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The business of blackness:

The Foundation of African Business and
Consumer Services, democracy,
and donor funding

Dumisani Hlophe, Malachia Mathoho,
and Maxine Reitzes

Senior researcher, research assistant,
and senior researcher, CPS

Centre for Policy Studies

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Centre for Policy Studies
Construction House
130 Sivewright Ave
New Doornfontein 2094
Johannesburg, South Africa

P O Box 16488
Doornfontein 2028
Johannesburg, South Africa

Tel (011) 402-4308
Fax (011) 402-7755
e-mail: admin@cps.org.za

www.cps.org.za

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Introduction

Can an association of business people organised around a common racial identity help to democratise government and society?

Much classical and contemporary understanding of civil society would probably find the prospect uncomfortable. Current analyses which see civil society as a realm in which citizens can acquire a voice in public affairs usually dwell on the role of social movements and non-governmental organisations (NGOs); business associations are either explicitly excluded or ignored.¹ And many classic treatments of civil society have tended to see it as a realm of interest-based individualism, an antidote to societies in which ‘rigid barriers of race, status and caste define people’s privileges’.² Associations based on race or caste are, of course, not the same as states with the same characteristics: freedom of association includes the right to associate in ethnic or racial organisations. But whether associations based on ascriptive identities belong in civil society, with its purported capacity to enhance democratic citizen participation in public life, is not the subject of consensus.

In South Africa, this question is linked to another: the nature of civil society. Two broad understandings underpin contemporary discussion of civil society. One posits civil society organisations (CSOs) as watchdogs over the state. In the main, CSOs are geared to ensuring that those entrusted with running the state do not abuse democratically conferred authority.³ This conception has been found most plausible in established liberal democracies with developed market economies. The divisions between citizens in these societies is narrow enough to prevent civil society becoming a terrain in which the divides spawned by social or identity polarisation are expressed. Their CSOs are also likely to be financially self-sustainable, or at least domestically funded. Beyond this, they tend to be composed of locally mobilised constituencies which may be assumed to stand a better chance of playing a more active role in making demands of the state and watching over it. Historically, this conception is associated with the birth of liberal theory and the parallel development of the market economy.⁴

The other is rooted in the history of the current wave of democratisation that began with the Portuguese coup of the 1970s, and continued through the 1980s into the 1990s. In this conception, civil society is viewed as a vehicle for transformation,⁵ and for the assertion of popular will over an oppressive state. South Africa, formally was democratised in 1994, falls in this category; civil society—or at least the part of it that mobilised against apartheid – is afforded a large share of the credit for achieving its current democratic status.

¹ See Mark Swilling, Socialism, democracy and civil society, *Theoria*, 79, May 1992.

² Doreen Atkinson, Rights, politics and civil society in South Africa, *Theoria*, 79, p 43.

³ John Keane. *Democracy and civil society*, London: Verso, 1988, p 32.

⁴ Doreen Atkinson, Civil society in flux, *Theoria*, 79, p 10.

⁵ I Young, ‘Civil society and social change, *Theoria*, 1994, 83/84, p 73.

The historical exclusion of black people from mainstream political and economic activities that produced the resistance to apartheid divided society — including civil society into two dimensions: those (predominantly but not exclusively white) who operated within the apartheid system, interacting with the government much as citizens in a democracy might; and those (predominantly but not only black) who used associations to launch an assault on that system as part of the broader ‘liberation’ coalition which now forms the ruling governing party. CSOs and political forces on the liberation side of the divide united against CSOs and the state on the other; the links between civil society and the state (or aspirant state) were strong, and relations with other parts of civil society and opposing political forces antagonistic. There was state and there was civil society, but this was not the central divide.

The legacy endures beyond apartheid’s formal end, which has inevitably left many social issues unresolved. Major CSOs which helped to fight racial domination still see the governing party as an ally in a common battle to complete the victory of the anti-apartheid struggle by asserting the majority’s right to equality in society as well as politics—even as they retain their autonomy from their ally in government. The first conception of civil society is therefore inappropriate to the extent that it is seen purely as a realm in which the state is watched over rather than one in which it may also be actively supported by that section of civil society that fought with it (just as it will be opposed by the section that did not). This does not exclude the possibility of acting as a watchdog to ensure that the state remains true to the values and goals of the common quest. But these CSOs face a tension between working with the government as an agent of socio-economic transformation, and assuming a watchdog role.

It follows from this too that these CSOs may adopt strategies and approaches that deviate from the mainstream understanding of civil society. A business association may not be concerned primarily with the routine lobby for more business-friendly policy and practice, but may see itself as a vehicle for the broader goal of ending racial inequality in economic life. We do not, therefore, have to enter the debate mentioned above on the role of identity-based and business associations to make the point that it is possible in a context such as South Africa’s—where formal racial equality in politics has not yet produced substantive equality in the economy or society—to assert that a black business association may be a force for democracy, both by campaigning for an end to race privilege in the economy and by serving citizens who are not affluent or influential enough to rely on their own routes to the government, and therefore require an organised vehicle if they are to influence public policy. The question is not, therefore, whether such an association is a block to deeper democracy by virtue of representing business and uniting members by race. It is whether it is able to operate in a way that indeed gives citizens a stake in decisions and exercises influence over government policy on their behalf.

This paper examines the Foundation for African Business and Consumer Services (FABCOS) which, as the preceding discussion suggests, is a black business association committed to enhancing black participation in the economy, a goal it explicitly sees as a contribution to the fight for racial equality. This makes it both an interest associa-

tion, albeit one defined by identity, and in theory a potential force for democratic deepening. The main focus is on whether the organisation is indeed a vehicle for citizen participation. Does it affect policy and legislation on behalf of its members? Do members believe their interests are adequately represented to the state? Do they feel able to participate in its affairs in ways which give them control over decisions that affect them and turn them into active participants in public life?

Method

This study used mainly qualitative research methods, primarily a literature survey and interviews with key informants. On the first score, FABCOS is very limited in its production of literature; the only documentary source the researchers were able to access was the *FABCOS Corporate report 2000* which appears to be its only available official document. Beyond this, the study relies on academic literature to illumine the issues raised by the study.

Interviewees were randomly selected from FABCOS and its affiliates: in practice, they are those the researchers could access. We had considerable difficulty accessing interviewees at all levels: national, provincial, and grass roots. Both the national and provincial leadership appeared to be too involved in their own private business to accommodate discussions on FABCOS. The Mpumalanga chairperson, for example, agreed to an appointment with one of the researchers, only to be said to be 'outside the country' on the day of the scheduled interview. In KwaZulu-Natal, a meeting scheduled for the afternoon only materialised in the evening of the following day.

Provincial leaders, such as those in the Northern Province and Eastern Cape indicated that they needed to seek the permission of the national office before granting interviews. While the latter was eager to co-operate, the former appeared very reluctant. It was only on 15 May, when the draft of this paper was being finalised, that we were informed an interview had been granted.

