

From Zwelakhe

SPM/012/0020/10

02-11-90

02/11/90

Dear Shaheed,

I'm finally going to ~~put~~ on paper the rough ideas I felt might contribute to the discussion on an ANC strategy for Development Projects in SA. It's a pity that time and other constraints prevented me from doing this earlier and that clearance problems are preventing me from participating. However, I hope that these notes will be of some use.

I will only touch on those aspects that I feel the movement can implement or facilitate as an organisation through its various structures and not those that we would have to consider as a participant or leader of a future government.

The main aims / objectives of such a strategy would be to contribute to:-

- meeting the basic needs of the whole population by providing access to food, clothing, shelter, employment and productivity, welfare, decent family life and basic services such as transport, health, education, water, sanitation etc.
- the elimination of poverty and deprivation and improvement of the quality of life and lifespan of the vast majority of South African people.
- redressing the racial, class and spatial imbalances in the distribution and concentration of economic power and activity.
- the elimination of the effects of the policies, laws, practises and institutions of residential, occupational, educational apartheid which have denied the majority of South Africans the opportunity to maintain a decent standard of living, to enjoy basic human rights and to contribute equally to the future development of our country.

#### THE CONTEXT OF A NEW DEVELOPMENT STRATEGY

To play a meaningful role the ANC/MDM structures involved in projects and developmental work would have to concentrate on filling the gaps in those areas of development in which the future state is unable and capital ~~unable~~ <sup>willing</sup> to participate adequately. Capital views growth as the cornerstone of development and capitalist production relations as the vehicle of growth. The ANC alternatively is evolving a policy which views redistribution as the engine of growth. However, neither a high growth rate, nor redistribution of wealth will succeed in increasing resources available to the masses in the immediate future on the required scale. Despite the virtues of both growth and redistribution, experience has shown that their benefits "trickle down" to late, are insufficient or



tend to bypass the disadvantaged and poorest sections of the community altogether. Specific strategies will have to be addressed to cater for the needs of the most deprived sectors of our population.

A major constraint facing development in South Africa in the future will be the lack of skilled human and financial resources. Available resources will have to be divided amongst the private sector, the <sup>in</sup>formal sector, the cooperative sector and the state to meet the social needs of the people. On the other hand unemployment is rife. This requires the evolution of strategies to rationalise the use of resources available to us and to ensure maximum job creation.

Increasingly there are growing expectations by the people that a new democratic government, with a massive inflow of foreign aid will overnight be able to redress the imbalances of 300 years of colonial oppression and resolve the acute problem of poverty, hunger, homelessness, unemployment etc. that afflict millions of our people within a short space of time. Failure "to deliver" might create hostilities and apathy that will rob the new government of the "breathing space" it requires to formulate and implement new policies.

Even if we assume the existence of a politically stable climate and a huge injection of foreign capital (both unlikely), strategies for development projects by the ANC will have to seek ways of addressing short - and medium - term needs which are supplementary to the efforts of the state.

Some of the elements of such a strategy would be to:-

- (1) - evolve an urban development strategy for projects which would accelerate the quantitative and qualitative growth of the informal sector and facilitate its integration with the formal sector.
- (2) - evolve a rural development strategy which enables rural areas to be more fully integrated into the wider economy.
- (3) - facilitate self - help income and job creation for the poor by the poor themselves.
- (4) - create alternative development institutions and approaches to developmental work based on the pooling of resources and maximum coordination of development work. *e.g. independent development agencies or trusts, ~~etc.~~*
- (5) - establish new methods of cooperation with existing institutions such as indigenous SA NGO's and development agencies, state institutions, "corporate social responsibility" funds, foundations and trusts, state institutions and foreign NGO's.
- (6) - create new and improved forms of collective and individual ownership of productive capacity. *e.g. co-ops,*
- (7) - create alternative financial, credit and savings institutions.



health

- ⑧ - derive alternative forms of education, welfare and shelter provision.
- ⑨ - evolve concrete and practical methods of affirmative development action for women.

## ① INTERGRATION

Apartheid and capitalist policies have resulted in the creation of clearly defined dualistic economic conditions. In both the urban and the rural areas there exist distinct "formal" and "informal" sectors. The informal sector comprises elements of the industrial, commercial, agricultural and service sectors that are characterised by their subordinate role, lack of resources, small economic scale, archaic technical, management and hygienic conditions and poor, often barely subsistence level of return. Despite the vivid demarcation between the two economies, they are largely inter related and interdependent.

