

"ECONOMIC GOVERNANCE AND MANAGEMENT"

WITHIN THE AFRICAN PEER REVIEW MECHANISM IN SOUTH AFRICA

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INTRODUCTORY OBSERVATIONS AND APPROACH

In this presentation to the Ad Hoc Joint Parliamentary Committee on 'Economic Governance and Management' in South Africa, within the context of the African Peer Review process now underway in this country, it is necessary at the outset to note that such assessments should, both in principle and in order to be fully effective and worthwhile,

- incorporate a much wider range of economic, political, social, environmental and other considerations than are indicated within the guidelines for this submission;
- cover a much wider range of issues within - and the effects of - government economic policies than is possible within the presentation time available and within the parameters of this hearing.

Nonetheless, this is an important exercise if it contributes not only to the APRM process *per se* but to further and deeper discussion within South Africa on the nature and effects of the established, the apparently evolving and future alternative economic policies for the South African government. And this is also a potentially useful exercise if it opens the way to wider and deeper debates and much fuller participation on alternatives to the currently dominant economic theories and paradigm within this country, within the Southern African region, within the African continent and internationally.

It must, however, be stressed that - for the immediate purpose of this present exercise -

❖ This presentation will focus mainly on the **processes** through which economic policy is formulated and less on the **substance** of those policies, although these are inherently inter-linked, and although 'sound' policy-making processes and practice have to be judged fundamentally by the substantive content and programs that they produce and implement.

❖ This presentation will evaluate economic policy-making processes in South Africa against the highest democratic principles and people's democratic rights within this country, rather than simply in the context of current national legislative and established constitutional provisions¹; and even less so in comparison to the rest of the African Union countries.

¹ Even though there are highly significant principles enshrined within the South African constitution, and valuable features in much South African legislation, these are beyond the scope and focus of this presentation. But hopefully they will be dealt with in other specialised submissions to the APRM.

Within these terms and this broad framework, this presentation will not deal with the mainly technical criteria pointed to in the guidelines for this submission, These include the standards and codes relating to efficient economic governance, prior economic evaluations, assessments and forecasts. the status of public finance management, and the progress in the fight against crime and money laundering etc etc; although these are all important if located and assessed within the broader economic policy framework and performance of the national economy, and of all economic agencies, public and private.

On the other hand, the reference in the guidelines to "the extent to which South Africa's macro-economic policies support sustainable development" has to be a central component of any worthwhile evaluation of this country's economic policies. However, this question requires a full analysis and presentation, in and of itself, and is too complex and too vast a subject to be dealt with in this brief submission. Thus, this presentation will focus mainly on interpreting, examining and evaluating, according to the guidelines set, "the extent to which South Africa's economic policies are sound, transparent and predictable".

The final methodological note is that the following observations and assessments on "economic governance" in South Africa are based on this presenter's main areas of engagement, monitoring and experience with specific government departments and certain other selected economic policy bodies in SA. This does not purport to be a comprehensive analysis of the *modus operandii* of all government departments or the entirety of the SA government, and even less so on the functioning of the South African economy, which is a much broader subject in itself.

The following are the key areas, organs and processes of economic policy-making in South Africa that need to be examined in order to contribute to a useful assessment of the nature and efficacy, and to a large degree the credibility and legitimacy of "economic governance" in this country.

1. TECHNOCRATIC APPROACHES AND STRATEGIC POLICY-MAKING

A major challenge with and within South African government departments - as elsewhere in the world - is the enormous and growing influence of technical 'experts' in the context of increasingly complex and interconnected national and international economic policy-making and policy-requirements. One of the more particular problems in this country, with its relatively developed, complex and 'globally-linked' economy, and within a rapidly changing global policy environment, is that there is a dire shortage of relevant experience and comparative international information and analytical and policy formulation skills within most government departments, and especially within the 'economic ministries'.

In this context, too, the theoretical assumptions that underpin the assessments and recommendations of very small groups of government technical experts, are rapidly translated into the pervasive dominance of the particular economic theories they subscribe to - consciously or unconsciously, coherently or selectively. Yet, these technical experts regularly make unequivocal political judgments in the guise of mere 'technical' observations:

- on national and international financial and trade issues and institutions;
 - on the national and global balance of economic and political power and players;
 - on the nature of 'globalisation' and the functioning of 'the global economy' .
- And, on such bases, far-reaching decisions are reached on domestic policy 'imperatives' and the 'necessary' positions of the South African government internationally².