Access to grass-roots members was also difficult for various reasons: an unwillingness by certain provincial leaders to release their sector and individual membership profiles; an apparent organisational rule that forbids affiliated members from giving interviews; and unavailability of meeting schedules that would have enabled researchers to gain access to members who attend meetings: in some cases, members appeared to be unaware of the schedules for their own sectoral as well as organisational meetings. Due to these constraints, the researchers' intention to conduct interviews on the role of gender in FABCOS was abandoned.

These obstacles ensure that the paper lacks the range of interview material we believe necessary to offer a fully rounded account of FABCOS's role. However, we are confident that enough information has been gathered to offer some fresh insights into FABCOS and its implications for South African civil society, and the role of donor funding in shaping it.

Origins and purpose

FABCOS was established in 1988, and self-consciously identified itself as an organisation committed to assisting the struggle against apartheid. It was informed by a particular understanding of democracy: that (black) political freedom ‘could be achieved only if it was underpinned by economic power’⁶.

One of its founders was Joas Mogale, ‘a political activist cum businessman’ and former Robben Island prisoner. His rationale for forming FABCOS, given the existence of a black business association, the National African Federated Chamber of Commerce and Industry (NAFCOC), was that informal business people were not being mobilised to enter the mainstream of the economy. Another limitation of NAFCOC and the chambers of commerce affiliated to it was perceived to be their recruitment of individual members, who, by definition, were licensed and therefore formal operators. Mogale’s idea was to establish an organisation constituted by associations of informal business in various sectors. Ultimately, FABCOS was conceived as ‘essentially a developmental organisation that would mobilise the informal sector, with consumers, to break into the formal sector’.⁷

In this context, ‘informal sector’ was coterminous with ‘black’ – hence another unusual feature of FABCOS, the fact that it sought to organise and represent consumers as well as business people. Black consumers were identified as a necessary component, as FABCOS intended to influence them to circulate their financial resources within black enterprises. Thus, while in most if not all market economies business and consumers are assumed to have conflicting or at least competing interests, FABCOS’s strategic foundation was the idea that a common racial experience of subjugation would be powerful enough to persuade black consumers to join the fight for the deracialisation of business.

FABCOS was established with 13 member associations whose identities confirm the stress on informal or small business. They included the African Builders Association (ABA), the Afro Hairdressing and Beauty Association (AHBSASA), the Black Association of Travel Agents (BATASA), the National Stokvels Association (NASASA), the National Black Consumers Union (NBCU), the National Cottage Industries Association (NCIA), the National Tuckshops Association (NTSA), the Southern Africa Black Taxi Association (SABTA),⁸ and the Southern Africa Taverners Association (SATA). At the time, FABCOS adopted the same structure as SABTA, which was then the best-established black business organisation – indeed, Cyril Gwala, FABCOS’s national president, has acknowledged that SABTA was instrumental in forming FABCOS.⁹

⁶ FABCOS, *Corporate report 2000*, p 6.

⁷ *ibid.*

⁸ SABTA has since left FABCOS, alleging that its leadership is too individualistic and elitist with little consideration for the wellbeing of the organisation. Meanwhile, the FABCOS leadership alleges that SABTA was discharged in the early 1990s due to its involvement in minibus taxi violence.

⁹ Comment from the floor at civil society workshop, CPS, 22 May 2001.

FABCOS's stress on black unity initially stretched to remaining non-partisan in the struggle between rival liberation movements. Although many of the organisations that existed before it were associated with particular components of the movement, FABCOS chose to align itself with the entire movement; and whereas it encouraged its members to be involved in political change, it has never been affiliated to a political party. But, as this paper will show, this has not precluded it from largely identifying with the post-apartheid government.

Goals and strategies

FABCOS was, at the outset, organised around a central goal and strategy, highlighting the degree to which it saw itself less as an interest association than as a vehicle for a campaign for change.

The goal was Black Economic Empowerment (BEE), the strategy the Black Rand. BEE is defined as 'a cry from black entrepreneurs for an enabling environment that would allow them entrance into the country's economic mainstream'.¹⁰ FABCOS recognises that BEE is a long process, can be achieved in different ways, and will pass through several developmental phases. The Black Rand concept, as suggested above, was aimed at encouraging black consumers to support black business: 'the call was to keep money circulating within whatever black business community existed then – for as long as possible – before passing it onto other suppliers of goods and services'.

FABCOS offers no further details on the degree to which the Black Rand call influenced consumer behaviour. But it does insist that it is achieving the goal of placing BEE high on the agenda: it would argue that it was largely responsible for prioritising BEE on the agendas of post-1994 national governments (although a SABTA official claims it should claim credit for this). It would therefore claim a role in the increasing recognition of the need to reflect the meaningful participation of blacks in tenders, licenses, outsourcing and procurement by government and parastatals – the government now drives empowerment and preferential procurement policies that favour black bidders or joint ventures between them and the bidding company, as well as funding and loan opportunities through relationships with Ntsika and the department of trade and industry. These developments, as well as the unbundling process undertaken by big business, are seen by FABCOS as a vindication of its campaign for BEE and of the Black Rand strategy.

But, while FABCOS is committed to a cause and believes it is winning the battle to realise its goals, it does not use standard campaigning techniques to achieve them; on the contrary, it seems to rely on some very conventional business and business organisation activities.

On the first score, it further promotes the Black Rand concept by distributing shares in FABVEST Investment Holdings to its members; initially, the revenue generated by investment dividends and management fees was used solely for membership service provision, including the creation of FABCOS infrastructure. FABVEST, lauded as

¹⁰ FABCOS, *Corporate report 2000*, p 8.

‘a pioneering development for organised black business’, is an investment company, operating in industries such as telecommunications, gaming and leisure, financial services and food. The FABCOS Trust is selling the first tranche of shares in FABVEST, a 10 per cent stake offered to members at discounts ranging from 23 per cent to 40 per cent, depending on duration of membership. An additional 10 per cent has been set aside for FABVEST employees. Other beneficiaries of the trust are the Community Development Trust and Education Trust, through the FABCOS section 21 not-for-profit company, which are discussed below.

In keeping with its objectives, FABCOS and its business partners are extending their initiatives beyond South Africa’s borders. Its African investment drive has two objectives: to earn dollar-based income and participate in the global economy, and to assist in the empowerment of ‘indigenous people in the countries in which FABCOS invests, in the broader context of the African Renaissance’.¹¹ This is to be achieved via the FABCOS Trust which owns a controlling stake in FABVEST. All of this, of course, is more consistent with traditional business practice than with a mobilised campaign for equality.

On the second, FABCOS’s mission statement commits it to providing services for the development and empowerment of its members, and influencing policy. Membership development is promoted via the provision of training, marketing expertise, research skills, management services, and the provision of empowerment opportunities to members, entrepreneurs, and communities in the informal sector. FABCOS is also committed to influencing ‘the government of the day to create conditions that will help the informal sector to its full potential’. Finally, it seeks to facilitate relationships between formal and informal business. All of these are identical with the functions usually performed by business associations.

Cause or effect?