In the post-apartheid era, with an expected increase in urbanisation and removal of many of the constraints (eg. legal constraints on ownership), greater participation by blacks in the modern; formal economy can be expected. On the other hand one can expect a dramatic growth in the urban informal sector. It cannot be wished or legislated away. Therefore a strong argument exists for its support, modernisation and integration into the modern economy.

This would require the underdeveloped sector to contribute to the development of the economy as a whole, not by fulfilling a certain subordinate role to the modern economy but by increasingly participating in the planning and decision making process. "Top-down" macroeconomic policies of redistribution, decentralisation etc. will have to be supplemented with "bottom - up", "grass roots" strategies that focus on matters that satisfy basic needs of people and result in the attainment of self - sustaining communities. The "trickle-up" effect of such a strategy would greatly enhance growth and partially relieve the state of a major problem.

The practical aspects of such a strategy requires detailed attention. A comprehensive framework or programme needs to be worked out through which the nature, location and rate <sup>at which</sup> ~~of~~ new projects are formed <sup>and integrated into</sup> ~~within the informal and~~ ~~sector can be~~ integrated into the formal economy. ~~can~~ <sup>be determined</sup>.

Detailed research into existing projects and needy areas as well as feasibility studies will have to be carried out in all regions.



(electricity went off!)

Informal sector economic activities can be classified as traditional and intermediate or transitional depending on their sophistication and level of integration into the formal sector. It is necessary to protect and assist the traditional ~~sector~~ sector to develop into more viable, intermediate entities, and further to become part of the modern sector.

An example of <sup>vertical</sup> mobilisation from traditional to transitional, and from transitional to modern is the development of a backyard carpentry shop into a medium sized furniture factory in an industrial zone and finally into a major supplier with outlets in the urban business area.

It is important to encourage informal-formal interaction by ~~or~~ creating an integrated and common market place. Such projects could involve for instance organising street vendors into associations which provide affordable but hygienic stalls and kiosks which can be placed in city centres, suburban commercial and industrial centres, recreational areas, bus terminals, taxi ranks etc. Another project could be to locate various vendors, artisans etc in well designed stalls in a central market place with collective administration etc.

This would encourage cooperation with small and medium firms. Another way would be to negotiate sub-contracting arrangements with public and private firms for the manufacture or supply of components, <sup>parts and complete products.</sup> Here it would be important to avoid the informal sector area becoming a dumping ground for dirty, unhygienic stages of the production process.

The major role of a development agency in assisting informal sector development would be to assist them in acquiring resources like capital, product markets, technology and raw materials as well as providing technical and administrative (organisational & management) <sup>training</sup> <sup>providing</sup>.

This sector is ideally suited to <sup>providing</sup> vital goods and services targeted at the needs of low income groups as well as employees.



6  
CO - OPERATIVES

The South African co-operative movement is still in its infancy. Non-agricultural co - ops have been classified as falling into two broad categories:-

- 1) handcraft producers - groups making clothing, furniture, t-shirts etc. for sale on the commercial market.
- 2) the township-market production group - organised co-op version of informal sector manufacturing - brickmaking, metalworking, sewing, panelbeating, motor mechanics, carpentry etc.

Most of the production areas are upgraded areas of domestic "backyard" skill, which in itself is an improvement on single household production. However co - ops find themselves competing in areas where there is already stiff competition - in the informal sector and the commercial market. With an increase in the communities buying power on cash terms as opposed to the highly advertised hire - purchase consumer market, The market potential for co - ops is immense.

Nevertheless co-ops in South Africa need to be put on an <sup>industrial</sup> ~~individual~~ footing to be able to compete successfully on the market. There is a need for feasibility studies in marketing, financial viability, technology, training potential of co-ops members in specialised skills in areas like printing, food processing, building construction, large - scale furniture manufacture etc.

One of the problems that will arise in the townships and rural areas is the inadequate infrastructure (eg. lack of 3 phase electricity for industrial production), but this implies that all co - ops need to set their sights farther than the township backyard.

