

**The implications of the IMF programme in Zambia:
Lessons for South Africa in the Reconstruction and Development
Programme (RDP).**

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DEDICATION

For my loving parents, Graham and Maphoka Motsilili

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Abstract

This study attempts to present a comparative analysis of the implication of the IMF in Zambia and South Africa in its Reconstruction and Development Programme (RDP). In examining the IMF programme, the study focuses on the Fund's understanding of such economies and its prescriptions for development. It is argued that IMF's familiar orthodoxy will have disastrous consequences for South Africa's poor, disadvantaged and rural communities. Finally, the IMF's market-oriented policy prescriptions are likely to erode democracy and have devastating effects to people-centred development programmes such as the RDP.

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Introduction :

This study attempts to provide an assessment of the IMF programme in Zambia and its implication for the Zambian economy, with a view to drawing some lessons for democratic South Africa's Reconstruction and Development Programme (RDP). The role of the IMF programmes in various parts of our continent has turned out to be a theoretically charged controversy (see Amin, 1985; Bangura, 1987; Cheru, 1989; Frank, 1991; Onimode, 1989 et al). This paper therefore, grapples with a theoretically charged area. However, it should be pointed out that it is not the intention of this study to present rigorous theoretical debates. Rather, it seeks merely to reflect on the history and character of IMF programmes in Zambia with a view to drawing some lessons for South Africa.

It could be argued that the Zambian experience presents a relevant lesson for Africa in general and for South Africa in particular. Precisely because it is one of the glaring examples in the region where the IMF intervention has failed to stimulate economic growth. It is within this framework that this study proposes to assess the IMF involvement in Zambia with a view to extracting some lessons for South Africa. In essence, the study proposes to demonstrate that, while the IMF is not solely responsible for the present economic crisis in countries like Zambia, the policy measures it imposes tend to undermine the long-term development programmes of such countries, leading to .

the collapse of essential services and further impoverish the poorest strata of the population.

Despite the fact that the South African economy is highly diversified and developed compared to that of Zambia, it has however proved to be susceptible to IMF intervention. Beginning with the opening of democratic space in 1990, the role of the IMF in the South African economy appears to be on the increase. As recently as 1993, the IMF lent South Africa \$850 million to shore up dwindling reserves, on condition the fiscal deficit dropped to around 6% of the Gross Domestic Product (GDP). The Governor of the South African Reserve Bank has already recommended that South Africa should again approach the IMF for a standby loan facility to prop up the current account of the balance of payments in 1995 and 1996 (Sunday Times-Business Times., 13 March 1994). This illustrates the increasing role of the IMF in the South African economy.

Given this seemingly increasing role of the IMF in the South African economy, the inequalities that the democratic government inherited from the apartheid era, and finally the intention of the new government to embark on a massive reconstruction programme. It would be interesting to assess what lessons South Africa can learn from the experiences of other countries in the region, particularly that of Zambia.

Basically this thesis proposes to argue that given the democratic South Africa's intention of using the RDP as an instrument for

redressing massive apartheid inequalities, and the apparently growing IMF involvement in the economy, there is possible incompatibility between typical IMF market-oriented programmes and the RDP which is underpinned by government intervention. Within this framework, it will be argued that South Africa can draw some lessons from the Zambian experience with the IMF.

Structure of the Dissertation

The study is divided into five chapters. Chapter one provides a brief background on the Zambian post-independence political economy. It assesses the causes of the economic impasse and the subsequent IMF intervention in Zambia. Lastly, the chapter conducts a general assessment of the IMF adjustment programme and its implication on the Zambian economy, National Development Plan (NDP) and subsequently on the Zambian state.

Chapter two examines the legacy of apartheid in South Africa. In this broad area of debate, focus will be on the legacy of apartheid in the spheres of health services and primary health care, education and housing, with a view of posing questions about possible solutions.

Chapter three focuses on the South African Reconstruction and Development Programme (RDP). It assesses the RDP's objective of addressing the devastation wrought by apartheid in the area of social services like health, education and decent housing.

Chapter four assesses whether the RDP can survive the policy measures of the IMF by drawing lessons from the Zambian experience with the Fund. Finally, Chapter five is a conclusion where arguments are drawn together.

Chapter One

Zambia's Post-independence Political Economy : An Overview

Introduction

This chapter seeks to provide a brief background on the Zambian post-independence political economy up to the end of the 1980's., the period that marked deep IMF involvement in the Zambian economy. This is done in order to sketch out the origins of the Zambian economic crisis. Within this background, the paper proposes to examine the causes of the economic impasse and the subsequent IMF intervention in Zambia. Finally, the chapter attempts to assess the IMF adjustment programme and its implication on the Zambian economy.

1.2 Post-independence Development Programme

Upon independence in 1964, the newly elected United National Independence Party (UNIP) government of Zambia upheld the principle that the government should intervene actively in the economy, in order to provide a decent standard of living for all the people of Zambia. This was stated in the UNIP constitution as follows: "the main task of the party is to accomplish a victorious transition from capitalism to humanism through socialism as a means of eradicating capitalism, colonialism, neo-colonialism, racism on one hand and poverty, hunger, ignorance, disease, crime and exploitation of man by man on the other"

(UNIP, 1964).

Soon after independence, Zambia like most post-colonial states formulated a development plan. The Zambian development plan entailed state intervention in the economy in order to redress the legacy of colonialism. The Zambian National Development Plan (NDP) was consistent with the UNIP programme that aimed at eliminating what Kaunda called "exploitation of man by man". Kaunda explained that exploitation can be established by a political ruling clique, a racist group or an economic class. UNIP sought to prevent the rise of classes and class conflicts in Zambia (Mijere, 1991).

To redress the lack of people-centred development of the colonial era, the UNIP government decided to:

- a) Build many primary schools in the rural and urban areas, and to construct boarding secondary schools in every district. Moreover, the government decided that education from primary schools to the university be free.
- b) Improve medical care and public health services and to abolish medical and hospital fees.
- c) Pay subsidies on essential commodities for the benefit of urban as well as the rural population.
- d) Improve and to extend public transport services in urban and rural areas. The government further subsidized the cost of public transportation.
- e) Exempt low income groups from income tax and to abolish bicycle and similar taxes.

These measures, undertaken to restructure the economy, were facilitated by the economic boom of the 1960's to mid 70's. From 1964 to 1974, the Zambian economy was relatively strong because the price of Zambian copper was favourable on the London Metal Exchange. Since the mining industry was the major earner of foreign exchange, the Zambian balance of payments were positive. Thus, during the first decade of Zambia's independence, both production and employment were growing rapidly without any serious imbalances.

The first development programme was initiated within this buoyant economic environment. The development programme, the First National Development Plan (FNDP) covered the five year period, from 1966 to 1970. The aims of the FNDP included:

- a) Diversification of the economy in order to reduce dependence on the mining and export of unprocessed copper.
- b) Increasing employment by at least 100 000 jobs during the course of the plan.
- c) Raising the level of training and education.
- d) Provision of the necessary infrastructure, better houses and other facilities and to raise the standard of living and,
- e) Development of new sources of energy, transport and communication, and other structures (Ncube et al, 1987).

Within a period of four years, most of the above objectives were met. Education and health facilities expanded rapidly while an impressive social and economic infrastructure was developed.

Despite the phenomenal growth in Zambia's export earnings from copper throughout the 1960's, very little investment went into the modernization of the copper industry.

The second programme, the Second National Development Plan (SNDP) was designed to cover the period 1972-1976. The SNDP sought to expand agricultural production, initiate transformation of subsistence agriculture, develop tourism, address regional inequalities, and spearhead the expansion of industry. Unfortunately, the SNDP coincided with the world-wide economic recession due to rising inflation which was mainly caused by the 1973 oil crisis. The Zambian economy declined due to the international economic depression which resulted in falling copper prices and rising import prices for the country.

As the foreign exchange crisis continued to worsen, there were widespread shortages of raw materials and intermediate goods, spare parts and capital equipment which in turn reduced the supply of consumer goods. Consequently, most of the gains of the FNNDP were eroded during the SNDP period.

To insulate the budget from further deficit and effects of revenue instability, the government reaction to reduced mineral revenue was to try and raise money through taxes. This meant Zambia had to broaden the tax base. However, Zambia failed to satisfy expenditure requirements as a result an option of bank and foreign borrowing was taken.

The period between 1977 and 1983 spans partly the life of the Third National Development Plan (TNDP). The TNDP was interrupted by the implementation of the structural adjustment programme (SAP) of the IMF. During this period, the performance of the economy declined due to the falling export earnings. This was marked by the decline in the contribution of copper industry to government revenue and the budget was henceforth characterized by huge deficits. The TNDP coincided with the second oil shock of 1979-1980 which resulted in reduced demands for the majority of primary commodities including copper.

