and out) and their major components; formal employment; major categories of income distribution; and the rate of price inflation. It should permit the assessment of the overall implications of alternative scenarios for structural change over both the short and long term. It should also incorporate estimates of critical macroeconomic constraints upon economic performance, whether savings, foreign exchange, fiscal, or others.

With appropriate funding, sufficient domestic capacity could be quickly diverted to the preparation of such a macroeconomic framework. This project should be launched as a matter of the highest priority; it is rivalled in importance only by the urgent need for increased ANC–DEP capacity for current economic monitoring. In developing a framework, it would be helpful to draw upon external expertise in structuralist macroeconomics on a relatively short-term basis. The input of an experienced and sympathetic economic modeler from outside South Africa could make an important, early contribution to the development of an appropriate economic framework. He or she could both assist in the process of its creation, drawing on the experience of others, and work with local economists to accustom them to appropriate techniques of analysis and model maintenance.

Others doing related work in government, the business community, the Reserve Bank, the World Bank, and the IMF should also be consulted and expected to make their own work on South Africa available to those engaged in this project. Within the next 4 or 5 months, a conference to discuss progress would also be useful. Provision should be made for future recurrent costs of these activities and responsibility will have to be assigned for keeping the data flow into the model current, using it for current policy assessments and projections, updating the model itself, and keeping it as relevant as possible.

## **Areas Requiring Urgent Action**

### **Tax policy**

Taxation can reduce poverty and inequality in two ways: by increasing the fairness of the tax system and improving its efficiency in raising revenue for financing redistribution. Some trade-offs between the two

objectives may require careful review. However, it is widely argued that the revenue-gathering role of the tax system deserves more attention, as it supports the restructuring of spending which will most likely be the more important instrument for effecting redistribution. An important constraint to both objectives is the need to minimize any negative effect on allocative efficiency or investment. In the long run, growth of the tax base is the key to sustainable financing.

Therefore, research on tax policy could focus on three aspects:

- *Equity* — Progressiveness of the tax system, as influenced by the tax structure, rate structure, and tax exemptions, is the main issue. Particular attention must be paid to the effects of exemption from tax of income from already-high wealth concentrations. The close link between conglomerates and financial houses is relevant in this regard because it promotes opportunities for tax evasion. Also important is an assessment of the double-tax relief on certain categories of income and a review of various tax treaties governing double-tax relief for nonresident business.
- *Revenue efficiency* — Research into the possibility of widening the tax net and raising tax yield through improved compliance forms the core for required research. Main concerns should be reduction of incentives for evasion, compressing the range of exemptions, and a search for possible new taxes. With respect to tax evasion, a main issue is the link between high tax rates and conversion of current income into nontaxable wealth instruments. Three possible new taxes have been mentioned: capital gains tax, minimum corporate tax, and “retributive” land tax. A capital gains tax will increase yield from income tax as it reduces evasion; minimum corporate tax will not only improve compliance but also penalize inefficient firms; and retributive land tax will transfer rental incomes attributable to the apartheid system for public use. A careful assessment of revenue potential and collection costs must be made.
- *Allocative efficiency* — Trade-offs between revenue objectives and allocative efficiency effects of trade taxes constitute a prime area for research. They assume particular importance in light of proposals for trade policy reform, including tariff reforms, aimed at increasing the outward orientation of the industrial sector. What

alternative nonredistributive taxes exist and what is their potential for filling the revenue gaps? Sectoral neutrality of the tax system is another issue raised in relation to minimizing distortions in allocative efficiency. Perhaps the most important concern raised by tax experts is that taxation should not discourage investment by overburdening sources of investible funds. The effects of tax rates and exemptions on the level and structure of investment should be investigated.

At the University of the Western Cape and elsewhere, work is being carried out on financial constraints to redistribution and growth, including a specific focus on tax policy and some of the legal aspects of tax reforms. This is an area where local capacity definitely exists and could be harnessed.

### **Restructuring of government spending**

Because the state budget is both a reflection of, and an important mechanism for, the social and economic relations and institutions of apartheid, restructuring expenditures will be an important priority for a democratic government. Restructuring will involve difficult political decisions and will generate complex political reactions; it is not a simple technical exercise. Nevertheless, it will have technical content in that each component of restructuring must be assessed carefully in terms of its impact on spending.

The first component will be a reduction in spending on administration as a result of the abolition of apartheid policies. This will require careful analysis of budgets — by department and by level of authority (state, homelands, provincial, regional, and local) — and unraveling of transfers from higher to lower levels. Against this reduction must be weighed the cost of alternative administrative structures yet to be determined in a new, unified system of government.

The second component will be the peace dividend derived from reducing military activity; it must be based on realistic expectations about how quickly demobilization can take place and on views within the democratic movement about the role to be played by the military in the new era. The peace dividend should also include savings in the security–intelligence apparatus, police, and prisons. Against this, however, must be set the costs of revamping the police to provide a higher

level of personal security to those segments of society currently underserved.

The third component will be the bold program of expansion in the areas of health, education, housing, rural and urban infrastructure, and social services for the majority of the population that was disadvantaged under apartheid. This central component of the exercise must be based on careful cost estimates of the chosen method of delivering enhanced services and cannot be undertaken in isolation from the development of detailed policy and programs for each sector. Calculations of what it would cost to raise all levels to those currently enjoyed by the white minority are of limited use, except perhaps in the field of state pension equalization. The service sectors will need new delivery systems to reach the black population, and policy emphasis might differ significantly from the current one (for example, a greater focus on preventative health measures, nutrition, and sanitation than on curative health care). Providing minimum acceptable standards of service as quickly as possible is certainly a more humane approach than providing higher levels to a few in the short-term and is likely to be advisable politically.

However, given the constraints of tax capacity and fiscal stability within which this program must proceed, a careful review of current state spending on services to the privileged minority will be essential. Determining the scope for improving the efficiency of this spending, for example, by reducing excess capacity (allowing more access by the black population to facilities underused by the white population) or shifting the pattern of spending (from costly transplants to more mundane medical needs that are currently unmet) would be the first step. Actual scaling back of services might be the second. Alternatively, user fees for the rich might be contemplated.

At least two other components round off the exercise. The first is some estimate of the costs of introducing an affirmative-action-cum-training program for the civil service to facilitate access by black South Africans. The second is some notion of how an income policy might affect salaries and benefits of state employees and the distribution of the various subsidies in the budget. Once policy is determined in each sector and costs are available, issues of training and sectoral priority will have to be addressed.

Although preliminary work has already been carried out on restructuring expenditures, it has been focused at a macro level,

generally using existing service levels to the white population as a yardstick. Coordination of more detailed sectoral analysis is needed, using alternative assumptions about policy and program delivery.

## **Housing and infrastructure**

From a macroeconomic perspective, the following housing and infrastructure issues require attention and policy:

- What would a program of housing and infrastructure cost?
- How quickly could it be phased in?
- How would it be financed?
- What impact would it have on income generation, employment creation, the budget, the import bill, and the inflation rate?

Although the improvement of housing and infrastructure, in both rural and urban areas, is a matter of urgent social need that will command attention in its own right, it has taken on broader dimensions in South Africa. Expenditures in these areas are being recommended as a central element in an “inward industrialization” development strategy for the long term and as a short-term Keynesian “kick start” to economic recovery. For all these reasons, it is crucial that policy be developed on the basis of careful, rigorous economic analysis.

Precise answers to the overall question of how quickly needs can be met and how this will affect short- and long-run growth strategies require answers to a whole series of micro-level questions. Infrastructural needs cannot be assessed without prior agreement on the spatial dimensions of urban and rural policy. This involves resolving where people will live and how apartheid conceptions of urban and rural development will be restructured. The whole question of restructuring local government, its financing, and, possibly, means of transportation comes into play here. Beyond this, the technical approach to the provision of needs must be agreed upon, and this will require considerable input from the affected communities. What type and level of service for sewers, water, and electricity is desired, and is it feasible? Over what period of time might it be provided? What kind of housing should be provided and by whom? How will legal and regulatory requirements of zoning, land tenure, etc., be met?

Based on answers to these questions, a further set of micro issues will have to be addressed. What is the capacity of the construction sector to meet these needs? Should the task be handled by large corporations or small, black-owned construction businesses? Is the supply of artisans adequate or will “crash” training programs be needed? Has the building materials industry the capacity to deliver what is needed or is additional investment required?

Clearly, macro analysis need not wait until all the individual policy elements are in place and all the necessary micro-level research has been conducted. A broad-brush exercise is needed within the next year. This could be based on the most feasible approaches to housing and infrastructure, using crude estimates of import and employment coefficients and backward and forward linkages, perhaps drawn from actual building experience. This would enable the democratic movement to incorporate this sector into a macro framework and have a more concrete grasp of “kick-starts,” growth strategies, and budgetary implications. The data could be refined as more systematic research yields results, and the macro-level calculations themselves would help shape micro-level policy.

Capacity exists in the Built Environment Support Group, Planact, the Local Government Project, the universities, and the Urban Foundation to deal with most of the issues raised here over a relatively short period of time. Missing, however, is input from economists to incorporate these into a macroeconomic framework to assess both the “kick-start” hypothesis and the feasibility of a housing and infrastructure-driven growth path.

### **The financial system**

Financial institutions and policies have an important role in supporting redistribution and growth through mobilization of investible funds and direction of investment toward poverty-reducing measures. As the public sector is the key agent for implementing redistribution, public debt and its financing assumes a key role. In this regard, research issues include the following:

- Investigation of the mechanisms for channeling mobilized private resources to the public sector. Should the control of financing sources through prescribed asset requirement (for PIC, life assurance, and private pension funds) be reintroduced and at what

levels? What are the ramifications regarding returns to the ultimate holders?

- Research into the macroeconomic implications of various levels of public debt and various financing modes is important for determining the limitations of deficit financing in general and sustainable levels of public debt in particular.

There is considerable concern over the links between highly concentrated conglomerates and financing houses and the de facto “internal” capital markets. How do their operations affect the efficiency of the financial sector? What are the possible mechanisms for gaining access to their resources?

The decline in savings in the last decade has become an cause for concern. Research could focus on the savings behaviour of the major groups in the economy and its determinants. The role of incentives, particularly interest rates, is worth noting, as such evidence from empirical studies in other countries is inconclusive.

Monetary policy pursued by the Reserve Bank, mainly via control of interest rate, has recently focused on controlling and reducing inflation. It has put undue pressure on investment and on the public deficit through the rise in the real cost of servicing public debt. A better understanding of the inflationary process in South Africa, particularly the role of nonmonetary factors, is fundamental to adequate assessment of this policy. The cost of pursuing recessionary stabilization may be choking potential growth.

The functioning and efficiency of the complex structural links of highly concentrated conglomerates and financing houses must be understood; a study of this linkage is being carried out using flow-of-funds analysis. Studies on savings behaviour could be carried out by local experts, drawing on the vast amount of published material on the subject. Work on public debt and financing options is also in progress. A coordinating structure is needed to bring these components together.

### **The labour market, employment creation, and income policies**

The democratic movement has already formulated broad policies in this area. However, they must be refined and “fleshed out,” and programs for their implementation planned. They must also be assessed in terms of consistency with macroeconomic stability.