How credible is FABCOS’s claim that it – or its key founding association, SABTA – placed BEE on the policy map? If it did, of course, it would have exerted a major effect on policy in the interests of its members even if it had done nothing else.

Certainly, as noted above, the immediate post-1994 era saw a flurry of activity aimed at blacks acquiring shareholding in established businesses, and controlling their boards. White business participation in ‘black empowerment deals’ proceeded apace well before any legislation or policy was adopted using the levers of government to encourage BEE. Later, however, these measures were indeed adopted by the government. How much of this was due to FABCOS?

It is often difficult to assign responsibility for a process of change. A variety of influences contributed to BEE; just as that makes it difficult for one organisation to claim credit, so it is equally hard to deny any particular claim. What is clear is that white business would have taken more persuading than the government. As a liberation movement committed to apartheid’s overthrow, the ANC was hardly likely to en-

¹¹ FABCOS, *Corporate report 2000*, p 9.

dorse continued white control of the economy. Once it had committed itself to a market economy – for reasons that have little, if anything, to do with FABCOS’s influence – it was always bound to champion some form of BEE (albeit perhaps under another name). White business, on the other hand, might have been expected to wait until the law forces it to transfer assets to black business. But the fact that it anticipated the government by opting for BEE before it was forced may have been due primarily to an ability to see the writing on the wall, rather than the result of influence by a particular organisation.

But, if FABCOS did exert any influence, it did not do so through campaigning. There is no evidence that consumers heeded the ‘Black and’ call in any numbers, if at all. On the contrary, large white-owned chain stores built branches on the edge of townships to gain access to the black consumer market. And black consumers, like those of other races, seem to have opted firmly for the cheapest goods and the best affordable quality – which black businesses, given their historic disabilities, are often not yet able to provide. Any FABCOS influence would have been wielded in the usual low-key discussions in which business deals are usually made.

Nor has BEE necessarily taken the form that FABCOS appears to advocate. Besides the fact that many of the best opportunities went to former politicians, rather than the informal businesses that FABCOS champions, black ownership did not necessarily translate into the assumption of management control. Only now are many of the consortiums that took over the boards of established businesses beginning to consolidate their interest in those companies, in preparation for the next phase of empowerment: taking management control. So, if FABCOS was indeed the key force behind BEE, its advances have been more modest than it might like to suggest. And, as we will see below, the proposition that BEE has made substantial gains is not accepted within black business itself.

Funding and the role of donors

Initially, FABCOS seems to have received its major injection of funds from white business – whose monopoly of assets it sought to challenge. When FABCOS was founded and purportedly coined the phrase ‘BEE’, ‘it touched a guilty nerve of corporate [white] South Africa. Consequently, sponsorship of black business organisations like FABCOS became part of the corporate social responsibility programmes of big business.’¹²

FABCOS, however, realised that a dependence on corporate sponsorships was not sustainable, as independence could only be realised through financial self-sufficiency, achieved via commercially sustainable income-generating projects.

Just prior to the 1994 elections, FABCOS sought to wean itself off dependence by entering into partnerships (rather than donor–recipient arrangements) with big business – even though it was conservative, and viewed with suspicion in the black community. However, the negative aspect of these partnerships is that they tame black

¹² FABCOS, *Corporate report 2000*, p 10.

business from competing against white control in the economy; black accumulated capital remains in white business groups, and the struggle for an economic redistributive kind of democracy is relatively neutralised.¹³

FABCOS funding for initial investments was largely through borrowing: investment funding spawned a host of joint ventures. Today it has a net asset value of approximately half a billion rands. The consolidation of investments includes the establishment of a private equity fund that initially will be a division, but could develop into a separate entity owned 100 per cent by FABCOS, and will comprise between 10 and 20 per cent of FABVEST's net asset value. FABCOS has now succeeded in achieving financial self-sufficiency through various FABVEST strategic investments.

This attempt to ensure self-sufficiency did not initially preclude foreign donor funding. In addition to financial assistance from white business, FABCOS has also been financed by various donors including USAID, CIPE (the Center for International Private Enterprise - an American organisation linked to the federally funded National Endowment for Democracy, or NED), Swedecorp, and the International Labour Organisation (ILO). This funding was mainly not devoted to particular projects but to human resource development capacity-building and infrastructure development within FABCOS. It provided funding, for between one to two years, for the training of secretarial and administrative staff, and for office equipment and furniture.

But FABCOS last received donor funding in 1998, and it does not appear to have made a major impact on its policy or the organisation of its structures. Donors appear to have implicitly endorsed the objectives of FABCOS, and assisted in building capacity to achieve them effectively. Nor, according to FABCOS officials, did donors find cause to question FABCOS's basic competence. 'No donor has ever challenged us on service provision for our members,' says David Moshapalo, FABCOS's chief executive director. That is, donors were satisfied with the utilisation of their funds for training.

FABCOS's leadership insists that it no longer needs donor funding: the organisation is strong enough, they insist, to achieve its goals without help. Cyril Gwala,¹⁴ FABCOS's national president, maintains that, while foreign and domestic corporate funding was initially sought and acquired, this was a necessary step towards getting the organisation off the ground; it was useful in training 'trainers' in matters relevant to starting and managing business. Moreover, the funding was useful in establishing infrastructure such as office equipment. It played a major role in building systems that facilitated organisational capacity on financial management and accountability, and general internal accountability and transparency.

But he maintains that this funding could not be sustained because some of it was determined by 'sectoral market interests': business funders tended to choose those

¹³ Dumisani Hlophe, *Time to move from Freedom-from to Freedom-to*, *City Press*, 20 May 2001.

¹⁴ Interview, 3.5.01.

sectors that had profit potential for their own business.¹⁵ For example, a construction corporation would only fund the builders' sector of FABCOS and in turn expect to reap far greater financial rewards than the cost of its contribution. The exercise was not funding but a direct investment with a profit expectation. Since the result would, in his view, be to compromise FABCOS's intended goals, the quest to develop a financially self-sustainable base was the result.

It could be argued, however, that, if donor funding helped FABCOS to sustain itself, it had an important impact on the organisation. Funding that leaves an organisation no longer dependent on donor contributions is the optimal outcome. If it was indeed achieved in this case, however, it may owe as much to the nature of the organisation and its constituency (which made the investment strategy a 'natural' one) as to donor strategy.

What FABCOS does, and how it does it

How does FABCOS organise itself, what does it do, and what influence does it wield over policy?

Internal organisation

FABCOS's internal organisation is relevant for two reasons. It sheds some light on the extent to which members are able to participate and to ensure that it acts in their interests – also, organisational management and capacity are often an important determinant of the orientation and effectiveness of CSOs. Whether CSOs have the means to implement their goals is as important as the nature of those aims, and many CSOs in South Africa have landed in a practical quagmire because they have failed to get to grips with these issues.

The national structure of FABCOS, called the electoral college, consists of 36 members. Nine provincial offices and four representatives are elected to the national electoral college by each region every three years from sectors in each province. Although most provinces have more than four sectors, those that are most active or dominant are likely to be represented; this varies between provinces. The national executive council consists of an elected executive director as well as the president, deputy president, secretary-general, and treasurer-general, and one member co-opted from each of the provinces – usually the chairpersons of the provincial councils.

