

ATDE MEMOIRE FOR THE CHIEF MINISTER, DR MANGOSUTHU G BUTHELEZI FOR A MEETING ON TUESDAY, 24 JULY 1990 WITH DR J H DE LOOR AND MEMBERS OF THE COMMITTEE CONCERNING DEVELOPMENT ASSISTANCE

1.

I should like to extend a warm word of welcome to you, Dr De Loor, and the members of your Committee and say how pleased I am to have had the opportunity to meet you all. Dr De Loor, if I may be so bold as to say so, you are a man whose reputation precedes you. It is indeed a particular privilege to have, at last, made your acquaintance.

Gentlemen, I am sorry to introduce a negative note into the proceedings, but I must say that I was, to say the least, surprised to learn of your Committee's establishment and its terms of reference. I do not doubt for one moment the wisdom and necessity of the present investigation, but, as you would appreciate, the KwaZulu government has been given certain powers with respect to development assistance, in terms of the National States Constitution Act, of 1971. I would have thought that, as a matter of mere courtesy, if for no other reason, we would therefore have been consulted by Minister Wim de Villiers, before such an investigation was launched.

I do appreciate that this was not a decision in which you personally played any part, Dr De Loor, but I would be grateful if you would convey our sentiments to Minister de Villiers, on this matter.

Turning now to the matter at hand:

2.1 Dr De Loor, I notice from your letter of 15 June, that you are investigating the needs and prospects which exist for both institutional and financial rationalisation, amongst

the various institutions involved in providing assistance to developing communities.

I note, further, that you are seeking, firstly, certain factual information and, secondly, that you wish to ascertain my opinions and perceptions as to the present and future institutional structures required for the flow of development funds - this latter being the object of

today's meeting.

I will not go into detail as far as the FACTUAL information is concerned, but merely explain that, while all the Departments of my Administration benefit from development assistance funds, from a developmental point of view, the activities of some Departments are more important than others and there are a number of

departments which are directly involved in providing development assistance.

2.3.1 These are:

the Department of Economic Affairs;
the Department of Agriculture and Forestry;
the Department of Works; and
the Department of the Interior.

In so saying, I would not like to under-state

the development contribution of departments such as the Department of Education and Culture, which obviously plays an important role in the development of human potential; the Department of Police, which is responsible for the maintenance of law and order, which is

especially important in the present situation, of unrest and violence where development projects are liable to be destroyed, if law and order cannot be maintained; and the Department of the Chief Minister, especially in relation to its function of liaison with and assistance to the Tribal Authorities.

Ultimately, given the environment in which the KwaZulu government operates, there are no departments which do not, in one form or another, need to play a developmental role.

I expect that the Secretary for my Department, Mr Armstrong, has communicated your request for information to all Departments, on my behalf, and that they are preparing the information

accordingly.

Another important role player in development in KwaZulu is the KFC, which we regard as being the economic arm of our government.

I am aware that Dr Spies has already supplied you with detailed information concerning the KFC and that he has also met with you, for discussions in this regard and has provided further information, at your request.

I would also mention the existence of the KwaZulu Transport Services Corporation, which was established under the KwaZulu Corporations Act - an Act administered by the Department of Economic Affairs, for which I am responsible, as

Minister of Economic Affairs.

The KwaZulu Transport Services Corporation has the object of promoting development in the field of transportation.

Although the KwaZulu Transport Services Corporation receives no share capital or capital grants from my government, it nevertheless receives development assistance, in the form of commuter subsidies directly from the Department of Transport Affairs.

I expect that Mr Mkhwanazi will have made contact with this corporation, on my behalf, and that this corporation will also be preparing to supply you with the necessary information.

Mr Armstrong will co-ordinate the gathering of the information you require and I know he will be glad to assist you in any way you might need.

Turning now to the question of the present and future institutional structures required for the flow of development assistance funds and your request for my opinions and

perceptions on that subject:

3.1 I would like to say at the outset, that I do not believe that the time is yet ripe to plan for major institutional changes. So much still hinges on the ultimate constitutional dispensation, which will emerge from the negotiating table. At this early stage, I do not believe that there is much to be gained by speculating on that outcome.

