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The analysis of poverty and inequality in South Africa has had a long history. In 1922, the First Carnegie Inquiry on poverty was undertaken. This focused on the ‘poor white’ problem, and fed into the subsequent policy framework for the eradication of poverty amongst whites. Much later, the Second Carnegie Conference held in 1983 examined the poverty amongst South Africa’s black population and highlighted the appalling conditions in the rural areas and townships of South Africa.

The Project for Statistics on Living Standards and Development (PSLSD) was launched in 1992 in anticipation of the information needs of the democratic government. This was managed by Southern African Labour and Development Research Unit (SALDRU) at the University of Cape Town and funded by the Norwegian, Dutch and Danish governments. The World Bank provided technical support throughout the project. The survey provided a quantitative base-line study and has formed the basis for a wide range of policy analysis. The methodology and approach also paved the way towards the annual October Household Survey (OHS) conducted by the Central Statistical Service (CSS).

Following the PSLSD, the need for complementary qualitative research was identified. The purpose of this research was to provide a fuller and more integrated understanding of poverty from the perspective of those who are poor and to fill the gaps which quantitative studies can not readily explain. In collaboration with NGOs, university-based researchers and the RDP Office, a process was initiated that eventually led to the South African Participatory Poverty Assessment (SA-PPA). Funding was provided by the Dutch Trust Fund managed by the World Bank and supplemented by funding from Overseas Development Administration. The World Bank and Overseas Development Administration provided technical assistance.

In 1995, the South African Government was approached by the World Bank with a proposal that a collaborative poverty assessment be undertaken. Around the same time, the United Nations Development Programme also approached government with a request to prepare a county Human Development Report. In October 1995, the South African cabinet agreed that a Poverty and Inequality Report be undertaken by South African researchers. This report thus brings together research undertaken over the past 15 years in South Africa, with an analysis of the current policy framework for the reduction of poverty and inequality prepared by the new government. Its objectives are to:

- Undertake a detailed analysis of poverty and inequality in South Africa;
- Analyse current policy proposals for the reduction of poverty and inequality;
- Analyse the adequacy of current plans to reduce poverty and inequality and possible barriers to their implementation; and,
- Propose ongoing monitoring mechanisms to measure the impact of polices and programmes in the reduction of poverty and inequality.

The report provides a resource to government and other stakeholders concerned with achieving measurable progress in the ‘war on poverty’ in South Africa.


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CHAPTER ONE
GROWTH, DEVELOPMENT, POVERTY AND INEQUALITY

“Attacking poverty and deprivation must ... be the first priority of a democratic government.”

“The dismal shame of poverty, suffering and human degradation of my continent is a blight that we share. The blight on our happiness that derives from this... leaves us in a persistent shadow of despair. This is a savage road to which nobody should be condemned.”

1 INTRODUCTION

1.1 Rationale for the Analysis of Poverty and Inequality

South Africa is an upper-middle-income country with a per capita income similar to that of Botswana, Brazil, Malaysia or Mauritius. Despite this relative wealth, the experience of the majority of South African households is either one of outright poverty, or of continued vulnerability to becoming poor. Furthermore, the distribution of income and wealth in South Africa may be the most unequal in the world. Finally, although significant progress has been made over the last five years, many South African households have unsatisfactory access to clean water, energy, health care and education facilities.

It is likely that this situation will have a direct impact upon both the social and political stability of South Africa, as well as upon the nature of the country’s growth path. Recent empirical research has shown that countries with more equal distribution of income and wealth perform better in terms of economic growth than those with less equal distributions. Other studies point to the links between poverty, inequality and political instability. The introduction of policies that act to reduce levels of poverty and inequality could contribute towards the achievement of the economic goals that have been targeted by the South African government while contributing towards higher standards of living for all.

This report reviews the extent and nature of poverty and inequality in South Africa, and provides an assessment of the current policy framework for the reduction of both. The report attempts to provide clear conceptual and practical guidance concerning the issues which need to be taken into consideration in the formulation of policy, its implementation and when monitoring its impact. The goal is to provide pointers for a strategy of human development that builds upon the government’s macro-economic framework.

1.2 The Persistence of Poverty and Inequality

In common with many countries, the inability of many to satisfy their essential needs while a minority enjoys extreme prosperity stems from many sources. The specificity

1 ANC (1994).
of this situation in South Africa has been the impact of institutionalised discrimination. Colonial and Union government policies directed at the extraction of cheap labour were built upon by apartheid legislation. The result was a process of state-driven underdevelopment that encompassed dispossession and exclusion for the majority of South Africans. An important outcome brought about by these policies was the loss of assets, such as land and livestock, and simultaneously the denial of opportunities to develop these assets through limiting access to markets, infrastructure and education. As such, apartheid, and the legislation and institutions through which this ideology was implemented, operated to produce poverty and extreme inequality.

Although South Africa has undergone a dramatic economic, social and political transition in the last decade, many of the distortions and dynamics introduced by apartheid continue to reproduce poverty and perpetuate inequality. The correct identification of these and the introduction of remedial policies have been identified as priorities by both government and civil society. The importance of reducing poverty and inequality has been a consistent theme of the new government. Statements made by government have recognised that planning needs to be focused on the objectives of narrowing inequality, breaking down the barriers that hamper participation in the economy and reducing poverty. In March 1995, South Africa joined the nations of the world in pledging to work towards the eradication of poverty at the World Summit for Social Development in Copenhagen.

1.3 Objectives of the Poverty and Inequality Report

As part of the process of policy formulation and refinement required to achieve these laudable goals, in October 1995 the South African Government approved the commissioning of a report on poverty and inequality. Tenders for this task were called for, and in September 1996, an Inter-ministerial Committee on Poverty and Inequality was convened to oversee the task. This Committee agreed on the following objectives for the Poverty and Inequality Report (PIR):

1. Undertake a detailed analysis of poverty and inequality in South Africa;
2. Analyse current policy in an integrative manner which draws out the cross-cutting issues affecting the implementation of the government’s policy as spelled out in the RDP base document on the reduction of poverty and inequality;
3. Analyse the adequacy of current plans to reduce poverty and inequality and possible barriers to their implementation; and,
4. Propose ongoing monitoring mechanisms to measure the impact of policies and programmes in the reduction of poverty.

In meeting these objectives, PIR has examined the ‘in-principle policies’ of government towards the reduction of poverty and inequality. These have been drawn from the many policy documents that have been completed to date. In this process, overlaps, contradictions and gaps have been identified. Emphasis has been placed upon an analysis of the capacity and institutions of government. This is not to deny

3 This committee was chaired by the Minister of Welfare and included the ministers of Housing, Education, Health, Finance, Water Affairs and Forestry, Agriculture and Land Affairs, Trade and Industry and Public Works.
the role that can be played by other groups, such as business, labour and the NGO sector, but rather to focus attention on the potential role of government in the reduction of poverty and inequality.

At the outset it must be acknowledged that the PIR cannot hope to cover all of these issues comprehensively4. Instead, the intention of the report is to add value to the current policy debate in South Africa by pointing to those sub-sectors, policies and programmes which have most salience for addressing poverty and inequality while throwing light on the institutional and other blockages hindering their effective implementation. The research also points to unforeseen ways in which certain policies and programmes might have negative implications in terms of the reduction of poverty and inequality. Finally, the PIR should assist government in identifying appropriate indicators and monitoring mechanisms through which the progress of transformation can be monitored.

2 DEFINING POVERTY AND INEQUALITY
The concepts of poverty, inequality and vulnerability require brief elaboration before sketching the approach adopted by the PIR to assess the policy framework for the reduction of poverty and inequality,

2.1 Poverty

“Poverty is not knowing where your next meal is going to come from, and always wondering when the council is going to put your furniture out and always praying that your husband must not lose his job. To me that is poverty.” (Mrs Witbooi of Philipstown, quoted in Wilson and Ramphele, 1989:14).

“I am so behind with my rent (service charges) I can’t even sleep at night.” (Woman interviewed by Black Sash, quoted in SA-PPA, 1997: 67)

“My child broke his leg and had to go to hospital. I sold my three cows to pay for transport and treatment. Now I have nothing.” (Man interviewed by Operation Hunger, quoted in SA-PPA, 1997: 75)

Despite the obviously large numbers of people living in poverty, the definition of poverty has been the subject of some debate amongst policy analysts. However, the emerging consensus sees poverty as generally being characterised by the inability of individuals, households, or entire communities, to command sufficient resources to satisfy a socially acceptable minimum standard of living. The perceptions of the poor themselves are a good way in which an appropriate conceptualisation of poverty in South Africa can be derived. As the quotations at the start of this section illustrate, while poverty is multi-faceted and everyone’s experience of poverty is a little different, a surprisingly consistent view of poverty emerges from the recent South African Participatory Poverty Assessment (SA-PPA). Poverty was seen to include:

- **Alienation from the community.** The poor are isolated from the institutions of kinship and community. The elderly without care from younger family members

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4 Some 30 input papers were commissioned during the course of the study that examined a wide range of topics relating to the reduction of poverty and inequality. These papers have been used to compile the PIR and provide more detailed findings for consideration by government. A list is provided in Appendix D.
were seen as ‘poor’, even if they had a state pension that provided an income that was relatively high by local standards. Similarly, young single mothers without the support of older kin or the fathers of their children were perceived to be ‘poor’.

- **Food insecurity.** Participants saw the inability to provide sufficient or good quality food for the family as an outcome of poverty. Households where children go hungry or are malnourished are seen as living in poverty.