There are a number of organisational means and operational modalities to ensure a system of economic policy analysis and formulation, and strategic decision-making, that could counter the exaggerated influence over government national policy formulation and international strategies by small numbers of technical experts and legal officers. In whatever ways technical officials may see or present themselves and their recommendations, no analyses are neutral or merely 'technical'. Thus, a more effective and sound system of economic governance has, at the most basic, to be based upon the political establishment of clear policy frameworks and comprehensive strategic perspectives within which technical personnel are required to carry out their work.

But the formulation of such a broader strategic framework is not straightforward because the deliberate and deliberated political and economic strategy levels of government rely upon the advice of the very same 'experts' to formulate such overall policy. This is something of a chicken-and-egg situation. In order to break out of this cycle and counter the excessive influence of small numbers of technical personnel, **other operational modalities and organisational means are essential to ensure broader and more varied sources of analysis and information both from within and outside of government** [see 5 below].

Other inputs into strategic assessments and economic policy-decisions at the highest levels of government are also essential, but this, for a start, this raises the problem of the dominance of specific government departments over all others.

2. DOMINANT ECONOMIC DEPARTMENTS AND COMPREHENSIVE COLLECTIVE GOVERNMENT POLICY DEVELOPMENT

The dominance of certain 'self-evident' technical requirements and financial/economic policy commitments is most clearly expressed in the pre-eminent role of the Ministry of Finance and the SA Reserve Bank. These organs - as in all other countries under the dominance of the neo-liberal paradigm and monetarist theory - are elevated into the dominant and determinant agencies within national government overall. This situation *per se* does not make for sound and balanced economic governance. It is rendered even more questionable where the macro-economic policy prescriptions and theoretical assumptions dominating these two bodies - which have long been highly contested, nationally and internationally - are now becoming

² See D.Keet "Towards and beyond the WTO - Challenges facing the South African Government", AIDC Strategy Paper # 6, November 2005.

ever more contested under the impact of accumulated contrary evidence and cogent theoretical critiques³.

Similarly, although to a lesser degree, government departments dealing with international trade and investment, above all the Department of Trade and Industry (DTI), also enjoy inordinately influential roles over most other departments. This is partly owing to the DTI's greater command over the - sometimes deliberately exaggerated - 'complexities' of international trade. This makes other departments prone to defer to 'trade negotiators', whether at the multilateral, regional or bilateral levels of engagement. But the dominance of the DTI is also due to the current global dominance of the World Trade Organisation (WTO) and the neo-liberal trade paradigm which it drives [see also 7 below]. Whereas, in this sphere too, the trade liberalisation model and related neo-liberal theoretical assumptions, are coming under increasingly powerful critiques and effective challenges from international institutional and academic analysts⁴, as well as NGO-linked analysts⁵.

At the same time, the challenges posed by the WTO include agreements on so-called 'trade-related' matters that go well beyond mere commercial matters. They place conditionalities and constraints on government domestic policy-making in agricultural, industrial, services, environmental, social and even cultural spheres. And so-called 'WTO-compliant' terms, and other terms that are actually "WTO+"⁶, are also being intruded into inter-regional (SA/SACU with the EU and the US) and bilateral trade agreements. Clearly, the DTI should be engaged in a more effective sharing of information and more balanced processes of consultation with all other departments affected by the DTI's 'trade' negotiations in Geneva and elsewhere.

There is some recognition within South Africa of the necessity for greater inter-departmental 'cluster' consultations on national economic policy formulation. These are, however, biased to a considerable degree through the dominance of 'trade' issues in an 'export-oriented' national economic strategy in general. This, in turn, is accentuated by the uneven access to information (especially on international agencies such as the WTO) amongst other government officials. This creates uneven departmental influence, and continues to privilege certain departments (particularly trade and agriculture) and their export interests and external priorities over other departments' mainly internal national concerns.

Further problems arise from the powerful external pressures exerted upon key economic ministries in any government. This is especially marked in Africa from foreign governmental 'donor' agencies and 'trade partners', international financial and policy institutions (IMF/WB), foreign investors and even business 'rating agencies' etc. The pressures and influences that

³ Such as within key UN agencies - above all UNCTAD, the UNDP and the ILO - as well as amongst authoritative academic analysts, such as Joseph Stiglitz of Columbia University, former chief economist of the World Bank; and even financial market practitioners, such as George Soros; and a host of others.

