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Appointments as deadline expires

Morobe to head fiscal commission

Business Day 26 August 94

TIM COHEN

CAPE TOWN — After struggling to find a suitable chairman, government yesterday appointed the members of the Financial and Fiscal Commission, headed by former United Democratic Front activist Murphy Morobe.

The commission's formation, a product of the World Trade Centre negotiations, will be pivotal in deciding the fiscal allocations of provinces and local governments.

The announcement was made on the last day of the 120-day extended deadline set in the constitution and extended by 60 days by the new government. The delay was said to have been caused by successive nominees turning down the post, for financial reasons and because it would require a full-time, five-year commitment.

Observers welcomed the commission's composition, noting that it was evenly balanced and included members with a high degree of expertise.

Morobe has worked as social investment manager for PG Bison and was Codesa's administration head.

Apart from Morobe, the only other permanent member will be Unisa vice-rector Prof Anthony Melck, a former Unisa economics professor, who was appointed deputy chairman.

Nine national and nine regional members have been appointed for two years. The national members are: local government specialist Andrew Boraine, Finance Department unit for fiscal analysis head Frans le Roux, UWC economics professor Lieb Loots, Independent Development Trust and Urban Foundation board member Eric Molobi, Development Bank of Southern Africa member Renosi Mokati, SA Clothing and Textile Workers' Union assistant general secretary Ebrahim Patel, and Anglo American group tax consultant Marius van Blerck.

Provincially nominated members will be SA Mpambani (Eastern Cape), T von R Benecke-Jordaan (Eastern Transvaal), PA Hourquebie (KwaZulu/Natal), BG Mokgoro (Northern Cape), JK Sithole (Northern Transvaal), TM Mokhobo (Northwest), Prof Elwil Beukes (Free State), Jaya Josie (PWV) and AR Martin (Western Cape).

The commission is to convene for the first time within 30 days and will "appraise itself of all financial and fiscal information to the national, provincial and local government", a statement released by the Office of the President said.

"It is anticipated that the commission is going to be an important institution within the context of all three tiers of government's financial and fiscal matters.

"Although it is only an advisory body it is going to operate in a transparent manner which will ensure that its recommendations are not taken lightly."

Loots said the body was likely to focus immediately on allocations to provinces for the 1995/96 financial year, which were likely to be only "interim allocations".

Because of the widespread restructuring required, it was unlikely that an absolutely fair and unbiased allocation would be possible in the first year. Even if the commission had been established during the first 60-day period, it would not have been possible for it to have had a significant effect on the financial allocations to the provinces during the current year.

Opinion

Mixed signals as S Africa settles down

CAPE TIMES 26 August 94

Political Survey
By GERALD SHAW

THE infant South African democracy is sending out conflicting signals as Parliament shakes down and one ministry after another goes through its paces in the Budget debate.

There are negative as well as positive signs, but the country remains remarkably stable, even if it is rather too soon to assess the chances of the infant growing to healthy and vigorous maturity.

The tendency towards lawlessness in industrial action, although disquieting, seems to be giving way pretty quickly to negotiation and compromise, as in the truck drivers' and supermarket strikes.

If it produces better wage deals now for underpaid shop assistants, truck drivers and traffic policemen, the beneficiaries of disorder will in time find that it pays better to skip the disruptive theatrical stuff and get right down to talking.

It is remarkable that there has been so little disorder, considering the sweeping changes in the country's political direction since April. Yet it will take time for the historically oppressed majority of the population to get used to the practise of industrial democracy within the law.

Most positive

Parliament is also undergoing some startling changes, not least in the assertive role which the joint standing committees are beginning to play in bringing grassroots pressure to bear directly on the executive government.

This most positive trend owes more to the example of the committee system in the United States legislature than to the Westminster tradition.

Also on the credit side, the Westminster practice of Question Time remains in good working order. There is nothing like Question Time for identifying the dark places which the government wishes to keep shrouded in obscurity.

There were two classic examples this week, both arising from questions put by the Democratic Party, which continues in the Helen Suzman tradition of making the most of this admirable parliamentary institution.

The DP has continued to ask questions about the Steyn report and the upheaval in Military Intelligence in December 1992.

