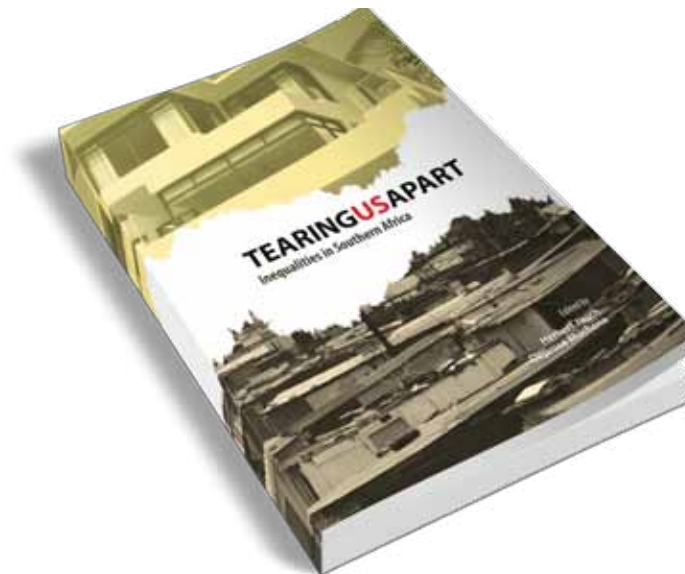


# Inequality in Southern Africa:

## OPTIONS FOR REDRESS

### P O L I C Y   B R I E F



#### Introduction and Background

The Southern African region is characterised by unacceptable high levels of unemployment, poverty and inequality. In many cases, poverty and inequality are on the increase, particularly in countries in crisis such as Zimbabwe and Swaziland. Neither agricultural economies such as Malawi nor resource-rich countries such as Namibia, South Africa and Angola have been able to significantly reduce wealth gaps and the rates of poverty and unemployment.

Most SADC countries managed to achieve some progress in the period immediately after independence, usually through expanded social services, to reach the majority of the population which had been deliberately neglected under colonial rule. However, there was no systematic transformation of economic structures, and the typical African enclave economy persists until today. This enclave economy which is typically characterised by a relatively small and well-resourced formal sector that operates in isolation from a large, growing and poverty-stricken informal economy and the communal subsistence economy.

As a result, the SADC region can only be described as a region in deep crisis. More than 60% of the population in SADC lacks access to an adequate supply of safe water, a third of the SADC population lives in abject poverty and about 40% of the labour force is unemployed or underemployed. Poverty levels have not only increased, but have also become more pronounced in urban areas and amongst female-headed households and the youth, in particular.

When measured against the Human Development Index (HDI) - life expectancy, education and standards of living - seven SADC countries fall in the medium category while six are in the low HDI group. Although the majority of the countries fall within medium income category the levels of income inequality in the region remain amongst the highest in the world (see table below). The distribution of resources and income is highly skewed and in some cases racially biased, for example, in South Africa where white nationals constitute around 5% of the population and own over 80% of the land.

Social mobility and equal opportunity remain alien concepts for far too many people in the region. There is

a close and direct relationship between inequality and poverty, and thus any attempt to deal with poverty has to address the question of inequality as well. Persistent gender inequalities in virtually all spheres of life – from customary practices and labour market discrimination to unequal access to social services and economic resources such as land – are still a defining feature of Southern Africa. This is reflected, for example, in the gendered impact of HIV/AIDS, which is still a major scourge in the region. Given the interlink between poverty, gender and HIV, it is hardly surprising that the epidemic has hit black working class women and female peasants the hardest. This can only be altered through structural interventions that will empower women to change their socio-economic status. HIV/AIDS cannot be treated as a medical problem but requires social and economic changes.

Widening disparities have increased the sense of injustice and deprivation for many as neither the bureaucratic, state-centred, socialist form of government in Angola nor the market-driven approaches of countries like South Africa and Namibia were able to redress the colonial legacies of inequality and exclusion. There is, thus, no doubt that Southern Africa needs a fresh and different approach to address the current socio-economic crisis.

### **Traditional growth strategies are inadequate**

The traditional strategies to foster growth as promoted by the IMF and World Bank, namely, macroeconomic stability and market-friendly reforms, are evidently insufficient to meet the current challenges. Instead, far more emphasis needs to be placed on laying institutional and social foundations for structural changes that will facilitate a meaningful development process.

Most SADC governments are still trapped in the illusion that the private sector must be the engine for growth and the creator of wealth and development. Thus government's role in the economy is reduced to that of being a creator for conducive investment conditions for private (usually foreign) capital. Such supply-side interventions and market-driven approaches to development are common in the region today. Most SADC governments, however, fail to realise that poverty levels in Southern Africa worsened during the implementation of such neo-liberal policies in the past 20 years. Botswana, for example, had average economic

growth rates of 13% between 1970 and 1990 but could not eradicate the high levels of poverty. What matters is not the quantity of growth but its quality. Currently, the region's inherited structural legacies continue to shape, produce and reproduce underdevelopment which has led to a deep developmental crisis.

