After Sanctions - What Next?
Report on Meetings arranged by The Africa Fund
for the African National Congress led Delegation
October 4-6, 1993

"I am writing to ask you to prepare for the lifting of sanctions in the cities and states of the U.S.A.... We hope that the cities and states that were the firm backbone of the anti-apartheid movement in the United States will commit themselves to actively supporting re-investment in the South African economy in a socially responsible manner which will help address the devastating legacy of apartheid."

Nelson Mandela
Letter to Jennifer Davis, July 27, 1993

"We trust that governments around the globe, that have been so central in the effort to defeat the system of apartheid, will do what they can to help us ensure the upliftment of our people. A similar appeal extends to the millions of people organized in the broad non-governmental anti-apartheid movement to remain involved in the continuing struggle for a democratic South Africa and to add to their programs the extension of all-round development assistance from people to people."

Nelson Mandela
Address to the United Nations
September 24, 1993

Summary

Days after Nelson Mandela called for the lifting of economic sanctions at the U.N., The Africa Fund hosted a series of meetings to enable the African National Congress and its allies to explain to key legislators, institutional investors and investment advisors post-sanctions policy towards foreign investment. The meetings, held between October 4 - 6, are part of a longer term program to work with states, counties, cities and other investors in support of socially responsible investment aimed at overcoming the legacy of apartheid.
Consultation with Senior State and City Officials

The series of meetings was initiated on October 4 by an Africa Fund hosted consultation between the delegation and senior state and city officials. Opening the consultation Trevor Manuel, head of the ANC Department of Economic Planning, thanked the elected officials for the important role they had played in supporting the struggle for freedom in South Africa. Looking to the future he stressed that the high level of unemployment and gross inequalities of distribution of welfare in the economy made it vital to get the economy growing again so that all South Africans can benefit from democracy. Thus the ANC would encourage foreign investment. The ANC planned to pass legislation inside South Africa to expand workers right and environmental protection and had also developed a position paper on foreign indirect investment which he distributed. The new policy will encourage investment in companies which have demonstrated a high level of social responsibility along with investment in vehicles such as bonds which fund infrastructure development of deprived communities, including provision of water supplies, electrification and housing.

MANUEL urged that the lifting of sanctions should mean more than just investing in stock which was previously regarded as out of bounds. It must seek to assist the general upliftment of South Africa's people.

Speaking for the unions, Jay Naidoo, Secretary General of COSATU expanded on this theme, stressing that the unions wanted to encourage investment that would fall within a national reconstruction program being developed.

Answering questions from legislators about the timing of sanctions lifting, while obstacles still threatened the achievement of democracy, both the ANC and COSATU representatives made it clear that now was the time for cities to lift their sanctions. A strategic decision had been made on this matter and it was their view, despite the problems that will undoubtedly arise, that the process toward democracy was irreversible.

In response to several questions about a code of conduct for U.S. companies that do business in South Africa, Trevor Manuel stressed that the ANC needed to put out the welcome mat to foreign investors. It does not want U.S. states and cities to mandate compliance with any code. It would be the responsibility of the new democratic government to protect worker rights and the environment by legislation inside South Africa. Such laws would apply equally to all companies, foreign and domestic. Alec Erwin of COSATU noted optimistically that some of these conditions had already been agreed to in the National Economic Forum, which includes government, labor and employers and which has been negotiating South Africa's economic future shape parallel to the more frequently reported political negotiations.
Lunch at The Port Authority of New York and New Jersey

A working lunch hosted by the Port Authority of New York and New Jersey enabled the delegation to exchange views with Port Authority officials on the ongoing training program for South Africans, which already includes port management. Future directions in the Port Authority program were discussed.

Socially Responsible Investing After Sanctions

On October 4 the Africa Fund also organized a briefing, South Africa: Portfolio Investment Vehicles for Socially Responsible Investing After Sanctions, in cooperation with the New York City chapter of the Social Investment Forum. Chaired by Dumisani Kumalo, the briefing was attended by investment managers and representatives of socially responsible mutual funds. It provided an important opportunity for the ANC led delegation to introduce some of the investment vehicles being developed in terms of the new ANC policy.