Readers of this column will remember that this extraordinary saga began when investigators of the Goldstone Commission stumbled on a clandestine operations centre in Pretoria and found files which left them in no doubt that dirty work was afoot in Military Intelligence.

It seemed that hard information might at last be forthcoming about the shadowy forces which appeared to be behind much of the violence in the country.

President De Klerk said rather vaguely at the time that evidence had come to light of "illegal activities" in the intelligence arm of the SADF, in some cases leading to deaths. He appointed a widely respected officer, General Pierre Steyn, to investigate.

Then there was an astonishing development. No fewer than 23 senior officers and civilian operatives of Military Intelligence, including a number of generals, were forcibly retired or sent on compulsory leave!

Something pretty earth-shattering had been going on, it was plain enough, which President De Klerk was determined to keep under wraps. There were no prosecutions, despite his statement about "illegal activities".

The DP has quite rightly kept after Mr De Klerk to come clean. And this week, when MPs drove him into a corner in a series of follow-up questions, Mr De Klerk was again vague and more cheerfully evasive than ever. He also failed to answer the ANC's Tony Yengeni who asked him whether it was correct to assume that the generals had been suspended because of involvement in hit squads and the "Third Force" orchestration of violence, as is widely assumed.

Asked what had happened to General Steyn's report, he said General Steyn had reported to him verbally and he had taken preventative and remedial action as some staffers had acted "beyond the scope of military intelligence".

This leaves us not much the wiser. We will have to await the investigation and report of the Commission on Truth and Reconciliation.

Characteristics

Also at Question Time, the new Minister of Defence, Mr Joe Modise, steadfastly maintained the established SADF practice of obsessive secrecy, declining to tell Mr Colin Eglin which countries had been allowed by the government to buy South African arms.

We may conclude that the government is ashamed of itself — and of the sale of millions of rands worth of South African arms to the government of Rwanda.

How quickly the new masters of the South African military are acquiring some of the worst characteristics of their predecessors!

It would be reassuring if the ANC caucus and its members in the joint standing committee on defence took a stand, refusing to approve the Defence budget until the Minister accepts that he is indeed accountable to Parliament and the people.

Home Affairs Minister Mangosuthu Buthelezi and Lesotho's King Letsie III at a meeting in Pretoria yesterday to discuss Lesotho's political crisis.

Picture: NICKY DE BLOIS

Jan Smuts upgrading to cost R100m a year

BUSINESS DAY 26 AUGUST 94

STEPHANE BOTHMA

THE Airports Company would spend R100m annually over the next few years to upgrade and improve Jan Smuts International Airport, Jan Smuts GM Piet de Jager said yesterday.

The improvements budgeted for this financial year included moving walkways, a new fully computerised baggage handling system for international departures, additional car parking facilities, more and better public toilets and cloak rooms, air conditioning and new baggage trolleys.

De Jager and Airports Company MD Braam Loots spoke during a news briefing at Jan Smuts Airport.

In addition, De Jager said, new signage, additional x-ray screening machines, passenger barriers and a state-of-the-art security access control system would also be in place within the next few months.

Parking security had been stepped up since January and car thefts at the airport had decreased from about 100 a month to an average of 10.

However, fences, closed-circuit television cameras and covered walkways from car parks to the terminal buildings were also being planned, he said.

By next May about 842m of moving walkways would have been installed in the terminal buildings at a cost of R20m.

Loots said about 50 000 people used Jan Smuts Airport on a daily basis. This included passengers, their friends and families and employees.

He said two SA engineering firms had been briefed by the Airports Company to submit a master plan for all future physical developments at SA's three international airports — Jan Smuts, Cape Town and Durban. The master plan would look at needs for a period of about 20 years.

By law, the company had also submitted a five-year financial plan to the Airports Regulating Committee for approval. The plan included rate structures to be charged by the airports, the number of passengers and aircraft expected to use the airports over the next five years and also the type of aircraft which would land.

But, he added, details about the five-year plan could only be made public once it had been approved by government — the sole shareholder of the Airports Company. This was expected to happen within the next few weeks, Loots said.