⁴ Amongst the more recent of these ground-breaking academic studies is the work of Cambridge University economist Ha Joon Chang; as well as the well-established Harvard University economist Dani Rodrick.

⁵ Such as B.L. Das, former Indian negotiator in the GATT, Martin Khor of the Malaysian-based Third World Network, and many others.

⁶ That is, they go beyond existing WTO terms, and even include terms that are being opposed in the WTO by many developing countries, some of which were the very issues that directly caused the breakdown of the WTO Ministerial in Cancun in 2003.

they exert upon the main finance/economic ministries towards particular policy orientations make it extremely difficult for other ministries - such as labour, environment, water, housing, transport and others - to carry the necessary weight in national government policy formulation and with respect to urgent internal socio-economic, social and environmental needs.

However, even though further, fuller and more equitable inter-departmental cooperation and coordination is very necessary, this in itself is not sufficient to counter these international pressures. Often, other ministries are themselves very susceptible to the currently dominant neoliberal theories. Thus, other sources of countervailing national influences are essential against such powerful external pressures being brought to bear on the executive branches of government. The role of general 'public opinion' and popular interventions clearly have to be part of this countervailing influence and the broader processes of policy debate [see 5 below]. But this counter-balancing role must also reside, in major part, within the role of elected representatives in the legislative branch of government [3 below], as well as other statutory oversight and consultative bodies [4 below].

3. UNELECTED OFFICIALS...AND ELECTED REPRESENTATIVES' POLICY ROLES AND RESPONSIBILITIES

On the face of it, South Africa has a well-developed parliamentary system, including an array of Parliamentary Portfolio Committees (PPCs) with well-defined oversight responsibilities. Government departments are required to report to their respective parliamentary committee(s); although the regularity and clarity with which they do so undoubtedly differs from department to department, and according to the differing demands placed upon them by 'their' respective committees in parliament. The capacities and will of the PPCs to engage with and interrogate the departmental officials who report to them also differ widely; with some - such as transport - being more effective than others.

With regard to most parliamentary committees, however, there is a clear tendency for the related departmental officials to simply report intermittently what they are dealing with or already implementing. This leaves the legislators little space within which to influence the direction of policy implementation, let alone engage actively in actual policy formulation. This probably holds true with many of the PPCs but is particularly marked in the economic committees. It is also clearly anomalous that parliamentarians are invited to deal with the minute details of national economic legislation, once it is eventually presented to them. Yet have minimal say or influence over strategic economic policy making, and even less over international investment and trade negotiations and agreements that carry considerable influence over many areas of domestic concern.

Part of the solution to this highly imbalanced state of affairs is that departmental officials should be required to present to parliamentarians a range of clear alternative policy options on the issues at stake, and different scenarios for them to consider. At present, most such PPC sessions are little more than presentations on what government officials have already decided to do or are carrying out, as if these are the only and self-evident paths to follow. Pervasive current practices turn the parliamentary hearings into virtual public relations exercises for the respective ministries/departments. This in very large measure undermines the oversight role of

the committees. Officials must be required to make their presentations much more accessible/intelligible to the parliamentarians. Whereas many technocrats tend to do the exact opposite; either for lack of the necessary communication skills, or in order to deliberately obfuscate matters to get their views endorsed, or to demonstrate their 'superior' technical skills and unquestionable role.

A strengthening of the role of the parliamentary committees could also be supported through greater access - and inputs - to PPC hearings for related civil society stakeholders on the matters under consideration. Equally fundamentally, an essential requirement to make the parliamentary committees more effective is the much greater information and 'capacity building' of the Members in the areas where they have assumed particular responsibilities. In part, this should be done through the official parliamentary - and the respective party - research/support structures. But, according to the parliamentarians themselves, these seem to be under-resourced and over-stretched. The further problem, however, is that their potential utility to MPs arises in large measure through the latter knowing what to prioritise, what issues need following up, and what the key questions are. This is another chicken-and-egg situation. Information and 'capacity-building' of MPs by independent policy researchers and analysts in their areas of specialisation is obviously called for. Academic institutions have a role to play here, but specialist policy-focused institutes and NGOs are probably more skilled at this level and are more *aux fait* (familiar with or up-to-date) on the very current issues at hand and the day-to-day unfolding processes facing governments. However, this places resource strains on these entities. The requisite personnel dedication and costs are not always commensurate with the outcomes of the efforts made. It is especially de-motivating where individual MPs - regardless of their newly acquired information and insights - are possessed by party loyalty, and bound by party political discipline not to oppose or even publicly question the established line within their party.

