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Dr Frederik Willem De Klerk - Former President of South Africa -
September 11, 1996

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Dates: 06/13/1996 – 09/11/1996

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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
James D Wolfensohn [JDW] with Dr Frederik Willem De Klerk - Former President

Meeting: Dr. Frederik Willem De Klerk
(Former President, South Africa)

Wednesday, September 11, 1996

4:00 - 4:30 pm

E1227 Conference Room

DECLASSIFIED
WBG Archives

Archive Management for the President's Office

Document Log

Reference # : Archive-00780

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A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: Meeting for Mr. Wolfensohn with Dr. Frederik Willem De Klerk, former President of South Africa (E1227 Conference Room)
--In Attendance: JDW; Dr. F.W. de Klerk, Leonard Mseka, Executive Director, Mr. Cyrus Rustonjee, Advisor to ED, Josie Bassinette, Callisto Madavo, Vice President, Africa Region
Issues Discussed: Primarily courtesy call, also - Mr. Roefl Meyer, Secretary-General of the National Party (NP) - poverty reduction

DATE: 09/11/96

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☒ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☒ Part II
- ☐ Other

E. COMMENTS:

File Location ☒ EXC ☐ IISC ☒ Archives	Cleared By Josie Bassinette	Date: 09/13/96
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1. Meeting Participants

Dr. F.W. de Klerk, former State President, National Party Leader, Republic of South Africa

Mr. Leonard Mseka, Executive Director

Mr. Cyrus Rustonjee, Advisor, Executive Director's Office

Ms. Josie Basinette, Assistant to the President

Mr. Callisto Madavo, Vice President, Africa Region

2. Key Issues for Discussion

Purpose: A courtesy call by Mr. F.W. de Klerk, former State President and Deputy President of South Africa, who is on a private visit to the States. In Washington, Mr. de Klerk will meet with Mr. Camdessus (IMF) as well.

Issues the delegation might raise and suggested responses:

- **Issue:** Mr. Roelf Meyer, Secretary-General of the NP visited the Bank informally in late August. He indicated that the NP will be producing various policy documents in the near future (on economic policy, and an anti-poverty program). Mr. de Klerk may inquire about the possibility of accessing Bank expertise and international experience in their analysis of poverty reduction, as well as direct accessing by the Western Cape province (where the NP is politically dominant).
Response: The Bank's collaborative and inclusive approach in South Africa has been endorsed by the government. We have been encouraged to continue interacting with civil society. The NP is welcome to make use of the Bank's published work, and the technical assistance currently being offered to South Africa. The Bank is already assisting other provincial and local governments. However, this assistance excludes any financial assistance that would require sovereign approval and counter-guarantee.

3. Business Context

- Mr. Wolfensohn met Mr. de Klerk in June 1995 in South Africa during Mr. Wolfensohn's trip to South Africa. In June of this year De Klerk wrote to Mr. Wolfensohn explaining his party's reasons for withdrawing from the Government of National Unity. Both the letter and Mr. Wolfensohn's response are attached to this brief for reference.
- South Africa remains a non-borrowing IBRD client, but since 1992, operations staff have carried out extensive collaborative economic and sector work and provided policy advice (poverty, land reform, small businesses, macroeconomics, urban infrastructure, trade policy); EDI has assisted in capacity building through training seminars, and the Bank runs a six-month internship program at HQ for young South African professionals.
- IFC's total approved portfolio is now \$45.9 million. The active pipeline includes two manufacturing projects (low-cost prefab housing components and tissue paper), expansion of a financing institution for low-income communities and several African Enterprise Fund projects. IFC's strategy continues to focus on assisting the previously disadvantaged groups in South Africa.
- MIGA's so far has issued two contracts to MultiServe International, a Netherlands-based company, for its debt and equity investments into a slag recovery project in South Africa. The total exposure to that project is \$28 million.

Political Background. The long struggle for justice and equality by oppressed groups and their supporters, and the censure of international sanctions created the environment for historic change in South Africa. In 1989 F.W. de Klerk became State President and recognizing the dead-end course on which the country was set, begun dismantling apartheid. In February 1990 he lifted the ban on proscribed organizations, including the **African National Congress (ANC)** following extended secret talks, he released Nelson Mandela (then a political prisoner) on February 11, 1990.