- **Crowded homes.** The poor were perceived to live in overcrowded conditions and in homes in need of maintenance. Having too many children was seen as a cause of poverty - not only by parents, but by grandparents and other family members who had to assume responsibility for the care of children.

- **Usage of basic forms of energy.** The poor lack access to safe and efficient sources of energy. In rural communities, the poor, particularly women, walk long distances to gather firewood. In addition, women reported that wood collection increases their vulnerability to physical attack and sexual assault.

- **Lack of adequately paid, secure jobs.** The poor perceived lack of employment opportunities, low wages and lack of job security as major contributing factors to their poverty.

- **Fragmentation of the family.** Many poor households are characterised by absent fathers or children living apart from their parents. Households may be split over a number of sites as a survival strategy.

In contrast, wealth was perceived to be characterised by good housing, the use of gas or electricity and ownership of a major household durable, such as a television or fridge. Wealth means knowing that there is enough food for your children and owning an electric stove on which to cook it.

### 2.2 Inequality

Defining what is meant by ‘inequality’ within the social context requires consensus on what is meant by ‘equality’. The term ‘equality’ can be regarded as referring to a state of social organisation that enables/gives equal access to resources and opportunities to all its members. However, there are a number of possible objectives for policy that aims at reducing inequality. These include:

- **Increasing the relative income share of the least well off:** The implication of this approach is that society aims to increase the percentage share of income earned by a relatively disadvantaged group. For example, the objective could be to double the share of income of the poorest 20% of households from the current 4% to 8%.

- **Lowering the ceiling:** Attention is directed towards limiting the share of the cake enjoyed by a relatively advantaged section of the population. For example, the idea of ‘super-taxes’ on the rich is one way of attempting to lower the ceiling.

- **Improving mobility:** The focus is to reduce the barriers that prevent people moving (usually ‘up’) between different groups. The objective is to achieve a more

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5 These have been adapted from Cowell (1995).
egalitarian society, where social stratification is minimised and divisions between the ‘haves’ and the ‘have-nots’ are reduced.

- **Promoting economic inclusion**: The objective is to reduce the perception of exclusion of a particular group from society caused by differences in income and wealth. Economic empowerment and affirmative action strategies seek to increase the participation of disadvantaged groups in the economy.

- **Avoidance of income and wealth crystallisation**: This implies eliminating the disproportionate advantages in education, access, influence, political power, etc. that go hand-in-hand with higher income.

- **Comparison against international yardsticks**: A country takes as its goal that it should be no more unequal than other ‘comparable’ nations, as measured by some statistic (e.g. the Gini coefficient).

The objective for policy that is selected will impact on the way in which inequality is defined and measured and all have relevance for the South African policy debate.

### 2.3 Vulnerability

International experience of poverty alleviation programmes suggests that poverty is not a static condition among individuals, households or communities. Rather, it is recognised that although some individuals or households are permanently poor, others move in and out of poverty. This may be a result of life-cycle changes, specific events such as the illness of a main income earner, or deterioration in external economic conditions.

The concept of vulnerability is increasingly applied to understand these processes of change. Vulnerability refers to the negative outcomes of processes of change. These may be economic, social, environmental or political, and may take the form of long-term trends, ‘shocks’ or cyclical processes such as seasonality.

Central to the analysis of vulnerability is the examination of the assets that can be called on to withstand or mitigate the impact of the threat in question. Indeed, the more assets that individuals, households and communities have, and the better they are managed, the less vulnerable they are. The greater the erosion of their assets the greater their insecurity, and associated poverty. Vulnerability is therefore characterised by not only a lack of assets and an inability of the poor to accumulate a ‘portfolio’ of different assets but also an inability to devise an appropriate coping or management strategy in times of crisis.6

### 3 Reducing Poverty and Inequality

The point of departure for an appropriate policy framework for reduction of poverty and inequality in South Africa is the underlying political economic structure of the country. The approach adopted by the PIR is thus based on breaking the forces that have perpetuated a vicious circle of poverty at one extreme, while encouraging income, wealth and opportunity to be amassed at the other. Five interlocking proposals inform the approach:

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• **Economic growth and human development** should be linked and have the aim of achieving sustainable improvements in the quality of life of all South Africans.

• This is best achieved through **enhancing the capabilities** of disadvantaged communities, households and individuals by improving their access to a wide range of assets, both physical and social. At the same time, **inefficiencies in markets, institutions, spatial structure and delivery mechanisms** that prejudice those who are least well off need to be identified and removed.

• Having now established a framework for short-term macro-economic stability, increasing emphasis should be placed by the South African government on **redistributive measures** in order to assure the long term well-being and prosperity of the population;

• To achieve this, a **more assertive role will be required of government** in facilitating the transfer of assets and services from the wealthy to the poor through effective and appropriate social investment. This will need to be matched by market, institutional and spatial reforms that benefit the less well off. A recommitment to the delivery of social and physical services is needed to complement these efforts.

• Finally, the collection of social, economic and demographic information for the purposes of **monitoring the extent and nature of change** should be prioritised to ensure that the reduction of poverty and inequality is to be managed on a sustainable basis.

The arguments underpinning these assumptions require elaboration before the tools of analysis used by the PIR can be discussed. The remainder of this section will discuss the link between growth and human development, the capabilities approach to development, the link between growth and redistribution and the potential roles of state and market.

### 3.1 Growth and Human Development

The work of Amartya Sen has helped to further our understanding of development by focusing attention on people as being the ends rather than the means of growth. This ‘capabilities approach’ examines the factors that shape the ability of people to realise their full human potential over time. Thus, while the short-term focus of economic growth strategy might include objectives such as enhancing the competitive position of a country’s producers, macro-economic stability and developing new competitive advantages in line with changing international trends, the longer-term objective is to direct this energy into widening people’s options and improving their quality of life.

Economic growth and human development are also linked through the constraints and opportunities that each imposes upon the other. For example, the ability of the government and the private sector to provide services and jobs on a sustainable basis requires that a country prosper through economic growth and investment. Likewise, the ability of a country to prosper is dependent upon the health and skills of its population, reductions in the level of political and social unrest, the reduction of poverty and inequality, and the generation of an effective demand and ability-to-pay for the goods and services produced by the private and public sectors.
Growth and human development are thus linked and are mutually reinforcing. However, although growth is a necessary condition for the alleviation of poverty, it is not a sufficient condition. Enlarging what South Africans can do, or can be, correctly emphasises human development as being the primary objective of government’s actions. The policy framework for the reduction of poverty and inequality is one way in which this dynamic relationship can be managed.

3.2 Capabilities, Assets and Livelihoods
The expansion of capabilities forms a cornerstone of the approach adopted by the PIR. By focusing on outcomes such as food security and livelihood security, Sen’s analysis describes the relationship of people to the resources that they have and the commodities that they require when meeting their basic sustenance requirements. The elements that are important in the expansion of individual, household and community capability are:

- The assets, claims and resources that are available;
- The activities that can be undertaken in order to generate a sustainable livelihood;
- The commodities and services that are required by people for an acceptable standard of living (Sen, 1984: 509-510).

At least four broad categories of assets, claims and resources can be identified:

- Human capabilities;
- Social and institutional assets;
- Natural resources;
- Human made assets.

The components of these can be summed up into the map of the potential “asset portfolio” of individuals and household shown in Figure 1:

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7 For a fuller discussion of the approach, see Sen (1981) and Dreze and Sen (1990:9-10).
8 Chambers and Conway (1992) define a livelihood is seen as comprising “the capabilities, assets (stores, resources, claims and access) and activities requires for a means of living”.
9 Human capabilities are used to broaden the conventional view of human capital, which tends to focus on factors that improve productivity in the formal labour market. Human capabilities thus include the skills and abilities that are used in reproductive activities, such as child care, as well in livelihood activities that occur outside of the labour market, such as vegetable gardening.
10 The broad idea of this asset map was suggested by Singh (1996) and adapted by drawing on the analysis of Gore (1993), Moser (1996) and Reardon and Volsti (1995).
Figure 1: Wealth Base

WEALTH BASE OR “ASSET PORTFOLIO”

- **Human Capabilities**
  - Labour
  - Technical, Administrative & Entrepreneurial Skills
  - Health & Nutritional Status
  - Knowledge/Education
  - Capacity for Adaptive & Coping Behaviour

- **Social & Institutional Assets**
  - Legal Claims on the State & Private Sector (eg. Pensions & welfare)
  - Legal & Moral Claims on Household & Community (eg. Household relations)
  - Access to individual & community decision-making power & structures
  - Culture & Value Systems (eg. Capacity for trust, altruism or rule breaking)

- **Natural Resources**
  - Land
  - Ground & Surface Water
  - Common Property (eg. communal grazing land & woodlots)
  - Ground Cover & its Bio-Diversity (eg. forests & wildlife)

- **Human-Made Assets**
  - Finance (eg. Savings & access to credit)
  - Machinery & tools
  - Crops & Livestock
  - Housing & other Buildings
  - Productive Infrastructure (eg. Roads & irrigation)
  - Social Infrastructure (eg. Schools & energy or water reticulation)
The structure shows that the distinction between social and economic assets is less sharp that is often implied. As an example, the existence of social networks can facilitate the use of more obvious productive assets, especially those that have to be managed on a communal basis. Likewise, human capabilities can enhance the returns that can be achieved from assets such as land or cattle through greater technical skills or better health. Furthermore, the absence of certain forms of wealth may undermine the position of individuals or households, leading to reduced ability to recover from shocks and negative long term trends. In addition, as several analysts have argued, the inability to make a minimum level of investment to maintain or enhance these different assets is a factor leading to the dynamic reproduction of poverty over time\textsuperscript{11}.

