



198 Broadway • New York, N.Y. 10038 • (212) 962-1210

Tilden J. LeMelle, *Chairman*
Jennifer Davis, *Executive Director*

**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 themselves 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.

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 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.

African National Congress

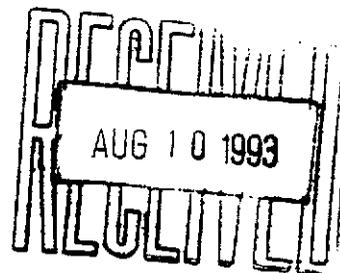
51 Plein Street
Johannesburg 2001
P O Box 61884
Marshalltown 2107



Tel: (011) 330-7273
(011) 330-7052
Fax: (011) 333-7739
Telex: 421252

OFFICE OF THE PRESIDENT

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



27 July 1993

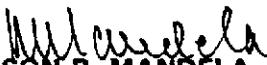
Dear Jennifer

I am writing to ask you to prepare for the lifting of sanctions in the cities and states of the USA. We are now preparing for elections in April 1994. As soon as the Transitional Executive Council (TEC) is established, backed up by the appropriate legislation, we will be calling on those engaged in the anti-apartheid struggle to act swiftly to ensure that the remaining sanctions are removed.

I am personally very concerned that the economy here has been worsening as we enter the third year of a devastating recession. Nearly half our people have no jobs, no homes, and little hope. For these reasons, we believe that a political solution must be accompanied by a quick return of foreign investors to our country. 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.

Sanctions played a critical role in bringing us close to freedom day and I will be forever grateful to the American people you work with, to help us as we seek to establish a new democratic order on a solid foundation.

Yours sincerely


NELSON R. MANDELA
President

c.c. Lindiwe Mabuza, Chief Representative, ANC, Washington D.C.


The People Shall Govern!

GREENWICH STREET ADVISORS

October 22, 1993

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

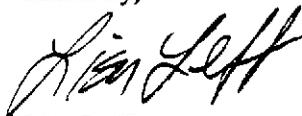
Dear Richard:

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.

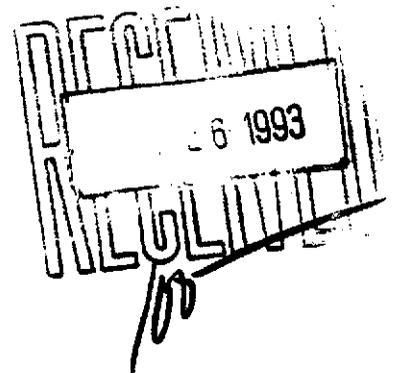
We realize the hard work and expense that went into bringing the delegation to New York, and recognize The Africa Fund for its efforts. In addition to providing rooms and refreshments for the delegation's New York meetings, Smith Barney Shearson is pleased to present you with a check in support of The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



SOCIALLY RESPONSIBLE INVESTING
Two World Trade Center
100TH Floor
New York, NY 10048
(212) 298-6298
FAX 298-6209



COUNCIL OF THE DISTRICT OF COLUMBIA

WASHINGTON, D. C. 20004

JOHN L. RAY
Councilmember at Large

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.

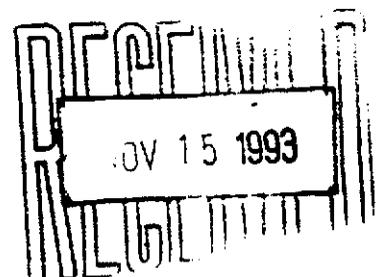
With warmest personal regards,

Sincerely,

A handwritten signature in black ink, appearing to read "John L. Ray", written over a circular stamp.

John L. Ray
Chairman Pro Tem
Councilmember at-Large

JR:mg





198 Broadway • New York, N.Y. 10038 • (212) 962-1210

Tilden J. LeMelle, Chairman
Jennifer Davis, Executive Director

"All the News
That's Fit to Print"

The New York Times

VOL. CXLIII... No. 49,529

Copyright © 1990 The New York Times

NEW YORK, SUNDAY, NOVEMBER 28, 1993

COLLEGES REVERSE DIVESTMENT PLANS

Decline of Apartheid Sparks New Look at Companies With South Africa Ties

For many college students of the 1980's, boycotting corporations like Coca-Cola, I.B.M., Ford and others with subsidiary interests in South Africa was taking a stand against apartheid, and the groundswell led many colleges and universities to divest themselves of stock in companies with ties to South Africa.

Since the late 1970's, 155 colleges have sold \$5 billion in such stocks, out of portfolios totaling \$300 billion, according to the Africa Fund, a nonprofit, anti-apartheid group based in New York.

Now, in the wake of Nelson Mandela's recent call for American reinvestment and the country's new constitution ending white rule, several colleges have reversed their divestment policies, and others have said they will do so soon.