1.3 The economic Crisis

Cheru (1989) argues that Zambia's economic crisis cannot be understood in isolation from the pattern of development which it inherited from the colonial period. During the colonial period Zambia (then Northern Rhodesia) followed a development pattern that served British interests, putting more emphasis on the production of copper while its agriculture and indigenous industrial base were allowed to disintegrate. Hazelwood (1967) similarly argues that, Zambia's economic development has also been skewed by the British colonial policy which facilitated the building of an elaborate network of transport, commercial and industrial centres linking the countries in the region to Rhodesia (Zimbabwe) and South Africa. Hazelwood concludes that this legacy of economic dependence on South Africa continues to stifle autonomous and sustainable development in Zambia and in Southern Africa as a whole.

After more than two decades of independence, the Zambian economy remained tied to copper mining, which accounted for 90% of foreign exchange earnings. This heavy dependence on copper has been the main cause of Zambia's vulnerable position in the world economy. As a result the Zambian economic growth became erratic throughout the 1970's and 1980's as copper prices dropped sharply in the world market. The share of copper mining in the Zambian GDP had dropped from over 40% in 1965 to about 15% in 1985 (ibid, 1989).

A 60% decline in copper prices between 1974 and 1984 contributed in the collapse of Zambia's terms of trade. In the same period (1974-1984) Zambia's main trading partners were experiencing double digit inflation. The oil import bills rose to about ZMK 225 million in 1983. Consequently, Zambia had to reduce its oil import. This marked a blow to both the mining and non-mining sectors as oil was the most important fuel for production. As a result, economic growth was hampered. In order to maintain an acceptable level of imports, Zambia was obliged to borrow heavily from the international money market. Thus by 1983, the Zambian debt was estimated at about 300 million US dollars (Mwanza, 1992).

As early as 1981, there had emerged a consensus that the external debt and its servicing requirements together with rising inflation were placing the Zambian government in an untenable position. Zambia had no choice but to turn to the IMF and accept its conditionalities. The IMF package in Zambia included

assistance for finance stabilization.

1.4 The IMF

Before we look at the implications of the IMF programme in Zambia, a brief introduction to the origins of the IMF and its role in the third world is necessary. The IMF and the World Bank are a product of post-World War Two global restructuring formulated by the United States (US) in the Bretton Woods Agreement. These institutions were consistent with the US desire to ensure the global expansion of its capital in the post Second World War era. At the founding conference of the IMF/World Bank at Bretton Woods, USA, in 1944, the US managed to force through its interests against rival industrial countries weakened by the war and to anchor these interests in the structure of the new world monetary system (Korner et al., 1984).

Since most national states of Africa did not exist in 1944, the interests of African countries were scarcely represented at Bretton Woods. The IMF was mainly funded through quotas from the industrialized countries, with the US as the major contributor. It effectively became the centre of multilateral loans, as a result the majority of developing countries had no alternative but to join the IMF. At Bretton Woods it was agreed that the IMF would grant deficit countries loans to improve their balance of payments, while preventing them from setting up trade barriers. Such loans were accompanied by IMF policy measures or conditionalities which were designed to enforce fiscal discipline

on debtor countries.

After the oil crisis and international economic depression of the 1970's, and the subsequent balance of payments and debt-crises in the Third World, most developing countries approached the IMF for loans and economic stabilization programmes. Consequently, the IMF increasingly became involved in these economies, to such an extent that its SAP's determined the rhythm and tempo of the lives of the majority of people in the deficit countries of the Third World.

1.5 The IMF Programme in Zambia

Although Zambia became a member of the IMF in 1965, the country did not start using the IMF facilities immediately. Zambia joined the IMF with a quota of Special Drawing Rights (SDR) 50 million (Mwanza, 1992). The reason why Zambia did not use the Funds facilities until the 1970's was because of the favourable international market for copper, Zambia's sole export commodity. The highest copper output was in 1969 when 755 000 tonnes were mined. After that year the output of Zambian copper began to decline. The drop in production was partly due to the collapse and flooding of Zambia's largest mine at Mufulira. As a result of which output has never reached previous levels. As we have indicated above, it is the consequent decline of export receipts which prompted Zambia to use the IMF Compensatory Financing Facilities and received an equivalent of SDR19 million at the end of 1975.

Between 1973 and 1986, the IMF granted Zambia five standby agreements. Initially these were granted with no conditionality. When it became apparent that Zambia was having difficulties in repaying loans, the IMF took a closer and more active participation in the Zambian economy to ensure that they recovered their money.

The following were some of the loan agreements between Zambia and the IMF:

1973 : Standby arrangement- (Special Drawing Rights) SDR19 million or 25% of Zambia's quota for one year, unconditional.

1976 : Standby arrangement- \$62 million or 81,5% of Zambia's quota. Conditionality included ceiling on the money supply, overall credit and government credit plus a 20% devaluation.

1978 : Extended Finance Facility- 37% of Zambia's quota. Conditionality included overall ceiling on the credit to government as well as a reduction in government deficit spending from 12% to 7% of GDP. This programme was tied to a three year World Bank investment programme to reorient expenditure from infrastructure to agriculture and industrial projects.

The above arrangement was cancelled in July 1982 due to an accumulation of payment arrears, overshooting of credit ceilings and a rise in the balance of payments deficit.

1983 : Standby arrangement-100% of Zambia's quota of SDR270

million. Conditionality included ceiling on money supply, aggregate demand and government credit, and reduction in government deficit to 5,6% of GDP. The currency was devalued by 20% in January 1983 and later allowed to float. The prices of most goods were controlled and wage increases were restricted to 5%. In July 1983, the Zambian Kwacha was pegged to a basket of currencies of major trading partners and a crawling peg was adopted. This resulted in a depreciation of 38,5%.

1984-86: Standby arrangement-83% of Zambia's quota or SDR225 million. Conditionality included ceiling on overall government credit as well as on the money supply. Many aspects of the 1983 agreement were retained and in October 1985 the system of currency auctioning was introduced. Interest rates were also decontrolled. Additional measures included freezing of wages and salaries and trade liberalization. State owned enterprises were also allowed to charge economic prices while subsidies were reduced (Fundanga, 1989).

Jones (1994) identifies the structural problems confronting the Zambian economy as follows:

- a) A highly urbanized and rapidly growing population, with stagnant formal sector employment and a high degree of dependence on subsidized consumer goods and welfare services.
- b) Continued dependence on the mining sector to generate foreign exchange and government revenues, and consequent

extreme vulnerability to world price fluctuations and to the exhaustion of the main mineral deposits.

- c) A large number of parastatal enterprises and agencies whose financial and management performance was poor, and a demoralized public service.
- d) A manufacturing sector of doubtful economic viability, generally enjoying high rates of effective protection dependent on receiving rationed foreign exchange at a price well below its scarcity value, and intermittently crippled by foreign-exchange shortages (Gulhati, 1989). Gulhati further argues that the above structural factors compounded the country's mounting problems.

Zambia increasingly came to depend on the IMF approval to persuade commercial banks to reschedule its debt and maintain lines of commercial credit. In return, the Zambian economic policies required the external approval of the IMF. The strategies of the IMF adjustment programme centred on currency devaluation, currency auction and reduction of government subsidies on social services. This was intended to encourage exports and constrain demand for imports.

1.6 IMF Policy Proposals

The policy package that was proposed by the IMF in Zambia focused on the following areas: (a) currency auction, (b) currency devaluation and (c) withdrawal of government subsidies on social services. These were intended to compliment each other and

integrated into what was known as the economic reform programme.

At the beginning of 1985, Zambia was on the brink of economic and political collapse. Zambia's foreign debt had grown to \$725 million to the IMF and \$350 million to the World Bank (Financial Gazette, 1986). As a result, in October 1985, the Zambian government was pressured by the IMF to adopt a new foreign exchange auction system. The IMF-inspired auction system centred on devaluation of the Zambian currency and removal of government subsidies for consumers. Devaluation of the Zambian currency was intended to stabilize the balance of payments while greater fiscal and monetary discipline was intended to promote improvement of the domestic fiscal imbalance.

The IMF argued that the auction system would discourage imports and force both consumers and producers to use local materials and consumer goods. The IMF argument was based on the premise that import dependent and capital intensive firms will be forced to curtail imports and instead utilize local labour, thus generating more employment in keeping with the National Development Plan (NDP). The Zambian reality has been quite different from this optimistic IMF assumption, as it became clear that the country is not endowed with necessary resources for industry.

The first currency auction took place in October 1985 and the Zambian Kwacha immediately fell by 53%. By the end of 1986, the auction determined rate was K15,25 to the US dollar recording a steep decline compared to what it was at the start of the

auction. As the value of the Kwacha dropped, the cost of basic goods and essential medical supplies soared dramatically forcing the Zambian government to suspend the auction system. Cheru (1989) argues that the introduction of the auction system meant that Zambia's future was left to be decided by market forces rather than democratic debate by people of Zambia.

Contrary to IMF optimism, the auction system caused panic within the business community because of exchange rate uncertainty. As a result the amount of dollars to be auctioned was reflected by the price hikes on all commodities. For instance, the cost of public transport went up by 75%. The reduction of government subsidies on essential commodities like mealie meal meant that the majority could not afford their staple food.

The IMF-prescribed wage freeze eroded the buying power of workers. By the end of 1985, workers could only buy 65% of what could be bought prior to auctioning. During the same period, government, Zambia Congress of Trade Unions and Zambia Federation of Employers agreed to salary increases ranging between K50 and K75. However, these increases failed to alleviate the effects of the erratic price increases brought about by the auctioning of the foreign exchange and the decontrol of prices.