Legislation to restructure industrial relations to afford protection to all workers, including domestic and farm workers, and to extend existing rights of workers is a high priority in the short term. Also important is the introduction of an affirmative-action program covering both the public and private sectors aimed at redressing racial and gender imbalances in the employment profile.

However, the principal ongoing need in this sector is policies to reduce unemployment and the poverty that accompanies it. The creation of new jobs will be among the highest priorities of a democratic government, and a whole series of issues must be addressed if a coherent policy is to emerge. The questions of retirement or early retirement and pension levels must be raised. A clear understanding of the extent and nature of existing underutilization of capacity will be needed if short-term prospects for employment growth are to be properly addressed. The level, direction, and intensity of investment must be examined and realistic assessments made of how policy might best shape them.

These issues are complex and require both analysis of the existing situation and past trends as well as policy prescription informed by this analysis. What explains falling rates of investment and which factors could be influenced by state policy? How can financial resources, especially those controlled or subject to influence by the democratic movement, be channeled to maximize growth of long-term employment? Can the channeling of investment into specific sectors raise the labour–capital ratio and, if so, how best might this be achieved? To what extent have low labour–capital ratios been the result of government intervention that might be usefully reversed?

A central component of policy development will be aimed at public works, housing, infrastructure, and electricity. Although these services are needed urgently in their own right, their employment-generating qualities are relevant here. Thus, in judging what scale of programs will be manageable from the point of view of macroeconomic balance, the desired employment intensity and wage bill will have to be predetermined. Such programs are likely to be a feature of economic policy in a democratic South Africa in the long term. The idea of using such expenditures as a short-run “kick start” must also be assessed carefully. The whole issue of land redistribution and rural development also has an important employment element and must be reflected in policy.

It is widely believed that apartheid policies have stunted the growth of small business and the informal sectors. This theory must be examined and a policy developed on how best the democratic movement might approach these sectors, bearing in mind the political complexities involved.

Careful consideration will have to be given to the development of policy in the areas of training and skills upgrading. Access by the black population to employment and better paying jobs, both existing and to be created, will depend on reversing past inequities in skills development. How will this be best achieved and where will sufficient resources be found?

Finally, "income policies" are needed. First, what will be the democratic government's policy on welfare, a critical issue for the unemployed and unorganized workforce? Other policy areas in this category include pensions; the minimum wage; wages, salaries, and benefits in the state sector; and subsidies. Tax policy must be assessed within this broader framework, as adjustments to tax rates and structure might often be preferred to more direct state intervention in income determination. This might apply as well at the lower end of the income distribution, where a negative income tax or guaranteed annual income might be considered rather than a patchwork of welfare benefits.

Some research capacity in these areas exists in the Economic Trends Group (land, policies to deal with unemployment, training, housing, electricity, and technology), service organizations (investment redirection and job-creation programs), universities, and COSATU. Coordination is needed, as is additional capacity to develop policy much further in areas such as affirmative action, training, and income policy.

## **Other Priority Areas**

### **Trade and industrialization policy**

The future roles of trade and industry are critically important to development strategy for the new South Africa. Prospects in the mining and agricultural sectors are somewhat limited and manufacturing's share of overall economic activity, already larger than that of agriculture or mining, will have to rise. Manufacturing for export will also have to

play a major role in the dynamics of future growth. COSATU, the South African Chamber of Business, and the Industrial Development Corporation (IDC) all agree on the need for “industrial restructuring.” At this point, however, a major debate is emerging over specific objectives and the best means of achieving them. In the debate, there will be a high premium on objective analysis of alternative strategies and policy possibilities. So far, such analysis has not been conducted at a very sophisticated level. There is considerable risk that the current government, in response to interest-group pressure, weak analysis, or both, may initiate policies that prejudice future possibilities.

Among the important issues for detailed research and analysis are the following:

- The broader social implications of alternative industrial-sector characteristics in terms of employment creation and income distribution, intraurban and interregional locational objectives, ownership structures and empowerment, skill expansion, technological development, etc.;
- The sequencing and pace of restructuring and the character of “buffers” and “safety nets” for potential losers, particularly disadvantaged groups, in the process; and
- The selection of appropriate policy instruments to achieve general objectives and to further more specific objectives in the spheres of external trade expansion, domestic industrial growth, and social objectives.

Considerable research has been carried out on the characteristics of the South African industrial sector and the nature of its trade regime; however, much of it is fairly superficial, dated, or both. Considerable expertise in this area can be found in the universities and in such state agencies as the Development Bank of South Africa and IDC. The World Bank will also be generating analyses in this sphere. From the standpoint of the democratic movement, and particularly COSATU, the most important potential source of new analysis and advice is the major research project on industrial restructuring that is being launched by the Economic Trends Group. Only a portion of the required external funding has been secured (from IDRC), but negotiations for the remainder are at an advanced stage. Assuming the necessary funding is found, and taking account of the likely prospect of

continuing contributions and critiques from many other interested professionals in the South African economic community, this area does not seem to us, despite its great importance, to require additional research and policy analysis. By the time a new government assumes office, it should have a plentiful supply of material and analysts with whom to work.

### **Balance-of-payments management**

External balance is an important ingredient of the overall macroeconomic framework described above. More detailed analysis of the key policies underlying the balance of external payments is needed, particularly exchange rate policy, policy relating to external payments and currency convertibility (exchange controls), and policies relating to external capital (foreign direct investment and external borrowing).

Some independent detailed research is underway or planned in this sphere. For example, the United Nations Centre on Transnational Corporations is supporting efforts in the democratic movement to elaborate an appropriate “code” and overall policy toward foreign investors. This important work should be accelerated.

The bulk of current information, expertise, and analysis in this area is inevitably housed within the institutions of the state, notably the Reserve Bank and the Ministry of Finance. The greatest problem for the democratic movement is not so much the establishment of independent research and analysis (although some is necessary and implicit in the development of an independent macroeconomic framework) as gaining access to existing information and experience within state institutions that have not been characterized by “transparency” or openness to “outsiders.”

It should be a matter of high priority for the “shadow” minister of finance to secure access to data and analyses generated in the inner precincts and upper levels of the state’s financial institutions. Opportunities should also be explored for the placement of progressive South African economists and prospective administrators within the central banks, finance ministries, and other relevant institutions of countries friendly to the democratic movement to allow them to learn and gain experience.

## **Agricultural and rural development**

In a country that is as dependent on urban and industrial economic activity as South Africa, it is easy to neglect rural and agricultural issues. Urban bias in economic policy typifies many countries that are far more agricultural than South Africa. However, the rural areas contain many of those who have been most disadvantaged by the apartheid system, and the agricultural sector is characterized by extremes of inequality that cannot survive in a postapartheid South Africa. It will be extremely important to launch policy-oriented studies of such issues as

- The optimal use and ownership patterns of agricultural land in the various regions;
- The infrastructural and support services required for a “liberated” smallholder sector and the costs and best means of supplying them;
- The change in the volume and pattern of food demand implied by the restructured patterns of growth and income distribution in a new South Africa; and
- The capacity of alternative agricultural systems.

In our survey, we have not had an opportunity to address adequately the overall capacities of the research community that is seeking to develop policies for agricultural and rural development. We consider these issues to be very important to the realization of the democratic community’s aspirations for the future of South Africa. However, policy changes in this area may be slow.

We recommend that a network of economic research and policy analysts in agricultural and rural development be organized as soon as possible to develop appropriate policies in this area. We have not included agricultural and rural issues among our top priorities at this stage, which reflect, above all, our assessment of the likely sequence of policy development in a postapartheid South Africa, not their inherent relative importance.

## **The role of the state in economic management**

The role of the state in the economy has received much research attention both in broad conceptual terms and based on country experiences. The old controversy as to whether the state should intervene in

economic management beyond the traditional principle function of providing public goods is a thing of the past in most of the rest of the world. A consensus seems to have emerged around a socially efficient interventionist role of the state in the sphere of economics. Socially efficient intervention is characterized by its effectiveness in reaching targets and minimizing leakages, reducing distortions caused by private decisions, and ensuring sustainability by maintaining a healthy resource base for the predominantly redistributive role of the state. Successful and unsuccessful experiences of state intervention are abundant in developing and newly industrializing countries.

However, substantial controversy remains regarding the modes of intervention. Approaches have ranged from using state ownership of the commanding heights to gain control of management and the resource base to minor corrective interventions (fine tuning) related to market failures. In this context, anxieties surrounding the possibility of nationalization have arisen in South Africa and have prompted the establishment to accelerate privatization (the dismantling of the public sector) of the economy as a preemptive strategy. The use of the public sector to promote the interests of the minority in the past four decades has set a precedent for its possible use to reverse fortunes in the future. The anxieties have taken on a political tone, and there is growing need to contrast preemptive privatization with technical analyses of alternative policies.

To a large extent, the balance between public ownership and indirect state regulation of the private sector is one of the key concerns in the ongoing monitoring that we recommended above, as it is of any research on a mixed economy. Certainly, the size of the public sector would grow with increased use of ownership for control purposes. Experiences in other developing countries have revealed managerial stress on the part of the state with the overgrowth of this sector. In others, the public sector has actually become a drain on state resources. Thus, an early, careful consideration of how far one uses ownership as a means of control is strongly merited.

The South African economy is characterized by exceptionally high levels of concentration and centralization. Large conglomerates span the mining, manufacturing, and financial sectors; there is an urgent need to examine these institutions both with respect to the inequities they represent and the inefficiencies that they generate. Among the peculiar features of the South African private sector is the size of

conglomerates and their close linkages with financial houses. What antitrust and regulatory mechanism can be brought to bear upon these structures to ensure compatibility of private and social benefits?

The size and power of the conglomerates have particular impacts on the ability of workers and their unions to participate in corporate decision-making. Several conglomerates have introduced limited share-ownership schemes for employees, which have met with strong opposition from the unions. This area requires further research and policy formulation.

Capacity for research on the economic role of the state in South Africa is abundant and can be supplemented by access to the vast experience reported elsewhere. Early, quick analysis pertaining to the broad ownership issues and the appropriate regulatory framework can be carried out to generate policies to reduce uncertainties and stem anxieties over the question of nationalization. Research on mechanisms for controlling conglomerates may require more extensive effort, as their behaviour, complex structures, and operations must be carefully analyzed first.

### **Relations with the rest of southern Africa**

South Africa has played a markedly destructive role in the region. A postapartheid government can correct this by enhancing the country's capacity to contribute to regional development. However, this capacity should not be taken for granted. There are clearly fears in the rest of the region that a South Africa fully integrated into the region's economy may, given its relative power and size, dominate and siphon resources from its smaller neighbours. These fears must be addressed through the formulation of policies that will create conditions for balanced and equitable regional growth.

This task is rendered more urgent by current South African government initiatives (usually via parastatals like the Electricity Supply Commission and Transnet) that will have a powerful impact on regional economic relations. Similar considerations apply to internationally financed regional projects.

The democratic movement has some research capacity in this area. However, considerably greater capacity exists in the Southern African Development Coordination Committee, the Preferential Trading

Agreement, and the national universities and research institutions of their member countries. Links between these various regional institutions and South African researchers should be deepened to enhance domestic capacity in regional policy formulation.