Two features of FABCOS's internal organisation are unusual. First, it has set up a web of interlocking organisation, a practice that probably reflects the fact that it is engaged in investment activity as well as the 'normal' function of an interest association. It has established the FABCOS Trust, under the jurisdiction of the 36-member electoral college and NEC, which owns a controlling stake in FABVEST Investment

¹⁵ This should not be surprising, since FABCOS is a business organisation, and some corporate institutions are likely to see FABCOS as presenting a potential business venture instead of a charitable organisation.

Holdings Limited. Its beneficiaries are FABCOS Section 21, a section 21 company¹⁶ that is responsible for most of FABCOS's activities and acts as a secretariat to the national executive council; two other trusts established by FABCOS, the Community Development and Education Trusts; as well as FABCOS members. According Lesole Mogorosi, FABCOS secretary-general, the Education Trust provides scholarships for tertiary education to 'deserving' children of the members to pursue business-orientated studies.¹⁷

Second, FABCOS elected office-bearers are salaried, even though not all work for the organisation full time. Moshapalo argues that this makes the organisation more democratic by ensuring that those elected are more accountable: those who are paid have to account to the membership for their decisions and actions if they wish to continue to receive their salaries. Elected representatives who work on a voluntary basis, in this view, cannot be held accountable. Like FABCOS's structure, this assumption may reflect the fact that it represents business people, who are more likely to see receipt of a salary as a key guarantor of accountability.

FABCOS has also changed the nature of its membership from federal or associational (in which associations join it) to individual membership. According to Moshapalo, this is because the organisation is able to respond more specifically and therefore appropriately and productively to individual needs, rather than attempting to respond to needs in a generalised way. He believes expending resources on responding to individual member needs is more cost-effective than attempting to tailor responses to entire sectors in a 'one size fits all' approach. He argues that assistance to members should also be issue- rather than sector-based. For example, many entrepreneurs, in all sectors, require IT skills, and so membership groups comprising individuals with the same needs ought to be established. Resources can then be used more cost-effectively as they are focused on responding to a range of people with the same needs, rather than being diffused and diluted across a range of sectors comprising members with different needs and demands.

FABCOS is also part of a wider alliance that aims to influence the social and political environment on behalf of black business. It is affiliated to the Black Business Council (BBC), founded in 1996 by black business and professional associations in an attempt to rectify perceived failings in both the organisation of black business and its role in the economy.¹⁸ 'It was formed in response to increasing frustration on the part of various stakeholders, *including the new democratic government*, over the fragmen-

¹⁶ Section 21 of the SA Companies Act allows for the formation of companies 'not for gain', which are then subject to regulation by the registrar of companies.

¹⁷ Telephonic interview, 20.6.01.

¹⁸ The BBC consists of 12 member organisations. The others (besides FABCOS) are the Association for the Advancement of Black Accountants of SA (ABASA); the Association of Black Securities and Investment Professionals (ABSIP); the Black Information Technology Forum (BITF); the Black Lawyers Association (BLA); the Black Management Forum (BMF); the Congress of Business and Economics (CBE); the Islamic Chamber of commerce and Industry (CCI); the National Federated Chamber of Commerce and Industry (NAFCOC); the National Black Business Caucus (NBBC); the SA Black Technical and Allied Careers Organisation (SABTACO); the and SA Institute of Black Property Practitioners (SABPPP).

tation of black business formations and the lack of a common front for the development and implementation of a national strategy on the development of the black business sector.¹⁹ The rationale for its establishment also included the poor state in which ‘black business was in and continues to be in’.²⁰

Both observations question FABCOS’s assertion that it has partially achieved the integration of informal black businesses into the mainstream economy. The BBC argues that ‘[b]lack business, in the main, has not moved from the largely informal and small business sectors that it typically occupies. ... The “black economic empowerment” initiatives of the past ten years have not resulted in any significant movement of a critical mass of black people into the key sectors of the economy.’²¹ If this means that FABCOS’s goals are yet to be achieved, the BBC also implicitly questions the degree to which FABCOS – and, to be fair, other black business and professional associations -- have been able to influence the environment: ‘There is still a very serious need for a body that will help develop, implement, and monitor national initiatives that are aimed at advancing blacks into the mainstream of the economy.’²² Consequently the BBC sees itself as: The supreme representative of organised black business and black professional organisations fostering the acceleration of black business into the mainstream of the South African economy, so as to create wealth and economic growth.²³ This obviously begs the question of whether associations that seek to represent black business in general, as opposed to sectoral or professional organisations, still have a real orientation in seeking to influence events, rather than to offer services to their members, a point to which this analysis will return.

Power through services?

Like most if not all membership-based CSOs, FABCOS offers its members services as well as a vehicle for influencing policy. Unlike other CSOs, however, it also seeks both to aid its members and to impact on its environment through investment.

FABVEST Investments Holdings is, as noted above, responsible for this investment, and was created to house all the business interests of FABCOS, especially in financial service, tourism and leisure, technology and security. It also aims to accelerate the process of black management development through training and skills transfer by using its underlying investments to influence behaviour in businesses. Hence its criteria for evaluating investment opportunities are influenced by:

- its ability to influence and direct policies and product packaging that will better suit the needs of the greater black society;

¹⁹ Black Business Council, unpublished document, n d.

²⁰ FABCOS, *Corporate report 2000*.

²¹ Black Business Council, unpublished document..

²² The task of developing policy is being attempted by the black economic empowerment commission headed by Cyril Ramaphosa. By mid-June 2001, it had released a report and was awaiting government response to its recommendations.

²³ Black Business Council, unpublished document.

- the potential for FABVEST to add value to the investment by its ability to access a large target market – the FABCOS membership;
- the presence of a strong autonomous management team;
- job creation opportunities; and
- the potential for skills transfer and development.²⁴

This is, of course, a mixture of ‘normal’ business criteria and explicit attempts to use investment to influence the environment. But it raises two problems. First, what are ‘policies and product packaging that will better suit the needs of the greater black society’? How would this stipulation influence a concrete investment decision? Does the company need to have a specified level of black ownership, or to seek to meet black consumer needs? And if the latter, who decides what these are? Second, the criteria may often conflict, and it is not clear which takes precedence – would FABCOS refuse to make a lucrative investment if the social criterion was not met? The answers are not clear. However, it should be noted here that a constant criticism of union investment companies has been that the social effects of investment take a back seat to the usual criteria of profit maximisation.²⁵ This possibility presumably poses a challenge to FABCOS too. However, the key point here is that investment is seen as a key element both of addressing FABCOS and its members’ material needs as well as influencing the policy environment.