From the perspective of policy analysis, the capabilities approach is still to be fully developed into an operational framework. Figure 2 offers a starting point from which different policy options can be distinguished.

**Figure 2: Matrix of Means and Ends\textsuperscript{12}**

<table>
<thead>
<tr>
<th>Ends</th>
<th>Means</th>
<th>Creation of Entitlements</th>
<th>Improving the Terms of Exchange</th>
<th>Building Up of Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy,</td>
<td>Policies concerned with access to health care services, clean water and sanitation.</td>
<td>Policies concerned with targeted grants and institutional reforms.</td>
<td>Policies concerned with improving the access and affordability of social services.</td>
<td></td>
</tr>
<tr>
<td>Productive</td>
<td>Policies concerned with the redistribution of assets.</td>
<td>Policies concerned with the restructuring of markets and the redistribution of opportunities</td>
<td>Policies concerned with improving the access and affordability of education and economic services.</td>
<td></td>
</tr>
</tbody>
</table>

Different policy options can impact on the components of this matrix. As an example, while a land reform could increase the availability of land for small-scale farming (i.e. creating additional entitlements), reforming finance markets could facilitate the actions required to produce a crop (improve the terms of the exchange). Improving rural health services could offer broad improvements to the health status of rural people (i.e. building up capabilities), potentially increasing their productivity as well as their general well-being.

**3.3 State and Market**

Over the past decade governments have found themselves increasingly constrained in terms of the actions that they are able to take which promote growth or regulate the ways in which the benefits of growth are distributed. Resource limitations are the

\textsuperscript{11} This has been termed investment poverty by Reardon and Volsti (1995:1498) or ‘economics persistence poverty’ by Zimmerman and Carter (1995).

\textsuperscript{12} Adapted from Dreze and Sen (1989:12), UNDP (1994:109) and Kannan’s (1995:704) typology of poverty alleviation strategies in Kerala, India.
most obvious constraint cited for most governments and include both financial resources and administrative capacity. In addition, global trends, macro-economic conditions and the changing institutional context operate to close off possibilities while narrowing the range of policy options open to state managers. An inherent belief behind this approach has been that the benefits of growth would reach the poor through a trickle down effect. All that was needed for successful development was the freeing up of markets and removal of state controls and intervention. This view of the limited role of government has been supported by a strong tide of anti-state sentiment in the 1980s and neo-liberal analysis based on the notion of an inexorable global restructuring.

Increasingly these views are being challenged from both the perspectives of neo-classical economics and political economy. Views tend to converge on several sources of market failure that might call for some form of state intervention, including externalities, technology development, uncertainty and information failures. It is also argued that the state also has a central role to play in the development of non-tradable goods such as labour, infrastructure and public administration. Finally, there has also been widespread agreement on the importance of the state in the provision of social safety nets such as employment guarantees and other public works programmes, food distribution and other types of nutrition programmes and micro-enterprise credit (Lipton, 1997:1006).

Experience has also shown the unqualified belief in the market to be incorrect. This is largely to absence of some markets, or the presence of inherent distortions in the markets that exist. Micro-economic theory tells us that markets will tend to work well when the following institutions are present:

- **Stable and credible currency;**
- **Well-defined and effective legal system that is able to enforce contracts;**
- **Capital markets and systems of credit that enforce rules of repayment;**
- **Infrastructure that ensures low transport costs and facilitates trade;**
- **Sufficient information on prices, quantities and qualities of labour and products**.

In a world in which these institutions were present, and markets were perfect, it might be expected that both poverty and inequality could be reduced by policies that simply transfer assets, such as land or finance, from the wealthy to the poor. Beneficiaries would be able to buy in any complementary resources that they might need to make use of their new assets. However, in many instances, the poor have not benefited from market-oriented macroeconomic policy reforms because the underlying institutional context has remained the same. Certainly, in countries such as South Africa, in which past policy systematically distorted almost every economic market and social

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13 Examples of the former include ul Haque (1994) and Goldsmith (1995). Third World Quarterly (1996, Vol 17, No. 4) provides an edited volume with examples of the latter analysis. Dutt et al (1994) provides useful empirical support from both perspectives. The recent World Development Report also acknowledges the previous over-emphasis on the market and the need for a more effective state (World Bank, 1997).

14 Recent analysis has begun to focus far more seriously on the aspect of poor information as a hindrance to development arguing that markets will tend to perform poorly where information concerning prices and quality of products and labour is inadequate: See Klitgaard (1996).
institution, it is not possible to be sanguine about the impact of economic growth on poverty, even if support by redistributive strategies. Instead, research suggests that the majority of poor South Africans continue to face markets that are thin or missing\textsuperscript{15}. Moreover, many markets remain strongly influenced by existing positions of power and influence in the institutions through which they operate, as well as by the differential access of the various users to information concerning these markets\textsuperscript{16}.

Consequently, although the conditions appear to exist for efficient markets in South Africa, the underlying institutional structure may mean that the operation of markets is not neutral. Two considerations are thus important in determining the outcome of redistributive policies which impact on the terms of exchange:

- The underlying causes which result in an unfavourable outcome for some people, and therefore, which result in the persistence vulnerability and poverty and maintain existing inequalities;

- The allocation of the costs and benefits of change in a manner which prejudices the least well-off.

A more balanced perspective is recommended in which it is recognised that state and market have different virtues which need to be appropriately utilised to pursue the goals of economic development.

Various analyses of development experience internationally indicate that particular kinds of social spending and employment creating strategies are more effective for the reduction of poverty and inequality. With respect to social spending, (i.e., health, education, social security, and water supply and sanitation) both the level and focus of the spending are important. The more government spends on basic social services the more poor people are likely to benefit. However, within that, particular types of spending are also more beneficial. Specifically, a focus on primary and preventive health care delivered a strong public health system, and a focus on primary and secondary education have been found to yield high private and social returns. Policies that focus on labour intensive technologies, increasing access to credit, extension services and creating an appropriate regulatory framework for encouraging small, medium and micro-enterprises are important.

Strengthening the abilities of poor people to fight poverty by building their assets is an essential ingredient of a pro-poor growth strategy. The incentive structure fostered by the macroeconomic policy must increase the flow of resources to the poor in order to enhance their access to economic assets such as land, credit, and housing. Health services and educational opportunities must be provided to build human capabilities. In addition, the racial, gender, spatial and other inequities inherent within the society need to be understood so that policy does not exacerbate or perpetuate them. Making poverty and inequality an integral part of policy enables government to assess its potential to build people's assets, identify the threats which could erode those assets, and provide missing assets which are critical for survival and equal participation in society.

\textsuperscript{15} Thin markets occur when there are few buyers and sellers, and those that exist are poorly resourced.

\textsuperscript{16} See for example, May et al (1995) and Vaughan and Xaba (1996). It seems that this is by no means confined to South Africa, and may be the case for poor households more generally. For example, see Carter and Zegarra (1995) and Kevane (1996). On power and influence in South African agricultural markets see May and Amin (1995).
In South Africa it is proposed that more assertive action by government to reduce poverty and inequality is a feasible option and indeed, in the light of the earlier analysis, is necessary. This extends beyond the maxim of ‘getting institutions right’ through the reform of public administration and should encompass strategic actions that guide market forces. Although this is in contrast to conventional views which argue that government simply have the options of conforming to market forces, or attempting to confront these, evidence suggest that measures such as these have contributed towards the sustainable reduction of poverty and inequality (Wade, 1990). The implication is that the policy framework for the reduction of poverty and inequality in South Africa has to take into account the complementarity that exists between different kinds of assets and the nature of the markets in which they operate. In other words, the implementation of such policy requires that consideration be given to the relationship between the role of government, the operation of markets and the distribution of the benefits of growth.

3.4 Growth and Redistribution

The major thrust of the development debate over the past decade regarding the relationship between growth, development and the reduction of poverty and inequality has shifted significantly. While no single blueprint exists for how to simultaneously achieve growth and address poverty and inequality, there is increasing consensus based on international experience that while economic growth does contribute to a reduction in absolute poverty, it may or may not lead to a reduction in inequality. In fact in some cases, depending on the nature and quality of the growth, inequality may increase. Nonetheless, there is no conclusive evidence regarding the correlation between particular rates of growth and rates of inequality. There is evidence that inequality has a negative impact on growth, as well as on poverty reduction. Research has shown that countries that start off with significant inequality experience lower growth rates than those that start off relatively equal. This is because inequalities in physical, financial and human assets are likely to constrain poor people from participating effectively and efficiently in the economy. This could lead either to inequitable growth or, depending on the depth of poverty and inequality, to low growth.

The experience of the East Asian countries in particular, indicates that one of the dimensions which has buttressed their high economic growth rates has been the implementation of policies which focus on a more equitable human resource development. Increasing the access of the poor sections of the society to productive assets is another important dimension. Specifically, the Newly Industrialised Countries (NICs) of East Asia had a range of state-led interventionist policies which focused on human resource development, mild financial repression such as keeping interest rates low but positive, directed credit and selected industrial promotion policies which focused on non-traditional exports (Chandra, 1997). The results of high economic growth and rapid reduction in poverty and inequality were achieved through a combination of market-oriented policies and interventionist policies.