The NUM and other organisations have had some experience in setting up co-ops and this experience highlights some of the problems that will need to be tackled. The two most important are limited access to capital and lack of sufficient skills to build technically, organisationally and economically viable co-ops. Development agencies can assist with legal, technical, personell advice, in security, various forms of finance and credit for capital and conducting feasibility studies, setting up management and accounting systems, providing skills training from literacy to financial management and production planning, in setting up democratic management structures etc.

A data base on people wishing to join co-ops, their skills, needs of co-ops, available training, experiences of the co-op movement would be of great service.

The experiences of other countries like Zimbabwe, will have to be studied in such areas as co-ops for the disabled, for women and for "ex-combatants".



## Income generating projects for the poor.

(3)

Absolute poverty can and be eliminated and elimination as a strategic goal must enter into the design, planning and implementation of development policies. It is not sufficient to leave this into the hands of charitable organisations and one or two NGOs or to a few state run projects.

The main task is to secure the abolition of the key obstacles to wealth and job creation by the poor themselves. These obstacles are political, economic, social, legal, financial and psychological. It will require an array of policies at both micro- and macro levels to tackle these problems as well as vast resources and time but it has to be done.

In SA there already exist a number of organisations in this field. A network needs to be created to duplicate such efforts and give them organisational strength. A development agency strategy would need to be geared towards mobilising additional effort and resources to promote and support the creation of grassroots income generating and socially beneficial micro-enterprises and projects.

Such projects target the poor directly, raise their productivity and increase the share of their production of direct benefit to themselves, rather than the processors, distributors, and exporters who gain the lion's <sup>share</sup> from production by the poor today.

Community based projects are an ideal way to mobilise savings whether in the form of cash or labour or other inputs. It is also important to create institutions that enable the



communities to mobilise their own savings for their own benefit. Again SA has some experiences and a network needs to be created to share these experiences.

One way this can be done is by initiating programmes of small-scale revolving credit. An important function of the partner NGO or dev. agency is to provide the initial funds to get the scheme going and then to provide subsequent management assistance or advice.

Motivation and self-confidence of the poor are of prime importance. Even with highly politicised communities there are varying levels of understanding of community needs and an individual's role in solving those needs. The process of developing a community's ability to work towards self sufficiency and their ability to take the initiative is a long and hard one.

It can best be served through a process of identifying community needs from the perception of the community itself and to inject the concept of empowerment into the community's attitude. This can be done through workshops, group discussions and other participatory methods. Again SA has some experience of this.

The next logical step after the implementation of the project is to delegate management responsibility <sup>for management</sup> and cost recovery into the hands of the community itself.

### Financing development. (7)

In various sectors like small-scale industrial development, education, health, housing, welfare there are large quantities of foreign and local business funds available. There seems to be a strong case for injecting



these funds into a single "Development Bank" or a bank for each sector e.g. "Education Bank", "Housing Bank" and even a "Womens Bank". These banks could be controlled ~~from~~ by a board of trustees drawn from the dev. agency, community leaders, ~~and~~ representatives of the sectors e.g. health workers, and local financiers.

Another option is to create co-op. banks for the various sectors, regions or communities using aid as a once off capital injection <sup>to establish</sup> ~~and~~ a revolving loan scheme.

Relations of a Dev. agency to foreign donors.

1. The DA should as far as possible seek external funding for <sup>long term</sup> 'time-slices' of projects including initial <sup>capital</sup> and, where necessary, recurrent outlays for operation and maintenance.
2. Foreign NGOs should be encouraged to provide a full package of services for projects including technical assistance, training, advice on source of appropriate technology and financial sources etc. Control and management however should lie in the hands of the project itself or the Dev. Agency. Wherever it is necessary to use an expatriate expert a South African understudy must be appointed.

(incomplete)



Finally I think it is vital that we ensure that the policies and resolutions that we adopt are implemented in the interests of ~~these~~ intended beneficiaries. Experience of other countries, and that of our own has shown that it is the poor, the young, the women, the elderly, the disabled etc who are conveniently brought into the limelight when it suits policymakers, ~~and~~ politicians and the media, and conveniently forgotten as soon as certain interests are served. Many programmes undertaken for the improvement of life of the disadvantaged and deprived ultimately do not benefit them. We have to guard against this.

Cheers.