### **Southern Africa needs to break out of grafted capitalism and enclave economy**

Southern Africa continues to experience the problems associated with its "grafted capitalism". During colonialism, the region experienced a special type of social formation where the capitalist sector of the economy was grafted onto a pre-capitalist form of production in a distorted manner. This kind of capitalism did not transform the economy as a whole but only a small formal enclave sector, thus failing to produce dynamic growth and development. This small, formal enclave economy was totally dependent on external factors such as markets in, and capital from Europe. This dependency is still visible today, as Mozambique, for example, depends for 50% of its national budget on donors while Lesotho, Malawi and Zambia rely on donors for 35 % of their annual budgets. Even Botswana received substantial donor support for its budget in 2010.

Southern Africa's enclave economies exist alongside an underdeveloped peasant-based subsistence rural economy and an urban informal economy. The formal sector consists of a small local and foreign business elite and wage workers, which usually account for less than 20% of the labour force. This sector consists of enterprises of various sizes (either state-owned or privately-owned) and is relatively productive compared to the other sectors. External forces such as Africa's trading partners and foreign investors shape output and production methods.

The urban informal sector is characterised by easy entry and exit, linked to both formal and rural sectors and driven by self-employment activities, dependent on the ingenuity of individuals. It accommodates about a third of the region's labour force. The communal

sector is the traditional or pre-capitalist sector, with all the variations this entails in the African context. It is highly differentiated with a number of linkages to the formal and informal economy and accounts for about 50% of the labour force.

The continued co-existence of these sectors and Africa's lack of socio-economic development is perpetuated by a number of factors including:

External dependency (shown in trade, technology, information, human resource and capital flows), which maintains the enclave economy;

Distributive inefficiencies resulting in the non-formal sectors having unequal access to productive assets and markets;

Allocative inefficiencies which make the formal sector unnecessarily capital and technology intensive (thus reducing its requirements for labour) while the non-formal sectors tend to be without capital and technology, thus making productivity increases almost impossible;

Technical inefficiencies result in low technological capabilities, thus limiting the adaptations that can be made to production techniques and the nature of products and services produced. This, in turn, prevents the establishment of value chains. Thus, levels of productivity of labour, capital and land tend to be low compared to optimal methods of production.

Southern Africa's extractive industries have further fuelled inequality and poverty. They have deepened enclave developments as the extractive zones became the centre of government and private sector attention and not the basis of diversification. Thus, while oil, copper, gold, diamonds, chrome, gas, bauxite, fisheries, platinum are in plentiful supply in the SADC region, unemployment is increasing, poverty is deepening and inequality between and within countries is widening.

### Time for change

A recent study on inequality in Southern Africa by OSISA and Namibia's Labour Resource and Research Institute (LaRRI)<sup>1</sup> confirmed the urgent need for immediate and structural interventions to deal with the

region's unacceptable levels of inequality. There is a close and direct relationship between inequality and poverty and thus any attempt to deal with poverty has to address the question of inequality as well. It is essential that the issues of poverty and inequality are mainstreamed in all aspects of social and economic policy. Furthermore, resources set aside for poverty reduction, social protection, and job creation cannot be left to the vagaries of corrupt officials or bureaucracies that usurp scarce resources needed to improve livelihoods.

An alternative approach to development ought to be pursued

There is no doubt that current and future challenges in fighting poverty and inequality remain daunting, but the experiences gained in the region over the past 40 years have provided us with a better understanding of what needs to be done. It is clear that orthodox economic policies and the traditional strategies to foster growth as promoted by the IMF and World Bank, namely, macro-economic stability and market-friendly reforms, so often uncritically embraced by our governments, are evidently insufficient to redress inequality and poverty. Instead, far more emphasis needs to be placed on laying institutional and social foundations for structural changes that will facilitate a meaningful development process and a systematic redistribution of resources. This requires interventions regarding improved governance and participatory democracy, a human rights approach to development, a firm commitment to social justice and a different approach towards the process of globalisation. A partial approach that deals with only one aspect while ignoring the others will not suffice to meet the challenges at hand. For example, focusing on governance issues only, while ignoring the structural inequalities created by globalisation will be as deficient as a focus on external forces only while ignoring self-enrichment and corruption at the national and local level. The proposals contained in the publication, "Alternatives to Neo-Liberalism in Southern Africa" (ANSA)<sup>2</sup> point to possible interventions and form a basis for sketching a way forward.