## Chapter 4

### TRAINING AND CAPACITY BUILDING FOR ECONOMIC POLICY

Our earlier discussions of capacity weaknesses in policy-oriented research and policy guidance identified gaps in terms of skills and experience in the progressive economic community. The capacity of the current establishment to formulate and implement economic policies far outweighs that of the prospective democratic government. Moreover, an acute racial and gender imbalance also exists. There was a conspicuous absence of female and black professionals at the many meetings we conducted. Exclusion of the majority of South Africans from formal training opportunities and participation in economic management under apartheid largely accounts for the racial imbalance. In blunt terms, the democratic economics community is dominated by white males.

Even more disturbing is the apparent lack of attention within the democratic economic community to redressing these imbalances. Reasons for this may include insensitivity to the magnitude of the problem; an understandable emphasis on rapid output that conflicts with the rather slower process that would include training; and the lack of experience of South African researchers with the training process.

Within the ANC, the Department of Human Resource Development is responsible for coordinating training activities to enhance skills and provide experience through attachments. This responsibility includes ensuring affirmative action with respect to gender and race. Not much is happening in this area because of resource constraints and the need for a carefully laid out strategy. COSATU's training programs

and those of the various service groups focus on operational skills and raising the capacity of their members for meaningful policy dialogues. Established universities have started to increase access for blacks by establishing remedial programs, but progress has been slow and financially constrained. Historically black universities are limited both in terms of finances and human capacity to expand programs.

The development of hands-on skills in the policy-research process, through interaction and learning by doing, and providing more opportunities for formal training and exposure to operational contexts and experience form core components of the required training programs for capacity building. A workshop bringing together South African researchers and external economists experienced in the area of training is one possible mechanism for introducing a greater sensitivity to, and capacity for, appropriate training. External support should be available for this. External resources to facilitate research should always include resources for training, and eligibility of South African researchers for external resources should be conditional upon the provision of training.

## **The Research Process and Capacity Building**

Research teams offer training opportunities of two main types. First, the process of research offers ample opportunities for senior members of the team to pass on skills and experience to more junior (professionally) participants. Second, if researchers with policy experience are included on the team, the research will be tempered by policy sensitivities and concerns, and skills in policy-responsive analytical research will increase. Research workshops generally help to broaden contextual awareness and enhance sensitivity to analytical issues beyond one's own subject area.

However, use of the research process for training purposes may delay delivery of results and interfere with time-sensitive assignments. Nevertheless, in terms of postformal training through learning by doing, few other options exist.

## **Formal Training**

Formal training can also be adapted to impart skills in policy analysis if graduate students are systematically involved in resident research programs, such as the Economic Policy Research Project based in the economics department of the University of the Western Cape. The master's economics program is interfaced with the research project, which, in addition to staff in the department, draws on academicians from other universities. The students are formally integrated into the research project (as part of their training) giving them hands-on skills in policy research. The South African Labour and Development Research Unit, based in the Department of Economics at the University of Cape Town, attempts to impart hands-on skills to students by linking academic programs with participation in research as well as training of their clients at the grassroots level. We found these initiatives truly innovative and worthy of consideration for adoption elsewhere.

## **Redressing Racial and Gender Imbalances**

Under the apartheid system, training in economics for black students was confined to so-called ethnic universities. Access to more established economics departments in what are now legally open universities is still largely problematic for these students because of large shortfalls in their preuniversity education relative to white entrants, financial constraints, and the absence of strong remedial programs. Access to economics training for black women has been particularly restricted, given the predominant patriarchy in South African society. Programs that have been established so far remain woefully inadequate.

It will take a long time to rectify this problem as it is a result of a long period of systematic exclusion of the black population from opportunities to learn. Nevertheless, there is an urgent need to embark upon its resolution as soon as possible with a systematic, well-coordinated, affirmative-action strategy. Elements of the strategy should include measures to increase access to training programs through well-thought-out placement and remedial programs that ensure gender balance. Because funding capabilities constrain access to

good training programs, suitable financial assistance may have to be arranged. Training institutions with specialized affirmative-action programs are worthy of support both to strengthen intake capacity and to raise the quality of learning.

## **Contextual Training**

Leaders and professionals outside the establishment lack experience in actual management of the economy and policy-analysis skills. Training is needed to provide broad familiarization with institutional functions and operations to those with future policy responsibilities. The transitional period to a new democratic government is short, and requirements are many. At the same time, we appreciate the concerns of those in the democratic movement about the legitimacy of placing trainees in current structures to gain experience. Three possible alternatives were suggested during our extensive discussions: attachments to similar institutions operating elsewhere; organizing programs of training by experienced people from elsewhere across a broad range of functions; and an intensive investigation to identify sympathetic professional cadres within the establishment.

## Chapter 5

### RECOMMENDATIONS FOR SOUTH AFRICA

Progress toward a stable, equitable, and efficient economy in a democratic South Africa depends on the adequacy and quality of economic analysis and policy in the democratic movement. Our assessment of domestic capacities in this regard is encouraging; however, much remains to be done. Capacities must be developed in individuals and organizations. Given the speed of current change, the scope of ongoing negotiations and economic policy discussions, and the fragility of the process, the need for improving the capacity of the democratic movement for economic policy formulation is urgent.

We were particularly struck by the dearth of capacity to support leaders in the democratic movement by formulating coherent and viable perspectives on economic policy consistent with the broad policy directions contained in the movement's key documents. The lack of capacity is not merely, or even primarily, in terms of the shortage of skilled personnel and contextual experience. No less important is the absence of an organizational structure capable of providing effective policy advice to the top levels of the relevant organizations.

#### The Department of Economic Policy

- The ANC should quickly establish a "shadow" economic committee of cabinet (the economic wing of the Working Committee). Each member would be responsible for a specific portfolio (such

as land, rural development, money and fiscal policy, mines and resources, industry).

- The shadow committee should meet regularly at a fixed time, as it would if it were exercising state power.
- A senior member of the Working Committee should chair the meetings and the head of the DEP should be the secretary of this economic subcommittee.
- DEP staff should be strengthened with the addition of at least four analysts to support the shadow economic subcommittee. Each would specialize in an area or areas of economic policy affairs, servicing specific shadow portfolios. They would be responsible for drawing on outside research, directly, and later through the proposed institute, for preparing policy or issue papers for discussion by the subcommittee. Such papers would be informed by the views of regional economic associations and could originate there; they could also be routed for discussion to regional economic associations after consideration by the economic subcommittee and the Working Committee itself. Each specialist would be responsible for gathering and processing economic intelligence in the assigned area. A central library or filing system would be needed to ensure continuity in this important monitoring function. Other people in the DEP would be responsible for liaison: one with the international community, one with trade unions and the democratic movement, one with business and government, and one with the regional economic associations.
- A DEP with 10 or 12 staff members is still small, given the tasks to be carried out. DEP could also bring in sectoral experts for short periods of time, especially in the next 6 months, from within South Africa and, occasionally, from outside. Funds for travel, accommodations, time, and personnel costs would be needed for this. Funding for the additional staff should be sought from sympathetic overseas governments and organizations.
- Although the above recommendations will go a long way toward ensuring that economic policymaking receives urgent and systematic attention in the ANC, related organizational improvements are required. A structure is needed to coordinate the activities of the different departments within the ANC. There is an overlap in

jurisdiction between departments currently located in different organizational groupings; for example, the Education Department is under the Human Resources Group, but, clearly, policy in this area will have important implications for the economy, dealt with in another group. Therefore, arrangements should be made for department heads to meet regularly to coordinate their activities.

## **Establishing a Macro-Economic Research Group**

The democratic movement's need for the development of economic policy, particularly macroeconomic policy, is urgent. This need is in addition to those identified within the ANC and COSATU. We suggest the creation of a Macro-Economic Research Group (MERG) to stimulate and coordinate policy research and training in the identified priority areas. It would be developed and directed by a coordinator, who would also provide liaison with other bodies as necessary. Funds for MERG would be administered by the institution at which its coordinator is employed. The coordinator would be answerable to a small steering committee, including senior representatives of the democratic movement, notably ANC and COSATU, and his or her own institution.

MERG would be organized as a collection of networks, operating, in the first instance, for 18 months. For each of the most urgent areas for research and policy analysis (macroeconomic framework, tax policy, government expenditure restructuring, housing and infrastructure, financial system, labour markets, etc.), a subject coordinator would be appointed by the MERG coordinator, with advice from his or her governing committee. The issues addressed under the relevant headings in Chapter 3 (pp. 17–34) of this report could serve as a draft agenda for each subject coordinator. The terms of these appointments could include the purchase of research time for the subject coordinator, but they need not do so.

Each subject coordinator would be provided with a sum of money to be used, over the next 18 months, to commission South African research, workshops, networking, and, where appropriate and necessary, the use of foreign specialists. Commissioning of research could involve buying the time of people employed in universities,

technikons, trade unions, or service organizations, or for paying salaries to people currently unemployed. Funds could also be used to bring in replacements for people the movement wishes to free up for such research; such replacements could come from within or outside South Africa and be employed for up to 1 year. As well, provision would be made for sending members of the democratic movement to foreign centres specializing in relevant policy areas and bringing in foreign specialists to work with local researchers for short periods. MERG grants would cover travel, research materials, and supplies. Special efforts should be made to recruit people within the country who have not yet been effectively involved in preparations for a postapartheid South Africa. All activities will be open and output will be publicly available.

Assuming MERG functions well, it may be regarded as an initial phase of the proposed Institute for Economic Policy Research and Training. Such an institute could eventually assist in the development of research and training in the many other key areas of economic policy identified in Chapter 3. In addition to his or her primary responsibilities for research management and liaison, the MERG coordinator could hold principal responsibility, at the appropriate time, for moving from this first phase toward a more formal research and training institute. At that point, it may be appropriate to call upon (perhaps with external support) the services of an experienced research administrator to help establish appropriate administrative structures.

We suggest that DEP-ANC and COSATU take joint responsibility for finding the most appropriate coordinator for MERG, preferably within the next month, and that DEP call the first meeting to arrange this.

Funds should be sought from an external donor as soon as possible to permit recruitment of the coordinator on a full-time basis for 18 months. If possible, the coordinator should be at work by October 1991. Further external support will be required for the rest of MERG's activities, and approval of this support should be accelerated to allow the subject coordinators to begin their activities no later than December 1991.

## **An Institute for Economic Policy Research and Training**

The democratic movement and, in particular, the ANC have identified an institutional structure as the most appropriate mechanism to meet the demands for macroeconomic research and policy formulation. The proposal resulting from consultation of the ANC, COSATU, and DEP (1990) in this regard was recently endorsed by the ANC's National Executive Committee. Some initial work by DEP in consultation with resource people and sympathetic academics has already been carried out. In addition, several foreign governments (including Australia and Germany) have indicated their willingness to support such an initiative.

Furthermore, limited financial and material assurances have been received for organizing the logistical, institutional, and human resources necessary for coordinating the establishment of the institute, including office space in Johannesburg. However, the demands for economic policy formulation are so pressing that research cannot be postponed until the institute is organized. Thus, an interim arrangement is necessary to meet objectives within the next 6 months (MERG, pp. 41–42).

Apart from coordinating immediate research needs for policy formulation, the MERG coordinator will be responsible, in consultation with the coordinating committee, for designating someone to carry out a feasibility study and establish the institute.