The fact that MPs in South Africa are elected through party lists makes them particularly susceptible to such subjective feelings and objective pressures, which discourage independent thinking and questioning positions, and optimally effective roles. This poses sensitive political questions about members of parliament and their parties, but any consideration of the effectiveness of 'economic governance' in South Africa, and thus of the role of parliamentary bodies in this regard, has to take up the question of this country's indirect system of parliamentary election. This is a major source of the weak accountability of elected national representatives, other than through periodic ballot exercises. However, the limitations even of more direct electoral systems within representative parliamentary democracy applies throughout the world [see 5 below].

It has also to be noted that, faced with the complexities and enormous demands placed upon them in roles for which many MPs are not well-prepared, many of them 'give up'. They simply settle into the less demanding routine-ist and formalistic processes and merely nominal oversight roles. No amount of information, advice and 'capacity-building' can compensate for lack of political will amongst members of parliament. At worst, such abdication of responsibility can deteriorate into misuses of power and even abuses of their positions⁷. This

⁷ And it is to be hoped that other submissions to the South African APRM will deal with this.

is, of course, an extremely difficult political problem everywhere and poses universal political challenges within parliamentary democracies throughout the world. However, it is only by looking beyond the surface to examine 'subjective' political factors, and rather than focusing only at the level of institutional analysis, that fully effective democratic government can be made a reality [see 5 below].

4. GOVERNMENTAL PREROGATIVES....AND 'TRIPARTITE' POLICY NEGOTIATIONS

Similar patterns of relations to those between government officials and PPCs are evident in the relationship between government officials and the tripartite National Economic Development and Labour Council (NEDLAC) to which they are required to report. Although originally conceived of as a 'policy negotiating forum' between government, labour and business, this body does not carry the statutory weight in national policy formulation and national legislation that was originally anticipated, and even less so in relation to international economic negotiations and agreements.

Furthermore, apart from the questionable transfer to this country of the 'tripartite' model⁸ - which is hardly sufficiently representative in an economy and society as complex and diverse as South Africa - there are the even more politically challenging questions about the 'social partnership' or 'social contract' model upon which this body functions. These issues aside, there are however other immediate and practical questions to be posed even within the *status quo*, about the functioning and efficacy of this body, on its very own terms and aims, as part of the structures of economic governance in South Africa.

Like the parliamentary committees, NEDLAC meetings seem to have been largely turned into information and, at best, only consultation sessions between government officials and the other parties. These latter are inundated - and often quite belatedly and seemingly deliberately - with quantities of legal documents and technical financial and trade/tariff information that they have to digest and respond to. Each 'chamber' and each working group within NEDLAC has very few and often intermittent participants, and the burdens upon them - especially the labour representatives - are enormous. The business chamber has greater resources and more personnel to argue for their interests. The fourth constituency, 'the community', is even more weakly prepared and represented than organised labour. What is more, it is excluded from key sub-committees even though the economic or 'trade' issues being discussed have both direct and indirect bearings upon the constituencies they are supposedly representing.

If NEDLAC is to be sustained - even as a credible consultative forum - there would have to be major changes in the approach by government to this body. As with the parliamentary committees, government representatives should be providing their 'social partners' with the more appropriate kind of clearly formulated possible scenarios or strategic alternatives that government could/should adopt. The participants would be more usefully engaged upon these strategic discussions, rather than minute and arcane technical details. For example,

⁸ Such tripartite bodies have been developed and employed mainly in the more cohesive and much more developed countries of Europe and, even then, they reflect the balances of power at particular historical junctures in specific countries.