<sup>1</sup> Jauch, H and Muchena, D (eds) 2011. *Tearing us apart: inequalities in Southern Africa*. Johannesburg and Windhoek: OSISA & LaRRI.

<sup>2</sup> Kanyenze, G, Kondo, T and Martens, J (eds) 2006. *Alternatives to Neoliberalism in Southern Africa: The search for sustainable human development in Southern Africa*. Harare: ANSA.

An important starting point is to recognise that development is not just about economics. It includes human rights, community rights and the right to national or regional self-determination. It has to deal with issues of equity and fairness in the distribution of resources at local, national, regional and global levels. The provision of social services such as water, energy, health and education cannot be guaranteed for all if they are left to market forces alone. Social services are not matters to be privatised, as they are part of basic human rights requiring states to have the responsibility to secure them for all their people. The State must therefore be developmental as well as ethical, responsible and accountable to the people, particularly working people and the poor.

Development must lead to a better life for the majority and eradicate poverty. This can only be achieved if development is based on the promotion and protection of human rights, which include political or civil rights (also known as “blue rights”), economic rights (also known as “red rights”) and social and cultural rights (also known as “green rights”). All these rights must be ensured and defended at all times. There can be no compromise, for example, granting only political rights while economic rights are violated.

Therefore, what is needed is a “livelihood approach” to human rights because they are not just individual rights but also include community and national rights. Important aspects are the right to national self-determination (as enshrined in the United Nations Charter) and the right of local communities to develop their own lifestyles and livelihoods. A people-centred development strategy thus needs to address the issues of direct concern to the people such as land reform, food security and sustaining livelihoods.

Southern Africa needs a development strategy based on three basic pillars, namely:

The “social factor”, meaning how people’s basic human rights are safeguarded and how vulnerable people are protected against poverty and exploitation.

The “democratic factor”, meaning how the political system functions, how decisions are made and implemented, how resources and opportunities are distributed and how justice and fairness is achieved.

The “global factor”, meaning how the system works at global level, how decisions are taken and implemented,

how global resources are controlled and distributed and how this global system affects Africa.

### **A developmental state approach is needed**

Southern Africa needs a “developmental state” that changes its focus away from being a provider of favourable investment conditions for (largely foreign) investors towards a regulator and an economic player that can effect redistribution and facilitate the achievement of substantial equality. The need for a pro-poor economic development strategy which promotes economic growth that provides jobs and economic opportunities for the majority is blatant in all countries.

Effective developmental interventions may differ from country to country, but an accountable, transparent and ethical state is certainly a common requirement. Past experiences have shown that responsive and accountable institutions of governance are often the missing link between anti-poverty efforts and poverty reduction. Even when a country seems to implement pro-poor national policies and targets its interventions fairly well, faulty governance can nullify the impact. Angola and Zimbabwe provide telling case studies in this regard.

All too often, what started out as a popularly elected and supported government after independence that carried the hopes of the majority, turned into a self-serving elite with scant regard for the well-being of the poor. In some cases, these elites resorted to manipulation, coercion and repression to stay in power while forging and close alliances with global corporations who retained control over Africa’s natural resources. All too often, Africa’s political elites departed from their historical responsibility to fight poverty and inequality.

Allowing this scenario to continue would destroy any hopes for redistribution and social justice in Southern Africa. Improving governance and enhancing a participatory democratic culture that empowers people at grassroots level is central for the manner in which resources are mobilised and spent. Holding governments accountable to the people is a key requirement for good governance. Holding regular elections – free and fair – contributes to accountability, especially if they are also held at the local level. But such formal, democratic procedures do not necessarily provide protection against poverty and inequality and may not result in a substantial democracy that is participatory. Shifting decision-making power closer to poor communities

by devolving authority to local government can help promote poverty reduction and reduce inequality, as long as the new responsibilities are accompanied by resources and capacity building. But, that is only half the story. The other half is that poor people and communities must organise themselves to advance their own interests. A major source of poverty is people's powerlessness – not just their distance from government. Building grassroots structures that facilitate more direct popular participation (and power), like the community councils in Venezuela might well be a model to pay attention to.

### **A movement from below must be cultivated**

In Southern Africa there is currently a glaring absence of a robust engagement with the State, which is symptomatic of the state of civil society – state relations across the region. There is thus a need to (re)build a movement from below. Many African mass movements that participated in the liberation struggle were demobilised shortly after independence. This paved the way for the centralisation of power within the inner circles of ruling parties and the marginalisation of the majority. What is required now is political “conscientisation” and mobilisation among working people at grassroots level. Such mobilisation must be based on a clear understanding of the current socio-economic crisis and the possibilities for an alternative development strategy. Grassroots mobilisation has to include a constant engagement with the State to transform it into an ethical, responsible and developmental state.