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Conversely, available evidence suggests that the argument for poverty reduction through the trickle down from broad-based growth does not seem to hold in the case for sub-Saharan Africa (Hamner et al., 1996). Even where growth has been of sufficient scale to make a reduction of poverty possible, the failure to generate sufficient employment has undermined its impact on poverty. Indeed, the positive impact of growth upon the reduction of poverty may be dampened at higher levels of inequality (Bruno et al., 1996:11).

In South Africa it seems likely that the perpetuation of extreme inequality will act as a brake on the achievement of government’s ambitious growth targets. Moreover, the current sluggishness in employment creation already suggests that even if higher growth rates were achieved, a noticeable reduction in poverty or inequality may not follow. In contrast, using a Social Accounting Matrix (SAM), Eckart and Mullins (1989:10) conclude that the effects of a redistribution of income would be a possible significant increase in the GDP multiplier. The reduction of personal savings may be a negative aspect of such policy, and they argue that this will require attention in the longer term.

It seems then that South Africa can pursue more redistributive policies without undermining current growth objectives, and indeed, it is likely that such policies would promote growth. However, the least well-off need to be the beneficiaries of such transfers if the reduction of inequality is to be accompanied by the reduction of poverty.

4 Assessment Criteria, Structure, and Limitations

Having outlined an approach for the reduction of poverty and inequality in South Africa, the arguments that lie behind this approach and the tools that are to be used in the analysis of the PIR, it remains to consider the assessment criteria that are to be used, the structure of the report, and the limitations of this study.

4.1 Assessment Criteria

On the basis of the previous analysis, three important criteria can be identified against which the existing policy framework of South Africa should be evaluated in terms of its impact on poverty and inequality:

- The extent to which policy strengthens the complex asset base of the poorest section of the population, the use to which these assets can be put, and the returns that are achieved;
- The extent to which policy promotes human development by improving the well-being of the population in terms of their health, nutrition, education, safety and choice;
- The extent to which these policies are sustainable in terms of financial, institutional and human capacity as well as in terms of their environmental and macro-economic impact.

These criteria have been used in the PIR in its analysis of the anticipated impact of policy upon poverty and inequality in South Africa.

4.2 Structure

In this introductory chapter for the PIR, an analysis of the linkages between growth, development and the reduction of poverty and inequality has been provided. From
this, the chapter has proposed an approach towards understanding poverty and inequality. This approach is based upon enhancing the capabilities of the least well-off through increasing their access to assets and opportunities, and the returns that they are able to achieve using these assets. The second chapter of the PIR examines the nature and extent of poverty and inequality in South Africa. The objective is to provide the context within which detailed analysis of the current policy framework of the reduction of poverty can be assessed. The approach taken by Chapter Three is to add value to what has already been done during the preparation of the Macroeconomic Framework. The Growth, Employment and Redistribution Strategy sets the macro-economic framework within which government expenditures will be undertaken and revenue raised. The main themes of this chapter are the emerging tax regime with respect to the burden of taxation, and its implications for poor people and the likely impact on inequality, and an assessment of government's expenditure and the targeting of programmes which benefit poor people. This includes an analysis of the incidence of state expenditure.

Measures that have been introduced to improve employment creation are analysed in Chapter Four. The creation of jobs is central to the Growth, Employment and Redistribution strategy and a key element of a sustainable programme for the reduction of poverty and inequality. Chapter Five on human development provides a wider understanding of growth, development and the associated costs and benefits than that provided by a narrow economic outlook. The chapter looks at the big spenders of health, education and welfare. The chapter also discusses major concerns for human development, including safety, nutrition and the impact of the AIDS epidemic. Each subsection of this and the subsequent chapters is based on a much longer input paper that provides far more detail and insights. The reader is referred to these for substantiation and elaboration of the rather bald statements in this summary.

Chapter Six recognises that one of the most effective way of enhancing overall national development, decreasing levels of poverty and reducing inequality gaps entails the elimination of enormous disparities in access to utilities and services. This chapter therefore examines issues relating to the efficient and affordable delivery of services.

The institutional context of implementation is a cross-cutting theme which is designed to provide an understanding of the institutions through which policy formulation and implementation occur in the South African context. Chapter Seven addresses issues that are relevant at both macro and micro levels. At the macro level the institutional context is determined by the constitutional dispensation within which South Africa operates.

Urban areas are seen to provide the engine of growth for South Africa. At the same time, these areas have rapidly expanding populations, many of whom are living in poorly serviced informal settlements. Policies directed at the development of urban areas require specific analysis. In contrast to the opportunities that urban areas are expected to offer, rural poverty is recognised as one of the major challenges facing the South African society. As such, the development of rural areas is likely to be a priority of any strategy to reduce poverty and inequality. Chapter Eight provides an analysis of the spatial context of poverty.

Chapter Nine draws together the underlying thrust of the PIR: that a sustainable reduction of poverty and inequality in South Africa will require a redistribution of assets and the opportunities to use these assets to generate sustainable livelihoods.
Noting that aspects of this redistribution have already been dealt with in Chapters Five and Six, the chapter concentrates on the promotion of livelihoods in agriculture and small and micro-enterprises. The chapter also looks at the social and environmental dimensions of livelihood creation and protection.

Finally, Chapter Ten provides conclusions and recommendations for the monitoring of the impact of policies that aim to reduce poverty and inequality. The chapter does not reiterate well-known statistics nor will it be concerned with providing an exhaustive list of possible indicators. Rather, the chapter points to those principles that will assist government in the implementation of coherent monitoring.

In summary, each of the analytical chapters of the PIR examines:

- A brief statement on current patterns of inequality, and in particular, the situation of the poor, vulnerable groups, and the marginalised, in terms of the issues being discussed in the chapter;
- the financial, human and other resources that have been committed to the problem by government;
- the institutional, administrative and resource constraints on government and non-government organisations;
- how past, current and planned policies will serve to ameliorate or exacerbate the overall situation.

A technical appendix has been provided which discusses the key conceptual issues in the analysis and measurement of poverty and inequality. This appendix is largely directed at the specialist, academic and international audiences, and allows scrutiny of the thinking and methodology that lies behind the PIR.

### 4.3 Limitations of the PIR

As acknowledged at the outset, the research conducted for the PIR cannot hope to cover all issues comprehensively. The eradication of poverty and inequality and the meeting of basic needs are primary goals of the government, but are not the only ones that the government is trying to attain. In addition, most of the issues that are covered by the PIR have been studied and ‘measured’ exhaustively in the past. The departments concerned are well aware of the nature of the issues and have conceived and implemented policies to address them. As a result, the PIR may tell some of the individual departments very little that is new. What it can hope to provide is the greater inter-sectoral understanding and sharing which might not have happened because of the large demands faced within each sector. Such sharing could include:

- the particular problems faced by the different sectors;
- some of the ways in which, over the last three years, they have begun to overcome them; and,
- possible synergies between sectors.

Finally, the PIR can also highlight unrecognised similarities between departments, such as in the obstacles they that are facing or the types of problems that they are trying to address. Through the input from the participating departments, the report hopes to move beyond theory and economic models to provide some idea of the practical problems experienced in the transformation process, as well as what
departments have learnt, and how their ideas have changed as they have engaged in their tasks.

5 CONCLUSION

It is the contention of this chapter that the development problematic of South Africa described more than a decade ago by Jill Nattrass as being that of ‘plenty amidst poverty’ remains appropriate (Nattrass, 1983:12). Besides the social and political instability that the presence of extreme wealth alongside poverty brings, sufficient evidence exists to argue that the level of inequality in South Africa will dampen the country’s economic growth rate. A high level of inequality could also reduce the impact of any improvements that might be achieved in employment creation and poverty reduction. Moreover, if policy does not focus on initiatives that improve the ability to capabilities of the majority of South Africans, the very objectives of growth and development will not have been met.

Meeting this challenge will require:

- A strengthening of current efforts to implement policies that redistribute assets and opportunities;
- A recommitment to the undertakings of the RDP to improve access to social and physical assets;
- Ensuring that measures which lower the wealth ceiling of the rich in South Africa are matched by measures that ensure the resources that are redistributed raise the ‘poverty floor’.
- To achieve this in a sustainable manner, policies which enhance the asset base of the poor, broaden the livelihood strategies that they adopt, improve their ability to adapt and cope in times of difficulty, and increase their ability to act and voice their needs should be prioritised.
- A mix of state driven action, market, institutional and spatial reform, and commitment from business, labour and the NGO sector will be needed to achieve these goals.
- In order to determine which policies are most efficient in achieving the desired effect, will require that effective management, co-ordinating and monitoring structures are put into place.

By analysing the extent and nature of poverty and inequality in South Africa, and assessing the policy framework that is in place to reduce both, the Poverty and Inequality Report tries to identify ways in which the goal of a more equitable and humane society can be achieved. Recognising the limitations inherent in a report that must describe and analyse the numerous actions being undertaken by government that potentially might reduce levels of poverty and inequality in South Africa, the remainder of this report will assess the current policy framework.
CHAPTER TWO
THE NATURE AND MEASUREMENT OF POVERTY AND INEQUALITY

“Many young people in Tambo Village (Eastern Cape) explain that poverty means you cannot purchase things that you want whereas the older generations claim that poverty means that you cannot purchase cattle. The middle age groups argued that the condition of one’s child and the number of children that one had were all indicators of poverty and wealth” (Breslin and Delius, 1995:13).