Since Zambian businesses, industrial and transport corporations determined prices in anticipation of the weekly devaluation of the Kwacha, wage increments were of no significance. Effectively the cost of living was beyond the reach of ordinary workers. What

exacerbated the situation was the rationalisation of the cost of production through declaring workers redundant within the framework of the IMF package.

Contrary to IMF recommendations, the devaluation of the Zambian Kwacha failed to stem the tide of imports. The IMF provided no restrictions on the kinds of goods which could be imported with the foreign exchange allocated to an importer. Consequently, the Zambian market was flooded with imports which caused negative economic shocks to the country. As a result, local producers shifted their attention from production to retailing of imported goods since they found the latter more profitable than the former. The systematic devaluation of the Zambian currency made the cost of production expensive as the price of basic inputs rose sharply.

The flood of imports was a major concern to government both from an economic and political point of view. For instance, at a time when President Kaunda was serving as chairperson of the Southern African Co-ordinating Conference (SADCC), Zambia was swamped by imports from South Africa partially as a result of IMF-mandated trade liberalization and devaluation of the currency. Zambia's economic behaviour was in stark contrast to the SADCC mission of reducing economic dependency on apartheid South Africa (Cheru, 1989).

As the Zambian Kwacha depreciated further, the cost of many consumer goods increased simultaneously. Essential inputs

disappeared while basic consumer goods became too expensive for the ordinary citizens to afford. IMF economists also argued that devaluation of the Kwacha would discourage the demand for imports and thus save foreign exchange. In this regard, the IMF assumption proved to be inconsistent with the Zambian economic realities.

1.7 An Assessment of the IMF on Zambia

Zambia is among the African countries trapped by high levels of debt to international public and commercial banks. As we have indicated above, one of the strategies of the IMF structural adjustment Programme (SAP) in Zambia centred on currency devaluation and removal of government subsidies. This was intended to encourage exports and constrain demand for imports. "The objectives of IMF adjustment programme were to promote economic growth and to reduce the state's role in resource allocation" (Young, 1988:ix). The implications of the IMF programmes in Zambia were therefore bound to have devastating effects on the economy, development programme and the state. We now turn to these areas briefly.

1.8 (a) Impact of the IMF in the Economy

After several years of IMF involvement in Zambia, the Zambian economy had not been able to diversify, as a result, the country experienced a severe economic impasse. The IMF programmes had not succeeded in revitalising the Zambian economy. The IMF policy

prescriptions were found to be based on a number of assumptions which simply did not hold in Zambia. For example, the IMF prescribed the adoption of the foreign exchange auction system, on the premise that it would discourage imports and force both consumers and producers to use local materials and consumer goods. This did not materialize mainly because of the lack of the necessary infrastructure and resources for Zambian development.

Williams (1994) has pointed out that radical currency devaluation that goes hand in hand with any strategy of structural adjustment raises the costs in local currency of imported goods at the official exchange rate. According to Williams, this is what informs the underlying objective of the IMF-inspired currency devaluation. But such devaluation has a propensity of raising prices for export commodities because the change in the currency exchange rate is passed on to local producers.

Some countries in Africa have been tempted to increase the levels of income and government spending proportionately. This entails the raising of wages and circulating money to compensate for rising prices. Unfortunately, this strategy tends to raise the undesirable demand for foreign imports at the expense of locally manufactured goods. Williams also argues that, rigorous controls on wage rises, government spending and the supply of money and credit are therefore necessary for devaluations to work to produce a stable, and ultimately a convertible exchange rate. In trying to maintain a stable exchange rate, third world governments are consequently compelled to cut back on public

spending, and to seek new sources of revenue. As a result such governments have tended to reduce spending on such vital services as health and educational facilities, even if they recognise that these are essential to meet the needs of an expanding population and for the laying of a basis for future economic growth.

The linchpin of a typical IMF adjustment programme advocates non-intervention by government in the economy and subsidy withdrawals from social services. According to IMF policy experts, these are the necessary measures for the structural adjustment programme to work. But the costs of such IMF policies and the measures necessary to sustain them fall most heavily on the marginalized section of the population, and on consumers of public services. As a result, developing countries like Zambia have had to abandon their people-centred development programmes in line with the demands of the IMF.

Having outlined the economic problems in Zambia, one of the factors which contributed to the crisis is the question of the overvalued currency which inflated the demand for imported goods. This paved the way for increased government deficits. This in turn caused foreign trade and balance of payments deficit to increase.

On the other hand, the currency devaluations advocated by the IMF did not succeed in solving the balance of payments problem, since such devaluations had a propensity of raising the price of local exports, thus making them uncompetitive in the

international markets. On the whole, the IMF liberalization programme has not succeeded in stimulating economic growth in Zambia.

1.8(b) The Impact of the IMF on the Zambian NDP

As indicated earlier, the first Zambian NDP sought to redress a series of problems inherited from the colonial period. These were identified as follows:

- (a) An undiversified economy that was almost entirely dependent on copper exports.
- (b) Inadequate physical infrastructure in areas like health, education, housing and so forth.
- (c) Lack of necessary skills and training.

As the Zambian economy began to decline the country experienced an adverse balance of payments. The Zambian leaders sought loans, Special Drawing Rights and advice from the IMF. The advisors from the IMF pointed out that Zambia's economic crises were caused by "unsound economic and financial policies" pursued by the government.

In turn the IMF economic advisors submitted to the Zambian leaders the need of restructuring the economy if they wanted loans from the IMF and other international financial institutions. The IMF experts pointed out that the Zambian economy could not recover as long as the government subsidized essential commodities, controlled prices, bank rates, imports, and overvalued its currency. The IMF was of the opinion that the

Zambian Kwacha was overvalued, thus making the Zambian goods uncompetitive on the world markets.

The IMF similarly suggested that the Zambian public service needed to be trimmed. This move put many workers in an untenable situation as the government is the major employer in the economies of this type. This meant that the NDP objective of creating employment was rendered unworkable. On the sphere of education, the Zambian NDP sought to overhaul the entire education system by ensuring that it became accessible to all Zambians without exception. As a result, the government subsidized education up to university level and more and more Zambians were accorded an opportunity to enter educational institutions. Thus, the high illiteracy rate was effectively alleviated.

However, after the Zambian government had adopted the IMF programmes, it was obliged to reduce subsidies on education. As a result higher education has become a distant dream for the majority of students who cannot afford to pay the high tuition fees at the University of Zambia. University fees were increased by 100% in 1993. Such subsidy withdrawals flew in the face of the NDP which had sought to make education and other facilities accessible to all Zambians.

1.8(c) The impact of the IMF on the Zambian State

The development responsibilities assumed by the Zambian state

encouraged an expansion of the range and extent of government activities. These included state regulation of currency exchange and of external and internal trade. In order to support the development programme, the Zambian government increased public employment, measures such as selective tariffs and import controls were adopted in order to reduce luxury imports in favour of "national" priorities. Staple food prices were subsidized to give consumers some protection from rising prices without raising wages. The Zambian government controlled its economy by supervising the convertibility of the national currency and maintain its exchange value as a means of reducing inflation.

In order to qualify for loans and IMF assistance, Zambia conceded that its welfare political system needed to be restructured along market oriented lines. The IMF recommended that the government subsidy on such social services as education, health, housing and so forth, should be curtailed. Following such subsidy withdrawals, the Zambian development model was disrupted thus destroying the basis for national consensus. As inflation and unemployment increased, so too did the militancy of the trade union movement. The trade union movement was soon joined by the restless urban unemployed, petty traders, the intelligentsia, the small scale commercial farmers and the business-people (Mwanza et al, 1992).

The withdrawal of government subsidies in the field of health caused the collapse of the Zambian health infrastructure. As a

result, the hygiene levels at the main government hospital in Lusaka dropped miserably. It is common for health institutions to run out of essential drugs like anaesthetics and penicillin. Consequently, a number of people die because of ailments that could be easily cured. This situation has led to resignation of some specialist medical officers, others left the profession altogether while others migrated to other countries and work as expatriates. This kind of brain drain can partly be attributed to the IMF-inspired government subsidy withdrawals on health services.

As highlighted earlier in the chapter, the IMF also recommended that the government of Zambia should remove subsidy from maize meal, the basic food staple of Zambia. Consequently, there were sporadic food riots throughout the country as hunger was on the upswing. Several people were killed on the Zambian Copper Belt during the maize riots in that region. Such food riots culminated in political instability in Zambia. Consequently, the Zambian government could not adhere to democratic principles. For example, a prolonged state of emergency was declared in trying to crush popular protest against the IMF austerity measures. It could be argued that the adoption of IMF programmes in Zambia have tended to transform the Zambian state into an authoritarian state.

The IMF approach to the question of development in Zambia, thus had serious political implications. For instance, the programmes have tended to undermine the social contract between the

government and the people of Zambia, because significant economic decisions are concluded with no reference to voters. There is evidence that the practice of the IMF and its structural adjustment are inherently undemocratic because they are unilateral in character. The coercive nature of such programmes does not promote the desired prospects for democracy in Zambia.

