

AS1994-1-1-15

**MEMORANDUM FOR PRESENTATION TO MR FRANKLIN THOMAS,  
PRESIDENT OF THE FORD FOUNDATION**

**BY MANGOSUTHU BUTHELEZI, CHIEF MINISTER OF KWAZULU  
AND PRESIDENT OF INKATHA FREEDOM PARTY**

**JOHANNESBURG : JANUARY 21, 1994**

---

Mr Franklin Thomas, I would like to thank you for giving me this opportunity to address you on the Inkatha Freedom Party's perspectives on current political and economic developments in South Africa. In so doing I hope to be able to contribute to placing South Africa on the world investment map and to reinforce international confidence in the future of this country and of the Southern African region.

The forecast for investment in South Africa has been extremely encouraging, with major reinvestment announcements and the formal approval of an International Monetary Fund loan to the country. The IMF loan, South Africa's first since 1982, will serve to improve the investment climate by strengthening the financial and

commercial rand, as well as taking the pressure off South Africa to keep up interest rates to attract foreign investment.

Interest shown by US investors is particularly promising, especially if this will lead to greater opportunities for South Africa's local entrepreneurs. What South Africa needs is to develop more industries that can create jobs that last. At present this country is cast in the role of a supplier of unprocessed and semi-processed raw materials. Our national aim is to break out of this mould, and to become an exporter of processed and manufactured goods.

In order to accomplish this goal, my country will have to overcome one of its greatest drawbacks - the shortage of skilled



personnel. The transformation of the South African economy is heavily dependent on the development of a labour market that can cope with future expansion and technological advancement.

An ailing economy, soaring unemployment and a legacy of wasteful state spending - these are some of the millstones that will burden the future government of South Africa in its attempt to meet frustrated expectations and bridge political chasms. While the US Secretary of Commerce, Mr Ron Brown, classified South Africa as one of the world's top ten emerging markets which could bring incalculable benefits in investment trade, I view this comment with cautious optimism. My country cannot afford to fall into the danger of encouraging just any kind of commercial contact with the outside world.

The type of investment that is attracted to South Africa is of crucial significance. If American investors are truly committed to the success of South Africa's economy, with a view to assisting communities disadvantaged by apartheid, the investments they make here should be tied to technology transfers and to promoting exports. It is exports that create jobs, and there is no denying the chronic need for job creation in South Africa.

In this respect I would like to applaud the Ford Foundation for its strong initiative in rural development in South Africa. The Rural Restructuring Program prepared by the World Bank in 1992 emphasised the need to promote the viability of part time and small scale rural enterprises. South Africa's agricultural sector has the potential of providing productive livelihoods for



far more people than they now do. This would generate demand for local provision of a wider range of services and counter the decline of towns in rural areas.

In South Africa, as elsewhere, we are deeply concerned about restructuring agricultural markets so that they are open to world trade and responsive to international prices. This highlights the tension that exists between the desire to address South Africa's pressing welfare objectives, and the need to promote the productive use of agricultural land. These issues however, are not necessarily contradictory.

What South Africa needs to avoid, as the World Bank so rightly warns, is the ineffectiveness of highly centralised economic

practices - whether at national or regional level. The leaders of this country must encourage financial support for development programmes conditional on a system of local and district implementation - which supports fiscal autonomy, accountability, and massive job creation through the participation of the poor in the decentralised local initiatives.

Unfortunately there is a tendency by some leading politicians to place political advantage above genuine development goals. To turn our society around from its present economic malaise and the perceived hopelessness of so many of our people towards a growth path will be no easy task. The least South Africa needs is an appreciation by leadership of the inextricable link between democracy and development.

Here I am referring to the relentless drive by the ANC and the South African Government to uphold the structures of central government. Herein lies the danger for South Africa's future economic development. Central government control means that the allocation of fiscal resources from the central government to the regions will be done in accordance with the political objectives of the majority party, with a disregard for accepted development principles. The legacy of the apartheid regime is a tacit reminder of this fact. Already, the misallocation of expenditure from central government has serious consequences for the ability of poorer regions to adequately provide for their burgeoning populations.