- It is the general industrial, agricultural and other development implications of government trade policy that is most crucial, rather than questions as to which of the thousands of detailed tariff lines should be reduced and by how much, or what the rules of origin should include or exclude etc etc.
- Alternatively, if this body is to continue to deal with the fine detail of government policy-making, it is incumbent upon the government officials to prepare and provide the materials more timeously and in such a way as to make it more accessible and digestible to the NEDLAC participants.

These, in turn, also need to be prepared and 'capacitated' to carry out their roles much more effectively if, once again, NEDLAC is to be more than a very imbalanced and largely nominal form of policy consultation.

Most fundamentally, given the limited power of the NEDLAC 'partners' to actually impose even their (rare) consensus positions on government, a significant question has to be posed as to the real democratic role and full utility of this body. Alternatively, if it is argued that NEDLAC should continue, at least, to be a space for the discussion of government policies, and a platform for debate through which to influence government thinking, then much wider access to this body for other relevant constituencies and for well-informed relevant non-governmental organisations is also necessary⁹.

5. GOVERNMENTAL 'CONSULTATIONS' AND PUBLIC PARTICIPATION

The increasing complexity of economic policy formulation in South Africa, and the growing inter-linkages between national and international economic processes, make it much more difficult for the 'broader public' to be well informed on these issues. And yet it is ever more necessary for all populations to be engaged on government decision-making in these spheres. As is evident above, both within government deliberations and in governmental interactions with other bodies and constituencies, much better public information and engagement is essential for well-founded, solidly-grounded and more credible and acceptable economic policy formulation.

Many government departments in South Africa hold various forms of *ad hoc* or (sometimes) more formally constituted consultative processes with 'civil society'. Some government officials are gradually becoming more willing to attend meetings set up by NGOs in order to 'brief' them on government policy and even engage in a measure of debate. However, these occasions are intermittent and inadequate, and often 'off-the record'. This is quite contrary to the concerns of public information and advocacy organisations. There are, furthermore, many more and much wider government public engagements with representatives of the private sector. There are also many more such consultations largely out of public sight.

⁹ There are, in fact, informal discussion under way in this direction although - from the point of view of many NGOs and mass organisations- NEDLAC may not be considered to be the prime or best framework for such participation and influence. [see 5 below].

All these processes of 'consultation' may be signs of relatively healthy forms of public interactions between government and organised public opinion and private (business) interests in this country, but they are also very limited and very uneven.

Despite relatively widespread traditions of public debate in South Africa, it must be noted that

- There is still not adequate and timely government information available to NGOs and research institutes to analyse and disseminate in appropriate forms to other popular organisations.
- There is selectivity in government's release of 'sensitive' information, including its prioritisation of confidential commitments to outside interests over its obligations to its own people¹⁰. Whereas, if the government were wiser such obligations and consultations would be skillfully utilised in its international engagements.
- The right of popular organisations to have access to public information under the Access to Public Information Act (APIA) has yet to be fully honoured in spirit and letter by government departments as legally required¹¹.
- The periodic national consultations by the DTI still only involve those business organisations, trade unions and a few NGOs that have the necessary financial resources to attend such meetings. This privileges the better resourced NGOs which may be skilled and even committed, but cannot substitute for the direct participation of many more interested organisations.
- Furthermore, while improving in spirit and 'style', these consultations are still only consultations - without any guarantee or indications as to how, or whether, the collective civil society recommendations submitted are being taken on board by government.

The overall effect of this superficial and largely token form of 'public consultation' is that government is not able to draw on the full non- governmental sources and potential resources within this country in order to develop appropriate, legitimate, and thus more fully effective economic policies. And, on the other hand, non-governmental actors with considerable skills, and direct and deep interest in sound and transparent economic governance, are not being accorded the access they need for more real participatory processes of policy development and public advocacy.

While regular democratic elections are, of course, essential, it is now increasingly recognised - at least in progressive civil society organisations - that formal representative democracy is a most inadequate mode of democratic expression and public control over elected officials let alone un-elected technocrats. More regular, direct and guaranteed participatory modalities are essential. These are the real guarantee of democratic oversight and hence sound economic governance. New forms of direct participatory democratic policy-making are, for example, being developed in many of the progressive states (provinces) and municipal governments in Brazil¹². As the participatory modes of budget planning in many Brazilian cities and

¹⁰ For example, in the current negotiations within the General Agreement on Trade in Services (GATS) in the WTO.

¹¹ For example over the extent and nature of government licensing of GMO experiments and production in this country.