The Zambian case is a clear testimony of the need for reform minded governments and the donor community especially the IMF, to take account of the social, political, ideological and the economic fabric of the country in which to introduce the structural adjustment programmes (Mwanza and Mwamba, 1992). This has been a general weakness of the development programmes of this type. Mwanza, (1992) is of the view that too often, the IMF-inspired reform programmes are implemented with little regard to factors such as the capacity or the willingness of the government to implement them, the strength of the domestic interest groups and the existing structure of the economy. In that regard, the Zambian case is an example of how not to implement such development programmes.

OXFAM recently criticized the rationale of giving aid/loan to governments on strict conditions that force them to bite the fiscal bullet by effecting huge reductions in budget deficits entailing either massive retrenchments or huge cuts in allocation to social services. Oxfam also alleges that such policy prescriptions further widen the gap between the rich and poor as minimum wages continuously fall (SAPEM, 1994).

The IMF programmes were meant to bring Zambia out of the economic doldrums, but that objective was not realized. It is now generally agreed that implementation of IMF economic reform programmes have had serious political consequences for the Zambian government. This has been attributed to the political responses that such programmes generally provoke from well-organized interest groups (South, 1987).

The reintroduction of the maize meal subsidy after the 1986 food riots, the abandonment of the IMF programme in 1987 and another reintroduction of the maize meal subsidy and reduction of the maize meal price after the June 1990 food riots are all indicative of the strength of urban interest groups. By the close of the 1980's, the government had been trapped between two forces: the interests of the international donors (the IMF) and the militancy and strength of urban interest groups.

Onimode (1992) observes that the overall assessment of the IMF orthodox adjustment programmes has led to the conclusion that, although these programmes aim at restoring growth, generally through the achievement of fiscal and external balances and the free play of market forces, these objectives cannot be achieved without addressing the fundamental structural bottlenecks of economies like Zambia.

Conclusion

This chapter set out to look at the implications of the IMF policies in Zambia with a view of drawing some lessons for South Africa. In the process, we have looked at the brief history of Zambian political economy, the development of the economic impasse and the subsequent IMF intervention in Zambia were examined.

It was shown that at independence, through the NDP the Zambian government hoped to redress the inequalities of colonialism. It was established that most of the objectives of the NDP were achieved so long as the copper prices remained viable in the world market.

The collapse of copper prices led to the collapse of Zambian economy and the NDP. This gave way to the involvement of the IMF in the Zambian economy. The impact of the IMF programme led to the general deterioration of the Zambian economy as well as political instability. What lessons can democratic South Africa learn from this experience? What implications does this have for the South African Reconstruction and Development Programme (RDP)? Before getting into this question, the next chapter looks at the legacy of apartheid that has been inherited by the present government.

Chapter Two

The Legacy of Apartheid

Introduction

The previous chapter outlined the implications of the IMF in the Zambian political economy, highlighting the negative impact of the programme for the economy and politics of the country. In attempting to draw some lessons for South Africa, this chapter seeks to present a summary of the legacy of apartheid, particularly in the spheres of health, education and housing in South Africa.

2.1 Apartheid Policy

Apartheid as a phenomenon in South Africa goes back almost to 1652. However, 1948 is considered a watershed year for South Africa because apartheid became government policy along Hitler's doctrine of a master race to discriminate against black South Africans. Instruments like the Group Areas Act were used in order to exclude blacks in general and Africans in particular, from exercising their inalienable rights as citizens of the country. Through a myriad of repressive apartheid laws, black people were systematically marginalized in the political and economic realms of South Africa.

The impact of apartheid on the marginalized South African people can be illustrated by the following statistics: (Guide to the RDP., 1994)

- * About 17 million people in South Africa live below the poverty line. 11 million of these are blacks living in the rural areas.
- * In 1990 there was a shortage of about 1,3 million homes. Each year about 200 000 new households seek a home but in 1992 only 50 000 homes were built.
- * About 12 million people have no reasonable access to water and about 21 million have no adequate sanitation.
- * There is spare electricity in South Africa but only 36% of households are electrified. About 3 million homes have no electricity. 19 000 schools (86% of the total) and 4000 clinics have no electricity.
- * For black people there is only one phone line for every 100 people.
- * Millions of people do not have adequate health care

Let us now look at the three areas of social services in more detail:

2.2 Apartheid and Health

In dealing with the problem of health and apartheid, we start off by looking at the following statistics:

- * 2,3 million South Africans suffer from malnutrition, 40% of

them are under 5 years of age and 8% of them are pregnant or breast-feeding women

- * There is one doctor for between 10 000 and 30 000 people in the former homelands
- * The life expectancy of South Africans is 64 years. The life expectancy of whites is nine years higher than for Africans
- * 34% of Africans have flush toilets, 43% use pit latrines, 7% use bucket system and 16% have no ablution facilities (Weekly Mail., 17 March 1995)

A study of health situation in South Africa reveals two distinct patterns of diseases for black and white people respectively. White South Africans have a pattern similar to that found in developed countries: a low infant mortality rate (14.9 per 1000 live births in 1978- similar to that in Britain) and a long life expectancy (64.5 for white males and 72.3 for females for the period 1969-71) On the other hand, black South Africans, particularly Africans, have a health pattern similar to that of underdeveloped countries which are characterized by high infant mortality rates and low life expectancies.

It has been estimated that in some rural parts of South Africa, between 30 and 50 per cent of children die before their fifth birthday. In May 1983, the infant mortality rate among Africans in Worcester, Western Cape, was reported to be 550 per 1000. As a result of apartheid neglect, it has been estimated that in the rural areas at least, 50 000 deaths among black people annually

are not registered. Moreover, the apartheid government did not publish birth statistics for Africans. Consequently, the true incidence of disease has been concealed (Official Year Book of SA, 1983., Cape Times., 26/5/1983., Academica., 1982., Seedat, 1984).

Life expectancy for Africans in South Africa for the years 1945-47 was twenty years less than the life expectancy of whites. Life expectancy figures for Africans have not always been available because it has not been compulsory for Africans to register births or deaths, as a result reliable demographic figures are difficult to compile.

The account of the role played by apartheid on health services and health care in South Africa is instructive as the country contemplates its restructuring programme. Apartheid manifested itself in a bureaucratic entanglement of racially and ethnically fragmented services; inefficient, and wasteful of the health of more than two thirds of the population (South African Medical Research Council, 1991). Hence, South Africa has a distorted health care industry, both public and private.

The provision of health services in South Africa has proved to be inseparable from the economic, political and social structure of the apartheid state. For example, the systematic poverty that was accentuated by apartheid often led to malnutrition-related diseases. This gave rise to a vicious cycle because after treatment such patients are returned to an environment where they

will in all probability relapse.

The enjoyment of human rights as defined in the Universal Declaration of Human Rights of the United Nations is closely linked to enjoyment of health as a state of complete physical, mental and social well-being, as enshrined in the World Health Organisation (WHO) constitution. As a result of apartheid, this was largely denied to the majority of South Africans.

After the formal institution of apartheid in 1948 the apartheid structure in health care was henceforth regulated and enforced by law. During the subsequent decades apartheid in health became more visible. According to Seedat (1984), the intensification of apartheid in health was illustrated by the fact that inside hospitals, it became generally customary to care for whites and non-whites in separate wards and at times there was a marked difference in the care administered. Consequently, in the non-white section of government hospitals, facilities are overstretched to meet the greater numbers, in some instances patients are discharged earlier because of the acute shortage of beds.

Communicable diseases that are prevalent among marginalized Africans in South Africa include tuberculosis, typhoid, tetanus, measles, polio, diphtheria, infectious hepatitis and pertussis. These infectious diseases can be eradicated by adequate nutrition, housing, sanitation, immunoprophylaxis and domiciliary chemotherapy (United Nations Centre Against Apartheid., 1977).

The apartheid government neglected such preventative measures in underprivileged black areas.

The South African health professions were infiltrated by legalized racism with the establishment in 1957 of separate registers in nursing for the different race groups, the segregation of the branches of the South African Nursing Association (SANA) along colour lines, the barring of non-whites from holding office in the central board of that association. This meant that the interests of non-white health workers, especially Africans, were not given priority within the central board of the SANA.

Later on in 1978, SANA further fragmented the nursing profession along ethnic lines in line with the requirements of the homeland policy of the apartheid government (Rispel and Schneider, 1991; Uys, 1987). Apartheid policy also reared its head in the sphere of training of health workers. For example, black medical students were by law barred from entering gynaecological and obstetrics wards in white teaching hospitals (Kane-Berman, 1990 in Benatar and van Rensburg, 1993).

2.3 Apartheid and Education

Before we deal with the area of apartheid and education, let us look at the following statistics:

- * 30% of our population (12,5 million) is illiterate
- * 53% of children drop out of school at primary school level (girls:44%)
- * The drop-out rate at black high school is 51% boys and 46% girls.
- * 8 out of 10 white children reach matric
- * 2 out of 10 African children reach matric (Weekly Mail., 17 March 1995)

The legacy of apartheid in education translated itself in various ways, for example, there were sixteen education departments that were designed to serve different population groups. Education funding in this regard favoured white education whilst neglecting black education. Government policy on bantu education stipulated that African pupils were expected to be taught in vernacular languages until their sixth year of schooling, whereas English was previously taught from the earliest years.

