

FOCUS

South Africa



South Africa 2007

The State of the Nation

This year marks the mid-term for the South African government under President Thabo Mbeki. In his recent State of the Nation address in Cape Town, the President therefore ventured a first evaluation. Two years into his second term, economic growth and employment, social cohesion and the fight against crime are on top of his agenda. The President was self-confident, but critical of his legacy and even full of humour.

“The message that our collective experience communicates to all of us is that, working together, we can and shall succeed in meeting the common objective we have set ourselves as a nation – to build a better life for all, in a country that no longer contains within it and represents much that is ugly and repulsive in human society... We are not there yet. But no one, except ourselves, shall ensure that this dream is realised. And so, let us roll up our sleeves and get down to work.”

Thabo Mbeki – State of the Nation Address 2007

Looking back

In front of parliamentarians, judges, party leaders, mayors, diplomats and traditional leaders, President Mbeki dared a first and critical evaluation of his second term in office. He quoted from his inauguration speech of 2004, wherein he had promised to increase investments and South African exports, to better support small and medium enterprises, to spend more on education, research and development and to find new means to handle the informal economy. He had announced a better social security network, to increase the access to water, electricity and sanitation as much as health and security for all citizens.

“For too long our country contained within it and represented much that is ugly and repulsive in human society. It was a place in which being born black was to inherit a lifelong curse. It was a place in which to be born white was to carry a permanent burden of fear and hidden rage,” Mbeki quoted from his own inauguration speech. South Africa had been a place, where, “to be safe was to be protected by high walls, electrified fences, guard dogs, police patrols and military regiments.” For these reasons the President had decided to focus on economic growth, employment and the fight against poverty in his work.

Economy and labour market

Already at the beginning of his speech Mbeki pointed out the successes of his economic policy. In the last two and a half years the South African economy has grown an average of 4,5 per cent, a record level since the introduction of democracy in 1994. Public and private investments have increased about 11 and 15,8 per cent respectively per year. Almost 1,5 million people found a new job between March 2005 and March 2006, and 300.000 jobs in the formal economy have been created, the President said. Exactly 27 per cent of the top-managers of JSE-listed companies are black.

Private consumption levels have reached a record high and show the healthy growth and increasing levels of wealth. Social security meanwhile reaches more than 11 million people in need, following estimations that 300.000 people received new homes through the

government’s housing programme. Since 2005 South Africa has fulfilled all the requirements of the United Nation’s Millenium Development Goals concerning the provision of its population with fresh drinking water, Mbeki said, underlining his successes by quoting from the actual report of the *United Nations Development Programme* (UNDP):

“South Africa has demonstrated how the human right to water can serve as a mechanism for empowerment and a guide to policy... Right-based water reform has enabled it to expand access and overcome the legacy of racial inequality inherited from apartheid.” These are the reforms the President wants to continue. Thabo Mbeki again pointed out his aims to provide all South Africans with fresh water by 2008, with sanitation by 2010 and with electricity by 2010. But he did not repeat his former promise to half unemployment by 2014.

More than once the President pointed out in his speech that he wants to “continue to confront these challenges so as to erase in our country that which is ugly and repulsive so that together we can speak of freedom and the happiness that comes with liberty.”

After he counted all his economic successes, he had a look at his own work’s deficits. Eight million people still have no access to clean water; even more are without electricity and sanitation. With the high consumer demand the number of indebted households has increased and the volatility of the South African currency, the *Rand* (ZAR), still troubles the economy. The state’s housing programme as well as the redistribution of land have been too slow. Indeed – although the level of literacy, of school attendance and children in higher education have increased, poverty and equal opportunities for all are still a big challenge.

The Fight against Crime

In the run up to his State of the Nation Address the President was heavily criticised for his stance on crime. In a television interview he called the high crime rates a problem of perception. So the media called him a “Denialist” (*The Mail & Guardian*) and even private companies like *First National Bank*, protested.

But Mbeki included crime in his speech and made confessions. He acknowledged that South Africa has a severe problem, when “communities live in fear, closeted behind walls and barbed wire, ever anxious in their houses, on the streets and on our roads, unable to freely enjoy our public spaces.” President Mbeki consciously chose the language of the people and acknowledged that robberies and murders have not been reduced to a desired number, and that rapes and the abuse of children reach intolerable levels. As a big surprise to most, he declared a new package of measures that includes the employment of another 30.000 police officers in the next three years, better training and remuneration and the increased use of high technology to fight crime. His government wants to expand the new evaluation system and use the freshly acquired forensic laboratories to create a national register of fingerprints. The work of the secret service, the border control and the courts shall be bettered, new prisons built and more to be done to prevent crime, he promised. With new statistics available from the *Community Survey* and the *National Income Dynamics Study*, the government wants to further understand more of the social dynamics in South African society.