¹² A country with very similar demographics and material circumstances to South Africa.

municipalities has shown, the democratisation of economic governance can go much further and deeper.

Bringing policy-making closer to local communities and opening up public bodies and representatives to continuous public scrutiny and accountability is the most important guarantee of effective governmental performance and service delivery. It is extremely difficult anywhere to create fully effective and totally foolproof technical organisational means and legal entities and procedures, however finely tuned they may be, to monitor and control abuses and failures in economic management. South Africa, with its major technical skills shortages at local level, and with many problems of municipal accountability, could and should marshal the much greater collective human resources, insights and information within local communities than it currently does.

Similarly, in the sphere of trade and industrial policy development, investment decisions and technological innovation etc etc, similar practices of broader participation would make for more effective and more legitimate economic management. Such participatory modalities should be applied in all work places in this country, in addition to national and sectoral level engagements with trade unions. It is at the level of the workplace that the inefficiencies and failures of managers, inadequacies and errors of technical agencies, and other shortcomings and abuses, can best be monitored by those most continuously engaged, most practically knowledgeable and most directly affected. These work-place modalities cannot, of course, preclude wider processes of participation in enterprise, sectoral and national deliberations on all such questions ¹³

6. INTER/GOVERNMENTAL ECONOMIC GOVERNANCE IN THE REGION, AND THE CONTINENT

Beyond the above deficiencies in public information and participation in domestic policy making within South Africa, there is even less popular access to information and wide consultation on South Africa's role in inter-governmental policy-making in the Southern African region. Major regional economic policy decisions are being made largely out of public sight, although there is formal provision within SADC statutes for civil society access and inputs. However, 'stakeholder' access to SADC privileges business organizations. And even where non-business civil society forces are drawn in, this tends to involve a very narrow range and specific level of 'professional' NGOs, as well as those that are considered reliable and cooperative (and often compliant and uncritical). This highly selective access excludes the great majority of CSOs, many of which are more rooted, better informed and more directly accountable to base constituencies and often more challenging to the powers-that-be.

At an entirely different level of regional economic governance, the fact that the previous country-based policy development units have all been pulled into highly centralised

¹³ But, of course, this points to an entirely different form of economic organisation than is even remotely being considered in South Africa - dominated as this country currently is by private sector forces, private property 'ownership rights' and 'the market' system.

directorate(s) in Gaborone has also not contributed to wider inputs to policy design within SADC. The previous decentralised research and policy development system may not have always worked as efficiently as needed in each and every host country, but it gave all the member states a direct stake and sense of ownership of SADC policy development. With appropriate efforts at improvement, this could certainly have been a more effective mode of policy development than the centralised, untransparent bureaucratic system that has been created and that South Africa was largely instrumental in getting set up soon after this country joined SADC. The current highly centralised system of economic governance, based in Gaborone, now resides in the hands of un-elected and weakly monitored technocrats. And an even more serious feature of this system is that many of these technocrats are now actually 'consultants' and 'experts' provided to (or foisted upon) SADC within and through foreign government 'aid' programs.

While the AU may not employ foreign 'experts' to 'assist' in policy analysis and planning¹⁴, similar and even greater divorce from the ground, than is evident in SADC, is inevitable in continental-level centralised policy-making bodies. Similarly, the problems that are posed above [section 3] with regard to national parliaments would be even more accentuated at the level of the continental parliament. Questions have to be posed about the real monitoring role and effectiveness of these and other continental-level economic policy-making and decision-taking bodies. This applies particularly to sensitive economic policy questions, relating to monetary and other macro-economic issues¹⁵

The challenge to SADC and the other sub-regions in Africa, to the AU as a whole, and to SA as a key member of both, is how to coordinate their economic and related policies, and cooperate at the regional and sub-regional levels in developing sound economic governance and effective economic development. While, at the same time, they have to take policy-making and policy oversight down to national and even very local levels, and within wider and deeper participatory forms of policy-making. The current AU Socio-Economic Council, influenced by the UN model, will not play this role at the continental level unless there is a more democratic, inclusive and effective engagement of African civil society at every other level, building up to the continental level. This is the type of bottom-up approach that is necessary, as distinct from the top-down approaches that characterise the AU, in general and SADC in particular.