A consequence of this emphasis on instruction in the mother tongue was a steady decline of Africans' ability to read and write English (The Legacy of Apartheid., 1994). The syllabuses of African schools (Bantu Education) were designed to confine Africans to certain forms of labour which the white "master race"

deems it below its station to perform (Mkhombo, 1988).

The disparities in black and white education can also be explained by the substantial difference in the qualifications of white and African teachers. In 1993 it was estimated that only 25 per cent of African teachers possessed the minimum required qualification for teachers, which is Matriculation plus a three year qualification, while the corresponding figure for white teachers is 100 per cent (Harker, 1994).

Pupil/teacher ratios are other important indicators of inequality. In 1992, the ratio in African schools was approximately double that in white schools. Such ratios are a function of the quality of education offered, with black education being the inferior of the two. Apartheid South Africa spent a high percentage of its Gross Domestic Product (GDP) on education, which compares favourably with the average percentages spent in both developing and developed countries.

The amount spent by government on education is misleading because delivery in black education remained poor while white education prospered, in essence education for whites and Africans remained unequal. An indicator of this inequality is the per capita expenditure on education: in 1969-1970 the ratio was 16.2 to 1, in favour of white education; by 1991-1992 the ratio had been reduced to 3.5 to 1 (The Legacy of Apartheid., 1994).

The extension of University Education Act of 1959, created

entrance barriers for black students in line with the apartheid policy. For example, the act deprived black students the right to attend white universities, except by a permit which was granted under special circumstances. Meaningful higher education was designed to be elitist and out of reach of the underprivileged majority of the population. The extension of the University Education Act was used as an instrument of preventing black people in general and Africans in particular from assuming meaningful positions in the broader South African society.

2.4 Apartheid and housing

From 1948, the Nationalist government was committed to the ideology of separate development for blacks and white. Blacks in "white" urban areas were to be regarded as temporary sojourners and as such would not be entitled to any political, social or other rights in these areas. Such rights for blacks would have to be exercised in their ethnic homelands.

The policies of separate development intensified segregation of races, effectively controlled black movement into urban areas and introduced policies aimed at reducing the financial burden of blacks in urban areas on the state and on local authorities. The duration of a black work seeker's pass in an urban area was reduced from 14 days to 72 hours, this was enforced by the establishment of labour bureaus which regulated labour movements (Morris, 1981).

The apartheid-driven policy on housing led to a skewed provision of decent housing in South Africa. The Group Areas Act became central in marginalizing the black majority in the sphere of housing. In furtherance of this policy, apartheid measures such as the pass laws were tightened so as to limit African urbanisation and the housing needs that go with it.

The apartheid urban planners reinforced the apartheid principle that urban Africans were temporary sojourners, whose presence was required only to satisfy labour needs. The consequences were catastrophic, for example, overcrowding became endemic and unserviced informal squatter settlements mushroomed around the peripheries of major cities and towns. Apartheid's central thrust, to abort the urbanisation of Africans, was a calamitous and costly failure. The legacy has many aspects, but the most pressing of all is lack of decent housing.

In 1993, there was a backlog of approximately 1.4 million housing units for lower income groups. According to the ANC-sponsored Macro-economic Research Group's Reconstruction and Development Programme, if rural needs and the elimination of 240 hostels that accommodate over 600 000 people are included, the housing backlog increases to approximately three million units. Closely related to the housing shortage are ancillary problems: 23 million people do not have access to electricity, 21 million do not have adequate sanitation, and 12 million do not have easy access to water (Welsh, 1994).

Conclusion:

The chapter has attempted to assess the role played by apartheid in retarding human development of the majority in South Africa. Within this context, the chapter looked at the impact of apartheid on the provision of social services like health, education and housing. It was established that the apartheid government deliberately neglected the improvement of social services for black people, by subjecting them to inferior education, sub-standard health services and shoddy housing.

On the whole, the chapter has attempted to demonstrate how apartheid bequeathed to democratic South Africa socio-economic problems identical to those bequeathed by colonialism to post-independence Zambia. How does democratic South Africa hope to counter the devastation of apartheid? In order to understand this area, the following chapter examines post-apartheid South Africa's Reconstruction and Development Programme (RDP).

Chapter Three

The Reconstruction and Development Programme (RDP)

3.1 Introduction

This chapter attempts to look at the Reconstruction and Development Programme (RDP) of the South African Government of National Unity (GNU), with a view to understanding how it proposes to address massive socio-economic inequalities inherited from apartheid. Since the RDP is a massive programme which deals with a wide area, this chapter only deals with the RDP on Housing, Health, education, Social Security and funding.

"My Government's commitment to create a people-centred society 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 human dignity. They will therefore constitute part of the centrepiece of what this government will seek to achieve, the focal point on 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" (Mandela, 1994).

3.2 The Nature of the RDP

The RDP flows out of the history of South Africa, a history that has been characterized by colonialism, racism, apartheid, deprivation, sexism and repressive labour policies (RDP White Paper., 1994). The RDP therefore, is a programme that seeks to counter the deep inequalities which have been a feature of the South Africa society. Apartheid disparities have generally resulted in white opulence and black poverty. Hence, the need for a conscious programme that is primarily aimed at facilitating the supply of basic goods people require to lead a dignified life.

Post-apartheid democracy should go beyond the transformation and opening up of politics to the masses through the vote. It should usher in deep changes in the political, social and economic realms of the South African society. Phillip Dexter (1994) argues that the RDP has the potential to help achieve the desired scenario, since it is a clear alternative to the neo-liberal agenda of the National Party and sections of business. Therefore, the RDP offers a viable means to repair the devastation wrought by apartheid and capitalism in South Africa.

The RDP is conceptualized by some on the left as a vehicle for the establishment of a new progressive hegemony that embraces the values and principles to which the mass democratic forces have committed themselves. Within this context, the RDP is construed as an epitome of development, growth and redistribution in a way that is consistent with a democratic political system. Some on

the left construe the RDP as a terrain of the struggle for Socialism since it expresses the demands of workers, the poor, women, youth and other sectors that bear the brunt of exploitation. Dexter concedes that the RDP is not a socialist programme. However, he argues that the RDP presents an opportunity to set the struggle for socialism back on its feet again.

The RDP is a product of the national liberation movement, the African National Congress (ANC) in a revolutionary alliance with the Communist Party (SACP) and the trade union movement (COSATU). Janet Cherry (1994) points out that since the RDP is implemented by a government of national unity based on extensive compromises and lengthy negotiations, the implementation of the RDP will be faced with an array of problems. For example, the different political parties which constitute such a government might understand the RDP differently (Cherry, 1994). Such a situation has a potential of stifling the programmes of the RDP.

3.3 RDP and Housing

The RDP conceptualizes the meeting of housing needs to all the people of South Africa as a priority. For example, in the short term the RDP aims to build one million new low cost houses in five years. This means that a target of 300 000 units per year has to be met. In the long term, the RDP aims at providing decent, well-located and affordable shelter for all the people by the year 2003. This programme states that, such houses will

be funded by government and business through a national housing bank and a national home loan guarantee fund.

Under the leadership of the late Joe Slovo, the Housing Ministry has been able to establish some common ground with major stakeholders in the building industry. These have included the Council of South African Bankers, African Builders Association, South African National Civics Organisation and others. As a result, agreement on the practicalities of implementing the housing component of the RDP have been reached. The seemingly problematic relationship between central and regional government in the area of housing was ironed out in July 1994, when it was acknowledged by all parties concerned that there are various approaches to housing. Consequently, regional governments have been granted some autonomy as far as initiation of housing projects are concerned.

The South African Housing Summit at Botshabelo in 1994 gave rise to two important agreements. First, there was agreement between government and the Council of South African Bankers, which saw the banks commit themselves to spending no less than R2 billion in 1995 to finance 50 000 houses. Second, there was agreement that more subsidy assistance be directed to poorer people and less to the relatively well-off (Leadership, 1994). On the other hand the Housing Ministry committed itself to take responsibility for properties where owners have defaulted and the bank cannot - largely for social reasons apply due process of law (ibid, 1994).

Meanwhile, the National African Federated Building Industry (BIFSA) is doubting the feasibility of low cost housing because experience has shown that building contractors are usually criticized for poor workmanship without questioning the low price. BIFSA starts from the assumption that the quality of such houses is a function of the amount of resources put into their construction. BIFSA is also of the view that the RDP target of building quality 300 000 housing units a year is unrealistic, since this is beyond the capacity of the South African housing industry in terms of experience and resources.

Similarly, Moses Mayekiso and Tobie de Vos (1994) point out that the government does not have money to achieve the RDP's aim of building 300 000 houses a year since the building industry was geared to build a maximum of only 70 000 houses annually (ibid, 1994). As a result of the housing backlog that is estimated at some 5,6 million, it would take about 30 years to satisfy the requirements of the RDP.