At the same time, I do believe that there is scope for a measure of institutional rationalisation and I fully

endorse the view that there is a need for an urgent investigation, into ways to eliminate the overlapping of structures and responsibilities, which is a major flaw in the present structure.

In doing so, however, I consider it critically important that any resulting measures should be:- FIRSTLY, appropriate to the present situation; and, SECONDLY, that they should not attempt to pre-empt any ultimate constitutional settlement - that is to say, they should not assume, or presuppose the existence of certain

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political or constitutional circumstances.

Having said that the institutional structures need to be wappropriate to the situationâ\200\235, I suggest that we consider some of the DIMENSIONS of that situation, as it exists here in KwaZulu/Natal:

4. Looking, firstly, at the question of DEVELOPMENT NEEDS:-

4.1

To begin with, I cannot state with sufficient emphasis that this region is in a state of social, political and economic crisis. Gentlemen, I assure you that I am not given to using the word "crisis" lightly. And I am not merely referring to the general upheaval and uncertainty going on in the rest of the country. I am referring, quite literally, to a crisis.

The outward manifestation of this crisis can be seen in the bloodshed and violence which is going on in this region and which has necessitated the retention of the state of emergency, in this region alone. Admittedly, this violence and bloodshed has much to do with political issues and therefore requires political solutions, which

we are not here to discuss today.

However, it also has much to do with sheer, abysmal poverty. People of all ages - but especially the very young, who (in all societies) tend to be given more to idealism than realism - if they have no hope for the future and no stake in society, have nothing to lose by engaging in politically and criminally-inspired anti-social behaviour and violence:

Consider then, gentlemen, the fact that, at present, in the DURBAN FUNCTIONAL REGION (or DFR, as it is known), 13% of township households, 40% of informal settlement households and as much as 80% of rural households, fall below the household subsistence levels and are therefore unable to provide even for

their minimum needs;;

Consider that, at the same time, as much as 42% of the total population of the DFR (and here we are

referring to a population set to reach 6 million people, by the year 2000) live in informal settlements, are unemployed, are extremely poor and are mainly black;

Consider the fact that as much as 80% of the black: people in this region have no more than a Standard 4 education and are what is <called "functionally illiterate" - that is to say, they cannot read or write well enough to use this skill for employment

purposes;

Consider also that the per capita gross geographical product of this region is only 56% of the national

average and only 30% of that of Region H, which is the wealthiest.

If all these facts are considered, I think that it will be evident that I am not exaggerating, when I say that the situation in this particular region is critical.

Gentlemen, I am making this point, because I believe that the needs and problems of this region are unique and because I believe that the extent of these needs and problems far surpasses the situation which prevails in the rest of the country. As my first critical observation, I would therefore like to stress my conviction that THIS REGION NEEDS TO BE SINGLED OUT FOR SPECIAL ATTENTION.

I might mention, in this regard, that I have long been on record - in fact, for almost twenty years - as attempting to draw the attention of the central authorities to the pressing development needs of this region and to the dire consequences of failing to provide my government and its agencies with sufficient resources to enable them to make

a truly realistic and meaningful contribution towards addressing these needs.

For many years, my pleas went unheeded, although I do believe that realisation is, at long last, beginning to dawn, in central government circles. Unfortunately, this realisation comes at a stage when many of my earlier

predictions have now come true.

Consequently, we no longer merely have an economic development problem to deal with, we now also have to deal with a host of social and political problems, aggravated by a legacy of bitterness, anger, disillusionment and frustration, which only adds to the burdens which we must shoulder.

Looking below the surface, however, it is abundantly clear that the development problem in this region is, and will

continue to be predominantly a black problem. It is also equally clear, that this problem will no longer be confined to the so-called "black areas". Already it has transgressed political and constitutional boundaries and it will inevitably impact upon the lives of everyone in this region - be they rich or poor, be they black, white,

coloured, or Indian.

What I am trying to say, gentlemen, is that the black development problem in KwaZulu/Natal has become a REGIONAL PROBLEM, although of a magnitude AND extent that it will require concerted action AND attention, at all levels of

government.

Having looked at the situation from the perspective of development needs, we now need to look at it from the other perspective - namely the RESOURCES which are available to meet those needs and the MANNER in which these resources are currently being marshalled:

5.1 Perhaps we should begin by focussing on the various role-players, active in the development field, in this region:

1.5 [On the one hand, we have certain "regional" bodies and structures, which I have named

before.