As implied above, FABCOS is also engaged in providing a range of services to its members. In order to assist their access to business opportunities, the section 21 company offers a tender advice and professional services centre: the Tender Advice Centre is a specialist institution that provides practical project management for participant contractor-members, who also receive more general business services. It helps members with the preparation and submission of tender documents and approaches to appropriate financial institutions; it also facilitates project-based joint ventures among contractors and established businesses. The centre assists participants with the registration of companies and close corporations, VAT registrations, and the preparation of business plans. Licensing and accessing export markets are also addressed. It also hosts workshops and seminars where specialists are invited to share their knowledge with entrepreneurs, on a range of topics: from understanding the tax system to mentoring them on aspects of managing their own businesses. The section 21 company also has a professional business services centre, providing secretarial and administrative services; and infrastructure, including postal box facilities, meeting rooms, and messaging services for members.

Members are also introduced directly to the Johannesburg Stock Exchange (JSE). FABCOS believes it has ‘moved mountains’ by elevating members whose roots were firmly planted in the informal sector – taxi operators, taverners, and hawkers – to being investors in this previously exclusively white bastion. Through their shares in

²⁴ FABCOS, *Corporate report 2000*, p 16.

²⁵ See, for example, Deanne Collins, An open letter to Johnny Copelyn and Marcel Golding, *South African Labour Bulletin*, 21 (1), February 1997, p 79.

FABVEST, members are now owners of an investment portfolio including listed companies such as M-Cell, Futurebank Limited, and Theta Group Limited. The majority of members run retail or service businesses; inroads have also been made into manufacturing through some of the investments that FABCOS has introduced to its members.

Another beneficiary of FABCOS Section 21 is the Community Development Trust, which focuses on outreach. It offers education and training opportunities, as well as job creation to communities in which FABCOS members conduct business. Trustees include non-FABCOS members, chosen for their expertise in areas such as education and training. Barney Tsita, the head of this trust, notes that most black empowerment companies have minimal levels of participation in the management of the companies in which they have invested, and that education and training in business are crucial if they are to change this pattern – or indeed be aware of the use to which their investment is being put. Using dividends from the FABCOS Trust, young management talent is educated and trained, providing a pool on which empowerment companies can draw. Some are also deployed into FABCOS structures. Another objective of this trust is to broaden the scope of those who benefit from BEE, and to extend the ambit of FABCOS's influence. However, there is no detailed information on how this is to be attained.

It could be argued that these services are integral to FABCOS's mission, since they entail more than a set of incentives for membership not necessarily central to the organisation's core purpose, such as the pension or medical benefits or cut-price buying opportunities offered by some CSOs. Rather, services are a means of enhancing the capacity of black owners of small or informal businesses, and thus a means of advancing BEE in other ways. Moshapalo stresses the broader social goals which, he says, are achieved by the projects: a central FABCOS objective is to assist in job creation via facilitating the establishment of businesses. 'The communalism approach won't create jobs,' he says,²⁶ implying that FABCOS is doing more than merely advance its members' immediate interests. He argues that job creation can be achieved by assisting individual entrepreneurs, helping them increase their turnover and expand their businesses, thereby transforming them from self-employed to employer. A key question is the degree to which services can achieve this aim without changes in the legal and policy environment, which FABCOS is also committed to pursuing.

Influencing decisions: advocacy and relations with the government

Since one of the key rationales for FABCOS's formation was to achieve change in the racial composition of business, advocacy would be expected to comprise an important part of its activity. Certainly, lobbying is an activity: the section 21 company's objectives include researching macroeconomic and other issues relevant to the organisation and its membership as well as communicating with members, building and retaining FABCOS's membership base, and acting as a secretariat to the FABCOS executive committee, which is its policy-making body. As such, it advises the executive on pol-

²⁶ Interview, 4.7.00.

icy and executes its decisions. While some of these tasks deal with routine organisational demands, they are consistent with an intention to lobby for policy change.

Lobbying does appear to take second place to service provision. FABCOS is currently grappling with questions relating to its relevance in the current economic, social and political climate, and one subject of debate is the correct balance between service provision and advocacy. Moshapalo, also the section 21 company's head, says the question is being asked: 'Are we a lobby group or are we a service group?' He adds that a consensus is developing in the direction of 20 per cent lobbying and 80 per cent service.²⁷

This may be partly explained by Moshapalo's observation that FABCOS and the government share a common agenda – clearly, lobbying is less of a concern if the government is considered largely supportive of FABCOS's aims. Nevertheless, FABCOS insists that engagement with the government is a priority, even if the line appears blurred between independent engagement and direct co-operation. According to Moshapalo, it is impossible for an organisation such as FABCOS to distance itself from the national programmes of government, since it is responsible for attempts to create an environment that will facilitate BEE. A more direct and explicit reason is that most of its members are affected, directly or indirectly, by government policies. For example, if FABCOS attempts to assist small commercial farmers – or anyone operating in agricultural sector of government land policies are likely to have an impact. Moshapalo also observes that 'we have a very feisty government, and if we do not engage with it, it will just do its own thing.'²⁸ Insofar as FABCOS is involved in influencing government policy, it is represented in the black business working group of an advisory committee chaired by president Thabo Mbeki. The other three working groups represent labour, big business, and agriculture. Cabinet ministers, drawn mainly from the economic cluster, also attend these meetings. Depending on the issues on the agenda, these include the departments of trade and industry; energy; finance; labour; public administration; public works; and tourism. Each working group has separate meetings with the president and departmental representatives, as well as joint meetings, usually convened before and after national budget presentations, to discuss inflation targeting. They are guaranteed four meetings a year. FABCOS is also represented in the business chamber of the National Economic, Development and Labour Council (NEDLAC). While the senior national leadership appears to be working closely with the executive arm of national government on economic matters, similar relationships are replicated at the provincial level. According to Zayd Boroko, Mpumalanga's provincial co-ordinator, FABCOS is identified by the provincial government as a stakeholder in major economic issues.²⁹ He sees FABCOS as a serious player in shaping the direction of the department of economic affairs. In North West, FABCOS has a

²⁷ *ibid.*

²⁸ Interview, *ibid.*

²⁹ Interview, 7.5.01.

monthly meeting to discuss its concerns with the finance and economic affairs department.

As evidence of FABCOS's concerns, and the degree to which these coincide with the government's, Moshapalo notes a long set of issues for discussion drawn from a proposed NEDLAC agenda, all of which are, he says, of interest both to FABCOS and the government. They include the implications of the Insolvency Act and tariffs on job losses; potential disputes over local government and public service restructuring; making South Africa the leading emergent economy by increasing investment, improving productivity and service levels, and increasing enterprise development and tax morality and fighting corruption; human resource issues such as 'promoting equity and opportunity' and ending discrimination; and development issues such as addressing poverty and providing basic infrastructure and services.