6 INTRODUCTION
An adjunct of apartheid has been the absence of credible and comprehensive social indicator data that could assist in policy formulation. The new government faces the problem that the previous regime had little interest in collecting information of this nature. As an example, between 1976 and 1994, official statistics excluded the TBVC states on the ground that these were ‘independent states’, thus automatically excluding a large proportion of the poor from official statistics. This chapter of the PIR examines the nature and extent of poverty and inequality. The objective is to provide the context within which detailed analysis of the current policy framework of the reduction of poverty can be assessed. The quantitative analysis in this chapter makes use of both the 1995 October Household Survey, (OHS) the 1995 Income and Expenditure Survey (IES) and the 1993 Project for Statistics on Living Standards and Development (PSLSD) survey where appropriate.

7 THE INFORMATION BASE FOR MEASUREMENT

7.1 Previous Studies
As a starting point to address the inadequate information base in South Africa for the measurement of poverty and inequality, the Project for Statistics on Living Standards and Development (PSLSD) was undertaken in 1993 with the objective of providing a quantitative base-line survey. Also in 1993, the Central Statistical Service (CSS) ran the first October Household Survey and has continued to do so annually. The survey collects a variety of household information, such as housing types and access to services, as well as person-level data about, for example, education, health and work status. In 1995, a detailed Income and Expenditure Survey was conducted in conjunction with the October Household Survey, making this an extremely rich dataset.

In 1995/6, a complementary qualitative research project was undertaken. The purpose of this study, referred to as the South African Participatory Poverty Assessment (SA-PPA) was to provide a fuller and more integrated understanding of poverty from the perspective of those who are poor. Eventually, the SA-PPA included fifteen studies and involved some 45 researchers from 20 organisations. Work was undertaken with 25 communities and the study covered sites in 7 of the 9 provinces of South Africa.

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18 Information became progressively unreliable with the ‘independence’ of these areas. This occurred in 1976 (Transkei), 1977 (Bophuthatswana), 1979 (Venda) and 1981 (Ciskei).
7.2 Implications of the 1996 Census
The population figures are based upon the results of the 1991 Population Census, although the recently released preliminary results of the 1996 Census suggests that earlier Census data, and subsequent projections, have tended to over-estimate the size of the South African population. More importantly for this study, it seems possible that the number of poor people has been overestimated, since the size of the rural population and of the poorer provinces (e.g. Northern Province) are smaller than expected. Conversely, measures such as disease incidence rates (including AIDS), crime rates and perhaps adult illiteracy may be worse than previously thought.

7.3 Conceptual issues for measurement
Actually measuring the concepts of poverty and inequality can be approached in different ways. At one level, ‘objective’ social indicators, such as income levels, consumption expenditure, life expectancy and housing standards, can be distinguished from subjective indicators, which are based upon the attitudes, needs and perceptions gathered directly from people, or indeed with people, through the use of participatory research methodologies.

At another level, measures of poverty can reflect the constituents of well-being, or alternatively, they can be measures of the access that people have to the determinants of well-being (Dasgupta and Weale, 1992:119). Indices of health, welfare and human rights are examples of the first approach, whereas indices indicating the availability of shelter, health care education facilities and income are generally examples of the second.

This chapter, while trying to touch on all these dimensions of poverty and inequality, is biased towards those dimensions that are easily and objectively measurable. The emphasis is undeniably on ‘poverty proper’ and we concentrate on a conventional, money metric measure at the expense of focusing on other important aspects. The overriding reasons for doing so are that a money metric measure is practicable, it allows for inter-personal comparisons and it is a fairly good proxy for standard of living.

Since the policy objective is a higher level of human development, human development indicators are presented that give a broad-brush picture of human development in South Africa. Only a sample of indices of well-being are covered, since many aspects of human well-being are hard to quantify or hard to find reliable data for and hence not well suited to aggregation in any kind of index.

Unfortunately, indicators such as UNDP’s Human Development Index are not suited to comparisons between individuals or households. For this reason, the sections that follow which require quantification or a numeric measurement rely on a money-metric approach to the measurement of poverty as a means of operationalising poverty comparisons. Money is commonly, but not always, the means of indirectly translating inputs into human development. It is the means of purchasing some of the direct means to well-being, such as food, clothing and shelter. For this reason, a money metric measure of poverty is useful, but imperfect. Nevertheless, it is practicable and
easily replicated over time, and these are important concerns for this study\textsuperscript{19}. For comparison, the poverty profile that is obtained using a money metric measure of poverty is compared to that obtained by Klasen (1996) using a broader composite indicator of deprivation.

The final section of this chapter looks at the experience of poverty and inequality. The section examines the life circumstances of the poor and non-poor as well as information provided by those who are categorised as being poor. While comparative perceptions do not exist for wealthy groups, this section reveals the unacceptable consequences of the extreme inequality that characterises South Africa.

8 MEASURES OF POVERTY AND INEQUALITY IN SOUTH AFRICA\textsuperscript{20}

8.1 Measures of Human Development

8.1.1 Human development indicators

An approach that can be used to place South Africa’s poverty and social deprivation in an international context is to compare human development indicators in South Africa with countries with similar income levels. These indicators are useful both for inter-country and inter-regional comparisons, as well as being a way to chart long-term trends. Table 1 shows that South Africa fares poorly when compared with other middle-income countries (World Bank, 1996).

Table 1: Comparison of Social Indicators from selected middle income countries

<table>
<thead>
<tr>
<th>Social Indicator</th>
<th>Poland</th>
<th>Thailand</th>
<th>Venezuela</th>
<th>Botswana</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita US$ (1994)</td>
<td>2 410</td>
<td>2 410</td>
<td>2 760</td>
<td>2 800</td>
<td>2 970</td>
<td>3 040</td>
<td>3 480</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>72</td>
<td>69</td>
<td>71</td>
<td>68</td>
<td>67</td>
<td>64</td>
<td>71</td>
</tr>
<tr>
<td>Infant mortality rate</td>
<td>15</td>
<td>36</td>
<td>32</td>
<td>34</td>
<td>56</td>
<td>49</td>
<td>12</td>
</tr>
<tr>
<td>Adult illiteracy rate</td>
<td>N/A</td>
<td>6</td>
<td>9</td>
<td>30</td>
<td>17</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Total fertility rate</td>
<td>1,8</td>
<td>2,0</td>
<td>3,2</td>
<td>4,5</td>
<td>2,8</td>
<td>3,9</td>
<td>3,4</td>
</tr>
</tbody>
</table>

The table shows the inadequacy of using \textit{per capita} GNP as the sole indicator of development. All the countries to the left of South Africa in the table have lower \textit{per capita} GNP than South Africa, yet generally they perform better on indicators such as life expectancy, infant mortality and adult illiteracy. However, this information conceals profound differences between different races in South Africa. The following

\textsuperscript{19} Unless specified otherwise, all money metric measurement has been based on \textit{per capita} household expenditure, adjusted to adult equivalents and weighted to reflect economies of scale derived from household size.

\textsuperscript{20} This section is based on May and Woolard, (1997).
table compares this information by race and includes maternal mortality rates which is a useful indicator of the well-being of women.

### Table 2: Comparison of Social Indicators by Race

<table>
<thead>
<tr>
<th>Social Indicator</th>
<th>White</th>
<th>Coloured</th>
<th>Indian</th>
<th>African</th>
<th>S.A. Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant mortality rate 1990</td>
<td>7,4</td>
<td>28,6</td>
<td>15,9</td>
<td>48,3</td>
<td>40,2</td>
</tr>
<tr>
<td>Infant mortality rate 1994</td>
<td>7,3 ‡</td>
<td>36,3 †</td>
<td>9,9 ‡</td>
<td>54,3 †</td>
<td>48,9 †</td>
</tr>
<tr>
<td>% of deaths 5 years and younger</td>
<td>12</td>
<td>19</td>
<td>13</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Male Life expectancy at birth 1990</td>
<td>69</td>
<td>59</td>
<td>64</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>Female Life expectancy at birth 1990</td>
<td>76</td>
<td>65</td>
<td>70</td>
<td>67</td>
<td>68</td>
</tr>
</tbody>
</table>

While the infant mortality rate for whites in 1994 was 7,3 per 1,000, that for the African population was 54 per 1,000, which is on a par with Zimbabwe and Kenya. The same differential experience is repeated for all of the other social indicators.

### 8.1.2 The Human Development Index

The shortcomings of income as an indicator of development led the United Nations Development Programme (UNDP) to construct a composite index which they named the Human Development Index (HDI).

In developing the HDI, the UNDP followed the principle that the goal of development should be to enable people to live long, informed and comfortable lives. The HDI was devised to determine how nations compare when these factors are taken into consideration. The index is thus a composite of three factors: longevity (as measured by life expectancy at birth); educational attainment (as measured by a combination of adult literacy and enrolment rates); and standard of living (as measured by real GDP per capita).

The HDI indicates the relative position of a country (or region or group) on an HDI scale between 0 and 1. Countries with an HDI below 0,5 are considered to have a low level of human development, those with an HDI between 0,5 and 0,8 a medium level and those of 0,8 and above a high level of human development.