The further problem is that - quite apart from the formal political plans and the above potential processes - *ad hoc* processes of *de facto* 'economic integration' are being promoted within SADC and Africa through the cross-border initiatives of South African business. In allowing, or encouraging, *laissez faire* operations of SA companies in Southern Africa - and the rest of the continent - the SA government cannot be considered to be carrying out its political responsibility. As the dominant economy on the continent, SA has to ensure 'mutual benefit' and developmental economic relations in the region. Such modalities and such relations are

¹⁴ Although this has to be verified !

¹⁵ Which even the European governments within the EU are facing within the far more developed European Commission systems and resources.

the fundamental basis to equity and stability on the continent and hence to 'sound economic governance' on the continent, to which SA must contribute.

In some political ways this is happening. But in other ways such sound governance is being countered by South Africa's own economic policy choices. The elevated aims and declarations within NEPAD contain within them proposals that will encourage liberalised investment and trade flows throughout the continent - to the inevitable benefit of SA investors and exporters - rather than creating the regulatory frameworks and publicly directed developmental economic programs that are required for equitable and sustainable development. In this light - as one of the main creators and promoters of NEPAD - South Africa cannot be considered to be contributing to transparent and sound economic governance, sound economic and equitable socio-economic development, and sound and sustainable environmental governance across the continent, even though this country is also one of the main promoters of the APRM.

7. SA GOVERNMENT PARTICIPATION AND DEMOCRATIC ROLE INTERNATIONALLY

There is also an unsatisfactory engagement by the South African government with other African governments in the context of the WTO. Although a member of the AU and a participant in Africa Group meetings in Geneva, South Africa's role in this key international economic policy making institution has long been inadequate to the needs of this country and of the rest of the continent¹⁶. South Africa has maintained little more than a formal participation in Africa group initiatives in the WTO. It has, to the contrary, only committed this country actively to two groupings of larger and more developed countries concerned with their large-scale commercial agricultural export interests¹⁷. This has limited South Africa's input into the various collective African proposals on the substance of the WTO negotiations; whereas South Africa's active and public support could strengthen such initiatives. These joint interventions and alliance-building in the WTO are crucial both in specific negotiations and in contributing towards more general overall shifts in the balance of power between the developing and developed countries in the WTO¹⁸.

At the same time, and more directly relevant to this present analysis in the context of democratic governance assessments in SA, this country has not played an active public role in the WTO in challenging the thoroughly untransparent, exclusionary and therefore undemocratic *modus operandii* of this central institution in the emerging system of global economic governance. Although some spokespersons of the South African government occasionally suggest that reforms are needed in other international institutions, such as the IMF and World Bank, this does not extend to the WTO. SA representatives at the WTO have not taken up public and active critical stands in the WTO on issues such as the following:

¹⁶ See D.Keet "South Africa's official position and role in the WTO", AIDC, Cape Town, May 2002.

¹⁷ The Cairns Group, even including developed countries such as Australia and New Zealand, and the G20 of developing countries.