President Thabo Mbeki

President Mbeki applauded his Vice-President, Phumzile Mlambo-Ngcuka, who heads the *Accelerated and Shared Growth Initiative* (ASGISA). The new strategy for more growth and employment focuses on sector relevant punctual interventions to attract more investments and more employment. Further Mbeki announced the new framework for his industrial policy to be ready and promised concrete measures in services, tourism, bio-fuels and chemistry. His government aims at presenting a new strategy for the mining, agriculture, pharmaceutical and social services sectors in the near future. It will increase investments in infrastructure and energy projects. Special attention will be given to the informal or second economy and a package of measures adopted to bring more people into regular jobs. This

package includes the support of small and medium enterprises, better access to micro-finance projects, the reduction of bureaucracy and an increased number of young people in the public service. Further Mbeki's government wants to conclude the reform of the social security system.

The President asked his people for more solidarity and wants to align contributions more with the salaries. “All South Africans will enjoy membership of a common, administratively efficient social insurance system, while those earning higher incomes will be able to continue contributing to private retirement and insurance schemes.” Further his government wants to subsidise low wages for new entrants to the labour market and for low-income earners. All women over 60 and men over 65 would be paid a 850 ZAR state pension. The pensions and grants currently paid to about 11 million people would continue, a social security tax would be introduced to finance basic retirement savings as well as death, disability and unemployment benefits. Further details will be presented by the Minister of Finance, Trevor Manuel, in his Budget speech. Finally President Mbeki applauded the partnerships in the fight against HIV/

AIDS and showed himself to be confident about the new “National Strategy for the fight against HIV/ AIDS and other sexually transmitted diseases.” He declared the intensification of all measures against a further spread of the pandemic.

Foreign Affairs

In his foreign policy President Mbeki praised the successful elections in the Democratic Republic of Congo (DRC), but he is concerned about the situation in the Sudanese Darfur region, in the Ivory Coast and in Somalia. He promised to accomplish the *African Peer Review Mechanism's* report on South Africa and to implement a resulting action programme this year,

Mbeki expressed himself very proud to have taken a seat in the United Nation's Security Council, although only as a non-permanent member and only for two years.

Reactions

This year's State of the Nation address surprised the media as much as the opposition parties. The biggest weekly, the *Sunday Times*, declared: "The people have spoken and this time the President listened." The *Mail & Guardian* wrote on its website: "Mbeki's Age of Hope has begun." Few people had expected that the President would comment on the problem of crime and nobody expected such clear words and an action plan.

Indeed the number of police staff per habitant in South Africa is already higher than what the *United Nations* (UN) suggests with a ratio of 1:400. But President Mbeki's intention to improve that ration even more, is comforting to the South African people and signals that the President cares about his people's fears. During the last year 18.000 people were murdered and an average of 151 women were raped daily.

Sunday Times editor Mondli Makhanya called the President's concessions "radical". Critics have already complained for a long time that Thabo Mbeki leads his country and his party in an autocratic way. Mbeki's statement had much in common with his speech from 2005. He praised his successful economic policy of macro-economic stabilisation, that focuses on a disciplined financial policy, growth, investments and exports.

But while huge wealth re-distribution effects are missing, unemployment is high and incomes vary greatly, making poverty a huge problem, Mbeki did not mention any change towards a developmental state. The rise of a black middle-class is a huge success. The

level of household incomes has increased through the rise of employment and salaries, social transfers and tax reductions. But consumption, property and incomes are still badly distributed and the majority of the population still enjoys very low purchasing power. Next to Brazil, South Africa has the highest level of inequality, the Gini-coefficient is at about 0,68. The richest 10 per cent of the population enjoy a level of consumption that is 70 times higher than that of the poorest 10 per cent of the population. Following numbers of the *United Nations AIDS-Programme* (UNAIDS) 34,1 per cent of the 48 million South Africans live on less than 2 US-Dollars a day.



Vice-President
Phumzile Mlambo-Ngcuka

The expansion and reform of the social security system and the introduction of an extensive, obligatory rent system can generally be praised but it can only contribute to a small extent, experts say. Although the President applauded his Vice-President for her engagement in the *Accelerated and Shared Growth Initiative* (ASGISA), she could not present many results. ASGISA was presented first in Mbeki's 2006 State of the Nation address and includes infrastructure programmes, sector investment strategies, training

and education initiatives, interventions into the informal economy, macroeconomic interventions and administrative reforms. This year Mbeki just repeated the measures and kept on presenting his industrial strategy.

He also talked about poverty and underemployment and turned towards concrete measures to handle the informal sector. The unions especially applauded this move, although the biggest Union, the *Congress of South African Trade Unions* (COSATU) was very critical.