As one might expect, a large degree of co-ordination and co-operation has been achieved between these institutions through management and interaction at a regional level, in the interests of synergy and the sharing of scarce

resources.

Oon the other hand, we also have a number of "national" institutions and structures, of a public or semi-public character, most notably:

the Industrial Development Corporation;

the Small Business Development Corporation;

the South African Development Trust Corporation or STK;

the South African Housing Trust;

the Development Bank of Southern Africa;

and

certain government departments, mainly the Department of Development Aid and the Department of Planning and Provincial Affairs.

Some of these institutions are directly involved in development, whilst others involve themselves in direct ways - for example, the Industrial Development Corporation also operates via its subsidiary, Sapekoe; the Department of Development Aid operates to a large extent through the STK; the Department of Planning and Provincial Affairs operates primarily through the Natal Provincial Administration; while the South African Housing Trust uses the KFPC as its agent. The DBSA's role is always indirect, in that it acts exclusively as financier.

In addition to the above, there are certain "joint" structures and institutions.

One such structure, designed to fulfil a primarily governmental role, is of course, the JEA, together with its supporting structures, such as the Planning Advisory Committee. This latter committee also contributes, in its way, towards the achievement of certain Jjoint development objectives and responsibilities.

On a more mundane, practical level, there is a joint project, established between the Department of Development Aid and the KwaZulu government and involving also the Natal Provincial Administration, in the form of the RSA/KwaZulu Development Project. This body currently utilises the KFC as its Urban Economic Development Co-ordinator.

5.2 As may be anticipated, there is a large degree of overlap and duplication between the functions being performed by our regional development institutions (especially the KFC) and the national bodies referred to above, as far as black development in this region is concerned.

For example:

Both the KFC and the SBDC promote small business development;

Both the KPC and the IDC promote industrial development under the Regional Industrial Development Programme;

Both the KFC and the South African Housing Trust are involved in the development and provision of housing;;

The Department of Agriculture and Forestry, the KFC and the STK are all involved in agricultural development.

In this regard, I would like to offer the following comments:

5.2.1 At this time, when our country's financial and human resources are so severely overstressed, this degree of duplication makes little sense. Furthermore, I understand that Dr Spies has provided you with instances where certain of these institutions work at cross purposes with the KFC and this tends to add to, rather than reduce the magnitude of the task.

Gentlemen, I would like to mention further, in this particular connection, that when the (then) KDC was established, as long ago as 1978, I reached an agreement with the central government that the KDC would become responsible for all development functions and activities in our region. It was, in fact, on this understanding that the CED was phased out and ultimately

dissolved.

This agreement, to which I am referring, needs to be seen within the context of my government's long-standing opposition to centrally-controlled development institutions, such as the CED and its predecessor, the BIC.

This opposition stemmed from the fact that these institutions never demonstrated any acceptable degree of appreciation of local concerns, priorities, or conditions.

We also came up against numerous attitudinal problems, because of their prescriptiveness and paternalism. These institutions completely under-estimated the importance of consulting with local communities and of establishing their development needs and priorities.

For this reason, the dissolution of the CED was greatly welcomed. However, you may imagine our concern, when we discovered that, in place of the CED, another central institution was established, in the form of the STK.

Initially, we were given the assurance that the STK was merely a temporary body and would be dissolved in due course. Later, however, we were informed, despite all our protests, that the STK was to be a permanent body.

Frankly, gentlemen, I fail to see the necessity for the STK's continued involvement in KwaZulu/Natal.

Neither, may I add, do I see the necessity for the continued existence of such institutions as the IDC, the SBDC and the South African Housing Trust. These institutions are to some extent performing functions which are already being performed by our regional development institutions. And, I would stress, these regional development institutions would be able to perform their functions a great deal more effectively, if only they had the resources which are being so generously channelled into these central institutions.

5.3 This, gentlemen, leads me to the question of FUNDING.

Many of my views in this regard are already on record, in the correspondence which has passed between myself and the Minister of Finance of the RSA, Mr B J du Plessis, as well as in the Conference Document which our Minister of Finance, Dr D R B Madide, presented to the Conference of Ministers of Finance on 15 March 1990. I understand that Dr Spies has furnished you with copies of this documentation and I will not, therefore, burden you with a detailed repetition of my views on this subject.