That started three years of negotiations between the ANC and other key opposition parties over an interim constitution that would permit majority rule while protecting the rights of minorities. Following these protracted negotiations, the political process was completed with the first all-race elections in South African history in April 1994 which elected a **Government of National Unity (GNU)**.

The African National Congress (ANC) won 63% of the vote in the election, and premiership of 7 of the 9 provinces. The white-led **National Party** won premiership of the Western Cape (with significant colored support), and 20% of the vote, which entitled de Klerk to the second deputy president chair. The GNU was not a formal coalition, but an agreement among the parties to govern through broad participation until the next general elections in 1999. On May 9, 1996, however, following the adoption of a new Constitution, the NP announced that it was quitting the GNU, three years ahead of schedule, to sit in parliamentary opposition.

The departure of the NP left President Mandela with 6 Cabinet and 3 deputy minister slots to fill. The ANC now rules in a lop-sided 24-3 coalition with Chief Buthelezi's Inkatha Freedom Party (IFP), in which Buthelezi holds the Home Affairs portfolio.

The main objective of the NP's departure was to allow it to operate as an effective opposition. The party had been feeling for some time that its influence in the GNU was declining. The failure of the new Constitution to provide for the continuation of joint decision-making in the Executive Branch of government strengthened the position of those within the party that advocated leaving the GNU. The passing of the new Constitution thus marked a fresh phase in politics, and a strategically opportune time to quit the GNU. It also signaled the continuing maturity of the political transition in South Africa.

Most recently, South Africa's highest court ruled last week that the new Constitution passed in May must be revised to strengthen the bill of rights, and broaden the powers of provincial governments. A Truth and Reconciliation Commission has been created to consider amnesties to those admitting to political crimes in the past, and to decide on reparations to victims of the apartheid system. Mr. de Klerk made his submission to the Commission in late August.

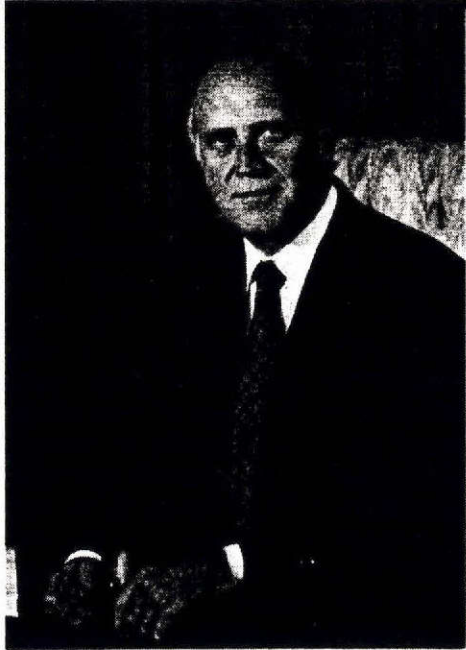
Despite the loyalty of most South Africans to the new ideals, the reform process could be undermined by the mistrust and suspicion inherited from the apartheid era. Besides the withdrawal of the National Party from the GNU, the electoral success of Chief Buthelezi's Inkatha Party in the rural areas has reinforced his party's secessionist goals; a low-grade civil war continues to be fought in the province. Crime has reached unprecedented levels, linked to unemployment and the use of South Africa as a drug-distribution hub, and is straining an undermanned police force at a time of difficult reorganization. Frustration at the seeming inability of the police to deal with crime has resulted in rising vigilantism. These internal tensions, along with uncertainty about management of the economy have discouraged foreign direct investment in the country, and dampened a hoped-for tourist boom.

Economic. The rand has experienced tremendous volatility since mid-February. Overall, it has depreciated by about 16% in real terms against the US dollar. Part of this movement represents a correction of an overvalued currency. The subsequent decline and volatility, however, reflects underlying uncertainty about the Government's ability to implement its announced macroeconomic strategy, and speculation about the lifting of capital controls. Until the Government takes concrete steps on key aspects of the macroeconomic strategy (privatization, labor market flexibility, and fiscal tightening), the rand is likely to continue to be vulnerable to market speculation. GDP is projected to grow by 3% in 1996.