In deciding on an appropriate institutional base, the following considerations should be taken into account:

- The sensitivities of the ANC, COSATU, other elements of the democratic movement, and donors;
- The existing research and logistic capacity of a given institutional base and the eventual material requirements for the institute;
- The need for immediate implementation of the interim arrangement;
- The need for relative autonomy of the institute; and
- The need for proximity to ANC headquarters and DEP.

The case for the institute and suggested functional structure have been presented separately.

## **Trade Unions**

Trade unions should be assisted to enhance the following:

- The capacity of the relevant COSATU commissions and strengthen the federation's ability to formulate policy;
- Their ability to disseminate basic economic policy issues and information widely among their membership in a form that can be easily understood; and
- Their capacity to commission research and policy formulation work.

## **Economic Trends Group**

The Economic Trends Group should formulate concrete measures for broadening the representation of its membership in terms of race and gender. It should also develop proposals for integrating training into its work.

Given the group's plans to expand its capacity to manage the ambitious Industrial Strategy Project, to broaden the racial and gender base of its membership, and to develop a training component, consideration should be given to making the positions of both the coordinator and the administrator full-time.

## **Service Organizations**

The work of service organizations with whom we met is generally well coordinated through existing mechanisms. However, in some instances, research into macro or sectoral economic policy formulation seems to overlap. The service organizations should look more closely at this and at how they interface with others working in the area of policy research.

## **Universities**

Formal discussions should be held between university administrators and leaders in the democratic movement to improve the general environment for policy research on university campuses. In particular, the

democratic movement must secure university cooperation in the release of staff willing and able to participate in the policy formulation process. University departments and institutes housing such economists should develop concrete plans for staff release and replacement over the next 3 or 4 years and assess the cost implications of this.

## **Business and Government**

The democratic movement and the international community should urge business and government to allow unconditional access to information required for macro and sectoral economic policy formulation. Independent research and policy analysis is severely constrained when access to relevant government and business materials is restricted. Access to information and in-house analyses and overall transparency on the part of both state agencies and private business can contribute significantly to the development of expertise and informed policy formulation in the democratic movement. Some state institutions have offered their full cooperation to analysts in the democratic movement; others and many organizations in the private sector have not. We recommend that there be full and frank responses from government and the private sector to requests from the democratic movement, whether formal or informal, for data and information important for public policy analysis, and full cooperation regarding meetings, workshops, and the like.

Private business and government should increase opportunities for black and female economists and administrators to gain experience and expertise at senior levels. It is time for the “glass ceiling” on black and female advancement to be broken.

Private business and government should go beyond the overdue provision of equal opportunities for blacks and females. Active search and recruitment, training programs, monitoring and public disclosure of changing employment patterns, and the restructuring of institutions and practices to be fully supportive of the changing patterns are all necessary and appropriate. We particularly recommend the careful development of affirmative-action programs in the critical areas of economic management and economic administration, on which so much in the future of South Africa will depend.

## Chapter 6

# RECOMMENDATIONS FOR EXTERNAL SUPPORT

### Modes of External Support

Our assessment suggests that there is considerable capacity within South Africa to provide high-quality advice on many issues of economic policy. Unfortunately, this capacity is typically already being used for other purposes. Means must be found to reallocate it, in some cases, very quickly. The most important role for external inputs is to facilitate this internal reallocation of resources. This can be achieved as follows:

- Purchasing local consultants' time and supporting their study of key policy issues and assessment of alternative policy options;
- Providing resources to local institutions of policy research or to those in key "shadow" positions to permit them to commission studies from local consultants on issues that they identify as important (plans for a local institute of economic policy research and training are already well developed);
- Supporting local workshops, networks, and conferences to identify areas of high priority; and
- Providing external person-power to assist the institutions from which key people have been drawn to meet the country's urgent needs for policy analysis.

We suggest specific support of all four types in this final chapter.

More traditional forms of external technical assistance can also play an important role. Our experience in this mission leads us to recommend that, wherever possible, external sources of assistance should work closely and collaboratively with local personnel. In this way, full advantage can be taken of information exchange, local capacity building can be encouraged, and, through better use of local knowledge, the quality of the research and advice can be significantly improved. The direct purchase of technical assistance can be most useful when

- There is a need for detailed knowledge unavailable at a high enough level within South Africa (for example, of the current frontier of international literature or direct policy experience elsewhere in the world); or
- The external source is truly knowledgeable in the relevant sphere and already enjoys or quickly earns the full confidence of the South Africans who seek his or her assistance.

This type of external assistance can take many forms:

- Short one-off or periodic visits from a knowledgeable outsider;
- The provision of a person to work on a prescribed subject (or subjects) for a longer period of time; or
- The provision, perhaps on a retainer basis, of advice or other work on local policy issues or related matters, without actually visiting South Africa.

External assistance should be provided in a sensitive, supportive way that economizes on transaction costs. Agreeable means must be found quickly for donors to shift from earlier methods of support for a liberation movement to new ones geared to postliberation development. Whereas these are general requirements for donors, there is a particularly urgent need for the development of expertise and experience in economic analysis and economic policy formation. It would be helpful if, as early as possible, assistance were coordinated, via periodic meetings among the relevant donors, key recipients (identified in this report), and objective monitors of the process (perhaps the current IDRC group).

## Specific Recommendations

- Immediate support from sympathetic governments and agencies to strengthen the capacity of DEP to perform its critical functions in support of ANC leaders. This should permit the addition of four to six professionals, necessary support for them, and funds for the occasional use of external expertise.
- Early support for the development of a macroeconomic framework and for launching the Macro-Economic Research Group (MERG) to stimulate research and training in the other most urgent areas: tax policy, plans for the restructuring of government spending, housing policy, policies for the financial system, policies for labour, employment creation, and income. Initially, support is needed for the coordinator's time, to be followed by support for six subject networks, each headed by a subject coordinator.
- At an appropriate time, within the next 18 months, support for the establishment of an institute of economic policy research and training and strong institutional support (not tied to specific activities) thereafter.
- Assistance in the identification of appropriate foreign expertise to meet the identified special needs of South African economic research and training institutions, and to fill vacancies left by South Africans who have been drawn into economic policy research and formulation.
- Support for the development of economic expertise at all levels in the trade unions and service organizations via training, international exchange, workshops, etc.
- Support for a major conference or workshop to permit South African economists to draw on the experience of others and to exchange ideas among themselves concerning the best means of developing skills in economic research and analysis, through formal programs and involvement in others' research, for educationally disadvantaged peoples.
- Support for periodic meetings among external donors, key recipients, and objective monitors to coordinate activities and, in

particular, for a review of progress in the implementation of the recommendations of this report by a mission comprising the members of the existing one, to be undertaken within a year of the delivery of this report.

## AFTERWORD

by Vishnu Padayachee<sup>1</sup>

*In times of crisis, when conventional intellectual practices and discourses become obviously ineffective, intellectuals find themselves in a critical phase and especially the upper echelons need to become more active. The direct political relevance of their activity increases as more fundamental issues must be rethought and reworked for society to be reorganised.*

— Desai (1994, p. 39)

The period since the mid-1970s represented such a time of crisis in South Africa, and progressive South African academic economists did, in fact, eventually rise to meet the challenges of their time. This research effort may have been uneven, poorly coordinated, and insufficiently focused on policy at first. But, with the formation of the Economic Trends Group in the mid-1980s and especially after about 1992 through the group's Industrial Strategy Project and the Macro-Economic Research Group (MERG), the contribution of academic economists and intellectuals in the process of making and shaping

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economic policy became an important factor in the development of the ANC's Reconstruction and Development Programme (RDP).

In a recent critical review of MERG, Natrass (1994) observed the following:

[The] RDP reflects many of the ideas, numerical targets and projections of the ANC-aligned Macro-Economic Research Group . . . . The ideas of boosting growth to 5 percent per annum, creating 300 000 jobs a year, the focus on social and physical infrastructure, strong industrial policy, . . . etc., all come from the MERG report.

The catalytic role played by international agencies and progressive international economists in the latter stages of this process was also to prove crucial, despite some controversies about the nature of the latter's involvement.

However, this involvement by intellectuals in the economic policymaking process since the mid-1980s also produced problems, tensions, and frustrations. This is most clearly evident in the controversy surrounding the establishment and research work of MERG. Despite MERG's notable achievement in producing a coherent and viable macroeconomic policy framework for South Africa, aspects of this complex research and training program were far from satisfactory.

Part of the problem lay in the magnitude of the task that MERG was asked to perform, given the resources and time available to it, and in the context of heightened expectations and rising political tensions. The need for the ANC to develop an economic policy that would both appease its grassroots membership, especially in the trade union movement and the civics, and meet at least most of the general and expected concerns of local business and (potential) foreign investors posed a further problem. The fact that the ANC is far from being a monolithic political party, that its members sometimes hold widely divergent positions on many crucial policy issues, and that some sections of the press would react hysterically to any policy proposal that it regarded as "state interventionist" complicated MERG's work even more. The relationship between MERG administrators and researchers, on the one hand, and the ANC's political leadership, on the other, was not an easy one. Neither was the relationship between the MERG administration and some of its more senior researchers uncomplicated.

In short, it is difficult not to concur with the views of a senior ANC economics spokesperson, that "the MERG process . . . has been a big

challenge for all of us. We have never had the opportunity to do anything of the scale and character of this project before.”<sup>2</sup>

The process of policy formulation in many parts of the world has provided a vast amount of published material — about the relationship among academics, policymakers, and governments, about the relative autonomy of academics and academic think tanks from policymakers and governments, and about issues of race and gender domination in policy research. I shall not attempt to address these wider issues directly; however, I do reflect, elliptically rather than substantially, on some of these issues in the closing sections of this essay.

Here, I concentrate mainly on MERG, its creation and structures, and the lessons to be learned from that experience. However, some of MERG’s predecessors date back to the mid-1980s. Although the aim of policy formulation was not always explicit, especially in some of these early initiatives, many of the processes and events that occurred or were set up then had an important bearing on later work in economic policy formulation.

Despite the fact that these are complex issues, and it is not always easy or politically prudent to publicize them widely, the policy process, especially from 1991 to 1994 became more closed (even secretive) than necessary. In writing about issues such as this, one constantly struggles with the question of accountability. How does one reconcile potential conflicts in one’s accountability to the leadership of political parties (which one may support), to rank and file members of such movements (whose lives one would seek to improve), and to one’s academic and intellectual obligations (which should govern all one’s work)?

## **Early Beginnings**

Within South Africa there had been, as late as the mid-1980s, no tradition to draw upon, among individual researchers and institutions opposed to the apartheid state, in the area of policy-oriented and developmental research. Most social scientists of both Marxist and liberal persuasions eschewed involvement in processes of policy formulation, because these were invariably linked to, or funded by, state agencies. The National Party, which took power a few years after the end of

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<sup>2</sup> This and other unreferenced quotes are taken from internal documents of the ANC, DEP, and MERG.

World War II, set upon its own exercise in social engineering, drawing on right-wing academics in the Afrikaans universities and in state research think tanks, such as the Human Sciences Research Council and the Council for Scientific and Industrial Research, systematically excluding from the policy arena all those who opposed its racial ideology. By the 1950s, the more advanced South African thinkers had set up their own internal research and policy departments, generating policy proposals which they used in their lobbying at joint state–capital forums such as the State President’s Economic Advisory Council.

## **Internal developments**

By the early 1980s, some of the newly created, nonracial trade unions sought the assistance of progressive, university-based academics in supporting their worker education programs.

