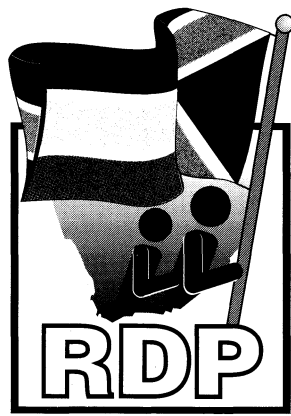




RDP

WHITE PAPER

**DISCUSSION
DOCUMENT**



CONTENTS

PREAMBLE	i
PREFACE 1.....	1
1. INTRODUCTION.....	4
1.1 What is the Reconstruction and Development Programme (RDP)?...	4
1.2 Why do we need an RDP?	4
1.3 The six basic principles of the RDP.....	6
1.4 The programmes of the RDP	7
1.5 The RDP White Paper: A government strategy for fundamental transformation	11
2. GOVERNMENT AND THE RDP.....	12
2.1 Introduction	12
2.2 National Government RDP structures	12
2.3 The RDP Fund	16
2.4 Presidential Projects	17
2.5 Transformation plans	19
2.6 Provincial Government and the RDP	20
2.7 Local Government and the RDP	22
2.8 Programme review: Redirecting resources	23
3. THE ECONOMIC POLICY FRAMEWORK	24
3.1 Introduction	24
3.2 Economic policy goals and objectives	24
3.3 An economic policy strategy.....	26
3.4 Economic growth prospects	28
3.5 Investment policy	29
3.6 Industrial policy.....	30
3.7 Trade policy	31
3.8 Competition policy.....	32
3.9 Monetary and financial policy.....	33
3.10 Small and medium-sized enterprises.....	33
3.11 Labour market and human resource development	34
3.12 Welfare	35
3.13 Science and technology policy	35
3.14 Tourism	36

3.15	Corruption	36
3.16	Public enterprises	36
4.	FISCAL POLICY AND THE BUDGET	37
4.1	Introduction	37
4.2	The budgetary process.....	37
4.3	Taxation.....	38
4.4	Intergovernmental fiscal relations.....	39
5.	PUBLIC SECTOR RESTRUCTURING.....	40
5.1	Introduction	40
5.2	Creating a broadly representative public service	40
5.3	The RDP Fund and public sector restructuring.....	41
5.4	Rationalisation in the public service	41
5.5	Revision of existing legislation and regulations.....	41
5.6	Affirmative action.....	42
5.7	The Public Service Training Institute.....	42
5.8	Productivity gains.....	43
5.9	Freedom of Information Act	43
5.10	Industrial relations	43
6.	CONSULTATIVE PLANNING FRAMEWORKS.....	44
6.1	Introduction	44
6.2	National Strategic Framework for the RDP and the Budget	44
6.3	Business planning process	45
6.4	National sectoral and provincial policy-making	46
7.	CONSULTATION, PARTICIPATION AND CAPACITY-BUILDING	48
7.1	Introduction	48
7.2	RDP task teams	48
7.3	The National Economic, Development and Labour Council	48
7.4	Sectoral forums	49
7.5	Provincial and local consultation	49
7.6	Capacity-building for effective participation.....	49
7.7	Empowerment of women, youth, rural and disabled people.....	51
8.	CONCLUSION; A NATIONAL CONSENSUS	53
	Annexure One: Lead Projects.....	55

PREAMBLE

Our country is going through a profound transformation at all levels of government and society to ensure the implementation of the RDP.

At the heart of the Government of National Unity is a commitment to effectively address the problems of poverty and the gross inequality evident in almost all aspects of South African society. This can only be possible if the South African economy can be firmly placed on the path of high and sustainable growth.

The interdependence of the objectives of reconstruction and development on the one hand, and growth on the other is now widely accepted, not only within the Government and the Parliament, but indeed throughout South African society. Achieving these objectives will require a national effort from all groups, sectors and communities.

This White Paper on the RDP sets out the initial plans of the Government to orientate its activities fully and effectively towards these goals.

The Government is fully committed to macro-economic policies which promote the RDP as an integrated and coherent growth and development strategy.

- The Government is firmly committed to the gradual reduction in the fiscal deficit, thereby avoiding the debt trap.
- To this end, the Government intends to ensure that recurrent government expenditure does not increase in real terms.
- A further commitment is to reduce government dissaving over time.
- The Government is committed to changing the ratio of government spending towards increased capital expenditure.
- The Government is committed to financing the RDP primarily through restructuring the national, provincial and local government budgets to shift spending, programmes and activities to meet RDP priorities.
- The Government will reorganise and train the civil service to ensure effective and efficient services to all citizens and progressive cost savings.
- The Government will develop our human resources, facilitate labour market reform and establish effective collective bargaining-based rights for all.

All the above measures are essential if we are to succeed in attaining the objectives contained in the RDP.

This transformation will permeate every level of government, every department, and every public institution. The Government's RDP activities therefore should not be seen as a new set of projects, but rather as a comprehensive redesign and reconstruction of existing activities. Growth and development are more than interdependent. They are mutually reinforcing. Addressing inequalities will expand markets at home, open markets abroad and create opportunities to promote representative ownership of the economy. The expansion of the South African economy will raise state revenues by expanding the tax base, rather than by permanently raising tax rates.

To succeed in both areas of endeavour the Government will need active partnership with civil society, and with business and labour in particular. While both business and labour have the freedom in a democratic South Africa to protect and promote their immediate interests, it is the Government's fervent hope that they will jointly pursue the broader challenges of extending opportunity to the millions of adult South Africans who can currently find no place in the formal economy .

The soon to be established National Economic Development and Labour Council will provide a process of engagement between government, business, labour and other groups in civil society where a commitment to common goals can be turned into collective action in concrete programme.

The Government believes that the publication of this White Paper is an important step in establishing the dialogue in which all South Africans will take part to build a better society and economy for all, and to build our nation.

Our people have elected us because they want change. Change is what they will get. Our people have high expectations which are legitimate. While the Government cannot meet all these needs overnight, we must put firmly into place the concrete goals, timeframe and strategies to achieve this change.

I thank all South Africans sincerely for the confidence they have placed in the Government of National Unity and the pledge to do all in our power to deliver the goods and services our people want.

A handwritten signature in black ink, appearing to read 'Mandela', written in a cursive style.

Dr Nelson Mandela
President

WHITE PAPER

ON RECONSTRUCTION AND DEVELOPMENT

GOVERNMENT'S STRATEGY FOR FUNDAMENTAL TRANSFORMATION

September, 1994

PREFACE

My Government's commitment to create a people-centred society of liberty binds us to the pursuit of the goals of freedom from want, freedom from hunger, freedom from deprivation, freedom from ignorance, freedom from suppression and freedom from fear. These freedoms are fundamental to the guarantee of human dignity. They will therefore constitute part of the centrepiece of what this Government will seek to achieve, the focal point on which our attention will be continuously focused. The things we have said constitute the true meaning, the justification and the purpose of the Reconstruction and Development Programme, without which it would lose all legitimacy.

– President Nelson Mandela in his

Inaugural Address to a Joint Sitting of Parliament, 24 May 1994

- 0.1 South African society is in need of transformation and renewal; the Government of National Unity (GNU) is preparing to give direction to this process by way of a new framework for governance. This new approach to the way we run the Government must set a shining example for the restructuring of the rest of our society. It will be a long and arduous process, but will accomplish a fundamental transformation nonetheless. Such renewal is a vital precondition for moving forward, following centuries of oppression and decades of formal apartheid.
- 0.2 The policy framework behind the renewal which transforms society is the Reconstruction and Development Programme (RDP). The RDP offers our country a unique opportunity to bring about renewal, peace, prosperity, reconciliation and stability. It is the product of ongoing consultation and it enjoys widespread support from all sections of our society. It has been adopted and supported by all political parties in the GNU and in Parliament, and by all sectors of our society. It is rare for a new government to have a coherent vision. It is even more unusual for that vision to be supported by a national consensus.

- 0.3 This White Paper on the RDP sets out a framework for the renewal of society through the Government's own RDP-related reforms. It explains not only how the Government is beginning to implement the RDP, but how in so doing it will expand the process of consultation and participation. To illustrate, in response to the invitation of the Minister without Portfolio, scores of submissions on the RDP White Paper were made in the weeks following the election. They came from different offices of the Government, parastatal agencies, multiparty forums, development institutions, organisations of civil society, business organisations and individuals. All were constructive and have been taken into consideration in the drafting of the RDP White Paper.
- 0.4 President Mandela defined the original RDP document as representing 'the end of one process and the beginning of another.' The original document is considered the basic starting point for the RDP White Paper; in the text it is referred to as the RDP 'Base Document'. The Base Document underpins the approach to reconstruction and development of the GNU.
- 0.5 However, the RDP must now be translated into an actual programme of the Government. The White Paper begins this task by setting out strategies for the implementation of the RDP. It also makes reference to a set of programmes adopted by Ministries, departments and all levels of government which begin to take the RDP forward.
- 0.6 The RDP White Paper establishes a policy-making methodology and outlines government implementation strategies within the framework provided by the Base Document. This allows for a coherent and considered process to unfold and – through the proposed reporting and monitoring system – provides for a meaningful evaluation of government performance, as well as of the performance of all of those agencies and organisations from civil society involved in RDP activities.
- 0.7 While the White Paper is a policy statement of the Government, it also indicates how businesses, unions, community groups and civic associations, non-governmental organisations (NGOs), women's and youth organisations, and other groups within civil society can participate and contribute to the realisation of the objectives of the RDP. Such participation is fundamental to the success of the RDP. To facilitate a common understanding, the Introduction to the RDP White Paper restates and updates the basic strategic and programmatic approach of the RDP.
- 0.8 This RDP White Paper is therefore a further contribution to the renewal of our society. It states forthrightly what our country's citizens can expect of their Government in the RDP's implementation. It gives directives to government officials and personnel to follow in a variety of areas crucial to the RDP's successful realisation. It recommitments the Government and indeed society as a whole to the task of improving the quality of life of all South Africans within the shortest possible time. It does so with a strong sense of fiscal responsibility, or a need to pare back the Government in many areas while redirecting resources into those basic services long neglected. In short, it recommitments the Government to people-centred development.
- 0.9 It is through the RDP White Paper that the Government can now embrace and support so many of the other recent and *forthcoming contributions to the RDP* process, including official provincial government RDP documents, local authority RDP programmes and projects, and contributions of resources from across society.

The general willingness of society to adopt the RDP is not in question. What is needed now and what the RDP White Paper establishes, is a set of strategies so that together, we, the Government and the citizens of South Africa can renew, reconstruct and develop our great country.

- 0.10 This White Paper will be followed by a second White Paper in March 1995 which -
 - evaluates progress with implementation
 - sets out detailed policies for economic growth and other areas of the RDP.
- 0.11 This document is Government's White Paper and it reflects Government's policy. However, it has not yet been adopted by Parliament in order to allow further discussion and debate. Public hearings will take place during October and the finalised document will be tabled in Parliament for adoption.

CHAPTER ONE

INTRODUCTION

1.1 What is the Reconstruction and Development Programme?

- 1.1.1 The Reconstruction and Development Programme (RDP) is an integrated, coherent socio-economic policy framework. It seeks to mobilise all our people and our country's resources toward the final eradication of the results of apartheid and the building of a democratic, non-racial and non-sexist future. It represents a vision for the fundamental transformation of South Africa. That integrated process of transformation must ensure that the country
- develops strong and stable democratic institutions and practices characterised by representativeness and participation
 - becomes a fully democratic and non-racial society
 - becomes a prosperous society, having embarked upon a sustainable and environmentally friendly growth and development path
 - addresses the moral and ethical development of society.
- 1.1.2 We pursue these goals because we seek to comprehensively changes our lives. The RDP is not an add-on programme. The purpose of transformation is to create a people-centred society which measures progress by the extent to which it has succeeded in securing for each citizen liberty, prosperity and happiness.
- 1.1.3 By its nature, this process of renewal, indeed of the birth of a nation, can only succeed if it involves the people themselves in the act of creation, as voluntary participants in the advancement towards the realisation of these goals they have themselves helped to define.
- 1.1.4 In this spirit, the RDP has developed through a process of consultation and joint policy formulation which will continue as the RDP is developed into an effective programme of the Government. Organisations within civil society will be encouraged by the GNU to be active in and responsible for the effective implementation of the RDP.
- 1.1.5 This inclusive approach to developing and implementing policy is unique in South Africa's political history. The GNU is capable of unifying a wide range of social movements, community-based organisations, and numerous other sectors and formations so that widespread and broad-based extra-parliamentary support for the RDP will continue to grow.

1.2 Why do we need an RDP?

- 1.2.1 Our history has been a bitter one dominated by colonialism, racism, apartheid, sexism and repressive labour policies. The result is that poverty and degradation exist side by side with modern cities and a developed mining, industrial and commercial infrastructure. Our income distribution is racially distorted and ranks as one of the most unequal in the world. Women are still subject to innumerable

forms of discrimination and bias. Rural people are marginalised. Throughout, a combination of lavish wealth and abject poverty characterises our society.

- 1.2.2 The economy was built on systematically enforced racial division in every sphere of our society. Rural areas were divided into underdeveloped bantustans and well-developed, white-owned commercial farming areas. Towns and cities were divided into townships without basic infrastructure for blacks and well-resourced suburbs for whites. Segregation in education, health, welfare, transport and employment left deep scars of inequality and economic inefficiency. Violence has had a devastating effect on our society and the need to restore peace and a sense of community security, as well as the prevention of domestic violence, is paramount.
- 1.2.3 In commerce and industry, very large conglomerates dominated by whites control large parts of the economy. Cheap labour policies and employment segregation concentrated skills in white hands. Our workers are poorly equipped for the rapid changes taking place in the world economy. Small and medium-sized enterprises are underdeveloped, while highly protected industries underinvested in research, development and training. The informal sector and 'survival sector' include many of South Africa's women workers, who are underpaid and exploited.
- 1.2.4 The result is that in every sphere of our society – economic, social, legal, political, moral, cultural, environmental – South Africans are confronted by serious problems.
- 1.2.5 Against these great odds our people have now achieved a remarkable political transition. All parties in the National Assembly have committed themselves to the RDP objectives. In a common effort, we can begin to rebuild and stabilise our society.
- 1.2.6 At the same time, the challenges facing South Africa are enormous. Only a comprehensive approach to harnessing the resources of our country can reverse the crisis created by apartheid. Only a thorough-going effort to harness the life experiences, skills, energies and aspirations of the people can lay the basis for a new South Africa.
- 1.2.7 No political democracy can survive and flourish if the majority of its people remains in poverty, without land, without their basic needs being met and without tangible prospects for a better life. Attacking poverty and deprivation will therefore be the first priority of the democratic Government.
- 1.2.8 How can we do this successfully? A programme is required that is achievable, sustainable and meets the objectives of freedom, and an improved standard of living and quality of life for all South Africans within a peaceful and stable society characterised by equitable economic growth.
- 1.2.9 The RDP is designed to be such a programme. In struggling to meet the RDP's objectives we face many obstacles. We are setting ourselves a great challenge. Not every expectation will be realised and not every need will be met immediately. The RDP provides the framework within which choices can be made, and within which needs can be matched with affordability and factors constraining our ability to supply. The RDP involves both the Government and the people in identifying needs and the obstacles to satisfying those needs, and will involve both

in jointly implementing realistic strategies to overcome these obstacles. The RDP is an expression of confidence in the wisdom, organisational abilities and determination of our people.