Unfortunately the intention of the Housing ministry to direct more housing subsidy to poorer people seems to be unworkable, since the agreement with the banks refers to people who can be able to service a mortgage loan. Banks in the building industry are more interested in dealing with people in formal employment. Therefore, the high rate of unemployment in the country has a propensity of marginalising the vast majority of poor people in the housing sector since they cannot be served by mortgage and subsidy. Given the nation's budgetary constraints, the Housing Ministry cannot be able to subsidize people who cannot service mortgage bonds.

3.4 RDP and Health

In the area of health services, the RDP aims at developing a vibrant health system offering affordable and decent health care. Some of the programmes in this area aim at building a national health system that will give free medical care to children under six years, provide free medical services to disabled people, aged people and unemployed people within five years, organise programmes to prevent and treat major diseases like AIDS and TB etc.

The South African health service has been marked by gross inefficiency in both public and private sector, hence it calls for major restructuring. The South African public health sector is plagued by such problems as poor management and/or lack of resources, while private health services have proved to be

inaccessible to the majority. At the moment debates are raging around the restructuring of health services.

The South African Health Minister has appointed a Committee of Inquiry into a National Health Insurance system or other publicly supported system to fund primary health care for all South Africans, regardless of race, gender, income and place of residence.

The committee has been given the following policy framework within which to operate: The envisaged health system must-

- 1 - offer universal and non-discriminatory access to quality primary health care for all South Africans;
- 2 - be affordable and sustainable;
- 3 - be efficient and cost effective;
- 4 - be consistent with the objectives of the RDP.

On the other hand the Committee of enquiry into a restructured health system, has invited recommendations from all interested parties. Jonathan Broomberg, co-chair of the ministerial enquiry looking into health care reform, pleads for greater public understanding and input into this crucial debate. Such inputs and recommendations from the greater public are geared at answering the following questions:

- 1 - What minimum primary health care services should be available to all South Africans?
- 2 - Who should provide such health services?
- 3 - How should providers of health care be paid?
- 4 - How can all the health services be made accessible to all

South Africans?

- 5 - How should South Africa fund such a health system?
- 6 - How can it be ensured that such services are delivered efficiently?
- 7 - How can users of such health services voice their opinions so that health services are better for all South Africans?
(Weekly Mail and Guardian., 10 February 1995)

3.4.1 National Health Insurance (NHI)

Two basic forms of public funding for health care are discernible, these are general taxation funding and national health insurance (NHI). An NHI system consists of a compulsory payroll tax which is earmarked for health care. This is distinct from the allocation of general tax revenues to the health sector, which is the current method of funding the public health care system in South Africa. Broomberg (1995) points out that the NHI payroll tax is usually paid by all in formal employment and their employers, and is linked to the provision of a defined package of health care benefits (Weekly Mail and Guardian., 29 February, 1995).

Variants of NHI are widely used throughout the developing and developed countries. Countries which have adopted the NHI system include Canada, Holland, France, Germany, Australia; and several middle-income countries in Latin America and Asia. The Advisory Committee of the Health Ministry, is of the view that the NHI systems have several advantages over general tax funding. One of

the advantages is that the NHI seems to guarantee the stability of funding. An NHI system has the potential to effectively address the critical disparities currently affecting both public and private health sectors, by bringing about tighter control and regulation through the creation of a single purchaser of health services.

The NHI system has attracted the attention of South African policy makers because it answers some of the contentious questions of the South African health care problems. Broomberg is of the view that, in particular, the NHI offers a potentially powerful mechanism for the redistribution of some of what are now exclusively private-sector resources. In some circles the NHI system is perceived as an answer to all South African health care problems.

However, South African health policy makers have to be careful because, there is an array of South African factors, which may constrain the ability of an NHI system from realizing its potential. Such factors include, significant unemployment levels, high unequal distribution of income, which give rise to a small pool of contributors. In such a situation, the NHI system cannot at the outset generate sufficient funds to cover the extension of health benefits to the whole population. Since, the contributors gain access to the insured benefit package and non-contributors continue to rely on the pre-existing public health care system. This has been the case in many countries where the NHI has been introduced.

Economic growth is an important function of the success of the NHI system. In most countries where the NHI is adopted, economic growth has determined the rate at which the health cover is systematically extended to the larger proportions of the population. It has been noted that in some NHI countries of Latin America and Asia, universal health cover has taken more than a decade to materialize.

Zwarenstein, of the Advisory Committee to the Minister of Health on the restructuring of health services, criticizes the proposed "Deeble" plan on the grounds that it is only feasible under the most optimistic conditions. The "Deeble" plan proposes that each citizen should choose his/her own doctor. These conditions include the lowest estimates of doctor's target incomes, the lowest medication costs and number of visits per person per year, in combination with the highest estimates of efficiency, staff availability and willingness to provide services in rural and squatter areas. The "Deeble" plan seems to overlook the fact that over 90% of private doctors live in cities, encouraging them to go into the rural areas might prove to be difficult as other countries have discovered (Sunday Times., 12 Feb 1995).

3.5 RDP and Education

How does education tie in with the RDP? According to the draft White Paper on education, all levels of education need to relate to the RDP because the main elements underpinning the RDP are human resource development, and education and training. All these years, education formed the flashpoint of the "struggle" to end apartheid in South Africa, once again education can become a focal point for mobilizing South Africa to achieve prosperity, unity and democracy (Bengu, 1994). In the sphere of education, the RDP plans to open the "doors of learning and culture" by giving people access to education and training.

The restructuring process in education will entail the replacement of the apartheid-created sixteen education departments (which functioned along racial and ethnic lines) with one department for all. The present Education Ministry acknowledges the fact that, discrimination in education funding which tended to favour whites has to be scrapped in keeping with the interim South African Constitution.

In trying to undo the devastation of apartheid on education, the RDP proposes one education and training system that provides equal opportunities to all people. In this regard the RDP has proclaimed that, as soon as possible there will be ten years of free and compulsory education for all children. The learning needs of children and adults with physical or other disabilities

will be cared for so that they are able to meaningful role in society.

The question of maintaining acceptable standards in education relates to such issues as a reasonable teacher:pupil ratio. The ratio must not be so high that no effective learning can take place, as is the case in many black schools at the moment. Nor should the ratio be so low that the department will need a vast number of schools and teachers, which the country cannot afford. The standard and the quality of teaching must also be acceptable, in that, teachers must be reasonably qualified with minimum qualifications as determined by the needs of the country. Such teachers must also have minimum or basic resources for successful teaching, such as textbooks, laboratories, libraries and electricity.

Further education will be provided through formal tertiary institutions such as technikons, colleges and universities. In trying to make education as accessible as possible, the national Minister of Education has indicated that a government bursary scheme will be established in order to assist students in paying tuition fees.

There are major obstacles facing the restructuring of the education department along the lines that are consistent with the objectives of the RDP. The high percentage that is allocated to education from the national budget has been incorrectly applied, for instance, some 82 percent of the current education budget is

spent on personnel-related matters such as salaries. Rather than ensuring quality teaching and the upkeep of a free education system.

The education department seems to have a problem in implementing RDP-oriented policy, due to infrastructural problems, poor planning, lack of sufficient resources and so forth. For instance, the majority of the schools have not been supplied with stationary in line with the government policy of free education for all. As a result, the learning process in many underprivileged schools has been stifled.

3.6 RDP and Social Security

The RDP also aims to overhaul the social security and welfare system, so that it caters for all people regardless of their race, gender, physical, disability etc. The apartheid social welfare system, will be transformed through the RDP, by way of doing away with unnecessary bureaucracy which stifles the rendering of such services. Such social security will focus on those groups which have been most disadvantaged. The groups have been identified as domestic workers, farm workers, disabled workers, women and child victims of violence in the home and other forms of violence. The role players in the provision of social services have been identified as the government, community, non governmental organizations, the private sector and so forth.

The RDP has also identified the area of meeting the basic needs and services of the people of South Africa while building the economy and fundamentally transforming the society and government as the focus of development. The RDP, therefore, generally aims at meeting the basic needs of the people including rural and urban development, development of human resources, building the economy and the democratization of the state and its institutions.

The Presidential Projects under the auspices of the RDP include, electrification of 350 000 households for the period 1994/5. This project also includes rebuilding of violence stricken-townships, extension of basic services such as clean and safe water, adequate sanitation and refuse removal in rural and urban areas, job creation and support for small and medium enterprises.

3.7 Where will the money come from?

The RDP will mean nothing if it cannot be financed in a way that will make it a sustainable programme. The government of national unity has set up an RDP Fund which is vital for both the reform of government and the implementation of the RDP. The RDP Fund is established in terms of the RDP Fund Act of 1994, and is administered by the Ministry of Finance. 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 toward capital investment. There are several sources for the RDP Fund. First, the fund will initially draw its resources from the 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 is set to increase to R5 billion in 1995/6 and will progressively increase to R10 billion in 1997/8 and R12,5 billion thereafter (RDP., 1994).