At this time, the international campaign to isolate the apartheid regime was gathering momentum, and the union movement began to debate its policy on economic sanctions. For the unions, of course, political support for sanctions had to be weighed against the potential job losses among their membership caused by disinvestment. If they were to come out forcefully in favour of sanctions and disinvestment, they required sound economic analysis of the potential costs of such measures to their membership.

It was with a view to undertaking this kind of analysis that COSATU turned to a group of progressive economists attached to two small, nonuniversity-based, externally funded research groups: the Labour and Economic Research Centre (LERC) and the Community Research and Information Centre (CRIC). Both these organizations drew on the services of university-based academics to undertake the bulk of this research.

It became clear that any proper answer to the question about the effects of sanctions on employment and economic growth, as well as social and political change, would require a fuller analysis of the state of the South African economy and the origins and causes of the underlying crisis in the economy. This work was undertaken by the Economic Trends Group, which began as a project within LERC and consisted of a network of some 10 to 12 progressive social scientists based at the universities of Cape Town, Witwatersrand, Natal, and

Durban-Westville. The product of their 2-year study was a major report to COSATU (Gelb 1991).<sup>3</sup>

A number of other relevant developments affecting policy-related research also occurred between 1985 and 1990. During this time, COSATU had grown into a sophisticated mass-based organization that required more and more policy-oriented research support. A vast network of mainly externally funded, community-based research units had mushroomed all over South Africa. Many of these centres were set up during the highly repressive years of the State of Emergency (1985–1989) and sought the relative safety of a university environment.

Training and policy-oriented research units were also set up within mass organizations: COSATU's Industry Restructuring Project, for example. By the late 1980s, COSATU's capacity to undertake research on policy issues, as well as its capacity to participate in other research and policy networks and absorb and communicate economic information, had increased dramatically.

In 1988, an attempt was made to formalize and make more coherent the policy and development work that was being carried out in the social and developmental sciences by disparate and fragmented research networks in South Africa. It was also felt that it was time to develop a more structured and accountable relationship between the researchers and organizations of the mass democratic movement (MDM).

The Centre for Development Studies (CDS) was established to play this coordinating role. However, the CDS initiative ran into problems right from the outset. Its structures were labyrinthine. Difficulties arose over coordinating research agendas and priorities, and internal financial problems (which led to its bank accounts being temporarily frozen in June 1990) contributed to its effective demise as the policymaking organ of the democratic movement before it had begun to make any significant contribution to the policy debate. CDS continues to exist, but mainly as a conduit for funding some projects of the movement.<sup>4</sup>

Following suggestions made at meetings of the ANC's Department of Economic Planning in exile in 1989 and early 1990, a proposal to

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<sup>3</sup> For a detailed analysis of the role of the Economic Trends Group, see Lewis (1992).

<sup>4</sup> For a detailed analysis of the origin and role of CDS, see Sutcliffe (1992).

establish an association of ANC economists organized around the 14 ANC regions inside the country was mooted. Although this idea remained on the agenda for some time and received attention in some centres (including the Western Cape and, to a lesser extent, Natal), it failed in its central task: assisting “the regional ANC structures in leading and dynamising debates on economic policy areas.”

In February 1990, the ANC and other political organizations were unbanned and a new, urgent need for policy research became evident: policies were needed for negotiations and for the election campaign, and new structures and programs had to be put in place rapidly.

### **External stimuli**

These internal developments in economic policy debates were accompanied and given impetus by a variety of external stimuli. The most visible of these was the burgeoning “postapartheid conference industry” in the second half of the 1980s.

The first major conference of this kind took place at York University in England in September 1986 and focused on economic policy for a postapartheid South Africa. The conference brought together a motley group of left-liberal academics and activists, drawn from South Africa’s white liberal universities and the ANC-supporting academic diaspora (in London, Lusaka, Scandinavia, Canada, etc.).

The conference was not a great success by any measure. Most participants agreed, however, that it brought together some of the major players in the economic arena and that this was an important beginning in and of itself. An academic publication drawing on some of the more policy-oriented papers presented at the conference was belatedly produced in 1988 (White and Suckling 1988). A veritable flood of similar policy and development-oriented conferences followed: Beijing (September 1986), Amsterdam (December 1986), Boston (1987), Freiberg (1987), Paris (1989), and Lausanne (1989) are among the best known.

Externally based research groups and centres were also set up by foreign academics and South African exiles to develop policy options for consideration by the ANC and the democratic movement within South Africa. The most well known among those in the economics field was the University of London’s Economic Research on South Africa (EROSA).

## Developments in Economic Policymaking after 1990

By late 1989, with prospects for a negotiated settlement to the South African crisis beginning to improve, numerous internal and external developments in the policymaking field began to merge. In the sphere of economic policymaking, this took the form of a workshop in Harare between 28 April and 1 May 1990. Originally intended to be one more of the many “meet the ANC meetings” that were taking place at that time, the Harare meeting took on a more important role. Some of the most important actors and groups within the congress movement came together for 4 days of intensive debate. These included COSATU, the United Democratic Front, CDS, and the Economic Trends Group (among the major internal groups) and the ANC, including its Lusaka-based economics arm the Department of Economic Planning (DEP), the South African Communist Party (SACP) and EROSA (among the more significant external groups).

Despite some tensions, the conference ended on an optimistic note, and there was a high level of excitement and camaraderie by the time it closed. This came about not only because, against all odds, broad agreement was reached on the basic ideas that should inform ANC economic policy, but also because research priorities were set, the existence of trade-offs and choices in macroeconomic goals were identified, discussions about the organization of the movement’s economic policy and planning capacity were reviewed, and the need for promoting greater popular participation in economic policy debates was accepted.

The conference report (“Harare 1”) was rewritten, presented, and revised at a follow-up conference in September 1990. At this meeting, a proposal to establish an ANC institute for economic policy research was put forward. Details about its status, its formal relation to the ANC, its staffing requirements, and its relation to sympathetic researchers in the universities and NGOs were debated, and, on all these issues, firm proposals were made. Research priorities were also debated as were relations with other fraternal organizations and the state.

The second document (“Harare 2”) became the basis of the draft economic policy approved at the ANC’s economics conference in 1991. Until the RDP was approved in early 1994, it remained the ANC’s most

advanced position on economic policy. These basic economic ideas and policies also appeared in the ANC's 1992 policy document *Ready to Govern*.

## **The Macro-Economic Research Group**

In 1990, in the wake of the unbanning of the ANC, the DEP moved its headquarters from Lusaka to Johannesburg.<sup>5</sup> By mid-1991, it was becoming clear that the momentum on the economic policymaking front was fading, with potential dire consequences for the democratic movement. Crucially, no progress had been made in establishing the institute for economic policy research.

During a visit to Canada in June 1990, ANC President Nelson Mandela had raised the issue of the “urgent need for a better understanding of economic policy issues in South Africa within the antiapartheid movement as it prepares for forthcoming negotiations” (see p. 2, “Background to the mission”). With the economic policy process within the MDM in disarray, the Canadian government offered tangible support. A team of Canadian and African economists (headed by Dr Gerry Helleiner, and including Dr John Loxley and Dr Benno Ndulu) was appointed to make recommendations to the political leadership about how to improve the movement's capacity to formulate economic policy. Their work, including an extended consultation in South Africa, was coordinated by the International Development Research Centre (IDRC). To involve South African experts in the process, the team was accompanied on its visit to the research institutions and universities by some local ANC members from the DEP and CDS, as well as some economists from the Economic Trends Group.

The IDRC mission found that the economic policy capacity of the MDM was both underdeveloped and uncoordinated. Even where capacity existed (such as among local university-based economists who were sympathetic to the movement), the research often duplicated other work, was not sufficiently focused on policy, and was poorly linked to the DEP itself. The DEP in turn was understaffed and poorly organized, and its leadership appeared to have made little or no effort

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<sup>5</sup> For a detailed analysis of the role and some of the difficulties associated with setting up the DEP in South Africa, see Ngoasheng (1992).

to mobilize the sources of relevant experience available at some of the universities.

The team made two major recommendations for immediate action (aside from proposals to restructure the DEP). The first was enhancement of the MDM's capacity to monitor developments in the economics arena arising from the actions and policies of the (then) apartheid state, the private sector, and the global economy. The second called for the establishment of a network-based macroeconomic research group (MERG), to "stimulate and coordinate policy research and training in the identified priority areas" (see p. 41, "Establishing a Macro-Economic Research Group"). The most urgent priority, they argued, was the development of a "macroeconomic policy framework" within whose terms and parameters various policy options could be tested and economic policymaking take place. MERG, they argued, should be an 18-month project that would eventually be absorbed into a more permanent institute for economic policy and training.

The DEP-led task force, which was asked to implement these recommendations, decided to locate the MERG research projects (wherever feasible) at the historically black universities (HBUs) of Western Cape, Durban-Westville, Fort Hare, and the University of the North. (The full participation of the University of the Witwatersrand came later.) It was believed that the development of capacity on the economic front was best coordinated through the HBUs, which would benefit in various ways (funds, new human resources, etc.) as part of their own efforts at institutional transformation. The objective of MERG's training and capacity-building program was to train a core of some 200 to 300 black economists by the end of April 1994.

The central support structures of MERG consisted of the following:

- A Steering Committee, which was its governing body, made up of representatives of the ANC, COSATU, civics, and participating university representatives;
- The Policy Makers Forum, which was set up at the express wish of the ANC and COSATU to "provide an opportunity for the policymakers from the democratic movement to interface collectively and or bilaterally with the research groups," but which never met;

- The Economic Research Committee (ERC), which was made up of economists from the five participating universities (and the coordinator of the Economic Trends Group) and whose main function was to approve research proposals, enter into contractual agreements with the research teams and donors, and approve disbursements of funds to the research projects; and
- The Donors' Steering Committee Forum, which assessed and reviewed funding requests.

MERG also had a “quality control” arm, the Economic Policy Advisory Group (EPAG), which consisted mainly of international economists with substantial experience in policy research, some of whom had long-standing relations with the ANC in exile. The role of EPAG was “to act as the peer-review mechanism on behalf of the Steering Committee and the ERC on all issues relating to the assessment, evaluation and quality of the research proposals, working papers and final research output.”

This composite and clearly overbureaucratized MERG (super) structure, a set of research proposals, and a budget was accepted (after much intensive internal debate and discussion) by the Steering Committee, and MERG was publicly launched at a media function in November 1991, which was addressed by ANC President Nelson Mandela. The launch was also attended by representatives of many governments and funding agencies — from Australia, Canada, Germany, Scandinavia, the United Kingdom, and the United States — who expressed support for the MERG project.

Eleven research projects were initially identified: developing a macroeconomic framework and a model of the South African economy; fiscal policy; monetary and exchange rate policy; labour markets; agriculture and rural industrialization; fiscal implications of Bantustan reincorporation; the role of the state; mining, minerals, and energy; regional economic integration; trade and industry policy; and housing and infrastructure. Two other projects were added later: savings and investment; and inflation. The research side of the project was launched at an academic conference in Johannesburg in January 1992.

At some of the participating universities, international academic advisors and liaison people were brought in for lengthy periods to train (or support) South African researchers. Training and capacity-building workshops were held at various centres, and funding was obtained to

send selected young black South African economists abroad for varying periods to complete short courses, or obtain postgraduate diplomas or master's and doctoral degrees.