While this may express the current range of FABCOS's concerns, it is hard to find in this list a set of issues directly related to those that prompted its formation. The central question is presumably not whether FABCOS has a position on these issues, in what way these reflect a distinctive black business perspective, and the extent to which it is able to have them translated into favourable decisions. It is common in most market economies for business to participate in a range of official forums.³⁰ This does not necessarily denote influence, but nor does it automatically mean that the business CSO has been 'co-opted' into the government machinery in the sense that it is advancing the government's agenda at the expense of the interests of its members. This is a matter for investigation: it depends on whether the CSO has gained its 'place at the table' at the expense of advancing an independent agenda; whether, on the contrary, it is strong enough to impose its agenda on elected government; or whether the relationship is a genuine exchange between the two. FABCOS leadership boasts of having more chances than most other CSOs to influence the policy-making process at all levels of government (national, provincial, and local). The question remains as to whether such opportunities have been maximised to serve the interests of its members.

Perhaps inevitably, FABCOS leadership insists that the organisation is both independent and autonomous of the state, and claims to have managed to play a very positive role in influencing law and government policy in favour of its members. According to Gwala, the government takes FABCOS seriously, as indicated by the following examples: on very frequent occasions, it seeks advice from the organisation; as indicated above, FABCOS is a significant player in the presidential working group; Gwala happens to be vice-president of the BBC; building contractors are said to have played a significant role in framing housing legislation; and FABCOS also claims to have played a major role in the promulgation of the Preferential Procurement Framework Act that governs the award of tenders.

Two points need to be made about these claims. The first is that several of them, such as the vague claim that the government seeks FABCOS's advice, or its presence in

³⁰ Shaun Mackay and Khehla Shubane, *Down to business: government—business relations and South Africa's development needs*, Johannesburg: Centre for Policy Studies, November 1999.

the working group and Gwala's status in the BBC, do not, as noted above, necessarily signify influence. The key test is whether FABCOS is able, when it needs to do so, to persuade the government to act in ways other than it would have preferred. The second is that this latter point is difficult to verify. Thus it is known that the Procurement Bill was changed to ensure that it was more favourable to black business interests. But whether that was in response to FABCOS or due to other influences is unclear. One current potential test is that Mbeki, after meeting the BBC in April, expressed concern³¹ at the slow pace of BEE, and urged faster change. But there is no evidence yet that this is to be accompanied by specific measures seeking to achieve this. So the government is moving to a degree in the direction that FABCOS indicates, but there is no clear evidence that FABCOS is directing the nature and pace of change.

As regards FABCOS's claim of autonomy, this is clearly true in the sense that it was not created by, and does not rely for its survival on, the state. However, in contrast to many other CSOs which are broadly in the governing party's camp, FABCOS has little or no criticism of government policy and action. There is, admittedly, some criticism directed at provincial governments: the department of finance and economic affairs in the Free State received the most severe judgement: its SMME desk was labelled a 'waste of time' and was said to be 'lacking in personnel' and direction on how to improve the conditions of informal black business in the province. But this is the exception rather than the rule: Boroko in Mpumalanga expressed full confidence in how the provincial government handled issues related to SMMES and, as noted earlier, national FABCOS leadership is very supportive of the government.

This is of course not necessarily a sign of inadequacy. CSOs are, as noted above, entitled to support the governing party. The key question, however, is whether the government has been so effective in meeting the needs of FABCOS members that the favourable response is justified. Given the BBC's – and, indeed, the president's – acknowledgement that BEE is not progressing satisfactorily, either FABCOS believes that the slow progress is the fault of forces or circumstances beyond the control of the government, or it is failing to pursue with enough vigour the interests of its members. Interviews conducted with members found support for this latter view.

Participation for some? Members' perspectives

Is the FABCOS leadership's positive view of the organisation shared by those it leads? Does members of FABCOS's constituency believe it is fighting effectively for their interests, and that they are allowed to participate in deciding the organisation's position and ensuring that the agreed view is acted on by the government? Interviews conducted by the researchers suggest not.

First, some provincial offices lament the lack of financial support by the national office which, they insist, paralyses them. Provincial funding comprises a grant of R2 500 a month from the national office, and a R50 affiliation fee from members in their province (each member pays R150 a year of which R50 goes to the national office,

³¹ *Mail & Guardian* website, SA business, www.mg.co.za, 19 April 2001.

R50 to the provincial office, and R50 to the affiliated sector). In addition, provinces receive extra funds from corporate membership fees. While this may seem like a reasonable amount, the following running costs should be noted: office rental (some are in the city centre); electricity; telephone bills; office equipment, such as rented fax machines, computers and furniture; and a salary of one office bearer who is working full-time. Some provincial leaders expressed a sentiment that provinces should be allocated money in accordance with their own estimates of the funds needed to run provincial activities. While this may appear to be a murky internal issue, a willingness to allocate resources to the provinces may be an important influence on an organisation's ability to reach a grass-roots constituency.

The size of FABCOS's constituency is not clear, since it is difficult to ascertain exact membership figures. The national leadership was unable to provide a database or an estimate of the membership. This could partly be because the organisation has a high membership turnover, with affiliates frequently leaving as well as joining. This could, of course, be seen as a symptom of an inadequate relationship with its constituency.

Certainly, members show a lack of enthusiasm for both the provincial and national leadership. One member went so far as to declare that the leadership was 'like a sailor who takes a journey without a compass'. Many FABCOS members interviewed joined it without full knowledge of it, and even now they seem to know quite little about it. Some do not even know that FABCOS is a mother body, and to which sector they belong. One former executive member of a sector affiliated to FABCOS indicated that the leadership in one province lacks direction. Leaders are accused of paying more attention to their own businesses than to the organisation's activities. In the Free State, it is alleged that this factor led to the closure of the provincial offices in 1997. One member accused the leadership at all levels of mismanagement, but produced no evidence to back this claim. Nepotism is also claimed: an anonymous member alleged that tenders were given to members according to 'their status'.

In North West, some sectors are said to be weak because of the alleged intimidation of FABCOS members by a white-owned company which is said to be co-opting some members, and as a result enjoys much success in accessing government tenders. The organisation is said to be ineffective in countering this. And, while optimism was generally expressed in Mpumalanga, it too was quickly drowned by charges that FABCOS is lacking in co-ordination and the dissemination of information. There seemed to be an unsolicited consensus that the organisation operated in a very uneven fashion – 'it is too urban-biased'. The one rural area that showed signs of strengths was that around Bushbuckridge; this could be explained by the fact that the provincial chairperson lives there.

The claim that the leadership is too involved in its own business activities seems to be a general perception among grass-roots members interviewed in various provinces. These members claim that, at crucial moments, they have no one to turn to. Those who are left to run the provincial offices are usually not empowered to assist on matters of substance, because they lack an adequate understanding of FABCOS and its

operations: they were there simply to answer the telephone and manage the fax machines. This last claim was verified by the researchers: in the provincial offices of Kwazulu/Natal and Mpumalanga, for example, those left to run the office in the absence of the leadership were content simply to state that the leadership was out. Beyond this, they could not assist.

This state of affairs casts doubt on Gwala's claim that the organisation is based on a very high level of democratic participation by its membership.³² FABCOS management appears to be relatively better structured at national than at provincial levels, yet it is at the latter that the need for it is the greatest. Sectoral structures are weak, and some do not even have local leaders. Even at the national level, as implied above, FABCOS is hampered by the fact that only FABCOS Section 21 is provided with full-time staff. In most provincial offices, only one full-time officer is available. This results in serious difficulties for members who lack access to valuable information, and who suffer when the co-ordination of activities is found wanting.