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22 The HDI has both its champions and its critics. Its multi-dimensional nature makes it intuitively appealing, and it is certainly a useful way of highlighting the disparities that exist between countries, geographical areas or groups. Others, however, have criticised the HDI for its (of necessity) arbitrary choice of indicators, weights, and implicit trade-offs (Ravallion, 1996).
### Table 3: Comparison of HDI for selected Countries, Race and Province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High human development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td>0.932</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.901</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>19</td>
<td>0.900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>43</td>
<td>0.836</td>
<td>Western Cape</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td>46</td>
<td>0.820</td>
<td>Gauteng</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.818</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>49</td>
<td>0.815</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>52</td>
<td>0.804</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium human development</strong></td>
<td></td>
<td>0.649</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>54</td>
<td>0.798</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>57</td>
<td>0.794</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>63</td>
<td>0.756</td>
<td>Northern Cape</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.698</td>
<td>Mpumalanga</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.694</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td>84</td>
<td>0.679</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>86</td>
<td>0.677</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td>87</td>
<td>0.670</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.663</td>
<td>Free State</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.657</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>94</td>
<td>0.644</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.602</td>
<td>KwaZulu-Natal</td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>110</td>
<td>0.551</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.543</td>
<td>North-West</td>
<td></td>
</tr>
<tr>
<td>Swaziland</td>
<td>117</td>
<td>0.513</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.507</td>
<td>Eastern Cape</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.500</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Low human development</strong></td>
<td></td>
<td>0.355</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lesotho</td>
<td>120</td>
<td>0.476</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>121</td>
<td>0.474</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.470</td>
<td>N. Province</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>127</td>
<td>0.425</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>159</td>
<td>0.252</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guinea</td>
<td>173</td>
<td>0.191</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The average of the HDIs of those countries falling in that particular category.

Table 3 shows the HDI for South Africa and its nine provinces and four population groups in relation to selected countries. At the time of the above analysis, South Africa ranked 86th amongst countries for which the HDI had been measured. South Africa is considered to have a medium level of human development, similar to that of

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Paraguay or Botswana. However, there are great disparities in the level of human development in different parts of the country. The Western Cape and Gauteng are considered to show a high level of human development, similar to that of Venezuela or Singapore. The Northern Province, on the other hand, has a low HDI, comparable with that of Zimbabwe or Namibia.

In addition to the spatial differences, there are large racial disparities in human development in South Africa. As can be seen from the table, white South Africans have a level of human development similar to that of Israel or Canada, while Africans score lower on the HDI than countries such as Egypt or Swaziland.

The strong correlation between regional disadvantage and ethnic origin is evident. In the Northern Province, the province with the lowest HDI score, 90% of the population is African, while in the Western Cape only 17% of the population is African. The differences in HDI values between the two provinces are largely due to differences in average income. Per capita incomes in the Western Cape are five times higher than in the Northern Province.

The HDI can also be used to show gender disparities by calculating the HDI separately for men and women. Despite the fact that women have a longer life expectancy, the HDI for South African women was calculated on 1991 data to be about 20% lower than that for men. This was partly as result of slightly lower levels of education, but largely due to significantly lower real incomes.

The HDI is a useful way of comparing large homogeneous groups. It is intended to highlight the disparities that exist between countries, geographical areas or groups. It cannot be used to compare individual households and is also difficult to translate into policy guidelines. In trying to address some of these problems, the UNDP has evolved the Capability Poverty Measure.

### 8.1.3 The Capability Poverty Measure

The Capability Poverty Measure (CPM) is a simple index composed of three indicators that reflect the percentage of the population with capability shortfalls in three basic dimensions of human development. The three dimensions are: living a healthy, well-nourished life, having the capability of safe and healthy reproduction and being literate and knowledgeable. The CPM differs from the HDI in that it focuses on people’s lack of capabilities, rather than on the average level of capabilities in a country (UNDP, 1996: 109). In addition, the HDI includes income, whereas the CPM does not.

**Table 4: Comparison of CPM from selected middle income countries**

<table>
<thead>
<tr>
<th>Composite Indicator</th>
<th>Poland</th>
<th>Thailand</th>
<th>Venezuela</th>
<th>Botswana</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capability poverty measure (CPM)</td>
<td>N/A</td>
<td>21,1</td>
<td>15,2</td>
<td>30,4</td>
<td>10,0</td>
<td>30,4</td>
<td>20,6</td>
</tr>
<tr>
<td>Real GDP per capita rank - CPM rank</td>
<td>N/A</td>
<td>-14</td>
<td>-10</td>
<td>-21</td>
<td>9</td>
<td>-6</td>
<td>-17</td>
</tr>
</tbody>
</table>

As can be seen from Table 4, South Africa’s average level of income somewhat masks the widespread existence of capability poverty. When South Africa is ranked on the CPM, it ranks 6 places lower than when ranked on *per capita* income showing
the impact of an unequal distribution of income. This CPM ranking points towards the potential for self-perpetuating poverty in South Africa already alluded to in Chapter One.

8.2 Subjective Measurement of Poverty

The insights of those who are poor when thinking about their own situation are a logical point of departure when attempting to analyse poverty and inequality. Several of the participating communities in the recent SA-PPA gave their views on what constituted poverty. As an example, members of the community of Nhlangwini in the province of KwaZulu-Natal carried out a wealth ranking exercise, indicating on a social map the relative proportions of households belonging to different wealth strata, as well as some criteria for placing households in the different groups. Participants found that:

- Of the 76 houses drawn on the map 50% (38) were classified in the poor category. Criteria included: no-one working for cash, doing cheap labour, the household head living alone (especially women with no husbands), ill health, mental illness, pensioner, no parents and farm workers;
- 30% (21) were placed in the average category. These were households where members were waged workers (e.g. teacher, policeman, nurse, and work in Durban) or got an income from farming, or owning a spaza shop or a taxi. In many cases more than one member had a regular job;
- 20% (17) were classified as rich. Some of these households ran more than one business (e.g. shops, taxis, tractors, and traditional healer) while others had a number of members in salaried work (SA-PPA, 1997:40).

The similarity between the subjective responses of the poor, and results of objective measurement exercises using indicators such as income and caloric intake is striking. This supports previous findings that about half the population of South Africa can be considered to be poor (RDP, 1995). What is revealing about perceptions of the poor is that poverty is expressed in terms of the shared characteristics of different groups in communities, principally the way in which these groups go about generating an income.

8.3 The measurement of income inequality in South Africa

8.3.1 The Gini Coefficient

The Gini coefficient, which measures the degree of inequality consistently, serves as the starkest indicator of South Africa’s unequal distribution of income. For a long time, South Africa’s Gini was the highest measured in the world. Today, the 1996 World Development Report lists only Brazil’s Gini as higher. The Gini coefficient in South Africa is about 0.58. This is extremely high, indicating a very skew distribution of income.

Whiteford and McGrath (1995) have shown that, while the Gini coefficient remained static between 1975 and 1991, this disguises the fact that the rich got richer and the

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25 A Gini coefficient of 0 signifies absolute equality and 1 indicates absolute concentration.
poor got poorer. They found a similar pattern when taking each race group separately. In other words, they observed a widening of the gap between the richest Africans and the poorest Africans, the richest whites and the poorest whites, and so forth. For example, the income share accruing to the poorest 40% of African earners fell by a disquieting 48%, which the share accruing to the richest 10% rose by 43%\textsuperscript{26}.

\subsection*{8.3.2 Income shares}

Another way to express the degree of inequality in a country is to examine the income shares of deciles of households. Using this measure, the degree of inequality is striking as is shown in Table 5. The poorest 40% of households, equivalent to 50% of the population, account for only 11% of total income, while the richest 10% of households, equivalent to only 7% of the population, accrue over 40% of total income.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
% of Households & % of Population & % of Income \\
\hline
Poorest 40\% of Households & 50\% & 11\% \\
Richest 10\% of Households & 7\% & 40\% \\
\hline
\end{tabular}
\end{table}

This result is even more striking when represented graphically.

\textbf{Figure 3 Inequality in South Africa}\textsuperscript{27}.

- Households are ranked by adult equivalent income. See Appendix B for an explanation.

\textsuperscript{26} Although this has been disputed by Simkins (CDE, 1996).
\textsuperscript{27} Calculated from the 1995 Income and Expenditure Survey, CSS.
8.3.3 International comparisons of inequality

Table 6 presents a comparison of South Africa’s Gini coefficient and income shares to countries with similar income levels. It is clear that Brazil and South Africa are far less egalitarian societies than the other nations presented here.

Table 6: Comparison of Income Inequality in selected middle income countries\(^{28}\)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Poland</th>
<th>Thailand</th>
<th>Venezuela</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita US$ (1994)</td>
<td>2 410</td>
<td>2 410</td>
<td>2 760</td>
<td>2 970</td>
<td>3 040</td>
<td>3 480</td>
</tr>
<tr>
<td>Gini</td>
<td>0,27</td>
<td>0,46</td>
<td>0,54</td>
<td>0,63</td>
<td>0,58</td>
<td>0,48</td>
</tr>
<tr>
<td>% share of income of poorest 20%</td>
<td>9,3</td>
<td>5,6</td>
<td>3,6</td>
<td>2,1</td>
<td>3,8</td>
<td>4,6</td>
</tr>
<tr>
<td>% share of income of richest 10%</td>
<td>22,1</td>
<td>37,1</td>
<td>42,7</td>
<td>51,3</td>
<td>41,9</td>
<td>37,9</td>
</tr>
</tbody>
</table>

8.3.4 Between-group inequality

- Between-race inequality

A disaggregated analysis of inequality shows that between-race inequality is, as expected, considerable. Using the Theil-T measure (see Appendix B), between-race inequality accounts for 37% of total inequality. The median white household income\(^{29}\) in 1995 was R60,000 per annum, compared with R12,400 for African households, R19,400 for coloured households and R40,500 for Indian households. Thus, while half of white households had after-tax income of R60,000 per annum, only 6% of African households enjoyed the same standard of living.