1.3 The six basic principles of the RDP

- 1.3.1 The challenge facing the Government is to facilitate and give content to the six basic principles of the RDP. It is the combination of these principles that ensures a coherent programme.
- 1.3.2 First, we require an integrated and sustainable programme. The legacy of apartheid cannot be overcome with piecemeal, uncoordinated policies. The RDP brings together strategies to harness all our resources in a coherent and purposeful effort that can be sustained into the future. These strategies will be implemented at national, provincial and local level by the Government, parastatals, business and organisations within civil society all working within the framework of the RDP. All levels of government must pay attention to affordability given our commitment to fiscal discipline and to achievable goals.
- 1.3.3 Second, this programme must become a people-driven process. Our people, with their aspirations and collective determination, are our most important resource. The RDP is focused on people's immediate needs and it relies, in turn, on their energies. Irrespective of race or sex, or whether they are rural or urban, rich or poor, the people of South Africa must together shape their own future. Development is not about the delivery of goods to a passive citizenry. It is about active involvement and growing empowerment. In taking this approach the Government will build on the many forums, peace structures and negotiations that our people are involved in through the land. The Government therefore commits itself to maximum transparency and inclusivity.
- 1.3.4 Third, this programme and this people-driven process are closely bound up with peace and security for all. Promoting peace and security will involve all people. It will build on and expand the national drive for peace and combat the endemic violence faced by communities in South Africa, with special attention to the various forms of violence to which women are subjected. To begin the process of reconstruction and development the Government will now establish security forces that reflect the national and gender character of our country. Such forces will be non-partisan, professional, and uphold the Constitution and respect human rights. They will assist our society in developing a different, demilitarised ethic. The judicial system will reflect society's racial and gender composition, and provide fairness and equality for all before the law. Peace and political stability are also central to the Government's efforts to create an enabling environment to encourage investment. The Government also will not tolerate the taking of hostages nor the wilful vandalization or destruction of property. Decisive action will be taken to eradicate lawlessness, drug trafficking, gun running, crime and especially the abuse of women and children.
- 1.3.5 Fourth, as peace and security are established, we will be able to embark upon nation-building. The success of the electoral process and the establishment of the GNU have set us on the road to nation-building. The commitment of all parties in the National Assembly to the RDP and the preparedness of important parties

that stayed out of the election to begin a dialogue, hand in hand with the consolidation of peace and security, are all contributing to the task of nation-building. We are a single country, with a single economy, functioning within a constitutional framework that establishes provincial and local powers, respect and protection for minorities, and a process to accommodate those wishing to retain their cultural identity. It is on the basis of our unity in diversity that we will consolidate our national sovereignty.

- 1.3.6 Fifth, nation-building links reconstruction and development. The RDP is based on the notion that reconstruction and development are parts of an integrated process. The RDP integrates growth, development, reconstruction, redistribution and reconciliation into a unified programme. The key to this link is an infrastructural programme that will provide access to modern and effective services such as electricity, water, telecommunications, transport, health, education and training for all our people. This programme will both meet basic needs and open up previously suppressed economic and human potential in urban and rural areas. In turn, this will lead to an increased output in all sectors of the economy, and by upgrading our infrastructure and human resource development we will also enhance export capacity. For this process to be effective, attention will be paid to those economic factors inhibiting growth and investment and placing obstacles in the way of private sector expansion. Success in linking reconstruction, development and growth is essential if we are to achieve peace and security for all.
- 1.3.7 Sixth, these first five principles all depend on a thorough-going democratisation of South Africa. Minority control and privilege in every aspect of our society are the main obstruction to developing an integrated programme which will unleash all the resources of our country and fundamentally change the way that policy is made and programmes are implemented. Above all, the people affected must participate in decision-making. Democratisation will begin to transform both the State and civil society. Democracy is not confined to periodic elections. It is, rather, an active process enabling everyone to contribute to reconstruction and development. The Government, with its institutions and activities, has to be reviewed and restructured to fit the priorities of the RDP. Here, especially, there is no 'business as usual'.
- 1.3.8 These principles of the RDP require clearly identified and substantiated integrated goals. They require organised structures which can ensure coordinated action. They require a socially accepted standard of measure by which society can judge whether and what progress is being made towards the phased achievement of the goals. These principles must inspire the whole of society to accept that their individual and collective welfare is best served by enthusiastic pursuit of the goals and programmes of the RDP.

1.4 The programmes of the RDP

- 1.4.1 The five key programmes envisaged in the RDP Base Document – Meeting Basic Needs, Developing our Human Resources, Building the Economy, Democratising the State and Society, and Implementing the RDP – will be implemented by the GNU which has a complex division of labour. Both the

vertical divisions of the Government (especially national departments) and the horizontal divisions (Provincial and Local Governments) are either undergoing reorganisation or are being established, and in many cases both processes are being carried out simultaneously. Since the RDP is designed and conceived of as an integrated programme it is in itself a challenge to the coordinating abilities of the Government. This challenge is made more difficult by the need to reorganise and establish structures within the Government. The coordinating structures are dealt with more fully elsewhere in the RDP White Paper.

- 1.4.2 The five sections of the RDP Base Document provide the broad objectives and are a guide to action, and a basic checklist of performance for all participants in the RDP. Accordingly, a brief statement of the objectives in each of those programmes is valuable.
- 1.4.3 In Meeting Basic Needs, our people should become part of the decision-making process on job creation, land reform, housing, services, water and sanitation, energy, telecommunications, transport, the environment, nutrition, health care, social security and social welfare. They should therefore help to decide where infrastructure is located, be employed in its construction, and be empowered to participate in the management and administration of large-scale developments. These major infrastructural programmes should stimulate the economy through increased demand for materials such as bricks and steel, appliances such as television sets and washing machines, and many other products. In addition, the industrial sector should develop new, more efficient and cheaper products to meet basic needs.
- 1.4.4 In Developing our Human Resources, our people will be involved in the decision-making process, implementation, new job opportunities requiring new skills, gaining rewards for existing skills previously unrecognised, and in managing and governing our society. This will empower them, but can only succeed if there is also an appropriate education and training programme. The RDP deals with education from primary to tertiary level and from child care to advanced scientific and technological training. It focuses on young children, students and adults. It deals with training in formal institutions and at the workplace.
- 1.4.5 The underlying approach of these programmes is that education and training should be available to all. Life-long learning will be encouraged. The RDP takes a broad view of education and training, seeing it not only as something that happens in schools or colleges, but in all areas of our society – homes, workplaces, public works programmes, youth programmes and in rural areas. A key focus throughout the RDP is on ensuring a full and equal role for and recognition of women in every aspect of our economy and society. With this emphasis and with the emphasis on affirmative action throughout the RDP, we will unlock boundless energies and creativity suppressed by racism and discrimination. In training, particular attention is being paid to the challenges posed by the restructuring of our industries as we fully re-enter the world economy.
- 1.4.6 These challenges can only be met through the extensive development of our human resources. An arts and culture programme is set out as a crucial

component of developing our human resources. This will assist us in unlocking the creativity of our people, allowing for cultural diversity within the project of developing a unifying national culture, rediscovering our historical heritage and assuring that adequate resources are allocated. In these respects, RDP policy will be influenced by institutions such as the *Volkstaatraad* and others which represent the cultural interests of our diverse peoples. Because of apartheid and a shortage of facilities, sport and recreation have been denied to the majority of our people. Yet there can be no real socio-economic development without there being adequate facilities for sport and recreation in all communities. The RDP aims to ensure that all people have access to such facilities. Only in this way can all our people have a chance to represent their villages, towns, cities, provinces or country in the arena of sport and to enjoy a rich diversity of recreational activities.

- 1.4.7 The problems facing the youth are well known. If we are to develop our human resource potential, then special attention must be paid to the youth, in particular, young women. Our human resource policy should be aimed at reversing youth marginalisation by empowering youth and allowing them to reach their full potential. Programmes for training, education and job creation will enable our youth to play a full role in the reconstruction and development of our society.
- 1.4.8 This programme for the development of our human resources underpins the capacity to democratise our society, thus allowing people to participate on the basis of knowledge, skill and creativity.
- 1.4.9 In *Building the Economy*, we will identify our strengths and tackle our weaknesses. Mining, manufacturing, agriculture, commerce, financial services and infrastructure are well developed. At present we have a large surplus of electricity-generating capacity. These are strengths upon which we can build. However, so far they have not benefited all our people. A process of reconstruction is proposed to ensure that these strengths now benefit everyone.
- 1.4.10 We will also address serious weaknesses in our economy. There are still very clear racial and gender inequalities in ownership, employment and skills. Past industrial policies were an important factor in developing industry, but were also accompanied by repressive labour practices, neglect of training, isolation from the world economy and excessive concentration of economic power. The result is a low level of investment in research and development, low and inappropriate skill levels, high costs, low productivity and declining employment.
- 1.4.11 The economy also suffers from other barriers to growth and investment, such as government dissaving and a comparatively high proportion of our gross domestic product (GDP) absorbed in government consumption expenditure. Other barriers include falling rates of return, capital outflows, low exports and high import propensity, and stagnating productivity. Appropriate tax reforms and a review of exchange controls along with fiscal discipline are all being addressed in order to facilitate growth.
- 1.4.12 Central to building the economy is the question of worker rights. Past policies of labour exploitation and repression will be redressed and the imbalances of power between employers and workers corrected. The basic rights to organise and to strike will be entrenched. Negotiations and participative structures at national,

industry and workplace level will be created to ensure that labour plays an effective role in the reconstruction and development of our country. Negotiations have already commenced on reforms in collective bargaining and in the broader labour market to facilitate this.

- 1.4.13 In the world economy, the demand for raw materials including minerals has not grown rapidly and there is intense competition in the production of manufactured goods. The General Agreement on Tariffs and Trade (GATT) was recently updated to achieve substantial reductions in tariff levels. Our economy must adjust to these pressures if we are to sustain economic growth and continue to develop a large domestic manufacturing sector that makes greater use of our own raw materials and minerals.
- 1.4.14 A central proposal of the RDP is that we cannot build the South African economy in isolation from its southern African neighbours. Such a path would benefit nobody in the long run. If South Africa attempted to dominate its neighbours, it would restrict their growth, reducing their potential as markets, worsening their unemployment and causing increased migration to South Africa. If it seeks mutual cooperation, it can develop a large, stable market offering stable employment and common labour standards in all areas. Agreements on the Southern African Power Pool, entrance of South Africa into the SADCC, restructuring the Southern African Customs Union and cooperation on security, lay the basis for strengthening coordination.
- 1.4.15 The pressures of the world economy and the operations of international organisations such as the International Monetary Fund (IMF), World Bank and GATT, affect our neighbours and South Africa in different ways. In the case of our neighbours, they were pressured into implementing programmes with adverse effects on employment and standards of living. It is essential that we combine to develop an effective growth and development strategy for all southern African countries.
- 1.4.16 Next, if we do not succeed in Democratising the State and Society, the resources and potential of our country and people will not be available for a coherent programme of reconstruction and development. In linking democracy, development and a people-centred approach to government, we are paving the way for a new democratic order. The establishment of a single Public Service in South Africa enjoying equitable and common conditions of service is a major challenge facing the economy and the GNU. Important progress has already been made in this regard. Increasing the efficiency and productivity, improving management and reducing the size of the civil service are crucial in redirecting resources to the RDP priorities.
- 1.4.17 Finally, Implementing the RDP raises many challenges because it involves processes and forms of participation by organisations outside the Government that are very different to the old apartheid order. This White Paper deals mainly with proposals for coordinating and planning the implementation of the RDP.

1.5 The RDP White Paper: a government strategy for fundamental transformation

- 1.5.1 The structure of the main body of the RDP White Paper is meant to assist both personnel of the GNU and all South Africans who are taking an active role in the implementation of the RDP.
- 1.5.2 The RDP is a vision for the fundamental transformation in our society. It is the duty of the Government to manage this transformation. This is being done by the development of key medium and long-term programmes which incorporate the basic aims of the RDP and which allow for effective management. These programmes have been launched through Presidential Projects announced recently by the President in his speech opening the debate on the President's Budget Vote. The projects kick-start the implementation of the RDP Programmes and provide a useful learning experience to improve the implementation strategies in a dynamic manner.
- 1.5.3 The White Paper begins by outlining the role of the different levels of government in the RDP (Chapter Two). Next, an overview of government economic policies is provided to illustrate the enabling environment that will link growth, reconstruction and development (Chapter Three). The RDP White Paper then considers fiscal policy and the Budget (Chapter Four). The reorganisation of the public sector, particularly the Public Service and other government personnel, is then taken up (Chapter Five). Reorganisation can be facilitated through the adoption of rigorous planning frameworks (Chapter Six) which – in relation to civil society – enhance consultation, popular participation and capacity-building (Chapter Seven). Through implementation of the RDP in this manner, a national consensus will be reached. This consensus is critical to meeting basic needs, developing our human resources, building the economy and democratising the State and society. It is critical to the reconstruction and development of our society at this important point of our transition. Chapter 8 sets out conclusions and poses major challenges to government and civil society. Chapter Nine is an overview of short to medium term programmes of the departments of government. (To be finalised.)

CHAPTER TWO

THE GOVERNMENT AND THE RDP

2.1 Introduction

- 2.1.1 In implementing the transformation of society, the Government's first priority is to transform the way the Government itself operates. This lays the groundwork for the involvement of other sectors of society. Coordinated, efficient, transparent and consultative government is a basic premise of the RDP.
- 2.1.2 The Government will take the lead role in implementing the RDP, but with clear criteria so that all citizens can become involved in implementation and can monitor the Government's progress. Together, the Government and the people of South Africa will give renewed priority to the provision of goods and services to meet basic needs, develop our human resources, build the economy, and democratise the State and society.
- 2.1.3 This chapter of the RDP White Paper outlines the different roles of the Government. The 1993 Constitution provides for different levels of government at national, provincial and local levels, and allocates competencies and powers to each. When the final Constitution is adopted, these competencies and powers will set the parameters for the roles of different tiers of government over the coming years. It is anticipated, however, that every office of government, from the smallest village council to the largest national department, will have to be restructured to take forward the RDP.
- 2.1.4 The Government, through a process of consultation with various stakeholders and the different tiers of government has identified the following programmes as the key medium and long-term programmes to drive implementation of the RDP:
 - meeting basic needs – urban and rural development
 - human resource development
 - democratisation and institutional reform
 - economic restructuring
- 2.1.5 These programmes relate closely to the major principles set out in the RDP Base Document. The programmes will include projects that are carefully identified and selected, compilation of project business plans, performance monitoring to support and ensure compliance with project business plans, and reporting of salient information.

2.2 National Government RDP structures

- 2.2.1 The National Government will set the broad objectives of the RDP and together with the Provincial and Local Governments will provide a policy and regulatory framework to facilitate its implementation at provincial and local level. It is setting up RDP funding processes in the context of sound fiscal policies. It will provide research, monitoring, statistical, auditing and performance assessment

for the RDP. It will facilitate intergovernmental consensus, and will restructure and reorientate the Public Service towards the goals of the RDP. A variety of structures are already being formed to carry out these objectives.