The leaders are, to a certain degree, as critical of members as the latter are critical of them. Gwala expressed concern that a sizeable part of the membership suffered from dependency tendencies, namely the belief that 'this black government owes us business deals'. He worries that there is a sizeable culture of entitlement among some members, and would prefer the membership to develop business skills rather than complaining about the lack of opportunities from the government.

Both the national and some provincial leaders expressed concern at the apparent lack of commitment by members, particularly those at the grass roots. L Mogorosi, FABCOS chairperson in the Free State, laments the general lack of commitment to the activities of the organisation: some members seem to be reluctant to engage in organisational matters that do not directly concern their sector, and tend to appear when the agenda suits their interests. For example, one provincial leader noted that, if the government asked for tenders in a certain sector (such as building), there would be an influx of members into that sector. Given that FABCOS is a business organisation, the fact that members are motivated largely by immediate self-interest should not be surprising, or cause for alarm; however, the leaders are clearly disturbed by what they see as a failure to identify with the interests of black business in general, rather than the immediate advantage to be gained from BEE for a black-owned company.

This claimed self-interest may offer a possible answer to the obvious question posed by the membership complaints: why remain members if FABCOS is too ineffective or neglectful of membership concerns to offer an effective vehicle? One possible answer is that the 'glue' of black identity is indeed powerful enough to ensure that members retain a commitment to an organisation they see as unresponsive. The other is that it offers an opportunity for immediate gains -- access to tenders or other services -- even if members are disenchanted with their vehicle. It is perhaps worth noting that there is evidence of white businesses expressing disenchantment with their associations while continuing to belong to them.

³² Interview, 3.5.01.

Nevertheless, even if the accuracy of all these complaints about leadership are conceded, they tend to confirm the view that FABCOS is not operating as a vibrant channel for democratic participation by its constituency. The causes of this would require much further investigation, although some possibilities will be suggested in the analysis that follows.

Donors revisited: what you see is what you get?

This paper is part of a project aimed at assessing the impact of foreign political aid on CSOs via changes in organisational capacity, internal accountability, and the ability to influence government policy and legislation. It also seeks to ascertain whether CSOs, in this case FABCOS, present a platform for the collective presentation of demands of or proposals to the state.

Why then did donors fund FABCOS? One theory would point to FABCOS's history and note that it was established in 1988 when the cold war, the ideological struggle between the communist east led by the former Soviet Union and the capitalist west led by the United States, had not yet ended. In this analysis, South Africa would have been a particular concern for the west, given that the struggle against apartheid was permeated by socialist inclinations, as evinced by the key role of the South African Communist Party (SACP) in the fight against apartheid. American funders such as USAID and CIPE would therefore jump at the opportunity of supporting a black organisation committed to capitalism.

This view would not claim that FABCOS fronted for the United States, but that it provided an appealing antidote to socialism, holding, with other black business organisations such as NAFKOC, the prospect of a deracialised capitalism which would be more secure, because of black participation, than the future of private enterprise would then have seemed. In this view, funding advanced to FABCOS was not geared towards building capacity for democratic participation and the expression of collective interests, but rather towards the establishment of a strong black business organisation that could help ensure enhanced black access to the market economy.

An alternative approach could accept the perhaps obvious point that the United States (and other western powers) would find the idea of building black participation in the market economy attractive. But it would add that donors were also likely to endorse the liberal democratic view that business associations can wield an important political influence by holding the state to account. CIPE³³ explicitly adopts this view, noting as a rationale for conducting 'Business Association Training In Africa' that 'business can effectively advocate for responsible government and market-orientated reforms'. This is, in part, a reflection of the post-cold-war agenda of seeking to ensure greater space for markets. But it also implies that business associations will meet the basic civil society test, namely to provide a vehicle for citizens to ensure that government operates in a way that conforms to their interests. So, while funding aimed at trying to halt communism or opening possibilities for government practice and policy

³³ <http://www.cipe.org/pub/women/index.html>.

friendly to the market system may differ only subtly, the key point is that donors may well have hoped to support a market-friendly organisation that would also try to ensure that government operated in a way which accommodated business's interests.

As noted above, it could be argued that funding for FABCOS was a successful donor intervention. Much of the funding advanced to it was geared towards setting up the organisation, assisting the effective management of its finances, and providing training in starting and running businesses. When the money achieved its aim, it was stopped, FABCOS having become capacitated enough to no longer require funding. But, if donor support was crucial in allowing FABCOS to consolidate itself, did funders get the sort of organisation the CIPE view implies: one vigorously lobbying for market reforms and for government more geared to the needs of business?

The goals that FABCOS embraces may be highly appropriate for ensuring that a society does not become socialist. But they are far more difficult to reconcile with the post-cold-war agenda of reducing intervention in the markets. FABCOS is premised on an understanding of South African society which asserts that BEE requires state assistance, for, by implication, white business control of much of the market economy will block blacks acquiring a fair share of assets unless the government intervenes to ensure this. FABCOS has therefore advocated more government intervention rather than 'market-orientated reforms'. Also, the stress on identity means that the intervention FABCOS seeks will explicitly take into account 'non-economic' considerations such as race, creating further 'distortions' in, for example, competition for state procurement – note Gwala's insight that some FABCOS members believe that 'this black government owes us something – business opportunities'. So if donors were indeed concerned to support FABCOS in the hope that it would press vigorously for economic liberalisation, they have largely been disappointed.

Nor does the evidence vindicate CIPE's hope that business associations such as FABCOS will play a key role in holding the government to account. We have noted already that it is difficult to establish whether FABCOS directly influenced government decisions. But the reasons for this are important: that, to the extent that FABCOS exerts influence on the government, this is done behind closed doors; and that, if FABCOS leaders believe national government is wanting, they seem unwilling to say so.

It is important to note here that -- besides the inevitable possibilities for informal lobbying and the formal corporatist-style negotiation promised to some interests via NEDLAC – the South African government affords civil society with various public platforms for contributing to policy and legislative proposals: 'at the green and white paper stages, and during discussions of a draft bill by a parliamentary portfolio committee ...'³⁴ CSOs with far closer public links to the government regularly use these vehicles to state their public position, allowing a check on the degree to which it is translated into policy and law. FABCOS, however, prefers to engage with the government in forums beyond public view, dealing directly with the national department of trade and industry and provincial SMME departments, thus ensuring that there is no

³⁴ Anne Marie Goetz and Sarah Lister, *The politics of civil society engagement with the state: a comparative analysis of SA and Uganda*, Institute of Development Studies, University of Sussex, 2001, p 10.

evidence that policies or laws can be traced to the organisation's initiatives or interventions.