Future decisions on the 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 objectives within the framework of the RDP Fund's priorities. The RDP White Paper suggests that the Government's receipt of international and domestic grant will be directed to the RDP Fund. An interdepartmental committee has been set up from the Departments of Finance, State Expenditure, Trade and Industry, Foreign Affairs and the Office of the Minister without Portfolio to consider the aid offers of donor nations and multilateral agencies (the RDP White Paper, 1994)

The White Paper of the South African Government of National Unity

on the RDP further states that 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 South African government hopes to secure funds for the RDP by facilitating the gradual reduction in the fiscal deficit and by changing the ratio of government spending towards increased capital expenditure, thereby avoiding the debt trap.

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 RDP policy makers have identified a need for an overall foreign debt strategy. Flowing from this, is the need to carefully assess the relationships with international financial institutions like the IMF and the World Bank, "so as to protect the integrity of domestic policy formulation and promote the interests of the South African population".

The South African government through the flagship Ministry of Trade and Industry, endorses the intensification of an export-led growth programme, so that the economy can be in a position to generate resources for funding of the RDP. To this end the country is in the process of negotiating favourable trade concessions with the European Union (EU), in trying to secure favourable markets for South African products. International economies like the United States of America, European Union, Scandinavian countries have already pledged financial support for the RDP. However, such financial pledges are still awaited by the poor to translate themselves in the RDP.

3.8 Constraints on RDP Funding

Although South Africa has one of the vibrant economies in Africa, it is not in a position to fund all the projects of the RDP due to economic decline. "The study by the Industrial Development Corporation shows that the current account deficit of the South African government will deteriorate to R6.4 billion this year from R2,3 billion in 1994 (Sunday Times-Business Times, 9 April 1995:1)". The apartheid-debt bequeathed to the Government of National Unity, further puts the South African economy in an untenable position.

The success of the RDP can also be stifled by the following factors:

(a) The compromises which led to the formulation of the Interim Constitution of the Government of National Unity, impose limiting

factors on the RDP. Political parties from different ideological persuasions have different conceptions of the RDP. There is a danger that some retrogressive elements in the bureaucracy might act as an obstruction to the RDP. For example, the senior management inherited from apartheid bureaucracy in the Public Works Department has demonstrated its lack of willingness to respond to the challenge of implementing the public works programme which is the key to the RDP. "An example of bad management by senior officials of the Public Works Department is the payment of R3,12 million rent for a building that was unoccupied for nine months (Sunday Times., 9 April 1995:9).

(b) Given the immense fiscal deficit and budgetary indiscipline that besets the present government, the view that the RDP will mainly be financed through the rechanneling of government funds within government institutions sounds unrealistic.

(c) The present government is under obligation to service the huge apartheid debt, this can suppress proper funding of the RDP.

3.9 Conclusion

From the foregoing analysis, it is clear that the South African Government of National Unity is faced with a mammoth task of developing a country where the majority has been deliberately marginalized by apartheid. The government has resolved to improve the standard of living of the hitherto marginalized majority in South Africa. Like in the Zambian case soon after independence, the new government in South Africa seeks to improve the life of ordinary South Africans by making social services like health,

education and housing accessible to all South Africans.

The South African government seeks to counter the devastation wrought by apartheid by employing the Reconstruction and Development Programme (RDP). Some have argued that the space that has been opened by the RDP calls for the left to rise to the occasion and seize the initiative in taking the RDP forward to a conclusion that makes a radical, democratic socialism the choice of the majority of South Africans.

Although there are various sources of RDP funding, South African Government of National Unity remains the main life-line of the RDP through the national budget. It is therefore possible to argue that IMF intervention similar to the one we have described in Zambia poses serious destabilizing challenges to the RDP. Precisely because the RDP would seem to require maximum state intervention while the IMF programme and its conditionalities are biased towards "market forces". Thus while the government's commitment to RDP remains understandable, its flirtation with the IMF remains a worrying question. How are these programmes likely to work? Drawing from the Zambian experience, the next chapter assesses whether the RDP can survive the IMF.

Chapter Four

Lessons from Zambia: Can the RDP Survive the IMF?

4.1 Introduction

In the previous chapter the paper has shown how the present South African Government of National Unity proposes to address socio-economic inequalities wrought-up by apartheid, and how the government proposes to fund the RDP. In the preceding chapter, it was argued that the success of the RDP requires a degree of state intervention by way of state subsidies for social services like health, education and housing. The Zambian experience has shown that state subsidies on such social services are incompatible with market-oriented IMF policies. Within this context this chapter reviews the relationship between South Africa and the IMF and questions whether the RDP can survive the IMF.

4.2 SA and IMF: Historical Overview

South Africa, a founder member of the Fund, received its first loan from the IMF in 1957/8. However, the great proportions of the IMF loans to South Africa were made after 1970, and this was largely concentrated in the loan of SDR 643 million in the mid-1970's and the 1982 loan of SDR 902.2 million (Padayachee, 1991).

South Africa became the second largest purchaser of IMF funds, after Zaire, among all African countries; and until 1983 ranked second behind Yugoslavia, as the largest borrower from the Fund.

It is disturbing to note that South Africa's share of IMF purchases amounted to nearly 50 per cent of all purchases by Southern African states up to 1984. Padayachee (1991) points out that, it appears that the IMF represented a critical source of funds to South Africa for offsetting the country's balance of payments deficits, especially in the period after 1970.

The IMF approved a loan of \$850 million to South Africa in December 1993. The loan was made in support of South Africa's balance of payments, following a decline in agricultural exports and an increase in agricultural imports resulting from the drought. These factors had led to increased pressure on South Africa's foreign reserves. It was claimed the loan would bolster these reserves and ease pressure on authorities in managing monetary and exchange rate policy (Padayachee, 1994).

It seems the IMF has assumed the role of salvaging South Africa out of its political economic crisis. The South African Governor of the Reserve Bank has recommended that South Africa should approach the IMF for standby facilities in order to bolster its current account of the balance of payments for 1995/6 (Sunday Times., 13 March 1994). These proposals come in the wake of South Africa's economic problems which include, high interest rates, excessive growth in the money supply, rising inflation, falling

output and investment, excessive government spending, a rising tax burden, a large balance of payments deficits, high unemployment and so forth. Similarly, Kahn, Meyer (1994) points out that the South African economy is facing a balance of payments constraint which is mainly caused by the necessity to finance the current account deficits.

What is aggravating the South African economic crisis, is the fact that growth has slowed down, investment is lethargic and there are a range of infrastructural problems. More seriously, the economy is failing to provide decent conditions of life for the great majority of the population. The above factors illustrate the weakness of the South African economy, such a situation can lead to increasing centrality of the IMF in the South African economy.

So far, the IMF has not imposed harsh conditionality on its loans to South Africa. But in the recent loan agreement to South Africa, the IMF has insisted on wage restraints, much to the chagrin of COSATU. COSATU is of the view that such issues should be discussed with the unions at the National Economic Forum. South Africa has to be cautious in dealing with international financial institutions (IFI's) like the IMF because, as the IMF is fully integrated in the South African economy, there is a likelihood that the harsh IMF-related conditionalities will be imposed.

4.3 Can the RDP Survive the IMF?

While The IMF is not solely responsible for the economic crisis in the South, the measures it imposes further impoverish the poorest strata of the population, undermine the long-term development capacities of such countries, and are leading inevitably to a renewed round of the debt crisis (Korner, Peter., et al., 1984). As a result a clear-headed approach to the IMF is imperative in order not to undermine the objectives of the RDP. Padayachee (1994) is of the view that the broad democratic alliance, as well as the South African government have not creatively engaged the IMF with a coherent strategy. Padayachee points out that there are four different approaches to dealing with the IMF within the South Africa context.

The first approach embraces the IMF's perspective of growth and development. It is based on a kind of "global consensus"

that follows the allegedly proven suitability of market-oriented economic reform and liberal, pluralist political solutions. The typical anti-state intervention IMF (and World Bank) loans, adjustment programmes and technical assistance are construed as the necessary formula for growth. This perspective is not appropriate for the reconstruction of the broader South African society for three reasons. First, it ignores the curious history of South Africa, which has been characterized by colonialism, apartheid, sexism and repressive labour laws. Second, it proposes that the market forces should be left alone to restructure the economy. Finally, it negates the pivotal role that can be played by a conscious government intervention in the distribution of resources within the

framework of the market economy.

The second perspective views the IMF and the World Bank as agents of imperialist powers whose conscious agenda is to destroy nationalist and socialist development programmes in developing countries. They aim to open these countries to Western trade and investment, with the overall goal of bolstering capitalist economies in the industrialized West. This approach urges developing countries to pursue an inward-looking strategy of development. This approach correctly highlights the negative impact of the IMF/World Bank programmes on national development programmes. Unfortunately such an approach cannot achieve much for the sustenance of the RDP. It would be unrealistic for the South African economy to even contemplate delinking from the international capitalist economy. The capitalist economies of the world have pledged the much needed financial support for the RDP, and have expressed their willingness to intensify trade links with South Africa.