5.3.1 I would, however, like to summarise the major concerns set out in this correspondence:

- * As an overall comment, we are seriously concerned at the pitifully small amounts of financial assistance being channelled into black development in this region, especially given the magnitude of the need, which I have just outlined.

- * We are all quite aware of the problem of unlimited needs and limited resources and we are well aware that there are limits on what can be afforded by the central

government.

- * However, this does not appear to be the issue: we have been obliged to sit by and watch, whilst VAST sums of money are poured into institutions like the IDC and the SBDC, knowing full well that hardly any of these funds will ever be used for the benefit of the disadvantaged people of this

region.

At the same time, the KFC, which is the only organisation working solely to meet the needs of these people, is being starved of funds:-

I would mention that the KFC's funding position has now reached the level where less than one quarter of its capital expenditure requirements are currently supplied from government funds. This is simply not sufficient to sustain the momentum which it has developed over the years and without which development projects and initiatives are simply a waste of money and effort.

This situation is the DIRECT RESULT of the financial constraints currently being experienced by the KwaZulu government, which is the institution directly responsible for providing the KFC's share capital. If one

examines the annual growth in the KwaZulu

government's own statutory grant, from the central government, it will be readily apparent why the KwaZulu government is not in a position to significantly increase the KFC's annual share capital allocation.

This year, for example, the KwaZulu government's statutory grant was increased by a mere 15% - which is totally and hopelessly inadequate to meet the cost increases occasioned by mere inflation - let alone to meet the needs of an expanding population, or to make any meaningful attempt to improve their quality of life.

The critical and fundamental issue, therefore, is simply one of sheer shortage of funds - to finance the development activities of the KFC and those of our other development agencies and government departments.

As I said before, we are fully aware that needs are unlimited, while resources are limited. The problem is, however, needlessly aggravated, by certain government policies and practices, which I would like to bring to your attention,

gentlemen:

* Firstly, it is totally insupportable, as far as we are concerned, that, when government functions are transferred to the KwaZulu government by the central government, sufficient funds for us to continue providing the service in question, on the same level and basis as before, are never

transferred at the same time.

* What 'occurs, in practice, is that the statutory amount transferred, is determined according to the previous year's expenditure by the central government. Thus there is, right from the inception, a shortfall in funding, equal to one year's cost increases. This shortfall is then further aggravated by hopelessly inadequate annual increases. It is small wonder, therefore, that the KwaZulu government cannot hope to provide social services to its people, on a level which even approaches those enjoyed by the other population groups in this country.

Inconceivable though it may seem, there are even instances where responsibility for activities is transferred, without any additional funds being made available, as the the case of Trust farms.

A further practice, which has become cause for grave concern, over the years, is that

of the earmarking of funds:

In principle, we find this practise objectionable, because it takes place unilaterally and no scientific criteria or methods are used to determine how the earmarked

figure will be calculated. The Department of

Development Aid does not furnish reasons, even on request, for its decisions in this regard.

We also object to the proportion of earmarked funds to discretionary funds. In this yearsâ\200\231 budget, for example earmarked amounts represent a huge 63% of the guideline allocation figure. The remaining 37% leaves us very little scope for the exercise of discretion, or the performance of the normal responsibilities associated with good government.

To aggravate the situation further, when the central government, in its wisdom, announces statutory increases in social services - say, an increase in pensions - these increases have to be funded by the KwaZulu government from its small body of discretionary funds. To this extent, therefore; the central government even

commits part of the KwaZulu government's discretionary funds.

When all these decisions are made, the opportunities afforded to the KwaZulu government to participate in the decision-making process,

are minimal:

The criteria applied by the Department of Development Aid, in the allocation of funds, are totally unknown;

The KwaZulu government is not represented, in any manner on the State President's

Priorities Committee.

Thus the decisions which are made as regards the apportionment of national funds, are entirely unilateral. Apart from representing a "vote of no confidence" on the part of the central government in those very institutions which it saw fit to create - and here I refer, of course, to the self governing territories - this degree

of paternalism and prescriptiveness, is simply

insupportable in the supposedly "new" South Africa. It is inconceivable to us that so large a proportion of the tax-paying public do not have any voice in determining national spending

priorities.