In the absence of a greater devolution of power to the regions, South Africa will never be <sup>in</sup> a position to alleviate its problems of poverty and unemployment. The IFP believes that ultimately an avoidance of a repeat of past mistakes will necessitate a federalist structure with each region given greater freedom to determine their own development. Federalism would be a positive step forward in addressing the regional imbalances that exist, and thereby pave the way for economic growth and development.

Federalist models of government have been adopted throughout the Western world. The tried and tested advantage of this model is that government works best when it is in closer proximity to the people that it governs. In this way regional interests are

better represented, and at the same time more attention can be given to the potential of regional economic diversities.

A federal state government has a fiscal policy which is directly influenced by regional and local government. Its advantage, therefore, lies in its ability to increase the efficiency and effectiveness of state expenditure by fine-tuning expenditure with the needs of the community. Federalism alone reconciles the need for bottom-up community participation in development with top-down resource allocation. Federalism is about practical, sensitive, and most importantly, balanced development. Federalism creates structures which are at once politically accountable and economically sensible. The hallmarks of the centralist past, where economic development programmes sacrificed

regional interests on national altars, are eliminated with federalism.

You need look no further than the region of KwaZulu/Natal to see what havoc can be wrecked through central government economic mismanagement. The KwaZulu Government has always been in an unenviable position. It is a regional government which has administered one of the largest and most under-budgeted governments in this country. Despite having the second lowest GDP per capita and the second highest unemployment rate in the country, Natal/KwaZulu receives government consumption spending of less than one third of that of the PWV region in per capita terms. And to aggravate matters, the level of taxes raised in the region has been rising steadily since 1987.



This explanation should help you understand the reasoning behind the IFP's relentless struggle for federalism, and our refusal to participate in the April elections until our federalist demands have been addressed. Our first priority is democracy, not political power. Our sole motivation in our fight for federal demands to be constitutionally entrenched, is to protect the citizens of this country, not to protect our seats in a future Cabinet.

I would be reneging on my role as a responsible leader in South Africa - answerable to millions of hungry, impoverished people - if I were to go along with the notion of Constituent Assembly, elected in farcical elections in the current climate of chaos and violence, allowing such a body to decide on the boundaries,

powers, functions and structures of our region. This would bring the ANC to government in a constitutional framework which preserves the unitary state, and provides no effective guarantees against any abuse of power, but would rather prolong the hopeless state of many of our townships today.

There is enough poverty and despair in South Africa to warrant the establishment of a just and equitable constitution with utmost urgency. A two-phase process for the drafting of a final constitution and for the election of a final government, as proposed by the ANC and the South African Government, which incorporates a lengthy period of transition, will only serve to prolong the misery of my people and increase the possibility of the abuse of state power.

We believe that the 1993 interim constitution in its present form would lead the people of South Africa into an election in a divided, unhappy society where the just demands for self-determination from people and groups throughout the nation have been totally ignored.

It is therefore imperative that all representative parties make their stand now, and resist all attempts by the government and the ANC to establish a unitary state ruled by a majority government which offers no protection to people in the regions. The hope for true federalism in South Africa would be dashed if provisions for a federal government arrangement were not entrenched before the elections. The only way our country could dilute oppressive central rule would be to make provision for



regional governments with their own constitutions, fixed powers, boundaries and functions, which could only be changed by procedures laid down beforehand which ensures that the regions decide for themselves.

Our protest would be strengthened considerably with a combined voice of foreign investors and developers. Now, before it is too late, our country will be relying on you to put pressure on the ANC and the Government to stop the destructive processes at play.

I have called for a Special Conference of the IFP on January 29, and it is sincerely hoped that the message to my people can be one filled with hope and confidence in the current political process, so they we can take up our rightful place in the future

government of South Africa. My IFP negotiators are busy right now in serious deliberations with the ANC and government, in the hope of gaining their acceptance of our bottom line demands by the January 24 deadline. If not, we will have no alternative but to carry our struggle forward. Our final goal will, and always has been, democracy and justice for all!

-----0-----

\*5793