- 2.2.2 The President is leading the transformation and renewal of our society, and is responsible for the overall coordination of the RDP.
- 2.2.3 The Special Cabinet Committee on the RDP comprises Ministers from the departments responsible for policy formulation and implementation of the RDP is coordinated by the Minister without Portfolio. The Special Cabinet Committee will
- assist in formulating RDP policies and strategies
 - ensure interdepartmental and intergovernmental cooperation
 - set goals, targets and priorities
 - develop an institutional framework and change management strategy including performance monitoring
 - ensure adequate funding of programmes
 - monitor and evaluate progress with implementation
 - coordinate the preparation of RDP-related legislation.
 - link RDP planning to the Budget process
 - establish a poverty-monitoring and information management system.
- 2.2.4 A Core Committee – constituted by the Ministers, Deputy Ministers and Directors-General of Finance and State Expenditure, Public Administration, Constitutional Development, Public Works and the Office of the President – supports the work of the Special Cabinet Committee.
- 2.2.5 Within Parliament, the Standing Committee on the RDP will
- provide input on RDP policy and strategy
 - receive and review reports and plans
 - provide a direct link between the Government and the grassroots in the implementation of the RDP through their constituency work
 - conduct public hearings on key aspects of the RDP
 - evaluate progress with implementation, in consultation with the Standing Committees responsible for other departments
 - review and promote RDP-related legislation.
- 2.2.6 The Minister's Annual Report on the RDP will be submitted to the Standing Committee in conjunction with the Annual Budget Review. The Annual Report will set out RDP programmes and projects, and their successes and failures. It will assist in cementing the relationship between the RDP and the Budget (which is the expression of the Government's priorities and should thus conform to the priorities of the RDP). This review will better enable Parliament and the public to

judge the way in which the Government has used the funds voted in the Budget and focus Budget debates more clearly on RDP priorities.

- 2.2.7 Other Standing Committees with jurisdiction over RDP implementation will have similar rights and responsibilities, particularly with respect to the budgetary process and performance monitoring. Parliamentarians also have a vital role in RDP implementation and monitoring, and their ability to fuse the concerns of local constituencies with the process of governance will become more and more important as the RDP is tested on the ground. Like all other institutions of government, Parliament should review its activities, structures and rules in order to advance the RDP. Significant progress has already been made in this respect.
- 2.2.8 The Minister without Portfolio has convened task teams to build interdepartmental and intergovernmental cooperation around the implementation of the RDP. These task teams comprise representatives of appropriate national departments, Provincial Administrations and parastatals, with the assistance of technical experts and representatives of appropriate organisations of civil society. The task teams' briefs are to
- facilitate cooperation and integration of planning and implementation between government departments and with all levels of government
 - develop methodologies to facilitate policy-formulation
 - advise on implementation of programmes
 - monitor the implementation and impact of integrated strategies
 - advise the Special Cabinet Committee on the RDP on strategic priorities.
- 2.2.9 Interdepartmental Task teams have been established in the following areas and others are being created as necessary:
- human resource and capacity development
 - urban development
 - rural development.
- 2.2.10 The Cabinet is also establishing a Committee of Ministers on Economic Issues to develop a growth strategy. The Working Group preparing for the establishment of the National Economic, Development and Labour Council (NEDLC) has proposed that the committee be comprised of the Ministers of Trade and Industry, Finance, Public Works, Labour, Science and Technology, Mineral and Energy Affairs and the Minister without Portfolio. The Cabinet will finalise the committee, and this committee will work closely with the NEDLC.
- 2.2.11 Under the Minister without Portfolio's Development Planning Branch, several existing planning and information bodies will be restructured into a core policy and planning capacity. This will include the Central Economic Advisory Services (CEAS), the Central Statistical Service (CSS), the National Productivity Institute (NPI), among others. In the process of restructuring the role and function of these bodies will be reformed in line with RDP and constitutional requirements. With a leaner, but more coordinated system of information-gathering and planning, the Development Planning Branch will support the Government, its

agencies and other institutions in development planning and change management strategies, as well as setting out a draft urban development policy and draft rural development policy. This will occur in consultation with interdepartmental RDP task teams, Provincial and Local Governments, the civic movement and organised business. The Development Planning Branch will aim to have completed an initial draft for submission to the RDP Special Cabinet Committee, the RDP Parliamentary Standing Committee and the NEDLC by March 1995. Such policy frameworks are essential contributions to a national development strategy.

- 2.2.12 Procedures are being developed by the Public Service Commission, the Commission on Provincial Government and line function departments to access and possibly rationalise the policy capacity of parastatal institutions. All these agencies will provide support to national line function departments and to other institutions involved in RDP implementation.
- 2.2.13 The RDP is implemented through the programmes of the national line function departments and particularly of Provincial and Local Governments. The RDP Office is not in competition with these departments. The Office of the Minister without Portfolio is not an implementing agency, nor are RDP coordinating structures in Provincial Government. Without detracting from emerging forms of cooperation amongst Ministries, the RDP Office will ensure effective management of the transformation process.
- 2.2.14 To this end, the Intergovernmental Forum has been established. This forum is to provide an opportunity for consultation and joint decision-making between Ministers representing the National Government and the Premiers of the respective provinces on any matter of mutual interest, including matters pertaining to the RDP. The forum will meet on a monthly basis, and is to be attended twice annually by the President and the Deputy Executive Presidents. The permanent members of the forum are the provincial Premiers, the Minister for Provincial Affairs and Constitutional Development, the Minister without Portfolio, responsible for the RDP and the Ministers of Finance and for the Public Service and Administration. The respective Ministers and Premiers are each to be assisted by their directors-general.
- 2.2.15 The Intergovernmental Forum is to be supported by the Intergovernmental Technical Committee, which comprises the Directors-General of the Departments of Constitutional Development (as chairperson), State Expenditure, Finance, Office of the Minister without Portfolio, Office of the Public Service Commission and Justice, as well as those of the nine Provincial Administrations. This forum will assist the Intergovernmental Forum on technical matters and is, like the Intergovernmental Forum, a crucial structure to promote coordinated decision-making and cooperation regarding the RDP at intergovernmental levels.
- 2.2.16 A number of Ministerial Forums between national Ministers responsible for Schedule 6 functions and their provincial counterparts have also been established. These forums, who will also be supported by their respective technical committees consisting of senior officials of the provincial and national line function

departments, can also play a crucial role with regard to the RDP as their briefs include cooperation on

- policy and strategy formulation and implementation
- the coordination of legislation
- the efficient and effective employment of resources
- the transfer of information
- national norms and standards governing the performance of these functions.

2.2.17 The interaction between the Financial and Fiscal Commission which advises on the fiscal transfers and financial arrangements to support those strategies, and the Commission on Provincial Government, will be crucial to ensure that all levels of government are working in harmony to implement the RDP.

2.3 The RDP Fund

2.3.1 The RDP Fund is vital for both the reform of the Government and the implementation of the RDP. It is established in terms of the RDP Fund Act of 1994, and is administered by the Minister without Portfolio. Allocation of funds is controlled by the Minister without Portfolio. The goals of the fund are to start the key programmes of the RDP, to leverage the entire Budget to the new priorities, to encourage institutional reform and to facilitate the restructuring of the public sector. In particular, the RDP Fund will assist the Government in directing expenditure away from consumption and towards capital investment.

2.3.2 There are several sources for the RDP Fund. First, the fund will initially draw its resources from money appropriated by Parliament for the fund through savings by the departments. In the 1994/95 Budget R2,5 billion was allocated to the RDP Fund. This amount will increase to R5 billion in 1995/96 and will progressively increase to R10 billion in 1997/98 and R12,5 billion thereafter. Future decisions on RDP Fund allocations will be made on the basis of its effectiveness as a tool for RDP implementation. In effect therefore the RDP Fund consists of funds which have been removed from departmental allocations and can be reassigned to them subject to compliance with the new priorities. Leadership of Ministers and proper strategic planning by the departmental management will be encouraged to deliver on the objectives within the framework of the RDP Fund's priorities.

2.3.3 Second, the Government's receipt of international and domestic grant aid will be directed to the fund. The process of democratisation has normalised relationships with the international community, and allows access to the broadest possible international financial base. An interdepartmental committee has been established from the Departments of Finance, State Expenditure, Trade and Industry, Foreign Affairs and the Office of the Minister without Portfolio as well as the CEAS to consider the aid offers of donor nations and multilateral agencies. The committee will further investigate and negotiate with donors on the utilisation of aid for the funding of RDP programmes, with a view to optimising the use of grant aid and of concessionary finance as part of integrated funding packages for each programme. Major sectoral conferences are being held with donors to facilitate this process. Careful attention will be given to assessing both

the appropriate uses and applications of foreign support and conditions which attach to such funds. Where grant aid is utilised, care will be taken that grants used in RDP programmes are for once-off programmes and do not entail carry-through costs to be accommodated in departments' budgets in ensuing years, unless this has been included in forward planning. Where concessional loans are granted, care will be taken to assess the effective cost given currency depreciation. Donors have emphasised the need for coordination of aid and for clear priorities from the Government. The arrangements now adopted have been developed in consultation with them. It is expected that all departments and provinces will liaise with the interdepartmental committee in soliciting aid.

- 2.3.4 Third, the RDP Fund will benefit from interest earned from the investment of money standing to the credit of the fund.
- 2.3.5 Fourth, the RDP Fund will benefit from proceeds from the sale of state assets. The Government recognises that the location and composition of state assets may not be optimal and has begun an audit to dispose of those assets not relevant to the RDP.
- 2.3.6 Fifth, the RDP Fund will draw upon other sources of funds, including revenue from lotteries and gambling. These are potentially huge sources of revenue and a very high percentage of earnings should accrue to the programmes of the RDP.
- 2.3.7 Local Government is in the process of redirecting funds for utilisation within its total area of jurisdiction. The exact value of this redirection is not determinable at present, but over a period of years could represent a substantial amount of financial and human resources.

2.4 Presidential Projects

- 2.4.1 The programmes and processes of the RDP must lead to the initiation, management and completion of fundamental change in society. This transformation will happen over a period of time. The goals of the RDP, and the broader purpose of the RDP Fund, are to create and manage institutional reform and changes in the procedures and content of the Budget.
- 2.4.2 In his State of the Nation Address to Parliament on 24 May 1994, the President set out certain projects which would launch the delivery of the RDP in the first 100 days. The task teams in consultation with national departments and the Provincial Administrations then identified specific projects which could be initiated within the 100 days while at the same time launching the key programmes set out above. The projects chosen were required to conform with the following criteria:
 - high impact on the communities they serve
 - empowerment of these communities
 - economic and political viability and sustainability
 - job creation
 - provision of basic needs

- training and capacity development
 - affirmative action with respect to gender and race
 - visibility
 - transparency
 - potential to leverage funds from old priorities to new priorities by requiring departments to provide matching funds from their budgets and to carry all recurrent costs (other than in very exceptional cases, no recurrent costs will be funded)
 - some existing capacity to start implementation.
- 2.4.3 The projects have been approved by the Cabinet subject to two processes. First, there must be analysis of the carry-over and recurrent costs generated by the project. The Department of State Expenditure has analysed these costs and ensured that they can be accommodated by allocations from the RDP Fund, alternatively the Minister and accounting officer concerned must undertake in writing that funds will be found in future budgets of the relevant department. Such forward planning will be a prerequisite for all projects funded wholly or partly from the RDP Fund. This process has initiated changes in the budgeting process. In addition, projects must be implemented, without increasing staffing levels except in authorised exceptional circumstances.
- 2.4.4 Standard format business plans are being devised for each project. This is dealt with in more detail later and is intended to become a standard for all programmes of the Government at all levels.
- 2.4.5 The focus of the Presidential Projects is therefore on
- initiating changes in government spending priorities and utilisation of resources
 - launching long-term programmes
 - beginning delivery of concrete benefits to disadvantaged communities.
- 2.4.6 The Presidential Projects have already taught the following lesson:
- The RDP Fund is not intended to provide money for a selection of isolated projects. While they may be deserving in themselves, projects will only be funded from the RDP Fund if they have long-term implications for communities, and for the transformation strategy and programmes.
- 2.4.7 There probably remains a tendency amongst government officials and communities to view the RDP as merely a collection of large or small development projects. They therefore expect the relationship between themselves and the Minister without Portfolio and the Minister of Finance to be purely related to funding. As a result, many communities and all Provincial Governments are in the process of drafting their own RDPs with an external funding orientation in mind, whether from the RDP Fund or development aid.
- 2.4.8 This is commendable in so far as it unlocks creativity and political energy. The initiatives taken around the RDP at various levels are extremely encouraging.

However, in view of the very great constraints on the RDP Fund, it will clearly not be possible to finance from this source alone the vast majority of projects set out in local and provincial RDPs. The focus of local community RDPs must therefore focus on, among other things, the reform of local spending priorities, the allocation of resources including staff, the reform of local government practices, increased consultation, transparency and accountability, and improved service quality.

- 2.4.9 This transformation focus should also be the major concern of provincial RDPs. As a result, those development projects which are solely funded from external sources – whether from the RDP Fund or development aid – will be the exception. Most RDP-related projects will have to be funded either from existing funds of the Local or Provincial Governments or from the line function departments of the National Government. Some can be funded from the R250 million which has been allocated to the National Public Works Programme (NPWP) from the RDP Fund and the discretionary funds made available to the Provincial Administrations for this purpose from the RDP Fund (in total R100 million). Within its constraints, government will look more favourably on community projects to which the community makes significant contributions.
- 2.4.10 In particular, Provincial and Local Governments should be required to implement efficiency programmes, and to review all existing programmes and projects in the same way as is now expected of the National Government. In spite of this reorientation, it is clear that there is and will continue to be a huge shortfall in the funds which communities, Local and Provincial Governments, and national government departments regard as essential for their high-priority RDP-related programmes.

2.5 Transformation plans

- 2.5.1 All line function departments and provinces have been asked to prepare a five-year strategy to reorientate their programmes, improve their efficiency and enhance their use of resources consistent with the RDP. President Mandela commented in his 100-Days Speech of 18 August, 1994:

‘In line with the objectives of the RDP, we will, by the end of the year, require clear medium and long-term strategies from all departments and parastatal institutions on mechanisms of shifting their operations to meet the requirements of reconstruction and development.’

Difficult choices will have to be made to close programmes in order to redirect resources and staff to RDP priorities.

- 2.5.2 He continued, in his speech closing the Presidential Budget Vote debate on 21 August:

‘This means a new culture within the Government as a whole, to ensure hands-on management by the Ministers and the Office of the President. Yet we should constantly improve on this, to ensure that we do not allow...a sense of unguided drift at any level of Government...We [must] ensure constant monitoring and timely interventions where necessary to reorientate all departments to the major national tasks at hand. This includes a system of

regular reports from Ministries on the basis of guidelines dictated by reconstruction and development perspectives’.