*Prepared by Yvonne Tsikata
September 9, 1996*

BIOGRAPHICAL NOTES

Dr. Frederik Willem de Klerk
Former State and Deputy President.



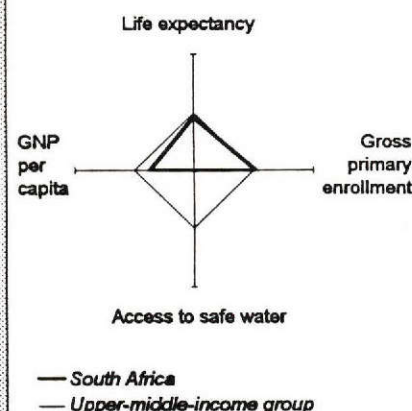
Little in de Klerk's background portended his role as the midwife of democracy. Born into a conservative and politically active NP family in Johannesburg in 1936, de Klerk took his political training early through membership in the NP's youth section. He took an LL.B. from Potchefstroom University in 1958 and after completing his articles, practiced as an attorney until 1972. In that year he was elected to Parliament, and over the next 18 years would serve in a variety of low-profile leadership positions, including as minister of posts and telecommunications, social welfare and pensions, internal affairs, and the civil service. In 1982 he was elected leader of the NP in the Transvaal. Two years later he became Minister of Home Affairs and National Education, and two years after that took over as Leader of the House of Assembly. In 1989, State President P.W. Botha suffered a stroke and de Klerk succeeded him. He promptly legalized peaceful mass marches, released high-profile political prisoners (including Mandela) and launched the national negotiations that would culminate in the elections of 1994. He shared the Nobel Peace Prize with Mandela in 1993. Although his position on apartheid has always stopped short of condemnation--he maintains it was a failed policy--he gets high marks for the skillful leadership of his party through the delicate negotiations that brought about its end. In May 1996, he withdrew his National Party from the Government of National Unity (GNU) to sit in parliamentary opposition.

South Africa at a glance

POVERTY and SOCIAL

	South Africa	Sub-Saharan Africa	Upper-middle-income
Population mid-1995 (millions)	41.5	590	442
GNP per capita 1995 (US\$)	3,160	500	4,300
GNP 1995 (billions US\$)	130.9	295	1,901
Average annual growth, 1990-95			
Population (%)	2.2	2.8	1.7
Labor force (%)	2.5	2.8	2.1
Most recent estimate (latest year available since 1989)			
Poverty: headcount index (% of population)	..	..	..
Urban population (% of total population)	51	31	74
Life expectancy at birth (years)	64	52	69
Infant mortality (per 1,000 live births)	49	92	36
Child malnutrition (% of children under 5)	..	..	..
Access to safe water (% of population)	..	..	86
Illiteracy (% of population age 15+)	18	44	13
Gross primary enrollment (% of school-age population)	111	71	107
Male	111	77	..
Female	110	64	..

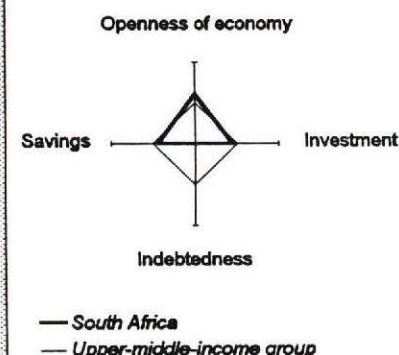
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	36.0	55.2	121.9	133.6
Gross domestic investment/GDP	31.7	20.1	17.7	19.3
Exports of goods and non-factor services/GDP	28.1	32.2	23.6	24.3
Gross domestic savings/GDP	29.2	29.2	18.7	18.7
Gross national savings/GDP	19.9	19.5	16.6	16.4
Current account balance/GDP	-7.3	4.8	-0.6	-1.8
Interest payments/GDP	..	..	..	..
Total debt/GDP	..	..	..	..
Total debt service/exports	..	..	..	..
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
(average annual growth)				
GDP	2.8	0.8	2.7	3.3
GNP per capita	0.3	-1.1	1.9	0.7
Exports of goods and nts	0.5	2.6	0.3	8.1