"President Mbeki failed to announce a development strategy to address the economy's inherited structural deficiencies," COSATU said. "As a consequence of that failure, South Africa will take a lot more time to

address its unemployment, poverty, inequalities and the social ills related to this.” COSATU is in an alliance with the ruling *African National Congress* (ANC) and further the *South African Communist Party* (SACP). It often questions Mbeki’s facts and figures about the labour market and doubted the 1,5 million new jobs. “Most of the jobs created are low-quality jobs – casual and unsustainable forms of employment, concentrated in some of the most vulnerable sectors of the economy – wholesale and retail, construction and agriculture.” COSATU completely rejects the idea of low-wage subsidies, because this would “reward employers who underpay their workers and encourage them to get rid of these young workers as soon as the subsidy expires.”

The *South African Chamber of Business* (Sacob) “feels encouraged” by Mbeki’s infrastructure projects and his commitment to reduce bureaucracy. “The long and short term measures designed to eradicate poverty should assist in bringing together the ‘second’ and ‘first’ economies,” Sacob-president Deidre Penfold said. “In addition to the proposed social assistance measures, the intention to place emphasis on skills development and enhancement will be paramount for South Africa’s future economic success.”

The chairperson of the biggest opposition party, *Democratic Alliance* (DA), Tony Leon, called the speech a “bureaucratic list”. He has doubts that the suggested measures to reduce crime “will yield positive results”. Chairperson of the *Independent Democrats* (ID), Patricia de Lille, called the speech “predictable” and regrets that the president wants to solve the crime problem on his own. Most of the parties blamed Mbeki for not mentioning the corruption problems in the most important speech of the year.

Thirteen years after the end of apartheid the South African government is still far away from a more equal distribution of land. Although in 1994 the ruling party *African National Congress* (ANC) had promised to give at least 30 per cent of all arable land into black hands up to 2005, the time-limit was extended to 2014 and Minister of Land Affairs, Lulama Xungwana’s course is still unclear. And President Mbeki was not very concrete on the subject in his speech either. COSATU is already asking for the Minister’s dismissal. “We urge the

President to use more his prerogative to employ and fire Ministers to ensure that he, in the most unfactionalist fashion, deals with non-performers,” COSATU said and alluded to the second controversial head in the cabinet, Health Minister Manto Tshabalala-Msimang.

Whether President Mbeki will underline the turnaround in his AIDS-policy with a change of personnel remains to be seen. Between five and six million South Africans are HIV-positive, and 1.000 new infections occur on a daily basis. The number of AIDS deaths is still rising and only 200.000 people can be treated with the life-saving, anti-retroviral medication (ARV).

After the scandal at the World AIDS-Conference in Toronto, President Mbeki ordered Vice-President Phumzile Mlambo-Ngcuka to take the office and has put her at the head of the National AIDS Council. Due to health problems Health Minister Manto Tshabalala-Msimang has had to take a break. Mlambo-Ngcuka declared a reform of the National AIDS-Council and approached the non-governmental organisations that are active in the field of AIDS, again. For the first time she acknowledged mistakes in the government’s policy and presented a draft for a “National Strategy for the fight against HIV/AIDS and other sexually transmitted diseases.” The plan actually signifies a complete turnaround in the South African AIDS-policy and should be completed in March. President Mbeki said in his speech that his government wants to intensify its efforts in the fight against the pandemic but had only little attention for the subject.

Conclusion

In the next weeks the Ministers will present their concrete plans for the year 2007. At the end of February the Minister of Finance will announce his budget plans. Thabo Mbeki surprised with the choice of his topics. The fight against crime, the introduction of a new social security system and the commitment to handle the informal economy, gave new hope to many of his critics. But soon it will be about concrete steps – the President has only two years left to achieve justice and better living conditions for all next to economic growth and stability. ■

Editorial

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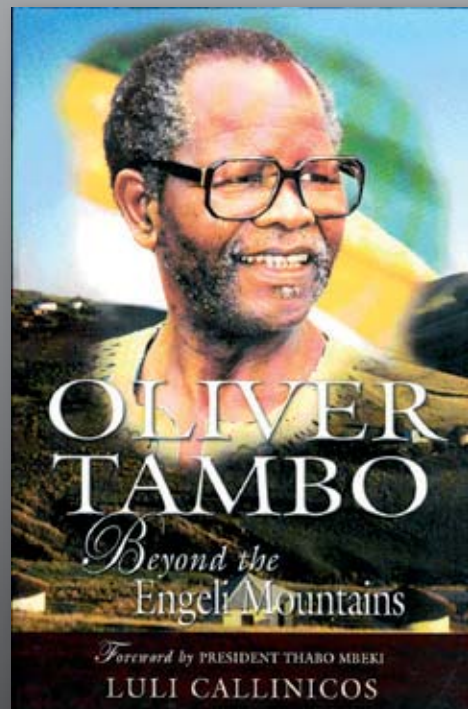
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