Participatory grassroots democracy is likely to also lead to far greater accountability regarding the use of funds earmarked to fight poverty. Currently, the poor pay a high price for corruption and have little control over administrators, donors and “consultants” that benefit substantially from funds that are meant to alleviate poverty. Conferences held in 5-Star hotels to discuss poverty in Africa are a case in point. Empowering the poor to play an active part in designing and implementing programmes that are meant to benefit them would certainly go a long way in reducing corruption and mismanagement.

### **Dealing with threats by the “Empire”**

There is no doubt that external, global players such as the G8, the IMF, World Bank and World Trade Organisation (WTO) have major influence over

developments in Africa and elsewhere. At times they use the pretext of human rights to exercise their power in the name of “democracy”. There were many interventions by the Empire on the continent (such as the murders of Patrice Lumumba in Congo and Thomas Sankara in Burkina Faso) and similar interventions took place outside Africa, for example, the attempt by the US administration to overthrow the Chavez Government, in Venezuela. Likewise, the war by the US and its allies in Iraq was officially justified as an attempt to “restore democracy”. These interventions are not motivated by the desire to protect human rights but by imperial interests of gaining control over resources such as oil. Thus, it is crucial to not allow the imperial global forces to hijack human rights issues for their own ends. Human rights issues must be addressed and defended by Southern Africans themselves and their grassroots organisations. Genuine support and solidarity from elsewhere should be welcome, but must not lead to a new form of imperial intervention.

### **Mainstreaming gender is an urgent matter**

The achievement of substantive gender equality is still a long way off in Southern Africa, yet it remains a central part of the fight against poverty and inequality. Despite the substantial achievements made in some countries, like Namibia and South Africa in terms of legal equality, and despite the progress made in terms of women's representation in politics, patriarchal cultures and attitudes are still widespread. A particular focus of all policies must, therefore, be to lift women out of poverty and to liberate them from the trappings of inequality. Poverty and inequality have an extremely severe and disproportionate effect and impact on African women. Because their work in the home and the work place tends to be undervalued, African women are expected to work longer hours than men do, in low-wage jobs, under poor conditions. Moreover, women suffer under patriarchal traditions and customs and their prospects for improving their quality of life remain poor because of limited access to resources, such as education, facilities, land and loans. Treating gender-based inequalities as side issues that will be “automatically” resolved over time will merely perpetuate the problem. Thus, the achievement of substantive gender equality must be central to all policies and programmes. Gender equality can only be achieved if the structural impediments that

limit the economic independence and self-sufficiency of women are addressed.

Endogenously-driven development is a precondition for overcoming inequality

In the economic arena, a more endogenously-driven economic strategy that overcomes the constraints of the current enclave economies is a pre-condition for overcoming mass unemployment, pervasive poverty and inequality. A new economic approach must create linkages between economic sectors and break the continued marginalisation experienced by workers and operators in the informal and communal subsistence economies. Systematic support and protection for emerging industries, coupled with a strategic establishment of value chains in the region are the immediate alternatives to the current dictates of corporate-driven globalisation. This will require a selective delinking from some of the globalisation processes that currently hold Southern Africa states hostage to corporate interests and relegate millions of people to the fringes of the economy.

A particularly important aspect is the strategic utilisation of natural resources, such as, oil in Angola, diamonds in Namibia and Zimbabwe and the vast mineral wealth of South Africa. The value of these natural resources, if properly directed into the social economy, can have a huge impact in terms of supporting social protection programmes, local wealth creation and poverty eradication. The manner in which natural resources are currently governed, extracted and exploited, have tended to retain the same patterns of access, distribution and consumption. In addition, the nature of the national budgets confirms the absence of substantial pro-poor budget approaches and that states in the region currently do not utilise the opportunity to use natural resources as an instrument to empower the poor.

### **A Basic Income Grant is an essential measure to tackle poverty**

As an immediate intervention to tackle poverty and to free millions of people in the region from its debilitating and dehumanising effects, the introduction of an unconditional basic income grant seems an appropriate and essential measure to take. The experiences with social grants in Malawi, South Africa and Namibia have shown the importance of social protection programmes to tackle poverty in the short-term. The results of the Basic Income Grant (BIG) pilot project in Namibia, in

particular, have shown that unconditional, rights-based grants not only reduce poverty significantly, but also pave the way for sustainable economic activities and for meaningful grassroots empowerment. Given the resources available in the region, such grants are not only promising, but also viable and affordable.

### **A luta continua...**

The state is a contested political terrain and serves particular interests, currently mostly corporate ones. Redressing inequalities can, therefore, not be achieved without a mass movement that is dedicated to a sustained struggle, including education, consultations, debate, and action. The famous slogan of the Mozambican revolutionaries “A luta continua” captures the crucial point that the struggle for social and economic justice is a daily business, a continuous process. This holds certainly true for Southern Africa.