- 2.5.3 In order to improve efficiency and the effective utilisation of resources, programmes must be based on clear business plans. These plans must provide for clear and measurable outputs, and for the assessment of performance by means of defined indicators. The structure and format of business plans as well as key performance indicators must ensure uniform performance appraisal. Indicators must be reported at the level of management, to enable management to assess its own compliance with the business plan. Key performance indicators which encapsulate the output from programmes are required to be reported regularly to the Minister responsible for each department.
- 2.5.4 High-level indicators which reflect more general progress of departments and broad programmes will be reported regularly to the President and the Cabinet. An annual evaluation of the RDP and the transformation process will be reported to Parliament, based on indicators which specify the results of all programmes funded from the Budget, with indicators of effectiveness and compliance with stated aims and goals. Indicators will be developed or adapted to allow, among other things, the reporting of issues such as transparency, accountability, affirmative action, accelerated development, empowerment of communities, freedom from fear of crime and repression, recreation, and educational development.
- 2.5.5 Implementation of transformation strategies is an extremely difficult management exercise. Departments will have to situate their strategies within short, medium and long-term goals and probabilities. A systematic business planning exercise for each Ministry, tier of government and parastatal institution will be facilitated, if required, by the Office of the President. Public enterprises and the private sector will also be requested to make expertise available to assist. As part of the preparation for a change strategy and a business plan, Ministries and institutions will be asked to define and agree on key performance indicators and reporting procedures to comply with the President’s instructions.
- 2.5.6 An Act, to be called the RDP Act, will be tabled in Parliament to set out the procedures which the Government and its agencies will follow in complying with this report. In particular, the Budget Review will be linked on a programmatic basis to the annual evaluation of the RDP, and will link RDP categories and programmes to those in the Budget for the purposes of the review and the evaluation. The government accounts will also be redrawn to allow evaluation of the progress of reconstruction and development.

2.6 Provincial Government and the RDP

- 2.6.1 South Africa is characterised by uneven development with extreme poverty in many parts of the country. Basic infrastructure is lacking in poorer areas of most provinces. In all provinces the spatial distribution of resources is extremely uneven. Each province should develop a strategy for implementing the RDP in the context of its particular circumstances.
- 2.6.2 Provincial Administrations and Legislatures have been encouraged to establish similar coordinating structures of Members of Executive Committees (MECs)

and of members of the Legislatures, and similar task teams to assist in the process of provincial and local delivery. All of the provinces have established responsibility for the RDP either in the Office of the Premier or in the Office of the MEC responsible for economic affairs.

- 2.6.3 In some provinces, non-statutory regional economic development forums and the statutory Regional Development Advisory Committees have merged, a process the Minister without Portfolio will encourage in all provinces so as to facilitate formal inputs to provincial RDP policy-making involving all stakeholders. These new statutory provincial bodies will be linked to the new statutory National Economic, Development and Labour Council to ensure consistent and coherent national and provincial policy formulation.
- 2.6.4 Provincial Governments will
- carry out RDP activities in accordance with their current responsibilities under the Constitution
 - introduce the necessary reforms to meet the conditions for the implementation and devolution of the RDP programmes
 - consult with local communities on RDP programmes
 - distribute untied funds to local communities in accordance with conditions contained in the RDP contract with the National Government
 - advocate for capital works funding for projects
 - conduct operations in such a way as to meet the monitoring and auditing requirements of the National Government.
- 2.6.5 Provincial RDP coordinating mechanisms will be geared strongly towards developmental planning and delivery. Although individual line function departments and the provinces will have autonomous relationships, it is desirable that overall integrating mechanisms be established. Provincial RDP offices will develop policy advisory capacity, either on a contract basis from other levels of government or from the private sector, universities and civil society.
- 2.6.6 What is most crucial in all of this is that the RDP is not reduced to a collection of projects, but instead becomes an integrated programme to transform all levels of society. Some of the challenges Provincial Governments must address are the
- restructuring of the provincial budgets to reflect the priorities of the RDP
 - restructuring of the Public Service at provincial level
 - development of institutional capacity to implement the RDP
 - the engagement of civil society (labour, community organisations, business) in a meaningful process to implement the RDP
 - harnessing and unlocking the political and creative energies of our communities to ensure a truly people-driven process.
- 2.6.7 These provincial strategies for implementing the RDP should be presented to the Minister without Portfolio, as well as to the Intergovernmental Forum.

- 2.6.8 With respect to functions, powers and resources, the Constitution implies that Provincial Governments can only receive responsibilities for RDP-related functions when the National Government is satisfied that adequate capacity exists to undertake those responsibilities. The National Government, in consultation with Provincial Governments, will draw up a checklist to facilitate the devolution of RDP programmes to the provinces. Negotiations on devolution will take explicit account of several factors. These include
- the Provincial Administration’s capacity to implement people-centred development
 - major development roles for community-based organisations and NGOs
 - increasing the capacity of people to work in groups and institutions
 - identification and mobilisation of local resources
 - maximum local area assessment of needs and capacities.
- 2.6.9 In addition, the Constitution requires that allocations to provinces out of the National Government’s fiscal resources be equitable and distributed on the basis of Financial and Fiscal Commission formulae. Equality also implies that the cost of service delivery is not excessive. Finally, the National Government requires that all audit and monitoring functions be vested in the appropriate national department or associated structure.

2.7 Local Government and the RDP

- 2.7.1 The National Government wishes to unlock the political and creative energies of the people and bring the Government closer to the people. In this regard Local Governments have an important role to play. The National Government, together with the Commission on Provincial Affairs and provincial governments, will ensure proper coordination of the development process, maintenance of standards and the coherence of change management strategies. Local Governments face critical financial problems and will have to find new financing strategies together with the provincial and national government. An ad hoc committee of Parliament, including the Departments of Finance, Local Government and the Office of the Minister without Portfolio has initiated this process already.
- 2.7.2 In general, local authorities are key institutions for delivering basic services, extending local control, managing local economic development, and redistributing public resources. However, for the first time in South Africa’s history, emerging democratic local authorities must work with community-based organisations and NGOs to establish minimum conditions of good governance and to implement effective development projects.
- 2.7.3 Because the RDP depends on democracy and social stability in local communities, the management of institutional change and the delivery of municipal services must occur simultaneously. Restoring and upgrading services where they have collapsed, and extending services to new areas are vital preconditions for the continued legitimising of the new local authorities.

Improved services must be implemented in a manner which enhances appropriate institutional change within local authorities.

- 2.7.4 Local authorities must ensure that sufficient resources are made available for the extension and upgrading of municipal services, and for capacity-building to permit community-based structures to assist in local planning and implementation of the upgrading. Local Governments will need additional sources of revenue for operating, maintenance and subsidy expenses, as well as staff retraining and some new capital expenditure.
- 2.7.5 However, such funding will be conditional upon a set of criteria which demonstrate local authorities' good faith in moving to democracy as rapidly as possible. RDP funding will be made available only if amalgamation of different jurisdictions proceeds effectively, if single budgets are adopted for a single municipal area and if the local government electoral process is under way. The transitional local authority will gain access to increased resources only if it becomes developmental in its orientation, proactive in winning the trust of all local residents, sensitive to issues of affordability, creative about financing and more efficient in delivery of services. Local authorities must demonstrate that they are already, in the transitional phase, shifting resources (staff, management, equipment, skills), switching their spending priorities, freezing clearly inappropriate projects and engaging in consultation with community groups. Through such means, it will be feasible to build new local institutions which will take the RDP forward.
- 2.7.6 In sum, the establishment of democratic and developmental processes in Local Governments are vital. In most rural areas, where the third tier of government does not exist, Provincial Government will be encouraged to initiate a process of building local government. This process should be driven by local communities themselves. In addition, where there are interminable delays in implementing the Local Government Transition Act, where interim councils are not being appointed, where boundary disputes are debilitating and where preparation for the 1995 Local Government Elections is not proceeding effectively, the Provincial Government will use its power to impose solutions.
- 2.7.7 The principle of payments for services is fundamental to the implementation of the RDP with due cognisance of indigence, administrative constraints and an equitable and fair default procedure.

2.8 Programme review: redirecting resources

- 2.8.1 There will be a tendency for inertia when existing programmes of the Government at all levels are reviewed for the purpose of redirecting expenditure and resources. In the planning and budgeting process, it is therefore essential that departments and tiers of government place all programmes on an equal footing in allocating funds, staff and resources. Programmes should not be preferentially funded and staffed purely because they have been previously established. Similarly, a programme should not be prejudiced simply because it is new. It is only if this process of review 'on a level playing-field' takes place that significant redirection of resources can occur. Otherwise, most RDP programmes will remain as 'add-ons'.

CHAPTER THREE

THE ECONOMIC POLICY FRAMEWORK

3.1 Introduction

- 3.1.1 The GNU inherited an economy characterised by a number of structural problems. These are fully set out in the Base Document and will not be repeated here. The challenge is to correct those problems and regenerate economic growth and a more equitable distribution of the benefits of such growth.
- 3.1.2 The role of the Government and the public sector in general within the broader economy has to be redefined so that reconstruction and development are facilitated. In a wide range of areas the GNU will take the lead to bring about reform and readdress structural problems. However, in doing so its guidelines will remain the basic principles of the RDP, namely a people-driven approach, reconciliation, democratisation and creating an enabling environment for the private sector to grow and increase the level of participation in viable economic activity by all people.
- 3.1.3 Employment creation is the central priority. We have to reverse the low levels of investment and saving, the outward flow of capital and generally improve the environment for productive investment. In addition the GNU will facilitate labour intensive methods in the public sector through the National Public Works Programme administered by the Department of Public Works.
- 3.1.4 It is essential that there is greater participation in the economy and that existing ownership patterns become less concentrated, more racially inclusive and that small, medium and micro enterprises account for a substantially larger part of economic activity. These programmes will require that we address the discriminatory practices of the past that have left a legacy of inequality.
- 3.1.5 In the labour market discriminatory practices of the past have distorted collective bargaining and left our workforce with a distorted and inadequate skill base. In both these areas substantial progress has been made in recent years and we will now build on and accelerate these developments.

3.2 Economic policy goals and objectives

- 3.2.1 The RDP provides a strategic framework to address these problems in that it recognises the interrelatedness and the necessity of meeting basic needs, developing human resources, building the economy and democratising the State and society. In implementing these programmes, changes are necessary in institutional arrangements as well as in the orientation of policy. 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.
- 3.2.2 The Government's central goal for reconstruction and development is to meet the social and economic needs of the people and to create a strong, dynamic and balanced economy which will

- create jobs that are sustainable, and increase the ability of the economy to absorb new job-seekers in both the formal and less formal sectors
 - alleviate the poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system, meet basic needs, and thus ensure that every South African has a decent living standard and economic security
 - address economic imbalances and structural problems in industry, trade, commerce, mining, agriculture, finance and labour markets
 - integrate into the world economy utilising the growing home base in a manner that sustains a viable and efficient domestic manufacturing capacity, and increases the country's potential to export manufactured products
 - address economic imbalances and uneven development within and between South Africa's regions
 - ensure that no one suffers discrimination in hiring, promotion or training on the basis of race or gender
 - develop the human resource capacity of all South Africans so the economy achieves high skills and wages
 - democratise the economy and empower the historically oppressed, particularly the workers and their organisations, by encouraging broader participation in decisions about the economy in both the private and public sector
 - create productive employment opportunities at a living wage for all South Africans
 - develop a prosperous and balanced regional economy in southern Africa based on the principle of equity and mutual benefit.
- 3.2.3 The RDP will foster a new and constructive relationship between the people, their organisations in civil society, key constituencies such as the trade unions and organised business, the Government, and the workings of the market.
- 3.2.4 The Government can only achieve its economic objectives if it establishes transparent, participatory and accountable policy-making procedures in both the public and private sectors. The Government, the trade union and civic movements, business associations and other relevant organisations of civil society must cooperate in formulating economic policy. The Government will review the inherited economic departments and agencies to streamline policy-making and implementation, and to define appropriate relationships with forums and the various tiers of government. The National Economic, Development and Labour Council will extend and enhance the work of the National Economic Forum as a consultative structure.
- 3.2.5 Economic growth is critical for sustainable improvements in services and incomes. We must shape the expansion of the social and economic infrastructure to stimulate industry and agriculture. These policies must be coordinated with the development, on a cooperative basis, of the southern African region as a whole.

- 3.2.6 The Government's economic policies require human resource development on a massive scale. Improved training and education are fundamental to higher employment, the introduction of more advanced technologies, and reduced inequalities. Higher labour productivity will be the result of new attitudes towards work and especially new skills in the context of overall economic reconstruction and development. New and better management skills are urgently required.
- 3.2.7 Basic to the consultative and interactive approach to economic policy are the protection of worker rights and labour standards, and proactive labour market policies. The RDP makes a decisive break with the exploitative cheap labour policies of apartheid and moves toward education, training, skills, a living wage and collective bargaining as the basis for enhanced productivity in the economy.
- 3.2.8 Gender equality is also a major objective of economic policy. Market failure often exacerbates discrimination which already exists within the Government and the wider society, leading, among other things, to artificial notions of 'women's work' and 'men's work'; employment discrimination in public works projects; unpaid labour by women; credit constraints for women with limited collateral; insufficient resource allocation to early child care and education; poor nutrition; gender discrimination in law enforcement and treatment of perpetrators of domestic violence; discriminatory treatment on the basis of marital status or pregnancy, and insufficient public health services. Objectives include identifying and addressing gender-biased aspects of government practice and economic management, and in particular increasing training opportunities for women, establishing parental rights, improving credit subsidies and innovative credit schemes, ensuring the public provision of child care, and improved competition policy to benefit women.

3.3 An economic policy strategy

- 3.3.1 To these ends, economic policy must specifically address South Africa's problems on the basis of its strengths. The GNU draws on the following basic strategy to achieve its objectives:
- financial and monetary discipline in order to finance the RDP, reprioritise public sector activity, and facilitate industrial restructuring and the establishment of fair and equitable user charges
 - the establishment of an economic environment conducive to economic growth
 - trade and industry policies designed to foster a greater outward orientation so as to sustain high employment levels and levels of participation in the economy
 - a modernisation of human resource programmes to meet the challenges of changing production processes
 - a reform of labour market institutions in order to facilitate effective and equitable collective bargaining and restructuring of employment patterns.

- 3.3.2 These areas are interrelated and are designed to bring about structural changes in the economy that will achieve sustainable growth, viable employment creation and a movement to full employment, greater participation in the economy leading to reduced income disparities, and a labour market characterised by effective collective bargaining, an equitable system of rights, active policies to address employment patterns, and stability.
- 3.3.3 The Government has already acted decisively to bring about a structured change in fiscal policy and this will begin to have the desired macro-economics effects. The immediate challenge facing the Government was the need to finance and staff the RDP without exacerbating the unacceptably high government debt. In particular, consumption expenditure has risen to more than 20 per cent of GDP and interest repayment is absorbing more than 17 per cent of the Budget. Increasingly, the market evaluation of such a situation was that the Government could not curb expenditure, dissaving would continue, the balance of payments would be adversely affected and that inflation would rise. As a result, interest rates subsequently rose which, in turn, increased the government debt burden. In the context of such macro-economics instability, other crucial objectives would be undermined.
- 3.3.4 Therefore, not only has the RDP Fund financed with these constraints in mind, the overall process for taking forward the RDP, it is geared to cutting government expenditure wherever possible. Certain problems faced the Government in achieving this objective in the 1994/95 Budget. These were the additional transition costs and the incorporation of debt incurred by the former Transkei-Bophutatswana-Venda-Ciskei (TBVC) territories. This raised the stock of debt and interest payments that were previously accounted for as intergovernmental transfers. For the first time an overall National Revenue Fund indicating revenue and expenditure by National and Regional Government within South Africa was set out, thereby increasing transparency.
- 3.3.5 A substantial part of the additional transitional costs was paid for by a once-off levy. Stringent steps are being taken to curb actual expenditure and no additional expenditure is authorised unless it passes the rigorous tests of the Treasury Committee.
- 3.3.6 Guideline figures for the 1995/96 Budget have already been circulated and they again reflect no real increase in consumption expenditure. The guideline figures also achieved no real increase in the deficit before borrowing as a percentage of GDP. It should also be borne in mind that in 1995/96 an amount of R5 billion was allocated to the RDP Fund. This effectively imposes lower real expenditure on departments which can be corrected by recourse to the RDP Fund, a process set out in more detail in the next chapter.
- 3.3.7 A process of coordinating and identifying all development assistance has been decided upon. This ensures that the Government will not incur further debt through such assistance and that it is utilised in the most effective manner.
- 3.3.8 By acting with the requisite fiscal and monetary discipline, and reorganising the financial relations of National, Provincial and Local Governments, we will ensure that the public sector's impact on the macro-economy will be positive. The public sector will better utilise its resources, increase capital expenditure, have relatively

more resources for meeting needs rather than paying interest and facilitate private sector investment.