'Very Responsible Course'

At Howard University, the nation's largest historically black college, a committee composed of students, trustees and faculty and staff members has been meeting weekly for several months on the reinvestment issue. Howard's investment portfolio in 1978 included \$8 million in companies with ties to South Africa, the Africa Fund said.

"What has happened here has been a little bit piecemeal," said James Fletcher, Howard's chief financial officer. "But we hope to set a very

responsible course and hopefully come up with something that can be a model for other universities and nonprofit organizations."

Many university officials say they are being cautious about reinvesting.

"We were concerned that we not do this in a way that was incomprehensible," said William D. Adams, secretary of Wesleyan University, which recently decided to rescind its divestment policy.

Students have generally responded with approval, Mr. Adams said. "I haven't heard of any dissatisfaction, although there's concern and worry about what the ultimate shape of the government and society will be in South Africa," he said.

Angela Troth, a student at Connecticut College and a representative to a committee that is seeking a campus consensus before making a recommendation on reinvestment, noted that South Africa still faced many racial divisions. An estimated 10,000 people, mostly blacks, have died in political violence in South Africa since February 1990, and elections for a multiracial government are five months away.

'Investigate the Issue'

"We really don't know what's going to happen in April, and the situation over there is pretty unstable," Ms. Troth said, referring to the election scheduled for April 27. "We want to investigate the issue and make sure that what we are doing is morally correct."

No comprehensive study of the number of colleges considering a reversal of divestment has been conducted, but officials at several large universities say they see reinvestment as both inevitable and imminent. Companies with ties to South Africa include some of the most profitable corporations.

Richard Knight, a spokesman for the Africa Fund, said universities should use the investments to try to improve the economic conditions of blacks in South Africa.

"I think it would be a shame if reinvestment came to simply mean that colleges will now feel free to invest in shares of companies that do business in South Africa," Mr. Knight said. "It really does nothing for South Africa for shares of I.B.M. to go up a little bit."

"What is really needed," he added, "is investment in South Africa that develops the economy and provides opportunities for those people who have been historically disenfranchised."

Keeping Eye on Companies

Talk of colleges reinvesting began nearly two years ago, after the South African Government met with the African National Congress and other black organizations to begin negotiating the transition to a multiracial government.

A study last year by the Investor Responsibility Research Center, a Washington-based organization that studies public policy issues that affect corporate investors, found that fewer than half of the 50 wealthiest universities had formally begun to discuss reinvestment. But the move toward reinvesting picked up momentum after Mr. Mandela's speech to the United Nations in September, in which he called for an end to his country's economic isolation.

The Rev. Leon H. Sullivan, an American civil rights leader whose statement of principles in 1977 became the benchmark by which responsible corporate investment in South Africa was measured, said that while collegiate divestment was crucial to the anti-apartheid movement in the 80's, reinvestment may be even more important in the 90's.

"Even with apartheid coming to an end, the vestiges of apartheid will remain for years to come," Mr. Sullivan said. "We have to keep our eye and hand on companies that are going to do business in South Africa. Because otherwise, in time you will not have legal apartheid anymore, but you will have economic apartheid."



198 Broadway • New York, N.Y. 10038 • (212) 962-1210

Theresa J. DeMelle, *Chairman*
Richard Davis, *Executive Director*

CITY & STATE



CRAIN'S BUSINESS NEWSPAPER FOR STATE AND LOCAL GOVERNMENT

NOV. 8 - 21, 1993

Reinvesting in S. Africa

Mandela's call gets a fast reply

By **RODD ZOLKOS**
Staff Writer

When Gov. John Engler signed legislation Oct. 27 ending Michigan's ban on South African investment, his state joined a wave of governments answering Nelson Mandela's call for the repeal of sanctions against South Africa.



Engler

Massachusetts and Virginia have already taken similar steps. Dade County, Fla., New York City, Los Angeles and Dallas also have repealed laws restricting government involvement with

firms doing business in and with South Africa. And more state and local governments have similar legislation in the works.

A watershed moment in the effort by U.S. jurisdictions to help force an end to South Africa's apartheid sys-



Renato Botolo/Camma Liaison

Answered prayer: Nelson Mandela's call for an end to government bans on South Africa investment is being heeded by many jurisdictions.

tem came Oct. 19 when the Berkeley, Calif., City Council voted to repeal that city's South Africa ban.

In 1979, Berkeley became the first city in the nation to divest itself of holdings in companies doing business in South Africa.

The city's action prompted students at the University of California at Berkeley to wage demonstrations calling for South African divestment by the university. It took seven years, but eventually the students got their way, with the university

South Africa

Continued from Page 1

approving South African divestment policies in 1986. By that time, nearby San Francisco, Oakland and Richmond, along with cities elsewhere around the country, all had taken similar action.