The issue here is that, even if FABCOS did want to hold the government to account -- and, with only minor small exceptions, there is no evidence that it does -- its emphasis on using influence rather than relying on guaranteed rights and open politics to ensure a responsive government may compromise it too severely to make this possible. Or, to put the issue another way, FABCOS's identity-based alliance with the government can easily lead to a relationship of patronage between FABCOS, particularly within the elite, and the state. As ascertained from the interviews, the question of access to state tenders is central to FABCOS business -- note the importance of tenders as a source of membership interest in FABCOS activity. Since the state is in a position to provide business opportunities to FABCOS, the latter's inclination to offer the 'oppositional perspective on government policy and practice'³⁵ that may be an important component of holding the state to account is severely limited. Also, although FABCOS stresses its role as a campaigner for BEE, it has not used the routine tools of campaigning, preferring to stick to the strategy -- so typical of business associations in all but the most extreme circumstances -- of quiet lobbying. Whether this results from a tendency among business organisations to favour 'quiet persuasion' rather than the mobilisation of citizens or, at least latterly, stems from a belief that closeness to the government is a substitute for an organised, active, support base (also an assumption made by white business in the apartheid era)³⁶ is not unclear. But, since they rarely unleash the energy of large numbers of citizens in its support, business attempts to secure policy changes are rarely a vehicle for wider participation in government; FABCOS's campaign for BEE is no exception.

Also, the properties attributed to business associations may not be evident in FABCOS's case because it appears to be more of a vehicle for a collective of individuals advancing their own business interests than a vehicle for coherent collective representation on state policy and legislation. This claim is made not only because, when the leadership claims to sit at the meetings with important government officials, it is difficult to deduce whether they do so on behalf of the organisation or to advance individual business interests. But the leadership has itself complained that members are active only when their own interests are at stake.

Part of this problem lies in the fact that FABCOS is a conglomeration of different business interests whose only commonality is a fairly wide definition of smallness or informality - and racial identity, whose mobilisation tends to overshadow the expression of particular interests. Just as black consumers appear to feel no compulsion to sacrifice their immediate interests in the wider cause of BEE, so individual and sectoral FABCOS members seem to see empowerment as a vehicle for meeting their needs rather than seeing themselves as contributors to the realisation of the goals of black

³⁵ Goetz and Lister, *The politics of civil society engagement with the state*, p 10.

³⁶ Steven Friedman, *Trading in turbulent tides*, unpublished research on business and the transition, 1993.

business as a group. This is not to say that there is an inevitable conflict between identity politics and the market: there are many examples of ethnic or national identity being used to advance the economic prospects of its bearers. What does seem apparent, however, is that, for reasons outside the scope of this study, FABCOS in particular -- and perhaps organised black business in general -- has failed to find a way of inspiring black business people with the notion that the collective good of black business overrides that of particular businesses. This may also partly explain suspicions within FABCOS primarily between the membership and national leadership but also, to a lesser extent, among some provinces and the national leadership, despite the fact that each province has four representatives in the FABCOS electoral college.

Ultimately, FABCOS, or at least its leadership, is not geared towards ensuring good democratic governance or enhancing membership participation within the organisation. On this point, it should be pointed out that Moshapalo's claim that the dominant view sees 80 per cent of FABCOS activity as being a service provider to its members may well reduce participation in the organisation by reducing members to passive consumers of services. And Gwala suggests that the national leadership 'creates opportunities' for the rank and file - in other words, the centre acts as trustee of the periphery. It is primarily a vehicle for accessing economic opportunities, with the national leadership appearing to act on behalf of rather than on the instructions of the membership. And, with the leadership absorbed in its own business ventures, the link with the grass roots is very thin.

This suggests another atom to our question: why do some members maintain their membership despite their expressed dissatisfaction? Though this issue was not substantially addressed in the interviews, individual advantage appears to be the most plausible reason. This is largely based on the belief that membership of FABCOS will enable business people to meet 'important people', and thereby secure the potential to net a business deal. That may be an important ingredient of business success. But it does not lead to active citizen participation within civil society, serving to hold the government to account.

To the extent, therefore, that donors expected FABCOS to become a vigorous force for market reforms and a source of restraint on the government, they have been disappointed. While FABCOS may have been a success for donors in terms of organisational sustainability, as a contributor to democratisation it must be accounted another disappointment, fuelling further the conclusion that official donor interventions in particular lack the strategic grasp of South African conditions to ensure that interventions aimed at democratisation are likely to achieve their stated goals.

Conclusion: a sleeping giant?

Richard Crook notes several factors that could determine the strength of CSOs: a constituency, and autonomy from the state and other organisations and funding sources

because ‘leverage from donor support may constrain the way an issue is approached’.³⁷ How would these criteria apply to FABCOS?

It seems to enjoy assets that make for a powerful CSO: it is financially self-sustainable; it has a legitimate claim to represent particular constituencies; and the notion that real democracy depends on the economic emancipation of the majority of black people enjoys wide acceptance in South Africa, within the ruling party as well as among many other interests and individuals. But, while the approval of the governing party may place FABCOS in a better position to lobby for its members, it also bears the dangers of patronage. Moreover, the fact that much of FABCOS membership depends on state tenders raises critical concerns. It would appear that even the notion that FABCOS is financially self-sustainable is questionable in the light of the substantive dependence on state-initiated business opportunities.

There is no doubt that FABCOS’s agenda speaks to a real need – it is generally accepted that economic and social inequalities running along racial lines pose a threat to sustaining democracy. Therefore, CSOs that attempt to help reverse the phenomenon are contributing, directly or indirectly, to democracy’s survival and growth. But it is neither clear that FABCOS’s presence strengthens momentum towards that goal, or that the foundation maintains sufficient internal democracy to give its members a sense of belonging and of being part of an organisation that can enhance their impact on decisions relevant to them.

Thus, while FABCOS generates its own resources, and may claim to be representative of a given constituency, it may prove less likely to promote internal participatory democratic practices or impact on policy and legislation, because access to economic opportunities remains the main motivational force.

To what extent does this flow out of the fact that FABCOS is a business organisation whose members regard the profit motive as central? Certainly, as noted above, this may well create challenges that do not present themselves to other CSOs -- whose members do not, for example, stand to gain from opportunities in the same way. Nor, as suggested above, does it automatically flow from the fact that FABCOS is an identity-based organisation. It may simply mean, as suggested above, that it and its leadership have yet to find the key which would turn identity-based business associations into a source of strength for black business as a group rather than an individual resource.

But it may also mean that in South Africa, just as CSOs that cut across the historic racial divides to seek to build alliances based on other interests and identities have been run aground by reality, so too is purely identity-based association limited by the reality of economic interests. In essence, the FABCOS study may support the contention that the relationship between interests and identities in South African civil society

³⁷ Richard Crook, *Strengthening democratic governance in conflict torn societies: civic organisations, democratic effectiveness and political conflict*, paper written for DFID-funded strengthening democratic governance in conflict-torn societies programme, and presented to the workshop of the same name held in Jinja, Uganda, 7–10 December 2000, p 13.

is complicated -- while identities dominate enough to prevent a purely interest-based civil society, interests ensure that identity mobilisation alone is no sure route to power.