- 3.3.9 In addition, a stable price environment will assist in the restructuring of industry and of collective bargaining structures. Improvements in social wages on a viable basis will also be facilitated by stable prices, since an effective user charge system can be developed.
- 3.3.10 A combination of factors therefore demonstrates the Government's commitment to reducing consumption expenditure. These include:
- forcing the Government to reprioritise its expenditure rather than seeking new sources of finance
 - the redirection of consumption expenditure to capital expenditure through the RDP Fund
 - an additional decrease in consumption expenditure in the Public Service by not filling all vacancies created by natural turnover
 - a systematic change management programme linked to performance assessment
 - required forward planning on all projects and programmes
 - the introduction of systematic business plans for all projects and programmes of the Government.

3.4 Economic growth prospects

- 3.4.1 The levels of net domestic saving and net domestic investment have declined to alarmingly low levels. This must be addressed urgently. The first steps began with the election of the GNU and the remarkable political transition the country has experienced.
- 3.4.2 In the previous section of this document, some of the steps the Government has taken to consolidate confidence were set out. However, a number of other policy areas must be addressed to improve the overall environment for investment and saving.
- 3.4.3 In the 1994/95 Budget, corporate taxation was addressed. The lowering of corporate tax combined with the increase on secondary tax on companies favoured reinvestment and growth. There were, however, limits to the extent to which other adjustments could be made, because other major issues such as tax on married women and value-added tax (VAT) on basics were also under consideration. It was decided to refer this to a Tax Commission in order to take a considered, coherent approach to the problem.
- 3.4.4 However, the President has made a clear commitment to not increasing the general level of tax. What is being considered is the specific composition of the tax system.
- 3.4.5 The fundamental goal of the RDP is an employment-creating, labour-absorbing economy which will ultimately lead to full employment. Secondly, redistribution must occur to alleviate poverty in the process of meeting basic needs. The RDP

takes the view that neither economic growth by itself or redistribution on its own will resolve the serious crisis in which South Africa finds itself. Therefore, to achieve a successful economy the Government will adopt an integrated approach to reconstruction and development. This will involve the promotion of a more equitable pattern of growth, an equitable distribution of assets, services and access to markets, and the maintenance of macro-economic stability.

- 3.4.6 In addition to the series of immediate measures undertaken by the Government to begin to address the structural deficiencies in the South African economy, the RDP provides a consistent, coherent framework within which several key economic initiatives – including those involving investment, trade, industrial strategy, competition, small business and labour markets – can be applied simultaneously and in a mutually reinforcing manner. Such an interlinked approach is the only means of overcoming structural barriers to growth, including high unemployment, poor social infrastructure, inequitable income distribution, primary product export dependence and excessive protection. The next sections of this document describe policy initiatives in this spirit.

3.5 Investment policy

- 3.5.1 The Government will make substantial public investments so as to meet the basic needs of all citizens and in particular the disadvantaged. The Government will also encourage private investment in areas not previously explored. A successful growth strategy depends critically on an increase in productive investment from both public and private sources. Public investment in sectors of the economy aimed at alleviating poverty – such as construction and building materials, communication, health and human resource development – would logically also attract private investment once they are developed as more active markets.
- 3.5.2 The Government is committed to creating an enabling environment that will encourage private investment by facilitating efficient markets and by redressing the distortions of the past. The private sector will be encouraged to enhance its competitive edge in producing new product lines that not only serve the domestic market, but also gain access to the international markets.
- 3.5.3 The Government welcomes foreign investment in accordance with its objectives for growth and development. The RDP accepts that the route to attracting foreign investment is by establishing a climate of political stability, economic growth, and transparent, stable and consistent policies. The implementation of the entire RDP is the surest guarantee to attract investment from both domestic and foreign direct investors.
- 3.5.4 The principle of national treatment will apply to foreign investors, who would enjoy the same treatment as domestic investors and would be obliged to abide by South African laws. Subject to regulations administered by the South African Reserve Bank, foreign investors will have access to foreign exchange for the purpose of remitting after-tax profits and debt service, or approved loans, purchasing inputs and repatriating proceeds on the sale of assets.
- 3.5.5 Investment would be attracted into areas which stimulate the long-term competitiveness of the South African economy. The Government is committed

to creating an enabling environment that will encourage investment by facilitating efficient markets and by redressing the distortions of the past.

3.6 Industrial policy

- 3.6.1 The objectives of the Government's industrial policy are employment generation, increased investments, improved trade performance and enhanced productivity. Attaining these goals will require a focus on both the restructuring of existing industries and the correct identification of new areas of industrial development, especially in ways which will encourage the adding of maximum value to the country's natural resource endowment. A new approach to industrial policy will require a commitment from the entire nation, including tripartite decision-making which draws contributions from the Government, labour and business.
- 3.6.2 Reconstruction of the economy must be linked to development. In the process, a more dynamic manufacturing sector will emerge as a growing source of productive and well-paid employment opportunities and industrial learning. The present weakness of the manufacturing sector must be judged in terms of the global trend, in which markets for manufactured commodities are growing more rapidly than those for natural resources.
- 3.6.3 Investments that follow the logic of the RDP offer tremendous opportunities for South African industry. In particular, major investments will be made in electricity, health, housing, education, telecommunications and the information infrastructure, transport, and public works such as roads, water and sanitation. This expenditure will take place primarily in order to provide for basic needs and infrastructure. Manufacturers and service industries will therefore have opportunities to design efficient attractive products and processes, which are appropriate for local conditions and could become important export niches.
- 3.6.4 In this respect, the RDP provides a challenge to design products and processes which will also have a ready market in areas such as South America, Africa, Eastern Europe, Asia and the Pacific Rim. Already, products designed for community telecommunications facilities and for electrification have proved extremely successful in the export market. The RDP creates a large local market for industry, which allows it to design and develop products with a stable home base. This also provides the predictability to allow the extensive restructuring which is needed to make the country's industries more efficient and effective. For instance, the domestic appliance industry expects its local market to increase by millions of new consumers, and is thus restructuring itself and designing new products.
- 3.6.5 The Government should facilitate the response of industry to this challenge. Rather than undirected incentives, support should be directed at those sectors which can respond to RDP investment and growth areas. This support will take the form of among other things the provision of training, research and development, design, technology acquisition and export marketing.
- 3.6.6 In addition to direct local linkages between manufacturing and the RDP, sectoral policies will be aimed at five objectives which will create sustainable employment and growing industries. First, the Government will aim to extend the international competitive edge of selected industries. Second, light manufactur-

ing subsectors will receive support if they show the potential to emerge from existing protection. Third, the void between primary commodity industries and manufacturing industries will be filled through government encouragement of forward linkages and minerals beneficiation. Fourth, the Government will support agro-manufacturing sectors which are less capital-intensive and can directly and indirectly create employment. Fifth, the Government will drive industrialisation towards higher value-added activities, and to raise productivity through human resource development, work reorganisation, democratisation of the workplace, and technological development.

- 3.6.7 In the highly concentrated domestic market, the Government will pursue a competition policy designed to reform those market structures that underpin high prices and complacency, and that constitute major entry barriers to small and medium-scale enterprise. Market forces alone will, however, not be sufficient to revitalise the manufacturing sector. Policy and resources will be redirected at strengthening human resources and technological capacities, including those relating to smaller enterprises.
- 3.6.8 In general, industrial policy-making is a process that relies upon comprehensive commitment by the nation. The Government fully endorses those tripartite processes already contributing to industrial policy formulation. These processes will be strengthened and institutionalised. Similarly, the Government will restructure and refocus those major institutions of industrial policy, including the Board of Tariffs and Trade and the Industrial Development Corporation (IDC), Small Business Development Corporation (SBDC), the SA Bureau of Standards (SABS), the Agriculture Research Council (ARC), Council for Scientific and Industrial Research (CSIR), and other relevant institutions that have hitherto served sectional interests.

3.7 Trade policy

- 3.7.1 The objective of trade policy reform is to ensure that South Africa's trading patterns contribute as much as possible to the Government's overall RDP objectives, including a broader reconstruction and development of the southern African region. Trade policy reform, including improving productivity and competitiveness, will be integrated into the overall restructuring of the country's economy.
- 3.7.2 The democratisation of South Africa has resulted in new markets being opened for South African goods and services via the Generalised System of Preferences and the granting of the Most Favoured Nation status.
- 3.7.3 Trade policy must ensure a greater quantity of manufactured exports from South Africa, a process largely dependent upon the application of an effective industrial policy. South Africa will continue to participate in multilateral bodies which regulate trade. Such participation will be characterised by a linkage with other developing economies.
- 3.7.4 With regard to protection, this would mean continuing the firm commitment to gradual but steady trade liberalisation in all sectors of the economy, as espoused in the GATT agreement. The Government will nevertheless make use of socially responsible supply side-measures to assist sensitive industries in adapting, in

order to overcome the stronger international competition. Such measures include assistance in capacity-building, the retraining of workers, and the enhancement and better utilisation of technology. Anti-dumping measures and other countervailing strategies will also be introduced to protect local manufacturers from unfair foreign trade practices. Other elements of the new trade policy include programmes designed to realise the exporting potential of small and medium-sized enterprises which tend to be more labour-absorbing. This will assist new enterprises, especially black-owned businesses, in their attempts to enter international markets.

- 3.7.5 Trade policy and foreign policy need to be integrated and seen as part of a broader strategy to strengthen South-South relations, to democratise international institutions, and thereby to ensure a better deal for developing countries. South Africa will seek new trade relationships with countries and regional associations which can be important partners in this process. The extension of the Generalised System of Preferences to South Africa by several countries and the Most Favoured Nation trade agreement with India, bode well for local exports.

3.8 Competition policy

- 3.8.1 The South African economy must be opened to greater ownership participation by a greater number of its people. The Government will introduce strict anti-trust legislation to create a more competitive and dynamic business environment. The central objectives of such legislation are to discourage systematically the system of pyramids where it leads to over-concentration of economic power and interlocking directorships, to abolish numerous anti-competitive practices such as market domination and abuse, and to prevent the exploitation of consumers. Existing government institutions and regulations concerned with competition policy will be reviewed in accordance with the new anti-trust policy. The Government will establish a commission to review the structure of control and competition in the economy, and develop efficient and democratic solutions. To that end, it will consider changes in regulation or management in addition to anti-trust measures.
- 3.8.2 A credible competition policy is crucial to the proper functioning of the economy. Objectives of this policy are to remove or reduce the distorting effects of excessive economic concentration and corporate conglomeration, collusive practices, and the abuse of economic power by enterprises in a dominant position. In addition, the policy will ensure that participation of efficient small and medium-sized enterprises in the economy is not jeopardised by anti-competitive structures and conduct.
- 3.8.3 The Government will also seek to increase the competitive nature of domestic markets and to influence the behaviour of the lead participants in highly concentrated markets in a socially desirable manner which does not prejudice the interests of workers. The Government will identify and eliminate practices that restrict entry of efficient and competitive new businesses into certain industries, seek to eliminate illegal practices such as the maintenance of resale prices, collusion between companies in market distribution, and horizontal collusion in respect of supply and tendering. The Competition Board will be restructured and strengthened.

3.9 Monetary and financial policy

- 3.9.1 The Constitution asserts the need for the independence of the South African Reserve Bank, so as to ensure that it is insulated from partisan interference and is accountable to the broader goals of reconstruction and development. The main functions of the Reserve Bank are to maintain the value of the currency, to keep inflation relatively low, and to ensure the safety and soundness of the financial system.
- 3.9.2 The Government will support innovative financial institutions and instruments which promote domestic savings and extend financial services to those who do not have adequate access to these services. In particular, financing for housing and for small and medium-sized enterprises will be mobilised. The Government will discourage financial institutions from discriminating on the grounds of race and gender.

3.10 Small and medium-sized enterprises

- 3.10.1 In line with the objectives of economic policy, growth in employment can be enhanced through government support to small and medium-sized enterprises. The institutional framework of support for such enterprises will be fundamentally restructured. The Government will determine appropriate support policies which will be both focused and sectorally differentiated. Support to this sector will best be decided by the Government, the private sector and NGOs acting in concert.
- 3.10.2 The key areas of support to small and medium-sized enterprises will include
- access to advice
 - favourable amendments to legislative and regulatory conditions
 - access to marketing and procurement
 - access to finance
 - access to infrastructure and premises
 - access to training
 - access to appropriate technology
 - encouragement of interfirm linkages.
- 3.10.3 Women, in particular, are involved in micro-enterprises which will receive increased government assistance. Discussion is needed on the problems of credit and venture capital, access to finance for research and development, simplification (not elimination) of the regulatory environment and improved competition policy. Non-traditional enterprises which allow women to develop, especially in the rural areas, will be encouraged. These include stokvels, informal producer co-operatives, electricity and water co-operatives.
- 3.10.4 In recognising the value of this sector in the generation of new employment and competitiveness, the Government will endeavour to bring small and medium-enterprises into the regulatory framework for labour standards.

3.10.5 The Government and especially public enterprises will facilitate the entry of entrepreneurs into opportunities which arise from the RDP investments. These include especially the sale, installation and servicing of domestic appliances and wiring, construction, and related manufacturing and service activities such as software. The Government will encourage entrepreneurs to move into the manufacturing sector, since the restriction of small and medium enterprises to retailing and distribution will severely inhibit the growth and viability of this sector. The Government will therefore encourage entrepreneurs to seek technical training and joint ventures with the formal sector.

3.11 Labour market and human resource development

3.11.1 Given the extremely high unemployment rate, economic growth strategies must focus on improving labour absorption. While specific technical and institutional needs and labour absorption possibilities may differ across sectors, the general foundation for employment growth is a literate, numerate and healthy work force. The Government has helped to consolidate the Labour Relations Act to this end.

3.11.2 Government labour policies will be formulated to assist the most vulnerable among the unemployed, particularly rural women and the youth. The Government will also promote techniques such as skills audits in local communities. Other means of unblocking log-jams which prevent effective operation of the labour market will be supported. Accredited training programmes will be established in the context of the National Qualifications Framework. The NPWP, using Labour-Intensive methods of delivery, training and socially determined wages, will increase employment associated with the creation and upgrading of infrastructure. The Framework Agreement on Labour-Intensive Construction offers an important tripartite cooperation in this regard.