PW led way with socioeconomic spending

Business Day 26 August 94

JOHN KANE-BERMAN

JUDGING by the number of people jumping onto the bandwagon, there is little happening in SA that is not part of the reconstruction and development programme (RDP). Armscor is turning guns into butter; the justice minister in the Eastern Transvaal says an airport planned for Hazyview will also foster it.

The R2,5bn allocated for the RDP's first year represents barely 2% of the 1994/95 Budget. What then is happening to the other 98%?

The meeting of the "basic needs" and "developing our human resources" are key components of the RDP, so a sizeable slice of the R16,5bn allocated in the Budget to African education and of the similar sum earmarked for health also contribute to "reconstruction and development", to name but two areas.

Not only is R2,5bn far less than is actually to be spent, the priorities in the first Budget of the government of national unity are not very different from those of its predecessors.

The proportion of government spending on social security has been steadily increasing, from about 20% 20 years ago to more than double that today, while spending on "protection services," notably defence, has been dropping.

Was it not in fact PW Botha who helped set the ball rolling? In September 1986, for example, he urged that the gap between SA's First World and Third World economies be "harmonised" and he committed his government to better housing, job creation, training and the promotion of black business. In October the same year Law and Order Minister Louis le Grange urged that security measures be applied "together with social upliftment".

In the mid-1980s FW de Klerk, then National Education Minister, committed government to strive for equal education for all races over the next 10 years — which means that equality should have been in sight by now. In 1988, however, Botha said sanctions and boycotts would cause government to have R9,5bn less available for spending on socioeconomic development over the ensuing five years.

A recent World Bank report said that "spending per white pupil remained four times as high as that per African pupil".

The statement is correct but misleading because 20 years ago that ratio was 18 to one, when it began to narrow as government channelled more resources into black education in efforts to increase the skills available to the economy. During the past two decades expenditure on white education in real terms has increased by about 50%, while the figure for black education approaches 1 000%.

Not only did the Botha government use the Budget to redirect national expenditure from white to black, it also made efforts to redistribute resources from richer white to poorer black municipalities through the regional services councils which it established.

Derek Keys says the new government is "determined to pursue both social justice and aggressive growth". Let us hope it succeeds — unlike the Botha government — in obtaining what Keys himself said would be "the best of both worlds".

The Finance Department has noted that between 1982/83 and 1993/94 real GDP grew at 0,9% a year. Despite this dismal performance, real growth in expenditure on education, health services, social pensions and police exceeded population growth (2,4% a year). Indeed, government subsidies (including social grants) and transfers increased in real terms 3,4% a year over this period.

No wonder then that government consumption expenditure as a proportion of GDP rose over that period from 15% to 21%, the share of gross domestic fixed investment declining from 28% to 15%.

Some years ago, a scenario presentation pointed out that the distribution of income in this country was one of the most unequal in the world (which is true) and that there had been little change in its racial distribution (which is untrue). Until 1970 there was indeed little change in personal income distribution. However, says the World Bank, the share of personal income accruing to whites has declined "substantially" since 1970, while the share of blacks increased from 22,3% to 31,5% in 1987.

Progress has also been made in other areas. Women are now having a third fewer children than they did 20 years ago, while infant mortality rates have nearly halved — although we still have a higher rate than countries of comparable wealth a head, such as Malaysia, Mauritius and Mexico.

Few people inside or outside SA were willing to recognise — or indeed admit — to any of those improvements. To do so would have allowed the demonised Botha government to claim credit. This in turn would have threatened the premise which underlay the campaigns to make the country ungovernable and strangle it with economic sanctions. The premise, of course, was that SA was incapable of change other than through sanctions and revolutionary violence.

Successful implementation of a sustainable development programme is in the country's interests, but we have already seen how difficult this will be even to launch if housing is anything to go by.

Even allowing for the fact that the Botha spending was channelled through segregated departments, that it went into urban areas at the expense of rural people, and that it was undermined by waste, boycotts and violence, the government of national unity may find what PW Botha found: you can pour money into socioeconomic spending without any certainty that you will have much to show for it very soon, or even that you will get much recognition for your efforts.