I wish to report that two matters, which relate directly to these policies and practices which I have just mentioned, were raised as long ago as 1987, at a meeting between the self governing territories and the Development Bank of Southern Africa, at which the (then) Minister of

Education and Development Aid, Dr G van N Viljoen, was present. The following year - in June 1988 - our Deputy Minister of Finance, Mr M M September, raised these matters again and was invited to submit a memorandum thereon to the Minister of Education and Development Aid. Two main concerns were highlighted in-. this memorandum, namely:

- * The need to obtain a firm indication from the Department of Development Aid, as to the extent to which this Department takes the self governing territories's loan commitments to the DBSA into account, when calculating its annual statutory grant, as well as any additional grants which may be

forthcoming; and

- * The need to enable the self governing territories to pass on sufficient funds, in the form of share capital, to enable their respective development institutions to execute their responsibilities and functions in a proper manner.

At that stage already, it was agreed with the Minister of Education and Development Aid that the central government would be urged to address these two concerns. We are not a little disappointed that, two years later, no finality has yet been reached on these issues and we are no closer to a co-ordinated strategy, which takes equal account of the needs and interests of all people in this country.

Gentlemen, I appreciate that you are not here today for a discussion on political issues. But the political implications of the policies and practises I have just described cannot be avoided, or overlooked. Some of these I have mentioned in passing, but I wish to spell them out in clear terms, because they are dangerous:

5.4.1 Firstly, let us realise that. we, the KwaZulu government, did not ask to be established. Neither did the black people of this country ask for the introduction of the national states concept. We are a creature of the central government and the sentiments of the majority of the black people of this country, as regards this concept and the apartheid policy on which it is founded, are an open secret.

My own views on this issue are public knowledge and it is also no secret that I am no supporter of the concept of ethnically based national states, whether as independent territories, or as self-governing territories. Perhaps I should be pleased, therefore, that the central government has made such a dismal failure of

implementing this concept. Because this is

exactly what it has done - it has created a governmental structure to perform certain functions and then done everything possible to prevent this structure from doing what it was purposefully established to do.

Gentlemen, let me say quite openly and frankly that I would not care one way or the other, if it were not for two vital considerations:

* Firstly, the interests of my people are at stake - and here I mean people who look to me as their leader, people who look to me to secure for them a decent future and a

fairer deal in life;

* Secondly, my own reputation as a political leader is at stake.

You know that I chose to work within the system and not to opt for the path of anarchy and violence. However, at the same time, this very system binds my hands and treats me as though I were a juvenile. I must thus ask myself, as my followers and detractors alike may ask, why I continue to work within a system which makes both myself and my government colleagues appear to be: (1) insensitive to the needs of our people; (2) incapable of running an effective and efficient administration; and (3) powerless in our own right, mere puppets of the central government. For these reasons, I must care and must continue to care, until and unless I am

relieved of my responsibilities.

We stand today on the eve of a new South Africa, or so it is said. The concerns which I have raised today may soon be a thing of the past. But let us hope for all our sakes that in the final negotiations, the mistakes of the past will be used as a lesson and will not be repeated in the new dispensation which emerges. And, gentlemen, while the present structures remain, let us not play further into the hand of those who advocate a total overthrow of the existing order - because, if that happens, there

is no doubt in my mind that the good will be discarded along with the bad.

Gentlemen, this now is the situation in this region, as I see it: a development backlog which has reached crisis proportions; too many institutions performing overlapping functions and consuming scarce resources; and a funding Strategy (if one can call it that) which does nothing to ensure the setting of appropriate, rational or properly co-ordinated funding objectives and criteria.

And this situation needs to be addressed, as I said, without pre-empting future constitutional or political developments.

Against this background, I would now like to share with you my views in this specific regard:

6.1 Insofar as structures for the flow of development funds are concerned, I believe it is important to bear in mind, in light of the problems I have outlined, that there are three types of decision which need to be made:

Firstly, decisions relating to the determination of general, national spending priorities (for example: Health versus Defense, versus Education, versus Development Aid, etc): '

Secondly, decisions relating to the apportionment of funds as between the various separately-administered regions (for example: the respective needs and priorities of the self governing territories,

independent states, provinces etc);

Thirdly, decisions relating to the allocation of funds WITHIN those regions, to the various bodies and structures involved in the development process (for example: the various government departments, development corporations and other public and semi-public bodies).