¹⁸ See footnote 2 above

- The functioning of the WTO is based on highly selective and exclusionary modes of negotiation and deal-making, in which only the powerful countries and selected 'pivotal' developing country governments - such as SA - are invited to attend. Instead of taking place in the General Council or the formally constituted sectoral negotiating committees of the WTO, in which all members can in principle participate, crucial aspects of the WTO negotiations take place between small groups of countries in closed upper-level 'Green Room' meetings, or increasingly in Mini-Ministerials away from Geneva altogether and for invited governments only. This excludes the great majority of the developing and least developed country members of the WTO from direct, equal and meaningful participation.
- Such meetings of the WTO are also highly untransparent in that no records are kept or made public; whereas the proceedings of the General Council - as with genuine democratic bodies anywhere - are minuted and the records are publicly available. On occasion, selected individual developing countries are invited by the WTO Director General, or by one or another of the committee chairs to bilateral 'informal consultations'. However, because these are informal meetings, no formal records are kept. Thus, the positions of such governments can be interpreted by the chairs, as they see fit. In some cases, country views can even be misrepresented to other governments as part of the divide and rule tactics which characterise much of the processes within the WTO.
- The functioning of the WTO is also rendered thoroughly tendentious or biased through the growing roles of the powerful but un-elected committee chairs. These are not chosen through open and participatory processes - as should happen in democratic bodies anywhere. Nominations are made according to hidden calculations by the WTO Secretariat as to who can be 'relied upon' in such key roles. The chairs are increasingly taking it upon themselves to produce, on "their own authority", 'clean' draft negotiating texts that do not reflect the balance and diversity of positions amongst the members. Such simplified texts do not include - as happens in UN summits - the [bracketed] dissensions amongst the members. Even the official joint positions of large groups of members, such as the African Caribbean and Pacific (ACP) alliance are routinely ignored or very weakly reflected. It is extremely difficult for countries to argue for their positions in the WTO ministerials on the basis of such official sanitised - or censored - texts.
- The WTO is supposedly a "more democratic" institution in that formal decision-making it is not based on wealth and power, as with the IMF and WB, but rather on an OMOV (one member one vote) system. However, in practice, the WTO is thoroughly undemocratic. No formal voting ever takes place because the developing countries are in the majority and could win on such a basis. Instead, decision-making in the WTO is through the creation of supposed 'consensus' between all the members. On the face of it, this may appear to be a reasonably democratic approach. In practice, however, when the major developed countries agree among themselves, an emerging consensus is said to exist, and others are urged to "join the consensus." On the other hand, when a majority of countries agree, but one or a few of the major developed countries do not, then a consensus is said not to exist. Furthermore, in such situations, those developing countries that do not agree are often cast in an unfavourable light, and pressure is exerted upon them to conform to the position of the core 'consensus' countries.

- The WTO is clearly a power-based and not a democratic rules-based system in a number of other ways, as well. Economic pressures or 'persuasions' - linked to bilateral aid, and IMF-World Bank loans etc - and even political pressures are brought to bear. These may be exerted directly and indirectly, up front and behind the scenes by developed countries on those countries taking positions unacceptable to them¹⁹. Such are the political pressures within and around the WTO.
- But this institution is also a highly pressured institution in many other ways. The agenda of the WTO, overloaded with the demands of the developed countries, disadvantages most developing countries both on the substantive implications and their *modus operandii*. The extremely intensive pace of negotiations is particularly difficult for developing countries. Those with small delegations at the WTO, are unable to cope with the multitude of simultaneous meetings, also often called at very short notice. Such countries cannot participate effectively or at all; and yet they are counted as part of any 'consensus', even if they are not physically present to table their views. This pressure-cooker process is particularly serious in the all-night marathon meetings through which the final agreements in the WTO are often hammered out. Representatives of countries with smaller delegations are subject to insupportable mental and physical pressures and grave disadvantages compared to the major countries that come with huge delegations and can rotate and relieve their (worn-out) negotiators as necessary.

It is important to note in some detail these unprincipled and unacceptable modes of operation in the WTO because they stand in blatant contrast to how a democratic institution should function. And they stand in direct contradiction with the democratic principles upon which the SA government should act - at home and abroad. Democracy must be seen to be fundamental and universal. Failure to defend and promote it in situations and institutions abroad inevitably has serious repercussions at home. This is evident in the WTO policy prescriptions that are now being imposed upon South Africa. This is evident in the continuous narrowing of the policy space and independent internal policy-making rights of the South African government, as with other governments. These externally-imposed constraints are contradictory to the possibilities and perspectives for more advanced and more democratic modes of economic policy formulation and sound economic government in this country, as discussed throughout this paper.

GENERAL CONCLUSIONS

The most fundamental guarantees of sound economic governance are not so much technical and institutional as political. Even under the (hypothetical) best of technical provisions, government technocrats, bureaucrats and politicians will not have the necessary information, insights and legitimacy in their policy-making and implementation unless there is full, genuine

¹⁹ Some more assertive developing country representatives have been removed from their Geneva posts after some major developed-country members lodged complaints with their home governments... or in some cases through personal interventions by one (developed country) president with another (subordinate) 'brother' president in a specific developing or least developed country.

and continuous engagement of their citizens that goes well-beyond formal electoral processes and intermittent top-down and largely token consultations.

Until full information and genuine institutionalised participation by popular organisations in government economic policy-making - nationally, regionally and internationally - is achieved, South Africa will not have fulfilled its democratic potential to ensure effective public scrutiny of government economic performance and the appropriate transparency and full accountability to guarantee of high standards of economic governance.

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