☐ **Kane-Berman is executive director of the SA Institute of Race Relations.**

Leaders pressure Letsie III

CAPE TIMES 26 AUGUST 1994

Own Correspondent

JOHANNESBURG. — Lesotho's King Letsie III was urged by southern African leaders in Pretoria yesterday to reverse his moves to dissolve Lesotho's parliament, replace its government and suspend part of its constitution.

The king and his ousted prime minister, Mr Ntsu Mokhele, met President Nelson Mandela, Zimbabwean President Robert Mugabe, Botswana's president Sir Ketumile "Quett" Masire and other high-ranking officials yesterday to discuss recent events in Lesotho, Sapa reports.

Mr Mugabe told a media conference some progress had been made but the king and Mr Mokhele required more time.

The three leaders, accompanied by SA Home Affairs Minister Chief Mangosuthu Buthelezi and OAU general secretary Mr Salim Ahmed Salim, said they could not condone the monarch's replacement of parliament and government with a provisional council and the suspension of parts of Lesotho's constitution.

The action, announced in a pre-dawn radio broadcast on August 17 in which King Letsie accused Mr Mokhele of being dictatorial, caused a two-day national stayaway in Lesotho earlier this week as well as demonstrations in which five people were killed and 13 injured.

No alternative

Mr Mugabe said the king and Mr Mokhele had been given a week to report back on talks.

Mr Mugabe said that while the king was positive about resolving Lesotho's political crisis, there was no alternative other than to reverse his actions and restore the democratically-elected government to power.

He added that there was no possibility of military intervention by Zimbabwe as the issue had to be resolved through dialogue.

President Mandela, Mr Mugabe and Sir Ketumile, after a meeting in Botswana on Tuesday, expressed "deep regret" at the king's move.

A small group of Lesotho citizens demonstrated in Pretoria yesterday in support of Mr Mokhele.

THE MEDIA — James McClurg

Constitution could have 'stronger federal emphasis'

CAPE TIMES 26 August 94

WITH the wheels beginning to turn for the making of the new constitution, chances were good that the final document would have stronger federal characteristics than the interim one, wrote Peet Kruger, political analyst, in Beeld.

"Top African National Congress members say federation is no longer a swear-word. They promise a strong input from the provinces when the new constitution is written."

The National Party leaders did not share the fears of the far Right that the ANC would cast the interim constitution aside and write one more to their own liking.

"They believe that the principles the new constitution will have to meet offer sufficient protection."

In an editorial, Beeld said that if the constitution-making process lasted longer than the two years laid down for its completion (of which, in any case, only 20 months remained) this would have to be accepted in the interests of the whole country.

Textile industry backs union plan to force govt into restructuring

BUSINESS DAY 26 AUGUST 94

YURI THUMBRAN and MUNGO SOGGOT

THE textile industry has thrown its weight behind union plans for industrial action to force Trade and Industry Minister Trevor Manuel into using taxpayers' money to bankroll the industry's restructuring.

Frame Group MD Walter Simeoni said yesterday 80 000 jobs could be lost by 1997 if government did not implement the findings of the industry think tank, the Swart panel, on subsidising a 10-year reshaping. The recommendations were the result of two years of negotiations between the previous government, labour and employers.

The SA Clothing and Textile Workers' Union (Sactwu) and Cosatu said they would use industrial action to force Manuel to push ahead with Swart's plan — a threat that was backed by the Textile Federation.

Simeoni said industrial action would not affect turnover significantly. The industry had proved during the elections that it could stave off significant losses during stayaways. "If action is taken it will be against government, not the industry." The work force would be given leave to demonstrate its anger.

Texfed CE Brian Brink said it firmly supported Cosatu and Sactwu's stance.

Manuel sparked a storm last week by saying government was unlikely to pour R4,5bn into the industry to cover losses sustained by compliance with GATT tariffs — a move that had been recommended by the Swart panel. He said GATT requirements could be phased in over eight years, rejecting the panel's proposal that they be phased in over 10 years.

Trade and Industry Department acting director-general Gerrit Breyl said government was also considering cutting tariffs 50% below GATT requirements.

Brink said Texfed was "suspicious of government's about-face, ditching agreements reached before taking office, discarding the entire tripartite consensus approach adopted by the Swart panel and assuming the role of sole arbitrator in determining trade and industrial policy".