It should go without saying that All three types of decision should be made on a co-ordinated, rational and objective basis, and that they should involve those having accurate and timely information and knowledge, necessary for the formulation of proper and well-considered decisions.

To my mind, these requirements and the types of decision which need to be made would tend to indicate the following:

6.2.1 There would need to be a fundamental review of government policies in respect of the entire issue of social services and development aid.

This should then be supported by simultaneous amendments to certain institutional arrangements, namely:

The State President's Priorities Committee should continue to determine general, "macro" national spending priorities. However, the self governing territories should then be represented on this Committee, so that their inputs can be obtained, at an early stage in the policy-making process. This would require a change in legislation, but could easily be effected within the present

constitutional framework and need not be contingent on some future constitutional settlement.

These priorities should then be referred to and interpreted by a central body, which should, on the basis thereof, determine the allocation of available financial resources to the various regional government administrations, for the fulfilment of their various governmental responsibilities. The practice of

"earmarking of funds should be discontinued

and replaced with discretionary guidelines, derived from the decisions of the State Presidentâ\200\231s Priorities Committee on "macro" spending priorities.

The various regional administrations should then have authority to determine, in accordance with the general discretionary guidelines, what implementing agencies and bodies should be used to deploy the funds and how these funds should accordingly be allocated. These administrations will then be responsible for co-ordinating the allocation of funds, within the various regions.

A co-ordinated national funding programme should be developed, in support of these policies. This should be communicated to all bodies and institutions concerned, so that proper financial planning can take place at both regional and institutional levels.

6.3 I believe that the KFC is the development body to meet the development needs and challenges of this region - and here, gentlemen, I am speaking of this economic region.

My reasoning for this statement is clear and simple: the development problem in this region is overwhelmingly a black problem and the KFC is an organisation which has the necessary experience and expertise, as well as a proven track record, in this particular field.

However, as I said, the "black" development problem of this region is no longer confined to the so-called "black areas". For this reason, it no longer makes any logical sense for the KFC's development activities to be confined to those black people who are in the so-called "black areas". This restriction is a political anachronism and that is why I spoke, just now, of this economic region.

I would mention that I have already expressed my views in this regard to the Minister of Education and Development Aid and have requested him to approach the Minister of Planning and Provincial Affairs to extend the area of operations of the KFC to encompass black development throughout the whole of KwaZulu/Natal. I believe that this is an eminently sensible recommendation and I would

appeal for your support, in this regard.

In so saying, I must stress that I regard the development needs and problems of this particular region as unique. I do not presume to speak for the other regions - I am speaking about what is appropriate to the situation here, in KwaZulu/Natal.

I am not, therefore, necessarily advocating that what I propose for the KFC should serve as a uniform policy for the entire country; nor do I believe, as I have already

said, that this is the right time to formulate uniform policies.

However I do believe that what I am suggesting is in line with the present Regional Development Policy and the undertakings given by the central government when the KDC was established. :

The second aspect, of course, is that the KFC will need to be adequately and appropriately funded and supported, in order to enable it to execute its extended mandate. By this, gentlemen, I mean that the central government must stop pouring the majority of its funds into centralised institutions, like the IDC, the SBDC, the STK, the SAHT and the DBSA and start providing us with adequate funds for our regional development agencies. Certainly, it makes no practical sense for these former bodies, which are not making a meaningful contribution to addressing the real development needs of this region, to continue competing for scarce resources with our regional bodies.

In fact, if the spirit of the Regional Development Policy were adhered to, there would be no role for these centralised development institutions and these institutions <could be dissolved, privatised and/or regionalised.

To Dr De Loor, gentlemen, I thank you for your patience in listening to my views and opinions at some length. I apologise for taking so much of your valuable time, but I believed that

the issue is complex and required a full exposition of the relevant facts and circumstances.

Having now stated my views, I would ask, Dr De Loor, whether you would like to offer any comments, or raise any particular issues for discussion. I would, of course, also be happy to answer any specific queries which you or your fellow

committee-members may have.