Trevor Manuel outlined the need for investment in portfolio vehicles aimed at social reconstruction.

Tommy Oliphant of the General Secretary of the Metal and Electrical Workers Union of South Africa outlined the goals of the Community Growth Fund (CGF). The CGF, established by seven South African unions, is South Africa's first socially responsible mutual fund. It seeks to enable workers, who have considerable money invested in pension plans, to gain some control over how that money is invested. Unions earmark part of their pension money to go into the CGF, which is also open to the general public. The CGF invests in companies listed on the Johannesburg stock exchange using both normal financial criteria and a series of social criteria by which companies are evaluated before an investment is made. These include job creation, industrial relations, conditions of employment, training, equal opportunity for women, health and safety, affirmative action and environment. In its first year the CGF had an overall return of 16.3%, which exceeds the Johannesburg Stock Exchange All Share Index.

Irene Barendilla, Retirement Fund Coordinator of the National Union of Mineworkers, outlined the Community Income Fund (CIF) a sister to the Community Growth Fund. The CIF will begin operation before the end of the year and will invest in bonds that support social reconstruction including water supply, electrification and housing. The CIF hopes to work with local authorities in South Africa to create development bonds, especially for rural areas.

Taffy Adler outlined the plans of the Land Investment Trust the New Housing Company, to provide housing for disadvantaged communities. Dave Geary of the Independent Development Unit explained a development bond currently being prepared, which U.S. investors will be able to buy, which will help finance housing construction.
Daan Wandrag outlined the Community Banking Project, which will provide bank services in the townships. While overall South Africa has a sophisticated banking system, these services are largely in the white areas. Black areas are effectively redlined, with less money being loaned into Black areas than deposited by Blacks. Most banks will not make small loans to enable Blacks to purchase a house or start a business. The Community Banking Project will set up local community banks which will both take deposits and make loans specifically to fill this gap left by commercial banks.

New York City Department of Finance

The Fund also set a meeting on October 5 with New York City's Department of Finance and Comptroller's Office, where investment in social reconstruction was examined. The New York City Retirement System currently has about 7% of its portfolio invested overseas and, with the lifting of sanctions, supporting targeted investment in South Africa is now possible. The South African delegation presented information on a new housing bond for low income housing currently being developed, including rate of return and securitization.

Meeting on Housing Finance

Delegation members also met on October 5 with experts in low cost housing finance in the U.S. Because the South Africans are examining the possible role South African pension fund money can play, they were particularly interested in the role U.S. pension funds play in financing low cost housing, levels of subsidies, and the role of federal and state agencies.

Religious Investors

A meeting on October 6, held in conjunction with the Interfaith Center on Corporate Responsibility, allowed the delegation to present the churches with the targeted investment vehicles being developed.

Follow up

Since the conclusion of these meetings, The Africa Fund has followed up with a series of activities.

* Executive Director Jennifer Davis wrote to approximately three hundred state and municipal legislators urging them to lift their sanctions and to adopt new policies aimed at addressing the legacy of apartheid. Such policies might include urging companies to adopt socially responsible investment programs, devising training programs like those of Philadelphia and the Port Authority of New York and New Jersey and investing in targeted investment vehicles aimed at overcoming the legacy of apartheid.
* Africa Fund staff have made and received hundreds of telephone calls and sent numerous faxes to state, county and city officials to encourage prompt action on the lifting of sanctions. The Africa Fund has also been contacted by colleges and universities to discuss the lifting of their divestment policies and new policies they should adopt. The Fund has been interviewed by the media, including The New York Times, New York Newsday, The San Francisco Chronicle and Monitor Radio.

* Projects Director Dumisani Kumalo attended a conference organized on November 2-4 by the Treasurer of Los Angeles to brief attendees on the lifting of sanctions and new directions to take. The meeting was attended by city treasurers from across southern California and other money managers.

* The Fund is providing information on how U.S. investors can invest in the Community Growth Fund and other portfolio investment opportunities. The legal aspects of this are still being worked out, but some options should be available by the end of the year.

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**Meeting Attendees**

**South African Participants**

Taffy Adler, Chief Executive Officer, The Land Investment Trust. The Land Investment Trust was formed in 1991 to provide working capital to developers and development agencies involved in the struggle to deliver housing.