Reuter reported that Sactwu president Amon Ntuli said the union would make sure the plan was implemented. "If it is not we will consider marches, pickets and industrial action."

Cosatu general secretary Sam Shilowa said it was "incumbent on government to demonstrate its commitment to tripartism and implement the plan. Now is the time to deliver. We must send a clear signal that the plan must be implemented."

He said action could be averted if government adopted the plan. However the dispute was not just about clothing and textiles, "but to what extent we are prepared to defend tripartism".

Cosatu was concerned about implementing agreements reached before the new government took office.

Whites pessimistic about government

Cape Times 26 August 94

By CHRIS BATEMAN

Fairness, spending, education are major concerns

Cape Times Poll RESEARCH SURVEYS

PERCEPTIONS about the government of national unity are starkly divided along racial lines, a survey done exclusively for the Cape Times by Omnicheck reveals. Blacks are optimistic and whites generally pessimistic.

The surveyors spoke to 2 600 respondents face to face, asking what their expectations of the government of national unity were compared to their expectations of the previous dispensation in terms of housing, education, "fairness" and many other issues.

The survey shows that blacks expect the new government to do dramatically better than the last government and that whites expect it to do worse. Whites' expectations were especially low as far as fairness, the government's spending on itself and gambling controls were concerned.

No coloured or Indian people were interviewed.

Opinions about the ability of the government to handle inflation followed the racial divide — whites pessimistic and blacks very optimistic.

Mr Butch Rice, joint managing director of Research Surveys (of which Omnicheck is a division), said the study showed "very clearly" that the new government had a "lot to live up to, particularly among blacks".

"If expectations are not met, it is likely that the impact on voter preferences could be significant," he added.

Of the respondents, only 43% of white women and 50% of white men felt housing would now be better.

But 69% of black women and 60% of black men felt this would improve.

Expectations for education threw up even more stark racial disparities, with only 29% of white women and 35% of white men expecting things to get better.

The equivalent figures for black women and men were a whopping 75% and 67% respectively.

Questions about "fairness" in treatment by the government had 17% of white women agreeing things would improve and 18% of white men.

Blacks tripled this percentage with 59% of women and 55% of men expecting a "fairer" deal.

That the government would do better in creating jobs had whites agreeing at a low 36% for women and 42% for men. Black expectations leapt to 72% for women and 55% for men.

There was widespread scepticism among whites about the new government's ability to put the brakes on the gravy train — only 15% of white women and 19% of white men felt the new government would do a better job.

But faith in a government most of them brought to power had 46% of black women and 45% of black men agreeing it would perform better on this.

Twelve percent of white women and 14% of white men agreed that the new government would control gambling better, and 36% and 20% of black women and men, respectively, agreed.

That a better check would be kept on inflation had 18% of white women and 21% of white men agreeing, while these figures for black women and men were 51% and 44%, respectively.

Tough bargaining ahead on draft RDP Green Paper

BUSINESS DAY 26 August 94

GRETA STEYN

WHEN the ANC released the reconstruction and development programme (RDP) before the elections, it was widely dubbed a "wish list" — a Utopian vision that had little to do with the practical realities of economics. The draft of the RDP Green Paper addresses that criticism and outlines a disciplined approach to the vision.

But the draft, written by a team of technical experts, is now being edited by RDP Minister Jay Naidoo's office, and could change radically. The fiscal conservatism in the draft is understood to have raised the ire of the ANC's alliance partners and also upset some powerful elements within the party itself.

Some issues in the draft need further clarification. In addition, the ANC will have to deal with accusations that it has gone back on its original promises because of major differences between the Green Paper and the pre-elections RDP.

One of the most obvious differences between the two documents is the setting of explicit targets for fiscal policy. The pre-election RDP omitted a 6% deficit target which had been in one of the earlier drafts. The draft Green Paper sets ambitious targets for slashing government consumption spending.

The document notes one of the priorities is to "reduce the share of personnel expenditure by 3% per annum". The statement implies that the rise in the wage bill will have to be kept at three percentage points below the inflation rate every year for the next five years. A tall order, especially given that the draft Green Paper also cites affirmative action around race and gender in the public service as a priority.