Nevertheless, within race inequality, especially among the African and white population groups is also substantial. Inequality amongst African households accounts for between 29% and 49% of overall inequality, depending on the measure chosen. This is borne out by the high Gini coefficient amongst African households of 0.54.

- Rural-urban inequality

The median household income in the rural areas (R10,300 p.a. in 1995) is just over one-third of the median household income in urban areas (R28,600 p.a. in 1995). This does, however, partly reflect the fact that a higher percentage of rural dwellers are African. As seen in Figure 4, African and coloured incomes in the rural areas are about half the incomes earned in the urban areas.

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\(^{28}\) Because of variability in the date of data collection and differing methodologies, these figures should be taken as indicative only. Source: World Bank (1996) and own calculations (South Africa).

\(^{29}\) Note that we refer throughout to after-tax incomes.
9 THE EXTENT AND DISTRIBUTION OF POVERTY

The majority of measures listed above are long term indicators of poverty and inequality. This section focuses on indicators which can be disaggregated and which can also chart short-term changes. As such, these indicators probably have more direct policy relevance.

9.1 Poverty Lines

The World Bank (1990) defines poverty as ‘the inability to attain a minimal standard of living’ measured in terms of basic consumption needs or income required to satisfy them. Poverty is thus characterised by the inability of individuals, households or entire communities to command sufficient resources to satisfy their basic needs. The authors of the WDR draw a ‘poverty line’ that separates the ‘poor’ from the ‘non-poor’ based on ‘the expenditure necessary to buy a minimum standard of nutrition and other necessities’. This expenditure varies between countries, therefore country-specific poverty lines have to be constructed.

Consumption-based poverty lines are thus directed above all to physical measures of relative well-being. The inability to attain minimal standards of consumption to satisfy basic physiological criteria is often termed absolute poverty or deprivation. It is most directly expressed in not having enough to eat, in other words hunger or malnutrition. The earlier discussion suggested that, ideally, analysis should go beyond some money measure of income or consumption. At the same time, a poverty line should be relatively simple in order to be practicable. A poverty line that is so

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30 1995 Income and Expenditure Survey, CSS.
31 This section is based on May and Woolard, (1997) and Leibrandt and Woolard (1997).
complicated that no empirical study can adequately measure all the necessary variables is of little use.

Therefore, in order to measure poverty in an easily tractable way, the convention adopted by the PIR is to use a poverty line that is measured in money terms. Thus the poverty line does not necessarily reflect actual expenditures, but rather the monetary value of consumption. Recognising that poverty lines will differ over time and space and that deciding where to draw the poverty line is ultimately something of an arbitrary decision, the practice adopted by the earlier RDP study has been followed. ‘Poor’ has been defined as the poorest 40% of households and ‘ultra-poor’ as the poorest 20% of households (RDP, 1995)\textsuperscript{32}. According to these definitions, households who expend less than R352,53 per adult equivalent are regarded as poor; households who expend less than R193,77 per adult equivalent are regarded as ultra-poor.

Just under 50% of the population (about 19 million people) live in the poorest 40% of households and are thus classified as poor. Similarly, 27% of the population (or 10 million people) live in the poorest 20% of households and are thus classified as ultra-poor. The usefulness of this approach is that the poverty line that is used is relative to the wealth of South Africa, rather than being some absolute minimum that has global applicability. To allow for international comparison, Klasen (1996) has used a ‘rule-of-thumb’ measure of 1US$ per day to show that 21% of South Africans fall below an ‘international’ absolute poverty line.

This section uses two different concepts to examine the distribution of poverty. One is simply the share of the population that is below the poverty line, which is the well-known concept of the poverty rate or the ‘head-count index’. The other measure is called the poverty gap and measures the depth of poverty. Not all households classified as poor or ultra-poor suffer the same degree of deprivation. For this reason, we calculate the poverty gap in order to get some sense of the depth of poverty. The poverty gap is the aggregate poverty deficit of the poor relative to the poverty line. In other words, it is the amount that is needed to lift the poor to the poverty line through a perfectly targeted transfer.

\textbf{9.2 Where are the poor?}

As can be seen from Table 7, most of the poor live in rural areas. The poverty share of rural areas (i.e. the percentage of poor individuals that live in rural areas) is 70\%. The poverty rate in rural areas (i.e. the percentage of individuals classified as poor) is about 70\%, compared with 30\% in urban areas\textsuperscript{33}.

\begin{table}
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Location} & \textbf{Population share (\%)} & \textbf{Poverty share (\%)} & \textbf{Poverty rate (\%)} \\
\hline
Rural & 50.4 & 71.6 & 70.9 \\
Urban & 49.6 & 28.4 & 28.5 \\
All & 100 & 100 & 49.9 \\
\hline
\end{tabular}
\caption{Rural/urban Distribution of Poverty\textsuperscript{34}}
\end{table}

\textsuperscript{32} Households are ranked on adult equivalent expenditure - see Appendix B for an explanation.

\textsuperscript{33} The categorisation of communities as urban or rural is contentious in most South African surveys. This is discussed in Appendix B.

\textsuperscript{34} 1995 Income and Expenditure Survey, CSS.
This supports the RDP finding that 39% of people consume less than a minimum intake of food of 2000 Kcal per day, and between 36 and 45% of people living in households which are below an income poverty line (RDP, 1995).

The disparities in living standards between rural and urban areas are apparent without appealing to a consumption-based poverty measure. The vast differences in access to basic services are shown in Table 8.

Table 8: Access to basic services, by rural/urban classification

<table>
<thead>
<tr>
<th>Service</th>
<th>Rural (%)</th>
<th>Urban (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running water inside dwelling</td>
<td>16.8</td>
<td>74.1</td>
</tr>
<tr>
<td>Flush toilet indoors</td>
<td>10.9</td>
<td>65.5</td>
</tr>
<tr>
<td>Electricity in house</td>
<td>21.1</td>
<td>82.4</td>
</tr>
<tr>
<td>Telephone in dwelling / cellular</td>
<td>7.5</td>
<td>48.4</td>
</tr>
</tbody>
</table>

The total poverty gap (i.e. the amount that is needed annually to wipe out poverty through a perfectly targeted transfer to the poor) in 1995 was about R28 billion, or about 6.5% of GDP. The combination of a high poverty rate and deep poverty among the poor in rural areas means that 76% of the total poverty gap is accounted for by poverty in rural households, although according to the ’96 Census, they make up only 45% of the population.

Poverty is distributed unevenly among South Africa’s nine provinces. Figure 5 shows that the Eastern Cape and the Northern Province have amongst the highest poverty rates. In these provinces, almost three-quarters of the population are poor. In contrast, the poverty rates in Gauteng and Western Cape are both under 20%.^36

Figure 5: Provincial poverty rates

^35 1995 October Household Survey, CSS.
^36 The PSLSD did not stratify the sample on the basis of the new provinces (since the boundaries had not yet been decided upon). Consequently, these figures should be taken only as indicative. In particular, the sample in the Northern Cape was so small as to make it impossible to draw any firm conclusions about the rate or share of poverty.
^37 1995 Income and Expenditure Survey, CSS.
Poverty is also deepest in the Eastern Cape, the Free State, and Northern Province. As a result, these three provinces account for a disproportionate share of the total poverty gap. While containing only 36% of the population, poor households in these provinces contribute 51% of the total poverty gap. In contrast, Gauteng and the Western Cape make up only 8% of the total poverty gap, despite being home to 26% of the population.

**Figure 6: Provincial shares of the poverty gap**

<table>
<thead>
<tr>
<th>Province</th>
<th>Share of Poverty Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Cape</td>
<td>3.4%</td>
</tr>
<tr>
<td>E. Cape</td>
<td>24.8%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>8.4%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>4.6%</td>
</tr>
<tr>
<td>North-West</td>
<td>10.5%</td>
</tr>
<tr>
<td>Free State</td>
<td>9.9%</td>
</tr>
<tr>
<td>N. Cape</td>
<td>1.9%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>19.9%</td>
</tr>
<tr>
<td>N. Province</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

9.3 Poverty and Race

Living standards are closely correlated with race in South Africa. While poverty is not confined to any one racial group in South Africa, it is concentrated among blacks, particularly Africans.

Figure 7 shows the poverty rate by racial breakdown. It shows that 61% of Africans are poor, compared with only 1% of whites and suggests that the greatest effort is required to achieve poverty reduction amongst the African and coloured population.

**Figure 7: Poverty Rate by Population Group**

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38 1995 Income and Expenditure Survey, CSS.
9.4 Children in Poverty

Three children in every five live in poor households and the appalling conditions faced by children in poor households in South Africa was repeatedly stressed in the SA-PPA. This abuse included:

- Sexual abuse, including rape and children being forced into prostitution;
- Fractured and unstable families: step-parents are often mentioned by children as a source or threat of abuse – including, in particular, an association of step-fathers with sexual abuse of girls;
- Alcohol abuse by parents which leads to child abuse (SA-PPA, 1997:115).

Children are thus massively vulnerable to violence of many kinds, public as well as domestic. Girl-children are more vulnerable and are subject to the negative effects of dependency on boy-children and men. One implication is that the home is not a safe place for many children, who opt instead to leave and to live on the street.