3.11.3 The RDP will also safeguard and extend the gains that workers have already won. There will be equal rights for all workers, the right to strike and the right to information about employers. All workers should be entitled to a living wage and humane conditions of employment in a healthy and safe environment. Affirmative action policies will be used to end discrimination on the grounds of race and gender, and to address the disparity of power between workers and employers, as well as between urban and rural areas. The Government will protect the integrity of the collective bargaining system. Parties to the collective bargaining process will be encouraged to settle disputes amicably, without prejudice to their rights under the Constitution or any law. National, industrial bargaining forums have an important role, namely to negotiate industrial policy, training and education programmes, job placement and job creation programmes, and the like.

3.11.4 Industrial democracy will facilitate greater worker participation and decision-making in the workplace. The empowerment of workers will be enhanced through access to company information. Human resource development, and education and training are key inputs into policies aimed at higher employment, the introduction of more advanced technologies, and reduced inequalities. Discrimination on the grounds of race and gender must end. Parties to collective

bargaining will be encouraged to negotiate affirmative action policies to address discrimination and the disparities of power between workers and employers.

3.12 Welfare

- 3.12.1 It is unfortunately true that many communities and families depend almost entirely on the cash from pensions and disability grants. Even though there has been a high level of dependency upon these services, many who are entitled to grants or pensions do not receive them. Old people in rural areas and the mentally ill are particularly vulnerable in this respect.
- 3.12.2 The efficiency of delivery of welfare to all who have an entitlement will be improved. The Government will act decisively against corruption.
- 3.12.3 Technology and the creativity of local and provincial authorities will be harnessed to ensure that pensions and grants are delivered where people live, in order to eliminate excessive travel and long waiting periods, and that corruption is eliminated as far as possible by incorporating audit trails.
- 3.12.4 The Government will consult with civil society to enhance government's ability to target subsidies. This is especially important to ensure that tariffs for services – which in general must be cost-related for sustainability – are also made affordable for those with limited incomes.

3.13 Science and technology policy

- 3.13.1 Science and technology have served the interests of the minority and the political goals of apartheid. This sector must confront the following problems:
 - fragmentation and poor management of the science and technology system
 - lack of coordination between science councils, government, tertiary institutions and industry
 - lack of an effective consultative process in determining national priorities
 - skewed allocation of funds.
- 3.13.2 Science and technology have an important role to play in the development of all sectors of our society. South Africa's economy is characterised by extremely unequal distribution of resources. Therefore, technology policy must address this duality, and must also address both the development of indigenous and exogenous science and technology, in order to meet the challenges of South Africa's people.
- 3.13.3 The public sector, in partnership with the private sector, has an indispensable role to play in technology development.
- 3.13.4 The Government will implement a programme to prioritise key performance areas; identify legislation requiring amendment to achieve the integration of the science councils, and establish linkages between the scientific and technical priorities and RDP objectives.

3.13.5 Institutional changes will be introduced to ensure

- the representativeness of all scientific boards
- the integration of all scientific councils through appropriate enabling legislation
- coordination between the Science and Technology Ministry and other Ministries.

3.13.6 A national campaign for scientific and technological education and training is essential, together with measures aimed at improving the status of technical and technological careers.

3.14 Tourism

The percentage of GDP generated by tourism must increase – the Government, in consultation with the industry and unions, will establish a policy to achieve growth as rapidly as possible, building on previous initiatives.

3.15 Corruption

Legislation is currently before Parliament which will introduce a Public Protector to give the public recourse to deal with corruption and maladministration.

3.16 Public Enterprises

These play a major role in the economy. They are being made to be highly efficient; this process should continue. Effective use of these major public resources to provide cheap and efficient services and to lead in human resource development, accelerated development programmes and other innovations will be of major benefit to the economy.

CHAPTER FOUR

FISCAL POLICY AND THE BUDGET

4.1 Introduction

- 4.1.1 Understandably, the first questions asked regarding the implementation of the RDP concern cost and, in particular, who will pay for the RDP. In developing a programme to finance the RDP, certain key points are taken into account. First, most of the expenditure on the RDP is not in fact new – rather, it is the better organisation and rationalisation of existing structures that will unlock resources. Second, the Government – at all levels – will improve the capacity of the financial sector to mobilise more resources and to direct these to activities set out in the RDP. Third, the Government will ensure that some public utilities, such as electrification and telecommunications, are self-financing. Fourth, improved and reformed tax systems will collect more tax without having to raise tax levels (as the RDP succeeds, more taxpayers will be able to contribute to government revenues). Fifth, new funds will be raised from a number of sources, such as donor aid, interest on investments, and sales of state assets.
- 4.1.2 The deficit has reached disturbingly high levels in recent years and any future borrowing strategy will be based on caution, particularly with respect to foreign loans. The Government is committed to the progressive reduction of the overall deficit. The Government's commitment to maintaining fiscal discipline rests on the belief that the sustainability of the RDP will be at risk if discipline is not maintained. Excessive government deficits will result in higher inflation, higher real interest rates, balance of payments problems and lower economic growth, thereby undermining the RDP. Given the inherited pressure on balance of payments, the impact of such deficits becomes more immediate, reducing the flexibility to redirect expenditure to priority areas. The Government's borrowing strategy will consciously avoid taking on debt for development projects that do not generate short-term cash-flows. Borrowing will be increased and rationalised for projects (such as housing, electrification, water among others) for which full or partial cost-recovery can be generated. With this in mind, the Government intends to ensure the effective management of resources, achieve rapid improvements in the quality of services, and redistribute and redirect government spending in line with the new priorities of the RDP.

4.2 The budgetary process

- 4.2.1 The budgetary process will be transparent in a manner consistent with RDP commitments to transparency and a people-centred society. Local, provincial and national RDP structures, including representatives of civil society, will be invited to examine the budgetary process and to make recommendations on spending shifts, inefficiency, waste and corruption. Certain changes are envisaged which will enhance this process.
- 4.2.2 At present the Budget is drawn up on an incremental basis. In other words, allocations to the different national line function departments are decided on the

basis of what the allocations were in the previous year. In time, the Government will introduce a zero-based budgetary process, by which national line function departments, provinces and other institutions of government will motivate their programmes, and on this basis determine their budgetary requirements. In addition, the Government will introduce a multi-year budgeting process, by which budgets are drawn up for a period of three years on the basis of ongoing programmes. Line function departments will participate in the Function Committee which determines the budgetary allocations for a particular function. The relevant Parliamentary Standing Committees are entitled to be represented on Function Committees.

- 4.2.3 There are particular aspects of the Budget process during the transitional period which have implications for the RDP, particularly at provincial level. For the 1995/96 financial year, the Budget cycle began in November 1993. Inputs based on old structures were received by the Department of State Expenditure in April 1994. Guideline allocations for 1995/96 were therefore presented to the Cabinet in August 1994. Provincial Governments ultimately gain access to the budgets of the former TBVC territories, former self-governing territories, and former Provincial Administrations.
- 4.2.4 New Provincial Administrations will compile draft estimates according to guideline allocations during October 1994. When the Cabinet approves final allocations for 1995/96, departments of the National Government will then divide the funds for those Schedule 6 functions that potentially will be claimed by the Provincial Governments. The final allocations for 1995/96 will therefore include all potential Provincial Government functions and services. Although Provincial Government funding systems will not be fully developed before April 1995, the total allocations to Provincial Governments will nevertheless be voted as both conditional and unconditional transfers. Provincial Administrations will have to compile their own estimates for presentation to their legislative bodies and citizenry. Provincial Administrations will also have limited powers to adopt their own tax policies.

4.3 Taxation

- 4.3.1 A Tax Commission has been appointed to advise the Minister of Finance. The South African tax system will be reviewed to ensure that it supports and facilitates the aims of the RDP, in particular equity and efficiency. The general level of tax (as a proportion of GDP) is comparable with international standards. However, over the past decade the burden of tax has moved from corporations to individuals, primarily on the income group R20 000-R80 000 per year, who now pay 70 per cent of all personal tax. This group consists mainly of wage earners and those with private sector pensions. In addition, regressive forms of taxation include unequal treatment of married women and excessive indirect taxation.
- 4.3.2 Support will be given to the Commissioner of Internal Revenue to increase the efficiency of collection, and to crack down on evasion and leakage. All tax incentives and exemptions should be listed and a cost-benefit analysis carried out. Incentives that comply with the Government's development, industrial, investment, human resource development, and social policies should be subject to cost-benefit analysis and an explicit political decision should then be taken on

each. All other incentives should be terminated. Additional tax collected should as far as possible not be directed to consumption expenditure.

4.4 Intergovernmental fiscal relations

- 4.4.1 An important challenge facing the Government is the establishment of the new Provincial Administrations. In particular, it must ensure effective control over current expenditure during the transition and establish a more viable intergovernmental fiscal relationship.
- 4.4.2 With regard to the former issue, the National Government's approach has been to assist provinces with administering financial flows through the previous structures, whilst allowing the new Provincial Administrations to be established unencumbered by the financial problems of those previous structures. This has required continuous interaction and the rapid identification of problem areas and their correction.
- 4.4.3 The previous complex government structure, and the de jure independence of the TBVC states, led to a complex and unsatisfactory intergovernmental financial situation. It was possible for self-governing territories and the TBVC states to incur debt and deficits that eventually fell to the National Government. This was the basis for ad hoc transfers and an increasing loss of control.
- 4.4.4 The 1993 Constitution corrects this state of affairs by
- establishing a revenue-sharing principle
 - establishing a stable, transparent and more objective system of intergovernmental grants
 - establishing the revenue sources of all levels of government
 - regulating borrowing and guarantees by different levels of government.
- 4.4.5 The Financial and Fiscal Commission will begin to translate these principles into more detailed, concrete recommendations which will result in a major structural reorganisation of intergovernmental fiscal relations. Closer cooperation must be built up between the Financial and Fiscal Commission, the Commission on Provincial Affairs, the Public Service Commission, and the RDP Core Committee to achieve a coherent strategy for fiscal relations which enhance the RDP.

CHAPTER FIVE

PUBLIC SECTOR RESTRUCTURING

5.1 Introduction

- 5.1.1 One of the objectives of the RDP is to rebuild a Public Service that will provide an excellent quality of service. The Public Service is the servant of the people, and must be accessible, transparent, accountable, efficient and free of corruption. All departments will undertake reviews in order to discontinue policies, programmes or projects that act against the spirit of the RDP and the Constitution. Public employees will be redeployed in terms of RDP programmes, as new staffing plans are submitted to correspond to the RDP's programmes.
- 5.1.2 In general, the Government at all levels will take steps to reduce consumption expenditure while increasing capital expenditure. Today, as a result of past policies, 60 per cent of consumption expenditure is for remuneration. Initially, the Government will keep the size of the Public Service constant (or at worst growth will be contained to one per cent in 1994/95), but without compromising affirmative action goals. At present, the rate of turnover of employees is about eight per cent per annum. It is the intention of the Government not to recruit new employees for all positions that become vacant. It is anticipated that only about five per cent of vacancies should be filled.
- 5.1.3 The problem of disparity and the need for affirmative action must be dealt with urgently through a holistic approach. The present grading structures are very complicated and there are many ad hoc allowances at present. This must be rationalised to a simple, broad-banded structure based on competency rather than qualifications and it must allow for clear career paths and lifetime training. The ending of disparities should then be carried out in the context of regrading, establishment of career paths, recognition of prior competency, accelerated development and redeployment to new priorities and enhanced training programmes that are consistent with the National Training Strategy and the National Qualifications Framework. In addition, the improvement of efficiency, especially at management levels, and improved allocation of resources, must be linked to the ending of disparities.

5.2 Creating a broadly representative Public Service

- 5.2.1 The GNU aims not only to address disparities created by apartheid, but also to establish a pro-active programme which will serve to stamp out racism, gender inequality and other forms of inequalities wherever they manifest themselves. Such a programme will be implemented within the framework of the Constitution and the need to empower the disadvantaged communities, with the result that, among other things, a broadly representative Public Service will be established. All levels of government will be expected to implement a policy that will ensure that the Public Service is representative of all people of South Africa, in racial, gender and geographical terms. Much as it is the duty of the State to create a representative Public Service, the implementation thereof will be effected in

cooperation with the trade union representatives within the public sector. This will require fair and equitable conditions of employment to regulate conduct at the workplace.

- 5.2.2 Special programmes will be designed to address the under-representation of specific categories of persons at different levels of the Public Service. This process will be supplemented by the promotion of the Public Service as a career amongst the under-represented groups.
- 5.2.3 All unions in the Public Service have expressed a strong support for these constitutional demands.

5.3 The RDP Fund and public sector restructuring

- 5.3.1 The major focus of the RDP Fund is to reorientate the budgets of all departments and institutions of the State to the new priorities of the RDP. Departments negotiate with the RDP Office for funding of programmes and projects in line with the objectives of the RDP. This will require an assessment of the departments' capacity to absorb new recurrent costs associated with these programmes. In general, the total staff complements in departments will not be adjusted upwards. Therefore, departments will redeploy personnel to meet the staffing requirements of RDP programmes. A continuous process to evaluate the need for every post is required, and posts which are not consistent with the new priorities should be removed. The restructuring of the Public Service, including the Office of the Public Service Commission, is also a fundamental aim of the RDP Fund.

5.4 Rationalisation in the Public Service

- 5.4.1 There is a need for the rationalisation of the Public Service to reflect a unified country. The fragmentation of the Public Service into racial entities and the many occupational categories continue to create disparities which conflict with the Constitution and the realisation of the RDP as advanced by the GNU. This will require the implementation of policies to achieve cost-effective departments at national and provincial levels of government to serve the government of the day and the people of South Africa effectively. The provision of uniform service dispensations for the entire Public Service in terms of salaries and benefits is therefore necessary.

5.5 Revision of existing legislation and regulations

- 5.5.1 The Public Service Act of 1994 brought the 11 different administrations under one fold and established 27 national departments. A new Act is required which will rationalise the various administrations. Moreover, the 1994 Labour Relations Act merely consolidated the existing arrangements and a new Act will be required. While the long-term goal is a single unified Labour Relations Act, in the interim a Public Service Labour Relations Act will be established to cover the entire Public Service. Such an Act will also provide for a Public Service Bargaining Chamber for negotiations over wages and conditions.

- 5.5.2 Public Service Regulations and the Public Service Staff Code set the terms and conditions of service. However, the 1994 revisions still contain anomalies between different categories of personnel, and between civilian and security personnel, which must be rationalised.
- 5.5.3 The Public Service Commission Act is being considered for revision. The Public Protector and implementation functions will be separated, and the Department for Public Administration will report directly to the Minister. Provinces are being encouraged to establish Public Service Commissions, which will be important vehicles in the rationalisation of administration. However, collective bargaining and the setting of conditions of employment will remain subject to national ratification. A mechanism will be created whereby the national Public Service Commission can meet provincial commissions in order to harmonise the establishment of a coherent, restructured Public Service.

5.6 Affirmative action

- 5.6.1 The GNU aims not only to stamp out racism wherever it persists, but to establish a proactive, sensible affirmative action programme. All levels of government will be expected to implement a policy of affirmative action to ensure that the Public Service is representative of all the people of South Africa, in racial, gender and geographical terms. Such a policy will be negotiated with trade union representatives of public sector employees. Fair employment conditions, codes of conduct, and prohibition on racism and sexism in the workplace are also envisaged. Affirmative action will only be effective if the present rules governing qualifications for positions and for salary notches are reviewed. The present rules, which require formal qualifications and penalise applicants who have not previously had access to the Public Service, have the effect of perpetuating discrimination. Rules based on competency are required.
- 5.6.2 An all-embracing, integrated framework for affirmative action is also being established so as to assist both public and private sector organisations. This approach will extend beyond employment opportunities, into many other aspects of socio-economic life, including gender and geographical inequalities.
- 5.6.3 There are at present very many capable women in the Public Service. Very few are in senior positions. Their promotion histories must be reviewed and measures implemented to correct discrimination based on gender.