Government needs to spell out a clear policy on public sector employment if these fiscal targets are to have any credibility. Factors that harm credibility include the extra R170m that will be spent this fiscal year in topping up the wages of civil servants at the bottom end of the scale, and the 11 000 affirmative action posts to be filled. However, positive signs are that government has drawn up a draft proposal for rationalising the civil service which envisages retrenchments. It was announced this week that about 10 000 people employed in the drought relief job creation programme of the former Venda government would be retrenched.

An explicit target is also set in the Green Paper for reducing defence spending to below 5% of the budget, and to redirect the finance into housing. In the 1994/95 fiscal year, defence accounts for close to 8% of the total spending.

It goes without saying that achieving such a radical diversion from defence into housing will not take place without a battle. So far, it looks as if defence is winning. Before the election, the ANC often said defence savings would finance the RDP. The final bill for SANDF restructuring is set at R7bn. To what extent the shift envisaged in the draft Green Paper can take place remains to be seen.

The draft also differs from the pre-election document on the use of foreign finance. It sees foreign loans as augmenting the savings available to finance investment. The pre-election RDP noted a need for an overall foreign debt strategy and argued that "above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions."

Probably the most important difference between the two documents is in how it sees the role of the private sector in the economy. The pre-election RDP stated: "Reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society which in combination will lead to sustainable growth."

Former trade unionist Philip Dexter, now an ANC MP, was among left-leaning party members who argued the RDP should be used as a platform for socialism. The post-election RDP could by no stretch of the imagination qualify.

The Green Paper draft notes that "private sector investment will play a pivotal role" in a successful growth strategy. "Government is committed to promoting an investor-friendly environment by facilitating efficient functioning of markets, rather than intervening to distort them," the document notes. The role of public sector investment in social infrastructure was to meet basic needs and enhance new economic activity.

In its introduction, the draft says the RDP has to recognise "the importance of the skills, incentives and drive that the advantaged groups within our society have to offer and of assuring those groups that they have a vital role to play and that they have everything to gain in the restructuring process."

It is not surprising that the draft omits the call in the pre-election RDP for a more progressive tax structure. The omission, if sustained in the White Paper, means the Katz commission investigating a new tax structure need not use the principle of a more progressive system as a point of departure.

The draft also omits the radical pre-election proposals on banks and mineral rights, and does not refer to nationalisation. Before the election, banks were outraged about plans to force them to stop "redlining" properties. Mines were up in arms about proposals to nationalise mineral rights. And foreign investors quaked at the retention of nationalisation as a policy option.

Competition policy has also been toned down, with the draft noting government would "strengthen legislation against anti-competitive behaviour". Most of the enhanced workers' rights of the original document are retained, with the document envisaging workers having a say in negotiating industrial policy. But while the original RDP said employees should not have the right to lock out, the draft ignores the issue.

The draft places much emphasis on practical implementation, especially the importance of local government. There is major emphasis on the urgent need to get legitimate local government structures off the ground. "Decentralised delivery" is regarded as one of the key processes required for implementation. The document says: "Government will prioritise the implementation of the Local Government Transition Act, ensure that elections take place by the middle of 1995, and urgently attend to a resolution of the fiscal powers of local authorities."

Building capacity at the lower tiers is regarded as very important, and rightly so. It has already started, with the allocation of more than R700m to improving municipal services. The document recognises that if delivery is to be hastened, local government structures will have to receive urgent attention.

It is not clear to what extent central government will relinquish control over RDP programmes. No doubt there will be some tension over the extent to which the centre drives the process. The relationship will take shape over time.

In the immedate short-term, Naidoo will have to resolve the tension over the departure from the original RDP. It is understood that complaints of lack of consultation have already been raised in the RDP council (made up of mass-based extra-parliamentary organisations). If he changes the draft in response to these accusations, he could alienate the team who wrote it. That might be an easier route than alienating his own constituency. But perhaps the choice is not that stark.

The most important point is that the programmes and priorities listed in it do not differ from the original RDP. The difference lies in language and philosophy — and is that worth a bitter fight in the real world?