By late 1992, however, few working papers on policy options had been produced by the MERG research teams. Clearly, the delay in securing and transferring funds and appointing suitable staff accounted for much of this. However, the effect was especially frustrating as the demands and pressures on the ANC to have a credible and implementable economic policy were mounting. MERG's work, it was felt, was a critical input in the realization of this objective.

In December 1992, the ANC leadership asked the new MERG coordinator to accelerate the process of producing the macroeconomic framework, as negotiations at the World Trade Centre suggested that a political settlement was close at hand. Whether the ANC's DEP was fully aware of this "instruction" remains unclear. If it was not involved in this decision, DEP, which had itself experienced a sudden change in leadership at about this time, may have felt that it had been deliberately marginalized. This situation precipitated a sharp deterioration in the relationship between the MERG administration and DEP.

The accelerated process was presented to MERG research leaders at a workshop in Cape Town in January 1993. Many researchers argued that they were simply unable to produce what they initially thought was expected of them, within the time schedule being proposed. They agreed, however, to do all they could to support the process.

To undertake the task of producing a macroeconomic framework, a Reference Team and Editorial Committee, consisting of both local and international economists, that would work alongside the research teams were set up at the instigation of the Steering Committee in March 1993. The five-person Editorial Committee was expected to draft the structure and content of the movement's macroeconomic policy framework, which would then be presented to the ANC and COSATU as a basis for policymaking. The Reference Team and Editorial Committee were guided in their work by past policy statements of the democratic movement and by the urgent need to create a feasible, affordable, and easily implemented strategy for the economic reconstruction of South Africa.

The Editorial Committee called upon the 13 research teams to provide input to its work, and there were (irregular) workshops at which the research teams met with the Reference Team and Editorial

Committee to discuss their research findings and recommendations. The Reference Team and Editorial Committee also held meetings with policymakers of the democratic movement (ANC, COSATU).

These meetings were particularly tense affairs. The poor relations between MERG administration and DEP deteriorated further — the latter arguing that, although they were the elected representatives of the ANC, they were being regularly ignored or countermanded by appointed MERG officials and that official ANC policy documents were not being used as a basis for MERG's work. Many of the international experts were upset by a remark made by a member of the Steering Committee, which they interpreted to mean that they were in South Africa only to provide "technical back-up to the policy process." Local research team leaders felt that they were being marginalized in planning and writing up parts of the Framework Vision (as it was referred to at the time) and that the process was being taken over by (some) international experts. Finally, relations between some members of the Reference Team deteriorated. Much skillful diplomatic work was performed by some DEP members and MERG officials to smooth over these difficulties and misunderstandings, although not all the problems were successfully addressed.

The final draft of the framework was scheduled to be presented to the MDM on 5 November 1993, at the first Oliver Tambo memorial lecture, which was delivered by Archbishop Trevor Huddleston. However, some members of the MDM serving on the MERG Steering Committee expressed reservations about certain policy recommendations in the draft. They were also (rightly) concerned that the draft should not be made public before the ANC and COSATU had an opportunity to debate the document within their own structures. The MERG administration argued that the November draft report did not differ fundamentally from that discussed at the July meeting at which representatives of a range of ANC and COSATU policy departments participated. The launch date was officially extended to 3 December 1993.

The draft framework was then distributed to certain ANC and COSATU structures, and to the Reference Team and local project leaders for further comments. The draft was also presented by the Editorial Committee and ERC members at workshops organized by COSATU, SANCO, and SACP.

Despite its restricted circulation, selected recommendations of the report (especially those dealing with the position of the Reserve Bank and the restructuring of the domestic financial system) were widely reported in the press. Some editorial opinions can only be described as hysterical, and the attack on individuals in MERG and the ANC in general was ugly and of an extremely personal nature.

Following final comments from the ANC, COSATU, the Reference Team, and project leaders, the policy framework was revised and presented to the MDM at a formal media launch in Rosebank on 3 December 1993. It was later published (MERG 1993). A popular version of the framework for wider distribution and dissemination, and as an aid to the preparation of the relevant aspects of the election manifesto, was published at the same time.

Although the work of the Editorial Committee and the Reference Team ended in November 1993, the work of the research teams, both macroeconomic analysis and training and capacity-building, was funded until April 1994, as originally agreed.

## **Critical Reflections on the MERG Experience**

Although the democratic movement in South Africa, compared with other liberation movements, may have had “a relatively substantial economic expertise and planning capacity at its disposal” (Tjonneland 1992, p. xi), the core of this group was still relatively small and thinly spread across various policymaking initiatives. Although the progressive movement in South Africa may, therefore, have been better placed because of this internal capacity compared with other liberation movements, much still had to be learned about these relations with precious little time to do so and still produce the expected results.

### **Universities, intellectuals, think tanks, and political movements in South Africa**

One of the major problems that had to be addressed in this process of economic policy formulation was that of establishing acceptable and productive relations between intellectuals and academics (usually university based) and mass-based organizations that required practical economic analysis and economic policy options.

On one side, the universities appeared not to have really understood the importance of policy work (believing that it is not really bona fide academic work). Neither had they appreciated the importance of training, capacity building, and issues such as the deadline pressures associated with development and policy research.

Many researchers involved in the economic policy process in South Africa also held full-time university positions. Thus, their work in one or more networks was only a small part of their professional lives. This placed many conflicting pressures on them as they attempted to find the energy and time to undertake research for the unions or other policymakers, as well as satisfy the various demands that universities make on them as a prerequisite for tenure and promotion (Lewis 1992, pp. 95–96). The MERG experience did, in some respects, represent an improvement in this relationship, as the five participating universities committed themselves to supporting the research process, in terms of providing physical infrastructure, staff time, etc.

On the other side, some mass-based organizations initially failed to understand the need for academics to be able to develop independent conclusions and carry out research that did not seek to rationalize the predetermined conclusions of powerful interest groups (Lewis 1992, p. 77). This tended to generate suspicion and tension even among progressive academics and the political movement. Suspicion of academics was particularly acute during the years when the ANC was banned. At the York conference in 1986, for example, some South African economists were invited and then “uninvited” when someone discovered that they did not belong to the “right faction” of the movement. Ironically, the conference included some academics who had never sympathized with the movement.

The first year or two after the unbanning of the ANC and other political parties and movements represented the most fruitful period of cooperation and mutual respect between the democratic movement and progressive academic economists. It was a time when a spirit of togetherness, common purpose, and solidarity characterized the relationship. New ideas were welcome and progressive academics (from all disciplines and centres) were courted and paraded around proudly.

This honeymoon appears to have ended by mid-1993: policies had to be finalized and plans for their implementation settled; a political campaign had to be fought; and new allies had to be sought and

appealed. The central concern thereafter, it seems, was the potential electoral consequences of proposals that may not meet with the “approval” of South Africa’s predominantly white business community and agencies such as the World Bank, the IMF, and the South African Reserve Bank.

It seems to me that there is a fundamental difference in the movement when it comes to the perceived role of the academic. Some see academics as simply providing “technical backup” to policies already determined in political forums. Others see academics as providing both technical back-up where necessary and informed, critical arguments and analyses within the broad parameters of the movement’s political platform in an inclusive and mutually trusting environment that could contribute to policy formulation.

### **Organizational and administrative difficulties within MERG and DEP**

Getting the organization of think tanks like the Economic Trends Group and MERG operating on an efficient basis had long been a problem. The Economic Trends Group, for example, started as a loosely coordinated “clubby” network of academics, many of whom were close personal friends; as it progressed to undertake more and different kinds of tasks, it had to be institutionalized and made more professional (Lewis 1992). The organizational changes that this required created major tensions within the team for almost a year.

MERG too experienced great difficulties in quickly establishing an efficient and high-powered administration that understood the problems and pressures researchers face, provided easy and confident liaison with the ANC’s political leadership, and could respond to the many and varied needs and demands of funders, the business community, and the media.

The ANC’s DEP, especially in its first year after relocating to South Africa, found it difficult to stabilize a staff who had the necessary policy-oriented training and experience as well as the economic and political expertise to undertake the tasks it was expected to perform. These included responding to the short-term research demands of the leadership and undertaking or at least coordinating the development of long-term policy. Only in 1993 did DEP establish specific divisions to address different aspects of the economic debate and put its

organizational structure on a firmer and more rational basis. Regional economic structures and networks that included researchers based in the universities and NGOs were generally not sustained.

### **Problems between MERG administration and DEP**

In assessing the difficult relationship between the MERG administration and DEP, one must be careful to avoid portraying a picture of each as a monolithic structure with ideas, values, and organizational styles that were sharply different, one from the other.

Fairly rapid changes in research personnel and leadership occurred on both sides over the 2 years of MERG's existence. DEP experienced a rather dramatic (and unexpected) change in its leadership after the ANC's National Executive Committee and National Working Committee were elected in late 1991, and some of its early meetings thereafter were reportedly extremely tense and difficult. A new MERG coordinator was appointed late in 1992, whom some researchers and DEP members regarded as being abrupt, insensitive, even authoritarian in his approach to his management responsibilities.

The background, experience, qualifications, leadership, and administrative styles of the heads of DEP and MERG differed sharply. Coupled with very different ideological positions on economic policy (one widely applauded by the media as being pragmatic and market oriented, the other frequently derided by the same media as being too left leaning and state interventionist), these factors no doubt contributed to the growing tension between their organizations from late 1992.

The media, especially certain newspapers and journals eagerly (even gleefully) seized every opportunity to exploit and deepen any real or perceived division between MERG and DEP. For example, in an editorial entitled "Left Bank," *Business Day* (8 November 1993) attacked the MERG coordinator, arguing that he did not "rank highly in the ANC." The editorial went on to observe that "senior members of the [ANC] privately admit it would be appropriate to put some distance between policies implemented by the ANC and some of MERG's less sensible suggestions."

Tension between DEP and MERG also centred around the question of the status of MERG's "policy recommendations," and there were frequent accusations that MERG was trying to "dictate" ANC economic

policy. Given MERG's clear task of producing a macroeconomic framework, backed by substantial arguments for policy options, which the ANC could accept or reject in formulating its final policy, one may only speculate about why this issue, seemingly clear-cut and obvious, should have been the basis for so much angst and tension. After all, one of the advantages of think tanks, which have a degree of autonomy from a political party, is that they can "stick their necks out" and test radical ideas that the political party itself may have been constrained to float. Yet, MERG was given to understand that it had to produce a report, which in every detail was immediately acceptable to the ANC leadership. The different but complementary roles of DEP and MERG were not always appreciated.

### **Tensions between MERG administration and research leaders**

Another important issue that arose out of the MERG process relates to the nature and character of the relations between the researchers, especially the project leaders and MERG structures. The question of how contracted researchers, who were at the same time active members of the democratic movement, were involved in management of research and the policymaking process had been a subject of debate for some time. The MERG exercise brought this issue to a head.

The crucial question was whether researchers should be treated as contracted consultants, who would have nothing to do with the management of the research process. Although initially tending toward this approach, MERG gradually (and in an ad hoc way, under pressure) attempted to involve some researchers in management aspects of the MERG process. The net result of this (unclear) fusion of roles and responsibilities was far from satisfactory. The matter should have been openly discussed and settled (one way or another) at the very beginning of the MERG exercise.