5.7 The Public Service Training Institute

- 5.7.1 The Public Service Commission is restructuring the Training Institute, focusing on research and development, training and international comparative programmes. Modules will be developed to meet the needs of both the Public Service and the wider society. Critical to this will be the introduction of educational programmes in project management, and the introduction of administrative and human rights law issues, so as to enhance implementation and management of the RDP. This will entail widening the availability of Institute training facilities so as to extend into civil society, and also extending the skills taught so that they become transferable between the Government and civil

society. Accreditation of Institute training programmes will occur within the context of the National Qualifications Framework.

- 5.7.2 It is, furthermore, essential that the training and retraining of personnel as well as a contemporary bursary policy for the longer term, receive priority attention. This is not only necessary to identify and address the training needs of individuals in order to internalise the concept of 'serving the people', but also to unlock the creativity of all.
- 5.7.3 The Training Board for Local Government Bodies has an equally important role to play in respect of the training and retraining of local government personnel and councillors.

5.8 Productivity gains

- 5.8.1 Substantial productivity gains are envisaged, which will be achieved through the introduction of a system of performance measurements. The public sector unions will be consulted upon a range of performance enhancing methods such as work reorganisation, more efficient work practices, simplification of reporting structures, removal of duplication and greater use of modern technology. Each department will be required to prepare a report on the productivity gains that can be made, to be submitted to the Department for Public Administration.

5.9 Freedom of information

- 5.9.1 The Constitution guarantees the right to this information, which is a major departure from past practice. Precise guidelines are therefore required.
- 5.9.2 Information will be available unless there is a good reason to withhold it.
- 5.9.3 Information collected by government departments is generally fragmented and not adequate for the performance assessment and monitoring, nor for effective integrated planning. The Government's information management is currently under review.

5.10 Industrial relations

- 5.10.1 Sound industrial relations require strong trade unions that have the confidence of their members. The Government will encourage the extension of basic trade union rights to all its employees. Procedures will be negotiated to enhance workplace democracy and collective bargaining.

CHAPTER SIX

CONSULTATIVE PLANNING FRAMEWORKS

6.1 Introduction

- 6.1.1 In order to align public sector programmes with the goals of the RDP, the Government will develop a ten-year vision embodied in a National Strategic Framework. The Government will do this in part by developing three-year, rolling national action plans through a bottom-up process of planning. Departments will be requested to produce national sectoral policies and plans, and provinces will also generate provincial policies and plans. A major strength of the RDP is that it promotes integrated development. Effective implementation therefore requires greater coordination in economic, physical and social planning, both within the Government and with key role-players outside the Government.
- 6.1.2 In order to ensure broad alignment of all public sector programmes with the goals of the RDP, an effective strategic and business planning process must be established. Although there are dangers inherent in producing inflexible long-term plans, the National Government must provide a medium-term framework to guide annual planning and budgetary processes. It is essential that this planning process regularly reviews and revises the goals and priorities of the RDP.
- 6.1.3 The strategic and business planning process will comprise an interactive cycle. In this cycle
- national strategic priorities will be agreed upon through a consultative process
 - national strategic priorities will guide the production of all public sector business plans
 - monitoring mechanisms will be established
 - National Action Plans will be produced through a bottom-up process, consolidating local, provincial, departmental and parastatal plans.

6.2 National Strategic Framework for the RDP and the Budget

- 6.2.1 The National Strategic Framework will be an all-embracing process in which everyone in society has a role. The Government will coordinate the development of the Strategic Framework for the 1995/96-2004/05 financial years. The framework will set parameters on what must be done, define intergovernmental relationships, and establish the utilisation of government resources. Key elements of the National Strategic Framework will include
- a high-level policy framework for the RDP
 - a ten-year vision comprising strategic goals and critical success factors

macro-economic and expenditure guidelines

priority focus areas for the coming budgetary allocation.

- 6.2.2 A full consultative process both inside and outside the Government will be used to mobilise all sectors in the formulation of the strategic framework. Drafting of this framework will be coordinated through the Minister without Portfolio, in close liaison with the Departments of Finance and State Expenditure. The Minister will consolidate input from departments, parastatals, Provincial and Local Governments, the private sector and civil society.
- 6.2.3 The National Strategic Framework will be tabled in Parliament and will be revised annually to reflect weaknesses in implementation or changes in the external environment. The Minister without Portfolio will perform an annual review of progress. On the basis of gaps identified, priority focus areas for the annual planning and budgetary process will include sectoral priorities, geographic priorities in consultation with the Financial and Fiscal Commission, gender and demographic priorities, and institutional and organisational priorities.

6.3 Business planning process

- 6.3.1 On an annual basis, a hierarchy of plans will be produced through a bottom-up process of planning from line function departments, parastatals and provinces, and coordinated during the budgetary allocation process into three-year programmes tied to multi-year budgets. These will be consolidated into a three-year, rolling national action plan for the RDP.
- 6.3.2 The terms of the Constitution provide for development planning to fall within the competency of the Provincial Governments. Provinces will, on an annual basis, for the 1996-97 financial year onwards, develop provincial action plans in consultation with civil society structures. Provincial action plans will detail a rolling, three-year programme and an annual business and spatial plan, and cover all functions within the constitutional competence of provinces and local authorities. To ensure structured plans aimed at equitable delivery across the country, line function departments will be responsible for reaching agreement with provinces on overall targets in each sector and the division of these targets between provinces.
- 6.3.3 The provincial action plans should comprise an analysis of
- the external environment and development context
 - development strategies and sectoral policies
 - provincial priorities and delivery targets
 - budgets and funding mechanisms
 - responsibilities allocated to provincial/metro/local authorities
 - the impact of proposed strategies on other provinces.

- 6.3.4 Provincial plans should
- be compatible with provincial fiscal capacity
 - be consistent with national minimum standards for service provision
 - be guided by national development strategies
 - support local, district and metro action plans.
- 6.3.5 Local government constitutes the most concrete level of planning. Annual action plans will be formally prepared for each local, and district/metro area in terms of an amended Physical Planning Act of 1991, which will be broadened to include all facets of integrated development.
- 6.3.6 With respect to annual departmental and parastatal planning, the National Strategic Framework will provide broad guidelines. Business plans will -
- comprise a rolling three-year programme
 - clarify funding strategies, fiscal flows and audit trails
 - describe sectoral and sub-national programmes and action plans
 - establish key performance indicators for monitoring progress.
- 6.3.7 Indicators – including appropriate modifications of the United Nations Development Programme’s Human Development Index (HDI) to local conditions, and other suitable indices – will be measured and reported regularly. The CSS, acting together with the Human Sciences Research Council (HSRC), will be directed to develop an HDI for South Africa, based on longevity, knowledge and standard of living, adjusted to address both racial and gender discrimination. Whereas many indicators are still to be developed, a higher profile will accompany concrete goals and upgrading of existing measures for factors such as child mortality, reduction in epidemics, rates of adult literacy, provision of low-income housing, employment equity in both public and private sectors, incidents of family violence, provision of child care services and the provision of infrastructure, among other things. Performance assessment will be applied to the Government and its institutions at all levels to ensure efficiency, effectiveness and development of RDP priority areas.
- 6.3.8 Intergovernmental consultation processes will ensure that national, provincial and local plans are consistent. Participation by civil society will be facilitated through sectoral forums and other structures.

6.4 National sectoral and provincial policy-making

- 6.4.1 In line with constitutional guidelines, clear distinctions must be drawn between national policy-making powers and provincial policy-making. The main objectives of national policy-making are to ensure that national minimum standards are maintained and to provide guidelines for the provision of equitable, cost-effective, high-quality services consistent with those the Government committed itself to in the RDP Base Document. Each Ministry and department, in conjunction with the intergovernmental committees and in consultation with sectoral forums, will

- generate guidelines on minimum standards for service provision
 - design programme targets and priority focus areas
 - develop budgets and financing mechanisms
 - formulate programme implementation and delivery strategies.
- 6.4.2 Each province, in conjunction with intergovernmental committees and in consultation with Provincial RDP Councils, will produce more detailed policy guidelines appropriate to local conditions. Provincial policy will be generated through a consultation process designed to ensure equitable, high-quality and cost-effective RDP implementation. The Minister without Portfolio will also be responsible for interacting with departments and provinces to facilitate effective and timeous sectoral and provincial policy-making.
- 6.4.3 Projects which are wholly or partly funded from the RDP Fund will have to comply with strict controls. An implementing agency (a line department of the Government, a province, a local authority, a development trust) must be appointed and it must appoint a Project Manager. Each project will require a business plan which conforms to a standardised format. The business plan must set out agreed key performance indicators. Procedures have been established to facilitate the drawing up of business plans in order to avoid delaying projects. Assistance with human resource and capacity development will be coordinated from central and provincial government level and will utilise a network formed by existing educational and technical institutions. These procedures drawn up for the RDP projects will be amended if experience shows the need to do so and will then be required for all programmes of government.

CHAPTER SEVEN

CONSULTATION, PARTICIPATION AND CAPACITY-BUILDING

7.1 Introduction

- 7.1.1 The RDP will be implemented by the line function departments of the National Government, by Provincial and Local Governments, and by parastatals, but through the widest possible consultation with and participation of the citizenry of South Africa. Structured consultation processes at all levels of government will be introduced to ensure participation in policy-making and planning, as well as project implementation. The empowerment of institutions of civil society is a fundamental aim of the Government's approach to building national consensus. Through this process the Government aims to draw on the creative energy of communities. To facilitate effective involvement, the Government will introduce programmes that will enhance the capacity of community organisations.

7.2 RDP task teams

- 7.2.1 Under the supervision of the Minister without Portfolio, the task teams will have a key advisory role in policy-making methodology. This methodology will draw on project experience to a large extent, and hence will engage in extensive local-level consultation and participation. For example, Presidential Projects initiated in the Urban Renewal, Rural Development and Human Resource Development Programmes of the RDP will provide essential learning and pilot studies for the definition of clear urban, rural and human resource development policies. Although the technical aspects of programme management will be supervised by the RDP Programme Supervision Committee, the development and socio-economic aspects will be dealt with by the Urban Development Task Team, Rural Development Task Team, and the Human Resource Development Task Team. The task teams consist of senior representatives of relevant departments and provinces, with some experts from civil society. Expertise for this purpose is broadly defined to ensure proper representation of the interests of disadvantaged groups and communities.

7.3 The National Economic Development and Labour Council

- 7.3.1 The Cabinet has taken the decision to establish the NEDLC as a mechanism of consultation, coordination, engagement, and negotiation by key stakeholders. The structure of the NEDLC will include labour, business, Civics and the Government, while also making room for the participation of a broader group of interests and organisations. The NEDLC will include a Development Chamber which will bring together participants from different levels of government, institutions and organisations of civil society, organised labour and organised business. The three other Chambers are Finance and Monetary, Trade and Industry, and Labour.

- 7.3.2 Effective representation by disadvantaged groups such as women and rural people will require the encouragement of non-traditional organisations such as stokvels, producer co-operatives, housing and electricity co-operatives.

7.4 Sectoral forums

- 7.4.1 A variety of sectoral negotiating forums has developed a participatory approach to policy formulation. National line function departments will be encouraged, where appropriate, to continue ongoing policy interaction with sectoral forums, which comprise key sectoral stakeholders and technical experts. Forums will advise Ministers either on request or proactively.

7.5 Provincial and local consultation

- 7.5.1 To facilitate local and sub-regional consultation and participation, Provincial Governments should encourage the establishment of sub-regional and/or local forums which will consist of representatives of all the stakeholders in the areas. Provincial Governments will agree on the boundaries of these sub-regional forums. In consultation with these forums, local authorities will promote the development of their local areas. At provincial level, consultative councils should be established which consist of representatives of both stakeholders' and sub-regional forums. Their function will be to ensure broad consultation, coordination, engagement and negotiation. Structures which in the past performed such functions will be reintegrated or rationalised.

7.6 Capacity-building for effective participation

- 7.6.1 Capacity-building is required in civil society to ensure effective participation in RDP implementation. Through initiatives such as Presidential Projects, path-breaking approaches to consultation, participation and local control will be explored. The Government will cooperate with civic organisation and other community-based organisations, to develop capacity during the course of an RDP campaign to establish local government legitimacy and hence improve both service delivery and user payments. Development projects such as those funded through the NPWP (with a business-labour-community commitment to labour-based construction methods) will also contain a far greater training and capacity-building component, with women targeted as beneficiaries. The Public Service Training Institute will make its resources available to civil society in addition to the Public Service. Increasingly, organisations of civil society will be involved in planning and policy-making through a variety of boards, commissions, forums and other venues by which experience is gained and skills are acquired. The new approach to freedom of public information will also play an enhancing role in capacity-building.
- 7.6.2 The particular roles of NGOs are worth more detailed consideration. NGOs proliferated during the years of apartheid, when they took over many roles of planning, education, policy development and support which a democratic government would normally have played. In addition, they provided support for the democratic forces when resources of the apartheid state were denied to

them. Since almost all governments refused to supply aid to the apartheid state, most aid was channelled through NGOs.

- 7.6.3 The Government, especially at local and provincial levels, must now carry out these functions as part of its normal operations. This includes the normalisation of the development finance relationship as primarily an intra-governmental function. Further, the resources of the Government (especially in the area of research) must be made available to mass organisations as they are to business and other constituencies.
- 7.6.4 A human resource and capacity development has been established by the National Government to facilitate and coordinate RDP efforts. Provincial and Local Governments are the key areas of delivery of the RDP. The task teams will therefore focus initially on the development of the ability of the Public Service and of communities at provincial and local level to drive the programme planning, implementation and management required for the RDP programmes effectively. As far as possible, existing institutions will be utilised. A nation-wide network of institutions, including universities, technikons, technical and teacher-training colleges, private and public sector training facilities, the Public Service Training Institute and some NGOs is envisaged. This network will be challenged to provide the necessary training, in modular form and consistent with the National Qualifications Framework and the National Training Strategy. In order to respond to this challenge, institutions will be encouraged to begin the process of reforming themselves. Provincial and local task teams will be essential in order to stimulate and develop integration and coordination of the institutions' responses.
- 7.6.5 Future government support for NGOs will be based on their role in taking forward the RDP, a process that can be assisted and evaluated through some form of accreditation for all such NGOs which receive government funds. Rationalisation of service delivery to communities is a general guideline for donors. However, it is both necessary and desirable for healthy, efficient and effective community-based development organisations and NGOs to exist. The Government should not have a monopoly of resources in this area. Organisations of civil society should continue to have the choice of access to alternative sources of services such as policy research so that it is not completely dependent on the Government. In addition, community-based development organisations will receive more extensive financial and logistical support once representativeness, accountability and effectiveness are confirmed.
- 7.6.6 The Government must ensure that its service arms are accessible to civil society, especially mass organisations with limited resources, and that they are able to provide an unbiased service even in areas (such as industrial strategy, development planning or other areas of multipartite negotiation) where interests may be opposed to current government policies. NGOs can and should therefore provide a crucial benchmark for quality against which the Government or parastatal institutions can be measured. The Government strongly favours the establishment of a coordinating body for NGOs. This body should be constituted as far as possible from the rationalisation of existing bodies, and should be substantially independent of the Government. The Government should be

sympathetic to it and should not interfere in its activities except through regular consultation in order to facilitate coherent development policies.