Irene Barendilla, Retirement Fund Coordinator of the National Union of Mineworkers and Director, Community Growth Fund. The Community Growth Fund was formed by seven South African unions as South Africa's first socially responsible mutual fund.

Cheryl Carolus, National Executive Committee, African National Congress.

John Copelyn, General Secretary, South African Clothing and Textile Workers Union.

Alec Erwin, National Union of Metalworkers of South Africa and COSATU representative to the National Economic Forum.

Dave Geary, Independent Development Unit.

Rev. John Lamola, South African Council of Churches

Trevor Manuel, Head, Department of Economic Planning, African National Congress.

Neil Morrison, Department of Economics, African National Congress.

Jay Naidoo, General Secretary, Congress of South African Trade Unions (COSATU).

Tommy Oliphant, General Secretary, Metal and Electrical Workers Union of South Africa and Director, Community Growth Fund.

Daan Wandrag, Community Banking Project.
U.S. Participants

Consultation with Senior State and City Officials

Will Chapman, Port Authority of New York and New Jersey.
William Dyson, State Assemblyman, Connecticut.
Joseph Newsome, State Assemblyman, Rhode Island.
Carol O'Clearicain, Budget Director New York City.
Marla Simpson, Counsel to Manhattan Borough President Ruth Messenger, New York City.
Joan Spector, City Councilmember, Philadelphia, Pennsylvania.
Al Vann, State Assemblyman, New York.
Jaime Vazquez, City Councilmember, Jersey City, New Jersey.

Briefing for Socially Responsible Investors

Investment companies represented were the Calvert Group, Smith Barney Shearson, The Aidoo Group, the First Affirmative Finance Network, Rockefeller & Co., Neuberger & Berman, Dean Witter, Kinder Lydenberg & Domini, and Prudential Securities. Other organizations represented included the American Baptist Churches, the Ford Foundation, the Council of Economic Priorities, the New York City Department of Finance, Good Money Publications and the Washington DC Retirement Board.

Meeting on Housing Finance

Kathryn Wylde, President, New York City Housing Partnership.
Tom Bettridge, Director, Division of Targeted Investments, Office of the Comptroller, The City of New York.
Rudy Bryand, Pratt Institute, Center for Community and Environmental Development.

The Africa Fund

Dumisani Kumalo, Projects Director, chaired the consultation with senior state and city officials and the briefing on socially responsible investing after sanctions.
Richard Knight, Research Associate, coordinated these meetings.
October 22, 1993

Richard Knight
The Africa Fund
198 Broadway
New York, NY 10038

Dear Richard:

On behalf of Smith Barney Shearson and the New York Metro chapter of the Social Investment Forum, thank you for putting together the recent meeting on social investment vehicles in South Africa. The delegation was able to provide social investors with crucial information about proceeding with investment in South Africa during this time of change. I believe everyone found the meeting to be extremely valuable and informative.

We realize the hard work and expense that went into bringing the delegation to New York, and recognize The Africa Fund for its efforts. In addition to providing rooms and refreshments for the delegation’s New York meetings, Smith Barney Shearson is pleased to present you with a check in support of The Africa Fund’s continuing good work.

We look forward to future collaborations with The Africa Fund to further help investors support positive change in South Africa.

Sincerely,

Lisa Leff
Assistant Vice President
November 5, 1993

Ms. Jennifer Davis
Executive Director
The Africa Fund
198 Broadway
New York, N.Y. 10038

Dear Ms. Davis:

Thank you for your letter of October 29 and your kind personal note. I, too, hope that we have the opportunity to work together again on projects that serve the cause of freedom and opportunity for the people of Africa.

I am grateful to you and your staff for your dedicated leadership throughout the years of the sanctions and divestment campaign. The guidance and assistance you provided to state and local governments and many interested citizens throughout the nation were vital to the success of the campaign.

Please continue to stay in touch and call on me whenever I can provide assistance.

With warmest personal regards,

Sincerely,

[Signature]

John L. Ray
Chairman Pro Tem
Councilmember at-Large

JR:mg