In the end, many research team leaders felt that they were not as fully involved in the process of making critical decisions over the MERG research process as they would have liked. Some in the MERG administration, on the other hand, were of the view that researchers should not be expected to have a role in making decisions about the management of the research process.

The poor relations between some research team leaders and the MERG administration was complicated by the fact that some team leaders by-passed the MERG administration and took problems related to MERG-funded research directly to DEP or even, in some cases, to funders. Although, in some cases, this action may have been justified, because researchers felt that their concerns were not being adequately addressed by MERG, the effect was to severely strain relations with the MERG coordination office.

It is indisputable that some aspects of the discussion and consultation over crucial issues affecting the work of the research teams could have been dealt with more democratically, inclusively, and sensitively by the MERG administration throughout the period of MERG's existence, but especially at the beginning and end. Greater administrative efficiency, inclusivity, and transparency would have helped enormously to reduce frustration and anger and contribute to an even more healthy and productive research process and end product.

### **Policy differences within the ANC alliance**

Differences within the various components of the democratic movement concerning the policymaking process, the extent of involvement in it, and specific policy proposals advanced by MERG surfaced from time to time. Some of the tensions within the democratic movement with regard to the MERG process may have reflected more than just differences in the levels of internal democracy or technical and administrative styles and traditions. They may also have reflected disagreement with the content of the macroeconomic and industrial policy options and the macroeconomic frameworks that MERG has debated or proposed.

Thus, for example, although the ANC used every opportunity to downplay "nationalization," COSATU, and especially some of its affiliates, still retained this policy as an important option. Huge differences existed, even within the ANC itself, about the degree to which the South African Reserve Bank should be independent. In a statement to the press, dated 3 December 1993, SANCO's Moses Mayekiso noted:

The MERG recommendation for a nationalized Reserve Bank is by no means out of step with international thinking. From my own dealings with the banking industry, I certainly believe that the most powerful bank in our country, with responsibility for monetary policy

and exchange controls, must be controlled by the government of the people, not by an anonymous crowd of money mandarins.

Many ANC spokespersons and researchers and some MERG researchers, on the other hand, tended to argue for the Reserve Bank's guaranteed independence (some even to the extent of entrenching this in the Constitution). Others added the qualification that the Reserve Bank should act "in support of the general economic policy of government" (*Business Day*, 8 November 1993).

Policy differences of this kind — within the ANC, between COSATU and the ANC, and between SACP and the ANC — may widen in the future, now that the ANC is the majority party in the Government of National Unity. Whether ANC economic policy will be able to appeal equally to its militant youth wing and its "radical" SACP and trade union allies, on the one hand, and its more right-wing and social-democratic factions, on the other, remains to be seen.

The role that will be accorded to COSATU and some of the ANC's other allies in economic policy formulation may also change. The early signs already point to difficulties ahead. The head of DEP recently told delegates to a trade union congress (see Natrass 1994, p. 21):

The trade unions would have "limited" ability to influence macro-economic policies. He said that future macroeconomic policy would be of fundamental interest to the government, not the trade union movement. [Sam] Shilowa . . . proclaimed that COSATU expected to play a "prominent role" and that it would "publicly oppose" the ANC and take its support "elsewhere" if the ANC acted to undermine the rights and role of workers.

What is clear is that, ever since "Harare 1," the ANC, in its rhetoric, appears to have accommodated itself more and more to an essentially market-driven approach to economic reconstruction. This is evident from the public statements and private comments of many of its economic spokespersons compared with its post-1991 economic policy documents. Testimony to this are the "decision" to downplay nationalization; the (overly) generous concessions on issues of trade liberalization and exchange controls; the defence of the Reserve Bank's constitutional independence; and the ambiguous stance on prescribed assets as a means of securing revenue for the state's reconstruction program.

The influence of certain international financial agencies, brokers, fund managers, and bankers in targeting future policymakers and

strategists in the ANC with their training programs (steeped in a rigorous conservative ideology) should not be underestimated as part of the explanation for the rightward shift in recent ANC thinking.

The RDP (base document) shifted the movement's stance on economic issues back to a more coherent, clearly progressive, and interventionist character even compared with the ANC's 1991 economic policy document. This is clearly more evident in its goals for social and economic reconstruction (its program for job creation and training, housing, education, and other infrastructural development) than in its plans for financing the program, which still remain rather too conservative. Still, I believe that the RDP would have been a better policy document had it taken on board some important policy recommendations made by MERG, such as those relating to the restructuring of the domestic financial system, policies related to land reform and rural development (especially some of the innovative ideas relating to female-headed households in rural areas), and proposals for labour market restructuring, among many others. However, the RDP White Paper appears to have set the new government indisputably on a neoliberal economic strategy (Adelzadeh and Padayachee 1994).

I predict that it will not be long before different factions of the movement begin to stress different aspects of the RDP, some may soon move out of the RDP framework while (publicly) espousing its virtues, all with potentially grave consequences for what is, generally, a good policy document.

### **Conflicting objectives within MERG: research, training, and monitoring**

MERG's decision to concentrate equally on two major objectives — policy formulation and training — created many tensions. The need for policy options to be argued and presented quickly tended in practice to conflict with the much longer term task of training and capacity building. In some cases, these tensions resulted in a neglect of training as a central part of MERG's objectives. The lack of adequate experience and interest by some research team leaders meant that their trainees became research assistants, doing routine administrative work (photocopying, organizing meetings, and generally fetching and carrying) rather than being trained in the more exciting and important areas of policy research.

MERG's most notable success on the training front derived from the modeling project at the University of the Western Cape, supported by Australian and British experts. From this exercise emerged six young black economists who are likely to make their mark soon in this important field in which South Africa has to date had little capacity. Overall, however, MERG fell far short in its objective to train some 200 to 300 black economists in 18 to 24 months.

The decision to locate research projects principally at the HBUs to contribute to their efforts at academic reconstruction produced its share of difficulties. Were the best economists located there? Were the resources and infrastructure (such as libraries and computer facilities) at the HBUs up to the demanding standards required to support the MERG research program? How was the problem of including democratically minded academic and research economists based at the historically white universities in the MERG process to be overcome?

The recommendations of the IDRC mission related to another overall objective — that of monitoring — largely failed despite numerous efforts. Problems in finding suitable full-time staff and the constant breakdown of communication between MERG and DEP over the purpose and contents of the *Economics Monitor* (which the Monitoring Unit was to publish regularly) resulted in virtually no output on this front.

### **The role of international experts**

The role of international experts in the MERG process was the subject of much controversy. The “disproportionate” number of foreigners in the Reference Team and Editorial Committee, it was argued, had the effect of wrenching the policy process out of the hands of South African nationals and of making it more top-down in orientation than was originally envisaged. Kentridge (1993), for example, points out that Stellenbosch economist and Reference Team member Servaas van den Berg “made his disquiet on this matter known to DEP head Trevor Manuel, complaining that not since colonial days had South Africa’s economic policy been drawn up by foreign economists.”

This controversy was fanned by some sections of the South African media and was widely reported internationally. Newspapers repeatedly referred to “left-leaning” foreign economists. Whether the concerns expressed by some researchers and a few members of MERG’s Steering Committee about the involvement of foreign experts in the MERG

process (and especially in the Reference Team and Editorial Committee) can be attributed solely to a sense of “nationalism” is unclear. At the time, it appeared that only certain foreigners were targeted for “attack,” suggesting that this treatment may have had more to do with the real or perceived, current or past ideological positions and political affiliations of some of them, rather than their foreignness.

The disproportionate number of European and North American economists on the Reference Team and the failure of MERG’s Steering Committee to secure the involvement of more researchers from Africa and other parts of the developing world were also raised in some circles. Although some would claim that this situation was simply due to the unavailability of suitable economists from developing countries for the period required, I suggest that more could have been done by MERG to secure the participation of more economists from developing countries in the work of the Reference Team. There were also some concerns expressed about whether certain foreign experts were selected for the Reference Team to satisfy international donors.

The fact that most of the international economists were acutely aware of the limits of their involvement in the MERG exercise was often not recognized. Many of them repeatedly called for greater local involvement in MERG’s research and management work. After all, these “foreigners” were people who had been closely involved in the antiapartheid struggle in their respective countries for decades and knew full well that their role was a supportive, albeit substantive, one.

No one who was close to the MERG process could doubt the total commitment and the huge and powerful academic value and input of the foreign participants in the realization of MERG objectives, and (through that) in the larger economic reconstruction program. Sadly, it appears that some of these foreign colleagues have severed or drastically revised the nature of their ties with South Africa in view of some of their experiences in the MERG process.

### **Issues of race and gender**

One of the most difficult issues in economic policy formulation over the last 10 years relates to the dominant role of white male academics in this process. It was to redress this skewed racial and gender distribution within the progressive economics research community that MERG insisted upon the importance of the training and

capacity-building component of its program. However, this program fell short of its target.

The academic qualifications and experience of white male economists has enabled them to dominate the economic debate and policy formulation process. And the growing resentment that this created within some sections of the democratic movement (both at political and academic levels) was not adequately understood by all involved in the MERG exercise, except the few at MERG headquarters who had (almost daily) to field these pressures.

The issue of the dominance of men in MERG's political, management, and research structures was raised, most forcefully by a group of ANC Women's League members at MERG meetings in April 1993. Following a short, yet intense debate, it was agreed that gender issues would be given high priority in the work of each of the MERG research projects. A meeting of MERG's ERC and a subcommittee elected by the ANC Women's League's Working Group on the Emancipation of Women was scheduled to work out a satisfactory longer term resolution of this problem. To my knowledge, this meeting never occurred, and this issue will, no doubt, continue to simmer.

Every effort must be made in the National Institute for Economic Policy (NIEP) — which took over MERG's work, albeit in a slightly different form — to ensure the following:

- That more black economists play an integral role in the research and management process;
- That greater sensitivity prevails surrounding the issues of race and gender; and
- That processes are made more transparent to prevent unnecessary and painful disruptions in policymaking processes arising out of misunderstandings and ignorance.

## **The Success of MERG**

Despite all the organizational, political, and ideological difficulties and differences that beset MERG, virtually from its inception in December 1991, and in spite of its very limited success on the training front, its report (MERG 1993) has been widely acknowledged as an important academic and policy contribution, a challenge to the previous

government's normative economic model, and a critical input into (some sections) of the RDP.<sup>6</sup>

In commenting on the release of the MERG report, a SANCO spokesperson remarked that “even opponents of MERG will have to concede that this document is among the most rigorous, even-handed and stimulating ever produced about the South African economy.” The SACP's Jeremy Cronin referred to the MERG report as “a broad macro-economic framework that demonstrates that we [on the left] can reconstruct without resorting to voodoo economics.”

Despite its continuous, strident, and highly critical stance on MERG, *Business Day* (1 December 1993) noted in a lead-page article that “the MERG framework, for all its faults, presents a serious challenge to the [previous] government's approach.” The *Sunday Times* (28 November 1993), while critical of some parts of the MERG report, observed that “the tone [of the report] is sober, considered and in general coincides with other reports on the economy such as those by the World Bank, Development Bank and the Platform for Investment.” In their reports, some donors paid high tribute to MERG's achievements while not failing to comment critically on some of its shortcomings.