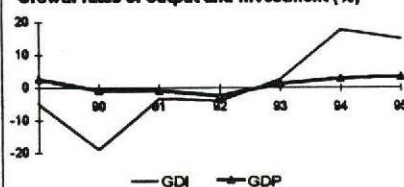
Economic ratios*



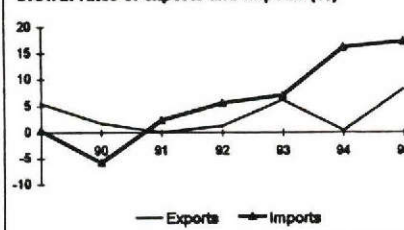
STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	8.5	5.8	4.6	3.9
Industry	42.8	45.9	27.3	28.0
Manufacturing	23.7	23.1	20.9	21.6
Services	48.8	48.3	49.6	50.0
Private consumption	56.9	53.7	60.2	60.9
General government consumption	13.8	17.3	21.2	20.5
Imports of goods and non-factor services	30.5	23.2	22.1	24.7
(average annual growth)				
Agriculture	0.4	0.6	12.1	-14.9
Industry	2.6	-3.5	2.6	6.4
Manufacturing	3.4	0.0	3.7	7.6
Services	3.2	3.7	2.5	3.6
Private consumption	3.5	1.5	3.1	4.9
General government consumption	4.4	2.5	4.2	0.3
Gross domestic investment	-0.5	-0.7	17.7	14.9
Imports of goods and non-factor services	-0.8	4.9	16.1	17.2
Gross national product	2.8	1.1	4.2	3.0

Growth rates of output and investment (%)



Growth rates of exports and imports (%)

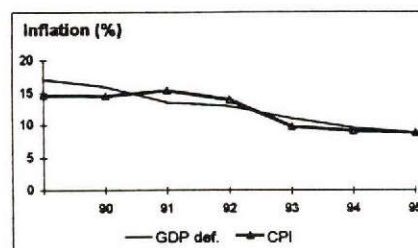


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

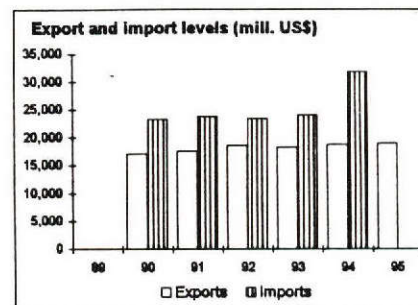
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	13.5	16.3	9.0	8.7
Implicit GDP deflator	10.6	16.0	9.5	8.7
Government finance				
(% of GDP)				
Current revenue	..	..	28.2	27.6
Current budget balance	..	..	-4.2	-3.8
Overall surplus/deficit	..	..	-8.1	-6.0



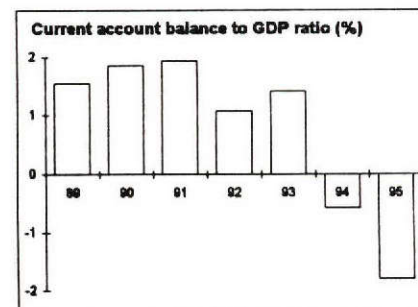
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	8,854	18,698	18,976
Gold	..	3,542	6,380	5,556
Chemicals	..	912	1,578	..
Manufactures	..	934	6,733	..
Total imports (cif)	..	10,416	31,804	..
Food	..	417	857	..
Fuel and energy	..	104	214	..
Capital goods	..	7,604	15,645	..
Export price index (1987=100)	..	..	..	..
Import price index (1987=100)	..	..	..	..
Terms of trade (1987=100)	..	..	..	..



BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	9,548	17,703	28,927	30,121
Imports of goods and non-factor services	11,063	12,760	26,598	30,206
Resource balance	-1,515	4,943	2,329	-85
Net factor income	-1,116	-2,395	-3,048	-2,668
Net current transfers	0	84	-1	277
Current account balance, before official transfers	-2,631	2,632	-720	-2,476
Financing items (net)	2,720	..	-190	6,336
Changes in net reserves	-89	..	911	-3,860
Memo:				
Reserves including gold (mill. US\$)	2,978	1,897	4,371	8,231
Conversion rate (local/US\$)	0.7	2.2	3.5	3.6



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1993	1994
(millions US\$)				
Total debt outstanding and disbursed	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Total debt service	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Composition of net resource flows				
Official grants	..	..	135	146
Official creditors	..	..	..	..
Private creditors	..	..	..	..
Foreign direct investment	185	-450	-8	5
Portfolio equity	..	..	126	219
World Bank program				
Commitments	..	..	..	..
Disbursements	..	..	..	..
Principal repayments	..	..	..	..
Net flows	..	..	..	..
Interest payments	..	..	..	..
Net transfers	..	..	..	..

The World Bank
Washington, D.C. 20433
U.S.A

JAMES D. WOLFENSOHN
President

June 13, 1996

Mr. F.W. de Klerk
Executive Deputy President
Private Bag X999
Pretoria 0001
South Africa

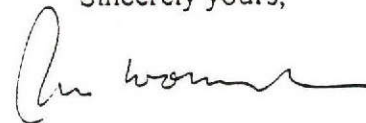
Dear Mr. de Klerk:

Thank you for your letter of May 22, 1996 informing us of the conditions that led to the National Party's withdrawal from the Government of National Unity with effect from June 30, 1996. We appreciate your Party's decision to strengthen its role in the development of a strong and vigilant opposition group as an essential element of a multi-party democracy in South Africa.

The World Bank remains committed to supporting South Africa in meeting its development challenges. Our collaborative and broad-based approach to working with counterparts in South Africa has been beneficial and continues to be our preferred way of proceeding. In this light, I too hope that our cordial relations will be maintained.

With best wishes to you and your colleagues *and with thanks*
for your constructive work

Sincerely yours,



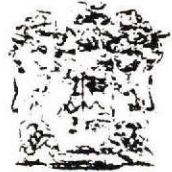
James D. Wolfensohn

cc: Mr. Mseka (Executive Director); Ms. Edstrom (Resident Representative)

Ref: 6-14/96

Uitvoerende Adjunkpresident
Executive Deputy President

Kaapstad • Cape Town



22 May 1996

Mr J D Wolfensohn
President of the World Bank
1818 H Street, N.W.
WASHINGTON DC 20433
United States of America

Dear Mr Wolfensohn

JUN - 9

You will, no doubt, have noted from the media that the National Party decided on 9 May to withdraw from the Government of National Unity with effect from 30 June 1996.

Because of our long association and in the light of the interest and concern that you have always shown for the well-being of South Africa I should briefly like to inform you of the background to this development. Our decision was based primarily on the following considerations:

- We believe that the development of a strong and vigilant opposition is essential for the maintenance and further development of a genuine multi-party democracy in South Africa.
- The National Party's dual role as partner in the Government of National Unity and as the main opposition party was debilitating and difficult to sustain. We did so until the acceptance of our new constitution in the interest of the country. We feel that the stage has now been reached where we will be able to serve the national interest more effectively by concentrating fully on a responsible opposition role, untrammelled by co-responsibility within the Government of National Unity.
- The Government is now functioning effectively. Its ANC members are established in their portfolios and believe that they have the experience and confidence to continue on their own. The three years that now lie ahead of us before our next election will give us, on the one hand, and the ANC/SACP/Cosatu alliance on the other, the opportunity to develop clear alternative identities and platforms before the elections.

I have full confidence in the basic economic policies of the Government of National Unity. I have no reason to believe that the ANC has any intention of deviating from the course that they themselves have during the past two years been co-instrumental in charting.

Reaction to our decision by the markets, from President Mandela and in the media has been positive and encouraging. It is rightly viewed as a further step in the growing maturity of our young democracy.

I look forward to maintaining the cordial relations with you in my new capacity as Leader of the Opposition that I always enjoyed as State President and as Deputy President.

With best wishes

A handwritten signature in dark ink, appearing to read 'F. W. de Klerk', with a stylized, cursive script.

F W DE KLERK