- 7.6.7 With respect to mass-based organisations of civil society – especially the labour movement and the Civics – their role in the establishment of political democracy was central. They have also won very substantial improvements in the social and economic lives of their constituents. A vibrant and independent civil society is essential to the democratisation of our society which is envisaged by the RDP. Mass-based organisations will exercise essential checks and balances on the power of the Government to act unilaterally, without transparency, corruptly, or inefficiently.
- 7.6.8 The RDP envisages a social partnership and the Government should therefore provide services and support to all sectors, especially organised labour, the civics, business, women's groups and the religious and cultural bodies. Moreover, the Government has a duty in terms of the RDP to encourage independent organisation where they do not exist, such as rural areas. Strong consumer and environmental movements are essential in a modern industrial society and should be facilitated by the Government.
- 7.6.9 The Government must therefore provide resources in an open and transparent manner, and in compliance with clear and explicit criteria to mass organisations to ensure that they are able to develop or maintain the ability to participate effectively as negotiating partners of the Government. The social partnership envisaged by the RDP does not, however, imply that mass organisations do not retain the right to their own interpretation of and their own goals for the RDP. It does imply that there is agreement to find solutions to constraints which will emerge in the RDP's implementation. For example, if construction industry bottlenecks are identified as constraints to government efforts to reach housing targets, the relevant organisations and institutions will be encouraged to reach consensus on solutions to address the specific bottlenecks or shortages that are identified. Thus a series of agreements or accords will be negotiated to facilitate the full participation of civil society, together with the Government, in order to find ways to take down the barriers which emerge during the course of the RDP.

7.7 Empowerment of women, youth, rural and disabled people

- 7.7.1 The Government has completed a report on women in South Africa in preparation for the United Nations conference in Beijing on the status of women next year. The RDP office has been mandated to spearhead a broader empowerment programme for women, taking into account that women often represent the poorest, most exploited and most marginalised sector of our society.
- 7.7.2 As described elsewhere in this document, the Government will formulate an integrated and sustainable rural development policy in consultation with rural people, their organisations and stakeholders. In particular, attention will be given to broaden access to services and support to small-scale agricultural producers by ensuring access to land, appropriate markets, credit facilities, training and support.

The capacity to implement development programmes in rural areas is a serious bottleneck, which will be addressed as a priority.

- 7.7.3 The Government will design, in consultation with disabled people, a comprehensive programme for the disabled which will enhance their mobility in society and remove discriminatory practices against them, especially in the work place. Government will also discuss means to reintegrate disabled people into their communities, especially those who are mentally disabled. Where people are entitled to disability grants, these should be paid to them. Special attention will be given to mental illness arising from trauma and violence, which can disable people from being able to function normally in society.
- 7.7.4 The youth of our land played a major role in the achievement of freedom. The Government will consider establishing special programmes aimed at addressing the needs of young people, in particular, to address the backlog in education and training, job creation and recreation. Young people are our country's most important resource. Effort will be required to ensure that they are equipped to play a major role in the reconstruction and development of South Africa.

CHAPTER EIGHT

CONCLUSION: A NATIONAL CONSENSUS

This first White Paper on Reconstruction and Development has set out key change management strategies for transformation, particular of government at all levels. It also sets out guidelines on areas of particular importance for change. This is the first in a series. The second will be published for comment in March 1995 and will set out in more detail specific policies, together with an evaluation of process.

Daunting challenges face government in implementing the programme set out in this paper. Perhaps the most crucial is the establishment of credible and effective Local Government, in both urban and rural areas. Without this, implementation of development programmes will be seriously hindered. It will require a sustained and intensive campaign which brings together Central Government, Provincial Governments, existing local authorities, civics, trade unions, business and other community organisations. Local Government development will also require a huge effort in human recourse and capacity development. Existing institutions will be challenged to provide this input in a coordinated manner.

The stability of Local Government services depends on the regular payment of user charges. The first step in achieving this is to make all aspects of Local Government finances completely open and transparent. This must be done also with the finances and cost structures of both municipal and national utilities.

Further planning of a campaign to restore stability to local authority finances must be done together with mass organisations and especially with trade unions active in Local Government.

The campaign will only be successful if government at all levels is prepared to go out to the people, to talk, clarify and explain, and to answer questions.

The issue of affordable tariffs, targeted subsidies and targeted welfare delivery must be resolved as a matter of urgency.

Communities must be prepared to commit themselves to performance contracts in terms of which they undertake to participate in the planning, management and protection of development programmes.

There is a second major challenge in implementing the Government's programme. For the RDP to be 'people-driven', there must be a vibrant civil society. However, there is a tendency at present to believe that 'the Government will deliver on its own'. This has the potential to disempower the organisations of civil society. Communities and organisations are listing projects and expecting the Government to pass over a cheque. Rather, organisations and communities should themselves set up projects and expect the Government to cooperate, not to finance. The Government must proactively assist civil society to gain access to information and to participate effectively in the consultations required for a 'people-driven' RDP. Equally, civil society must ensure that the resources of Local and Provincial Governments are rapidly re-organised and redirected.

The third major challenge is to ensure that the change management process in government moves sufficiently rapidly to allow significant changes in the deployment of staff and

expenditure before the Budget in March 1995. This must include changes in budgeting procedures, control and management of programmes and asset policies.

The responsibility for the renewal and transformation of our nation is, however, not the responsibility only of the Government nor of particular elected officials. It is a joint responsibility of all sections of our nation, and calls on all to put their energy and creativity into finding ways of doing things better and differently. The constraints and obstacles which can prevent delivery of a better life for all of our people can be solved if those constituencies most involved in a sector apply their minds to the problem jointly.

This partnership and national consensus does not mean that different constituencies and organisations of civil society cannot or should not have their own aims and goals. It does, however, mean that they should attempt to make those aims and goals consistent with the aims of the RDP and of renewal of our society, in a conscious and honest process. It is essential that organisations of civil society do, in fact, have clear goals which reflect the real interests of their members, but they should lead their members in attempting to align those goals with the RDP.

In this way the energy of the nation can be harnessed for the good of all.

LEAD PROJECTS ANNEXURE ONE

PRIMARY SCHOOL NUTRITION SCHEME

Aim	To contribute to the improvement of education quality by enhancing primary school pupils' learning capacity, school attendance and punctuality and contribute to general health development by alleviating hunger. Educating pupils on nutrition and also improving nutritional status through micro-nutrition supplementation. Parasite eradication where indicated. To develop the nutrition component of the general education curriculum.
Scope	Provision of an early snack, meeting 30% of the energy requirement, to 3.8 million children (50% of primary school children), in areas targeted on the basis of poverty criteria, particularly rural areas and peri-urban informal settlements. Project committees at identified schools will submit proposals to provincial teams for appraisal and approval. Training and capacity-building are included to ensure effective implementation, and to link to other education quality improvement and community development initiatives. Plan to incorporate it into national nutrition scheme.
Output	Scheme implemented in 50 schools per province – September 1994.
RDP	Fund R472.8 m 1994/95

RURAL WATER PROVISION

Aim	To support the provision of water and sanitation to rural areas, particularly the needs of communities in ex-TBVC States and SGT's. To develop local Water Boards as institutions for Local Government.
Scope	Twelve (12) projects in seven (7) provinces for supply, extension of services, small project support and to foster rural economic activity: Nebo/Arabi*, Kutame Senthumule, Makhodo* (N Tvl), Bushbuckridge (E Tvl); Vulindlela* (KwaZulu/Natal), Transkei* (EC), Winterveld, Moretele (PWV/NW); Supply (NW); Kutlwanong*, Monyakeng* (OFS).
Output	*Those ready to start immediately
RDP Fund	R 59.5m 1994/95 R135.4m 1995/96 R 87.8m 1996/97

LAND REFORM PILOTS

Aim	To develop and support integrated sustainable rural development and rural local government models through land restitution, redistribution, tenure reform and settlement support to kick-start a wider land reform process. Linked with other land programmes.
Scope	One Pilot District per province.

Output Pilot District identification – September 1994.
Pilot in each province to commence – October 1994.

RDP Fund R26,6 m 1994/95

LAND RESTITUTION

Aim To support the restitution of land to communities with land claims to state land, support settlement planning and infrastructure development to ensure sustainable development processes.

Scope Ten (10) communities/areas: Roosboom, Alcockspruit, Charlestown (KwaZulu/Natal); Zwelendinga/Zulukama/Thornhill (EC); Riemvasmaak; Smidtsdrift (NC); Goedgevonden, Bakubung; Zwartsrand (NW); Doornkop (E Tvl).

Output All ready to be implemented before end of 1995.

RDP Fund R23,8m 1994/95
R26,8m 1995/96
R11,8m 1996/97

URBAN INFRASTRUCTURE INVESTMENT PLANNING TEAM

Aim To facilitate the development of local infrastructure investment plans.

Scope/Output Developed methodology for urban infrastructure planning, provides technical support to local investment planning teams and facilitates funding for local plans via project preparation facilities. Consultation with key departments in progress.

Coordinating committee to be established by Urban Development Task Team.

RDP Fund R1,5 m 1994/95
R1,4m 1995/96

NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY (NURCHA)

Aim To promote development of small and medium scale enterprise in relation to housing and urban development by providing equity, underwriting risk, providing seed capital for enterprise development cooperation.

Scope/Output Negotiations with donors underway, CEO appointed. Consultation on composition of Boards of Directors initiated.

RDP Fund R20m 1994/95

NATIONAL LITERACY PROGRAMME

Aim	To launch a National Adult Basic Education and Training Programme through line departments and institutions to address the literacy and numeracy gap in the country.
Scope	Identification of appropriate mechanisms for harnessing resources and skills for the provision of literacy and training. Mechanisms should conform to the criteria of national acceptability, inclusiveness, integration with the RDP, be action-orientated and be cost effective. Operates primarily through existing capacity.
Output	Planning for implementation – September – December 1994. Implementation phase – January 1995-1999.
RDP Fund	None – Donor funded to 1997

SMALL-SCALE FARMER DEVELOPMENT

Aim	To respond to demands of land-based communities for small-scale agricultural production training and support. Also, development of appropriate training modules, development of mobile training units. Building capacity of existing institutions to train trainers to serve the sector.
Scope	In all provinces in consultation with MEC's and Provincial Departments.
RDP Fund	R4m 1994/95

CULTURE OF LEARNING

Aim	The aim of the programme is to restore a culture of learning in education institutions. The programme caters for physical improvement of school buildings as well as quality of learning by targeting improvement of school guidance.
Scope	Rehabilitation of schools damaged during the past and construction of new schools.
Output	Planning phase – September – December 1994 Implementation phase November 1994 – 1999
RDP Fund	R100m 1994/95

PUBLIC WORKS PROGRAMME

Aim	Maximise job creation potential of all capital projects.
Scope/Output	All infrastructure projects funded by RDP Fund are linked to Public Works Programme R250m allocated for special community based programmes Training and capacity building to provide long term job prospects
RDP Fund	R250m

FREE HEALTH CARE

Aim	Provide free health care for under-sixes and mothers pre- and post-natal at State facilities.
RDP Fund	Under negotiation.

CLINIC BUILDING

Aim	To provide clinics especially in rural areas and informal settlements to ensure availability of free health services.
Scope	To be done with Public Works Programme Erection and upgrading of clinic facilities.
RDP Fund	R25m 1994/95 R65m 1995/96 R65m 1996/97

AIDS AWARENESS AND PREVENTION CAMPAIGN

Aim	Campaign to promote awareness and prevention to ensure effective national and provincial responses.
Scope	Promotion of safer sexual behaviour, condoms and control of STD's. Counselling care and social support. Mobilise and unify resources.
RDP Fund	Departmentally funded.

PROVINCIAL PROJECT PREPARATIONS FACILITIES

Aim	Give provinces capacity to plan projects with community involvement.
Scope	Supports development of projects through: <ul style="list-style-type: none">- consultation- feasibility study- preliminary design- business planning- establishment costs Does not include detailed design or implementation.
RDP Fund	R28,3m 1994/95

PROVINCIAL PROJECTS

Aim	Discretionary allocations to provinces
Scope	To be drawn for projects conforming to the criteria established by the Cabinet, primarily community projects.
RDP Fund	R100m 1994/95

EXTENSION OF MUNICIPAL SERVICES

Aim	To ensure a rapid and visible improvement in the provision of municipal service, facilitate the democratisation of Local Government. Lay the basis for the sustained payment of rent and services by local communities.
Scope	Rehabilitation of collapsed infrastructure, system and facilities for providing basic municipal services. Extension of infrastructures, systems and facilities for providing basic municipal services to new areas. Creation of institutional and financial capacity to operate and maintain new and restored services. Implementation of the Local Government Transition Act, and associated changes at local level. Applications to the RDP fund should meet the following prerequisites: <ul style="list-style-type: none">– Funds should only be paid out in respect of each local area once a Transitional Council has been established in terms of section 7 of the Local Government Transition Act.– Applications must be supported by agreements on how operations and maintenance of new and rehabilitated infrastructure will be financed and sustained.– The applications must demonstrate that budgeting and planning for the amalgamated local authority area is being managed in a integrated manner.– Projects should be directed at improving the quality of life of the poorest section of the community.
Output	Consultation with organised Local Government and Civics underway. <ul style="list-style-type: none">– Department of Constitutional Development planning a summit for Reconstruction and Development at Local Government level.– Department of Environment Affairs launching a township clean-up campaign.– Decentralised system of decision making on funds, under direction of Local Government, MEC's Forums, to be established.
RDP Fund	R500m 1994/95 R350m 1995/96

URBAN RENEWAL PROJECTS

Aim	To kick-start development in major urban areas, focusing on violence-torn communities and communities in crisis.
Scope	<ul style="list-style-type: none">– Integrated provision of infrastructure, housing, community facilities, job creation, environment and recreation facilities, in communities selected according to national criteria.– Facilitation of non-racial and democratic Local Government.

Focus areas

- KATORUS, East Rand
 - repair of damaged houses, upgrading of hostels, repair of infrastructure, improved service provision, new housing development, provision of community facilities.
- KWAZULU/NATAL
 - rebuilding and upgrading of Urban Communities affected by violence.
- DUNCAN VILLAGE, East London
 - Integrated development of greater Duncan Village area, including land servicing and housing programmes.
- IBHAYI, Port Elizabeth
 - Provision of infrastructure, community facilities and housing to Ibhayi and Soweto-on-Sea community.
- OFS
 - Integrated development and upgrading of Botshabelo and Thabong communities.
- SERVICED LAND PROJECTS
 - Focus on Cape Flats townships and communities, with upgrading of infrastructure, land servicing, job creation, housing and provision of community facilities.

Output

- Preliminary identification of 7 lead urban projects.
- Coordinating committee established, consisting of
 - National Housing
 - Provincial Affairs
 - State Expenditure
 - Public Works
 - Provincial RDP Coordinators
 - Chairs of regional Housing Boards.
- Detailed technical evaluation of projects underway
- Business plan to be finalised with each project implementing agency.

RDP Fund R304,6m 1994/95
 R486,5m 1995/96