Although the role of the media in exploiting differences within the ANC alliance and between MERG and DEP should not be underestimated, I have argued earlier that differences operating at various levels (ideological, personal, experiential, etc.) did, in fact, exist between the many component parts and organs of the ANC alliance. Had these relations been smoother, there is little doubt that the process by which the MERG report and the RDP were produced would have taken on a different and more productive form; that the RDP may have been an even better product than it is now; and that MERG input into the RDP would have been both more substantial and more proudly acknowledged by everyone in the movement.

## Overall Assessment

This overview of the process of economic policy formulation for postapartheid South Africa illustrates some of the many difficulties that had to be confronted and addressed. Not all issues have been dealt with here, nor is it possible at this particular juncture to air certain

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<sup>6</sup> I should also not fail to mention that some 45 research and working papers were produced by the MERG research teams over 2 years.

issues without concern for the larger interests at stake in the transition to a democratic South Africa.

Despite the difficulties and deadline pressures, a great deal of time and energy could have been saved in MERG if there had been a higher level of awareness of the importance of being inclusive, of keeping all parties informed, of building effective communication between the researchers and MERG administration, and of ensuring administrative efficiency and fairness.

It should also be remembered that those currently in the democratic movement, including MERG, DEP, COSATU, etc., bring to decision-making processes very different experiences, traditions, histories, and styles of operations. These different experiences — with unions, academia, political exile, and political incarceration — have not been easy to reconcile. Not everyone shares a common understanding of democracy or recognizes its value, especially when the pressure is on.

The IDRC mission provided a critical injection of ideas into the economic policy formulation process of the MDM at a time when that process appeared to be stalling. The restructuring of the DEP, the establishment of the MERG research network, and the publication of MERG's report were important positive outcomes, many of them direct consequences of IDRC's intervention. However, as I have attempted to demonstrate, even in each of these areas the economic policy formulation process was not without difficulties. Less successful were efforts to develop and extend training and capacity building in economics among blacks and women and to establish an effective monitoring capability.

Let me conclude by making one final point about another issue that is now upon us. This relates to the future role of the progressive economic researchers and trainees who were involved in the Economic Trends Group, MERG, etc. One of the successes of these processes has been to develop the skills of some academic economists and (to a lesser extent) trainees in joint policy work. This cadre has been and may continue to be important in shaping and critiquing policy in the years ahead and in engaging with international agencies such as the World Bank and the IMF. But is this inevitable? As Lewis (1992, p. 97) comments:

It's a disturbing possibility that, finally come the revolution, all the policy oriented university researchers who have been vainly

attempting to get the university to understand the importance of policy work, and the mass organisations to appreciate the potential role of the universities, may with initial relief charge off to the Reserve Bank or some deadly establishment for the privilege of doing policy work in institutions that, they will discover, are even more bureaucratic and unresponsive to real world competitive pressures than are the universities.

State and state-linked research agencies in South Africa — such as the Human Sciences Research Council, the Council for Scientific Development, the Foundation for Research Development, and the Development Bank — as well as business and business-supported research and policy bodies — such as the Urban Foundation — have been making overtures to the progressive research community in recent years. Many of these independent or university-based researchers have found the temptation of lucrative financial offers and a closer link to the centre of power difficult to resist. The transformation of some aspects of these state organizations and their affirmative action policies has eased the decision of progressive researchers, including young black researchers, to accept employment there.

Of course, the private sector, seeking to meet their affirmative action quotas or targets, have also been active in poaching young black and women graduates. Now, a democratic government and a civil service offering high salaries and better “perks” will also contribute to stripping universities of critical (black and women) talent. How universities (with their depressingly unattractive financial packages) can be expected to meet affirmative action targets under these conditions remains a real puzzle.

Any tendency on the part of the ANC leadership to want to control the academic community that currently supports it, to treat academics with suspicion and fear, to turn them into “mere technical backstops” will add important impetus to the forces that are already impelling young black and progressive intellectuals to seek seemingly more lucrative careers elsewhere. It will also inevitably cause many university-based academics to question the real value of their current involvement in support of political movements.

The dangers inherent in all this for the maintenance of a vigorous, mass-linked, yet relatively independent core of left-of-centre economic researchers working closely with the progressive political movement in a postapartheid era, but based at universities and in NGOs, are real and

worrying. In my view, the continued existence of such a research community is an important aspect of the crucial task of ensuring that the policies and strategies of a postapartheid government (of whatever kind) are subjected to ongoing analysis and critique.

## **A Postscript on NIEP**

Early in 1994, MERG was transformed, in terms of the original Articles of Agreement, into the National Institute of Economic Policy (NIEP). NIEP was registered as a nonprofit company under the Company's Act. It was to be relatively more independent of the ANC alliance than MERG in response to the very different political context and demands of the postapartheid era. This was reflected, among other things, in the way in which its Board of Directors was appointed. Although most of its directors were closely related to the alliance and included some members who were on MERG's Steering Committee, each was appointed in his or her own capacity and was not mandated or appointed representatives of their respective constituencies (such as the ANC itself, COSATU, SANCO, and the participating universities). There was to be an "arms-length" relationship with the ANC-dominated Government of National Unity and the alliance partners. NIEP, unlike MERG, was not to be "owned" by the alliance.

A new executive director and staff were appointed, a new research and training program was to be proposed, new and more efficient administrative and financial accounting systems were to be instituted, and a fund-raising effort had to be planned. Much of the NIEP's early work (led by Australian economists) was directed toward adapting and extending the MERG macroeconomic model to the RDP.

Since its inception, NIEP has unfortunately been beset by many serious problems. It would be unfair, perhaps even premature, to arrive at firm conclusions about its work at this early stage. However, it is difficult to dispute the contention that the organization suffers from a "crisis of relevance." In the last 18 months, it has failed to make a significant, relatively independent, and informed intervention into the economic policy formulation process.

With the ANC effectively in power, new players and agencies both within the state and outside would be involved in the complex business of influencing the movement and in shaping and making economic policy. It is in this context that well-researched policy papers,

analyses, and recommendations would be important to balance the torrent of mainstream neoliberal ideas that have emanated from the established South African business community, some factions of the old state bureaucracy, and international financial institutions.

NIEP should have been actively involved in this process of influencing and shaping economic policy debates and especially in supporting progressive policy positions and ensuring (where necessary) that alternative and informed analyses and policy options related to macroeconomic and sectoral issues are available in an appropriate form to policymakers and influential state bureaucrats.

NIEP should also have been more integrally involved in coordinating the research efforts of the progressive economists still attached to the universities, development agencies, trade union think tanks, and NGOs and in ensuring that these were linked (wherever possible) to the realization of RDP objectives. These latter tasks are as crucial now as they were in the apartheid era.

It is not for us to speculate whether NIEP can be restructured and revitalized to undertake this kind of role or to propose that another organization or network be set up as the vehicle for these purposes. Success on this front may again initially require some internal or external catalyst, constituency, or agency to recognize the importance of these tasks and to back this recognition with a critical injection of new ideas and resources.

# Appendix A

## MEMBERS OF THE MISSION

### External Members

**Gerry Helleiner (Mission Leader)** — *Professor, Department of Economics, University of Toronto, Toronto, Canada*

**John Loxley** — *Chairman, Department of Economics, University of Manitoba, Winnipeg, Canada*

**Benno Ndulu** — *Research Coordinator, African Economic Research Consortium, Nairobi, Kenya*

**Marc Van Ameringen (Mission Coordinator)** — *Director, Regional Office for Southern Africa, International Development Research Centre, Johannesburg, South Africa*

### South African Members

**Max Sisulu** — *Head, Department of Economic Policy, African National Congress, Johannesburg, South Africa*

**Jaya Jose** — *Department of Economic Policy, African National Congress, Johannesburg, South Africa*

**Vivien McMenamin** — *Department of Economic Policy, African National Congress, Johannesburg, South Africa*

**David Lewis** — *Economic Trends Research Project, University of Cape Town, Cape Town, South Africa*

## **Part-Time Members**

**David Kaplan** — *Economic Trends Research Project, University of Cape Town, Cape Town, South Africa*

**Charles Meth** — *Economic Trends Research Project, University of Natal, Durban, South Africa*

**Michael Sutcliffe** — *African National Congress, Southern Natal Region, Durban, South Africa*

## **Appendix B**

### **ORGANIZATIONS CONSULTED DURING THE MISSION**

Association of Black Accountants of South Africa

Association for Rural Advancement

African National Congress

Black Management Forum

Built Environment Support Group, University of Natal

Centre for Health and Social Studies, University of Natal

Centre for Organisation, Research and Development, University of Natal

Community Research Unit

Congress of South African Trade Unions

Department of Economics, University of Fort Hare

Department of Economics, University of Natal

Department of Economics, University of Stellenbosch

Department of Economics, University of the Western Cape

Department of Economics, University of the Witwatersrand

Development Bank of Southern Africa

Development Policy Research Group, University of Natal

Econometrix

Economic Policy Research Project, University of the Western Cape

Economic Research on South Africa

Economic Research Unit, University of Natal

Economic Trends Group, University of Cape Town

Education Policy Unit, University of the Witwatersrand

Energy Research Unit, University of Cape Town

Human Sciences Research Council

Institute for Social Development, University of the Western Cape

Independent Development Trust

Industrial Development Corporation

Industrial Relations Project, University of Cape Town

Industrial Strategy Project, University of Cape Town

Institute for Social and Economic Research, University of Durban, Westville

Labour and Economic Research Project

Labour Research Service

Local Government Project, University of the Western Cape

Medical Research Council

National African Federated Chamber of Commerce and Industries

National Council of Trade Unions

National Management Forum

National Medical and Dental Association

National Union of Metal Industries of South Africa

National Union of Mineworkers

Office of the Vice Chancellor, University of the Western Cape

Office of the Principal, University of Transkei

Planact

Reserve Bank of South Africa

South African Chamber of Business

South African Labour and Development Research Unit, University of Cape Town

Trade Unions Research Project (TURP), University of Natal

Urban Foundation

# Appendix C

## ACRONYMS AND ABBREVIATIONS

|        |  |
|--------|--|
| ANC    | African National Congress                                |
| CDS    | Centre for Development Studies                           |
| CODESA | Convention for a Democratic South Africa                 |
| COSATU | Congress of South African Trade Unions                   |
| CRIC   | Community Research and Information Centre                |
| CRU    | Community Research Unit                                  |
| DEP    | Department of Economic Policy                            |
| EPAG   | Economic Policy Advisory Group                           |
| ERC    | Economic Research Committee                              |
| EROSA  | Economic Research on South Africa (University of London) |
| HBU    | historically black university                            |
| IDC    | Industrial Development Corporation                       |
| IDRC   | International Development Research Centre                |
| IMF    | International Monetary Fund                              |
| LERC   | Labour and Economic Research Centre                      |
| LERP   | Labour and Economic Research Project                     |
| LRS    | Labour Research Service                                  |
| MDM    | mass democratic movement                                 |
| MERG   | Macro-Economic Research Group                            |
| NACTU  | National Council of Trades Unions                        |
| NEC    | National Executive Committee                             |
| NGO    | nongovernmental organization                             |
| NIEP   | National Institute for Economic Policy                   |

PAC Pan African Congress

RDP Reconstruction and Development Programme

SACP South African Communist Party

TURP Trade Unions Research Project

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