After years of hard work in winning divestment legislation, anti-apartheid leaders in state and governments now are urging the lifting of South Africa bans, largely in response to the Sept. 24 plea from Mr. Mandela, president of the African National Congress (ANC), in a speech to the United Nations.

Mr. Mandela's call came the day after South Africa's Parliament adopted a legislative package that calls for elections to give blacks their first representation in their country's government. South African leaders hope ending apartheid will revive investment in South Africa.

Indeed, in signing the Michigan legislation, Mr. Engler suggested the repeal would benefit the state by expanding the universe of investment options while allowing some Michigan-based businesses the added boost of the state's investment funds.

"It will once again allow the wise investment of taxpayer money to maximize return on state investments," Mr. Engler said. "Most importantly, that means we can invest in many Michigan companies (that had been doing business in South Africa)."

Michigan Treasurer Doug Roberts noted that lifting the state's ban on investing public employee retire-

ment fund assets in companies doing business in South Africa would halt the state's sale of shares it still holds in General Motors Corp., Ford Motor Co., General Electric Co. and other companies, while permitting reinvestment in previously prohibited Michigan-based companies like Upjohn Co., Kellogg Co., Gerber Products Co. and Dow Chemical Co.

Waiting for the message

The quick response by many U.S. jurisdictions to Mr. Mandela's call stems in large part from the fact that they've been waiting for just such a message, according to Richard Knight, a research associate with the Africa Fund, a nonprofit, anti-apartheid organization based in New York.

A February ANC resolution spelling out what should occur before sanctions were lifted put state and local officials on notice that the scheduling of South Africa's first-ever democratic elections and the establishment of an interim multiracial government were critical elements in the consideration of repealing sanctions.

With that interim government in place and elections set for next year, state and local leaders weren't surprised by Mr. Mandela's Sept. 24 statement.

"This was not something that came totally out of the blue for most people," Mr. Knight said. "They knew that if the process went forward, the ANC would call for a lifting of the ban."

The same day Mr. Mandela made his statement, the Africa Fund was able to release a statement signed by more than 40 U.S. anti-apartheid leaders who backed the call for ending sanctions.

Among the signatories: New York Gov. Mario M. Cuomo and a host of mayors, including Jerry E. Abramson of Louisville, Ky.; New York's David N. Dinkins; Minneapolis' Donald Fraser; Elihu Harris of Oakland, Calif.; Sharpe James of Newark, N.J.; and James Scheibel of St. Paul, Minn.

"It was a political and legal process to get this stuff passed and that's what needs to be gone through now to get it repealed," Mr. Knight said. "I'm sure we're going to run into some problems somewhere, but I would think that within a few months most of these places will get this done."

Local politics, of course, could be

'It was a political and legal process to get this stuff passed and that's what needs to be gone through now to get it repealed.'

Richard Knight
The Africa Fund, New York

one of those problems. That was the case in Chicago Oct. 7 when Aldermen Edward Burke, who is white, and Ed Smith, who is black, proposed repealing the city's South Africa ban in keeping with Mr. Mandela's request.

A group of black aldermen, including Dorothy Tillman, a political foe of Mr. Burke, blocked the proposal. Ms. Tillman's rationale was that Chicago aldermen should hear from Mr. Mandela's estranged wife, Winnie Mandela, before lifting sanctions. Ms. Tillman was quoted as explaining that Mr. Mandela "might not know what he wants. We need to go talk to Winnie to find out what he needs."

Convicted of serious crimes, Ms. Mandela, of course, has been moved out of the ANC's inner circle.

Cities, counties will act

Political squabbling like Chicago's aside, the process will probably move more quickly in cities and counties than states, Mr. Knight said, particularly since many legislatures aren't in session until early next year.

The Africa Fund had counted 27 states, 24 counties and 92 cities with South African divestment po-

licies, while some estimates ran as high as 179 state and local governments barring business with South Africa.

And, as the number of jurisdictions with South African sanctions grew during the late 1980s, more than 200 American companies pulled out of the country.

Repealing South African sanctions is clearly the right move for U.S. jurisdictions to make now, said Peter Kinder, president of Kinder, Lydenberg, Domini & Co., a Cambridge, Mass., firm that compiles a social investment index of 400 stocks screened on the basis of social criteria.

Mr. Kinder says the expansion of investment options for many governments which had South Africa bans might be limited, as many jurisdictions socially conscious enough to ban South African investment may have some other sort of investment restrictions on the books.

And problems remain for government officials as they look to reinvest in firms doing business with South Africa, Mr. Kinder believes.

"There are some very tough questions that people have to address," he said, "not the least of which is if a company has stayed in South Africa during the entire period sanctions have been in place, how comfortable do you feel investing with them now?" ■