The third view believes the IMF and World Bank can easily be brought around to accepting South Africa's nationally determined strategy of development, even where elements of it may be anathema to these institutions. This approach assumes that these institutions have either changed their philosophy of development, by now accommodating more interventionist strategies. This approach assumes that these institutions are prepared for both political and economic reasons to make special concessions for South Africa's case. This view perceives the IMF policy

"advice" as not posing a threat. This kind of view seems to be over-optimistic. Although there has been talk of "adjustment with a human face" by the IMF/World Bank, these are not welfare organisations but institutions that continue to operate along the principles of banking. Therefore, the South African policy makers on the RDP should not bank on preferential treatment that can be accorded to South Africa by IFI's like the IMF.

The final approach proposes that the IMF and World Bank are not as monolithic as they seem. And, in fact, they may indeed may have changed some aspects of their approach to development since the late 1980's. But their views still do not fit snugly to those of governments that are committed to more interventionist strategies of development, such as the RDP. Despite South Africa's many bargaining strengths, a relatively favourable agreement with the IMF will require a continuous struggle based on a coherent and defined strategy (Work in Progress., July 1994).

Flowing from the above approaches to the IMF, believing that there is no other option in the current national and global conjuncture, Padayachee (1994) correctly points out that, simply accepting the IMF's familiar orthodoxy will have disastrous consequences for South Africa's poor, disadvantaged and marginalized communities. Because, the trickle-down effects of growth as epitomised by the IMF, are likely to be ineffective, thereby affecting the survival of the democratic government. The IMF orthodox policies in other countries in Africa (eg Zambia)

have not succeeded in stimulating the required economic growth for such economies.

Since the South African economy has proved to be susceptible to some form of IMF intervention. It is crucial that the IMF adjustment programme in South Africa is based on a clear understanding of the political economy of the country and its major weaknesses. The long failure of this understanding, has been identified by Onimode (1991) as the original defect in orthodox IMF stabilization programmes.

South Africa can defend the RDP by insisting on an economic stabilization programme that is grounded on people-centred development. Such development is basically concerned with raising the standard of living of all the people, by guaranteeing accessibility to social services like health, decent housing, education, social welfare and so forth. The IMF orthodox adjustment programmes have a history of insisting on subsidy withdrawals from such social services.

There appears to be a contradiction between the objectives of the RDP and the typical IMF adjustment programmes. The prospects for the RDP to survive the IMF can be good if South Africa manages to contain its foreign debt, and succeeds in applying fiscal discipline within the framework of a working economy. Under such conditions the country can be able to bargain successfully in the process of negotiating structural adjustment.

South Africa needs to adopt a cautious approach to the IMF, because as the Fund's intervention in the country's economy deepens the RDP might be compromised. South Africa should not expect the IMF to cave in to the country's demands, on the grounds that the country will always be given preferential treatment. Moreover South Africa has inherited a legacy of a devalued currency, high inflation, bloated bureaucracy and international debts-combined with claims from the majority of the population for access to better education, decent housing and expansion of employment opportunities. Within these constraints the country should intensify its resolve to stick to fiscal discipline.

There is a view that South Africa must take advantage of the international focus on its transition to democracy, by seeking support from powerful countries and institutions like the US, European Union (EU) and other sympathetic governments for its RDP. Padayachee argues that South Africa should solicit support from the Clinton administration and to request it to pressurize the fund at the IMF Executive Board level to accept South

Africa's RDP.

Padayachee maintains that the success of the RDP shall deepen democracy in terms of distribution of resources. Therefore, the South African government has an obligation to defend the RDP against the orthodoxies of the IMF. On the same note, Dennis Davis (1994) points out that South Africa's democratic achievements would be inextricably linked with its economic achievements. He is of the view that, if the RDP does not work, in terms of not fulfilling legitimate aspirations of the marginalized majority, the country would be in trouble, "there would be uprisings and there would be authoritarian reaction to that and our constitution would be in jeopardy" (Daily Dispatch., 14 December 1994).

Allister Sparks (1995) endorses the above arguments by Padayachee (1994) and Davis (1994) by arguing that, in South Africa there is an urgent need to generate sufficient economic growth to soak up the pool of unemployment, narrow the poverty gap and widen the tax base so that the government can implement its RDP programmes. Success in this regard depends on attracting enough foreign and local investment to produce an upward spiral growth, social stability and investor confidence. Sparks is of the view that failure to deliver the RDP will produce a crisis of expectations, the growth of radical politics, increased racial tensions and a vicious downward cycle of social unrest and economic decline (Daily Dispatch., 8 March 1995).

It could be argued that the very survival of the South African government hinges on the success of the RDP. Therefore, in its future relationships with the IMF, the South African government should be cautious so as not to compromise the RDP. On the same theme, Mwanza (1992) argues that there is a need for the IMF and for reform minded governments to take account of the social, political, ideological and economic fabric of the country in which to introduce the structural adjustment programme.

4.3 Conclusion

This chapter has attempted to assess whether the RDP can survive IMF policies. The debates in the chapter have shown that South Africa needs to be cautious in dealing with the IMF, since it has a history of undermining long-term development programmes similar to the RDP. As the IMF is fully integrated in the South African economy, there is a likelihood that it can impose harsh conditionalities on the South African economy. Such a situation would compromise the RDP. It was also recommended that a well-informed approach to the IMF is imperative in order not to put the objectives of the RDP in jeopardy.

It has also transpired that the South African government has failed to legitimize its dealing with the IMF. For example, the last agreement with the IMF (during December 1993) was signed in "secrecy" without the involvement of the important organs of the civil society like the trade union movement, civic structures, academic associations and so forth. Such lack of consultative

culture will not bode well for the future of development in South Africa.

Chapter Five

Conclusion

This study set out to assess the implications of the IMF in Zambia with a view of extracting some lessons for post-apartheid South Africa in its Reconstruction and Development Programme (RDP). It has demonstrated that both Zambia and South Africa have development problems which stem from colonial and apartheid factors respectively. In the foregoing chapters it was shown that these countries inherited socio-economic inequalities, severe economic dislocation and the neglect of basic services for the majority of the population at independence. The need for massive reconstruction following independence could therefore not be overemphasized. It is within this context that Zambia and South Africa formulated their development programmes. This chapter will attempt to present a summary of arguments and implication of these arguments for the IMF involvement in the South African economy.

5.1 Summary of arguments

This paper advances several arguments in relation to the implications of the IMF in Zambia and lessons for South Africa. In chapter one, it was argued that the involvement of the orthodox IMF programmes in Zambia did not bring any meaningful economic solutions, instead Zambia emerged as the most debt-distressed country in the Southern African region. IMF-supported

programmes like currency devaluation and removal of government subsidies from social services triggered the onset of general collapse of the economy, abandonment of the National Development Plan (NDP), deterioration of the Zambian social fabric and political instability.

In chapter two it was shown that apartheid bequeathed post-apartheid South Africa identical socio-economic problems as in Zambia at the time of its independence. This situation necessitated the formulation of a massive reconstruction programme (the RDP) as an instrument for dealing with widespread poverty.

In chapter three it was observed that while the South African government embraced the RDP at the same time it has a commitment to the IMF. The chapter also argued that the government's adoption of the RDP presents an effective response to suffering, poverty and underdevelopment that was unleashed by the apartheid system. The RDP is designed more or less along the lines of the NDP of Zambia, in that government intervention is perceived as an effective instrument for reallocation of resources.

It was further shown that, as was the case in Zambia, government intervention which underpins the RDP is an area of potential conflict between the RDP and the IMF. Since the survival of the present South African government hinges on the success of the RDP, the country needs to approach the IMF cautiously so as not to compromise the RDP. The RDP is a programme that needs to be

defended because its success would deepen democracy, its failure would lead to a repressive state which will be followed by political instability. For the RDP to succeed, South Africa needs a development-oriented state, a state that is eager to intervene in the economy for purposes of encouraging socio-economic transformation and development. Otherwise development in the interests of the poor majority will remain an elusive goal in South Africa.

Chapter four attempted to assess whether the RDP can survive the orthodox policies of the IMF. It was shown that the IMF development approach differs fundamentally to that of the RDP. The IMF programme tends to focus only on market forces as panacea for development. Such an approach is not suitable for the South African situation where millions of people cannot participate meaningfully in the "market" because of massive unemployment. As a result there is a need for adoption of a people-centred strategy for socio-economic development along the lines of the RDP. It emerged through the discussions in the chapter that the typical IMF policies tend to be inimical to government intervention which underpins long-term development programmes such as the RDP. It was further argued that there needs to be a meticulous approach to the IMF so that its programmes become complementary to the goals of the RDP.

In conclusion, it has emerged in the discussions that the South African economy cannot avoid IMF intervention. Drawing from the Zambian experience with the IMF, it is clear that the RDP and the

IMF orthodox programmes similar to those applied in Zambia would be incompatible. As South Africa faces the challenge of uprooting poverty, the government needs to sensitize the IMF to the centrality of basic needs of the country's majority of poor and rural people. This would be in line with the logic of South African development priorities enshrined in the RDP. At the same time the IMF should be allowed to apply its policy prescriptions that are geared at controlling the budget deficit and general macroeconomic balance. The government should insist that such measures be applied within the framework of "reconstruction and redistribution through growth".

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