In addition, children are not continuously parented or schooled - they are frequently moved around due to crisis or as a coping strategy for poverty. Furthermore, children are in many cases not well nourished. Many children get no support and unemployed parents have no way of obtaining the basic minimum resources necessary to support their children. The pensions received by grandparents and great-grandparents are often the source of survival for such children. Women bear the brunt of the responsibility of caring for children in these circumstances and must manage the impact of poverty.

Children in some provinces are far more likely to be poorer than those in others. In the Eastern Cape, for example, 78% of children live in poor households, compared to 20% in Gauteng.

Figure 8: % of Children Living in Poor Households

![Figure 8: % of Children Living in Poor Households](image)

A child who experiences poverty is exposed to the risk of impaired physical and mental development. But even if the child suffers no permanent physical damage, he

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39 1995 Income and Expenditure Survey, CSS.
or she is clearly at a disadvantage. Some children from poor households are kept out of school to help at home; others take the burden of poverty to school with them. If a child is hungry, she cannot concentrate properly at school. If her home has no electricity, she cannot easily study in the evenings. If she must assume domestic roles of cooking, cleaning and child-care, this leaves less time for homework.

Non-attendance at school is relatively low in South Africa although the PSLSD data shows that 5% of poor children between the ages of 10 and 16 are not in school (compared with 2% of non-poor children). It also shows that 31% of female schoolchildren from poor households are responsible for collecting water for the household, compared with only 15% of schoolgirls from non-poor households. Each day these girls spend an average of an hour fetching and carrying a total of 75 litres of water. In addition, 12% of schoolgirls from poor households have the chore of gathering firewood for their families, compared with 5% of girls from households above the poverty line.

9.5 Poverty and Gender

Since a household survey collects information principally at the household level, it cannot tell us much about the inequalities in resource allocations within households. When we talk about poor women, for example, we are talking about those women who are living in poor households. In reality, there may be many women who, although they live in non-poor households, should be counted as poor because of the inequalities in intra-household allocations.

What does emerge clearly from the PSLSD data, however, is that even when using a blunt instrument such as households headed by women, women are shown to be more likely to be poor than men. 40

Resident males headed about 65% of households in the PSLSD survey. In the remaining 35% the de jure or de facto head is female. The poverty rate amongst female-headed households was 60%, considerably higher than the rate of 31% in male-headed households. At least four factors account for this. Female-headed households are more likely to be in the rural areas where poverty is concentrated, female-headed households tend to have fewer adults of working age, female unemployment rates are higher and the wage gap between male and female earnings persists.

Female-headed households tend to be more heavily reliant on remittance and state transfer income (pensions and grants) than male-headed households. The irregular and uncertain nature of remittance income increases the vulnerability of female-headed households. Average wage income in these households is about one-third of average wage income in male-headed households. Francis (1996) has taken a careful look at one form of coping strategy adopted by women: the formation of households comprised by several adult women and their children. Such households are explained as a response to the vulnerabilities women face in more conventionally constructed households in which they may be highly dependent on remittances from a male

40 Female-headed households have been taken as those where either the de jure or de facto head of household is a woman. A household where the head of household was specified to be a woman is de jure female-headed, while a household where the head of household is in practice female because the designated male head is absent for most of the year is de facto female-headed.
migrant. This analysis illustrates the partial success such households have in meeting their basic subsistence needs and points to one way in which women attempt to cope with their higher vulnerability to poverty.

This underscores the importance of targeting women (especially rural women) in community-based public-works programmes, SMME development and training programmes.

9.6 The Characteristics of Poverty

While it is important to set the context by sketching the key characteristics of South Africa’s poor, targeted government intervention requires that the relative importance of these characteristics be assessed and that policy makers be given some sense of the combination of household characteristics that are associated with particular vulnerability. This requires the use of multivariate modelling. A logistic regression based on the PSLSD data to determine the main characteristics of the poor has been used to do this. In particular, the purpose of the model is to determine the factors that explain the probability of being poor.

The analysis shows that:

- Households headed by females who are resident in the household have a significantly increased probability of being poor relative to households headed by resident males.

- In terms of household composition, increased numbers of very young and/or school-going children in the household is strongly associated with an increased poverty probability.

- Not surprisingly, there is a strong regional dimension to poverty. Households in the Eastern Cape, Free State and Northern Province are most likely to be poor, even after controlling for other factors. Urban households are shown to be significantly poorer than the metropolitan benchmark, while rural households have an even higher probability of being poor. Cutting across both of these urban/rural and provincial factors, households located in old ‘independent bantustan’ areas (TBVC) are shown to face especially high probabilities of being poor.

- There is a strong affirmation of the importance of race even after all other relevant factors are taken into account. All black race groups are significantly poorer than whites although the Indian coefficient is only significant at the 5% level.

- The educational sub-set generates disturbing results. The positive signs associated with additional members with less than a complete secondary education implies that the education of household members up to such levels is not helping households to escape from poverty. On the contrary, such household members are not even covering their own incremental adult equivalent consumption. It appears that only completed secondary and post secondary education generates positive returns to households.

- All the variables in the employment sub-set are significant. Additional unemployed household members significantly increase the probability of that household’s poverty while each additional locally employed or migrant household

41 The details of this analysis are provided in Appendix B.
member does the opposite. Surprisingly, the number of old age pensioners is shown to make a significant but negative contribution to the household in the sense that each pensioner raises the probability of being poor. This finding supports the view that pension income acts as a safety net to other members of the pensioner’s family (Ardington and Lund, 1995, Deaton, 1995 and May et al, 1995). As a result, although the income of the pensioner increases total household income, by attracting additional members to the household, the per capita income declines.

10 Poverty and Human Development

10.1 Education

The chart below shows the relationship between education and poverty. It is clear that there is a very strong correlation between educational attainment and standard of living.

Figure 9: Poverty rate by educational attainment of household head

Priority ranking exercises in many of the communities that participated in the studies for the SA-PPA consistently listed education as a priority area for improved access for the poor. There were two dimensions to this - access to basic schooling for children, and skills training for adults which would improve their access to opportunities for employment and income generation. One study did find scepticism over the value of education, and then only in two areas:

“Of critical importance is the perception among many Kwa-Jobe residents that those who attend school and do not, as a result, become herders, are among the poorest in the area... There is a feeling among many youth in areas like Klipfontein that schooling does not help them, but in other areas like Northern Province, significant infusions of resources for education have been part of household expenditures for decades.” (Breslin and Delius, 1995).

This illustrates that education is also judged by the poor in terms of its relevance as well as by issues of access and quality, and that relevance is seen primarily in terms of the likelihood of eventual access to employment.

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42 PSLSD (1994).
Specific problems over access to education identified by the SA-PPA can be grouped into the following broad areas:

- **The costs of education** whereby the amount and timing of school fees can be a significant barrier to accessing education.

  *Lack of physical access* to schools is also still a significant barrier for many poor children.

- **Poor planning and resources** of schools in some areas, especially those located on farms.

- **Factors linked to gender** such as teenage pregnancy are a major issue for girls’ access to education (SA-PPA, 1997:56).

The principal asset of the poor is labour time, and education increases the productivity of this asset. At the individual level, a better education offers the possibility of a better income. At the aggregate level, a better-educated population leads to higher economic growth.

### 10.2 Health

The SA-PPA provides numerous illustrations of the relationship between ill health and poverty. Discussing her life history between 1984 and 1995, a women participant reported that during this period her brother-in-law died from an asthma attack, her sister-in-law died during an operation, her mother-in-law died of a stroke, her fourth child “...grew with difficulty - there was no milk”, her husband was killed by gangsters and her father died (SA-PPA, 1997:49). The physically strenuous nature of the casual labour undertaken by the poor, and the importance of health is described by Murphy (1995) who quotes a 61 year old women: “...with money, I can stop doing the cheap labour because I do not have the strength”.

Differences in health status are difficult to measure without a physical examination. Reliance on a respondent’s own perception of his or her health status often leads to biases since better educated individuals are typically more concerned about their health status and report being sick even if they suffer from comparatively minor ailments. In contrast, health awareness among poorer groups is often lower and leads to a lower reported incidence of ill health, despite objectively worse health indicators.

This problem was encountered in the PSLSD survey, which found that the wealthier reported a higher prevalence of ill health than the poor. Despite this, the nature of the health problems listed gave some clue towards the true state of health among the poor (Klasen, 1996). The health problems listed in Table 9 are all related to poverty and demonstrate the higher prevalence of diseases of poverty among lower income groups, including tuberculosis, diarrhoea, and fever. In addition, the much higher rates of mental disability among the poor are an indication of poor mental health facilities as well as the likely influence of violence and trauma on many poor people.
Table 9: Poverty Profile of Illness(%)\textsuperscript{43}

<table>
<thead>
<tr>
<th>Illness</th>
<th>Ultra-Poor</th>
<th>Poor</th>
<th>Non-poor</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuberculosis</td>
<td>4.4</td>
<td>4.2</td>
<td>2.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Diarrhoea</td>
<td>11.5</td>
<td>8.2</td>
<td>4.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Fever</td>
<td>10.0</td>
<td>8.5</td>
<td>5.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Physical disability</td>
<td>5.2</td>
<td>4.5</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Mental disability</td>
<td>8.3</td>
<td>6.5</td>
<td>2.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

The PSLSD survey included a physical examination of the heights and weights of a sub-sample of children, which allows a more objective assessment of their health status. It shows that poor children suffer from much higher rates of chronic under nutrition (i.e. stunting). As can be seen from Figure 10, 38\% of ultra-poor children below the age of five have a height for age that is below 2 standard deviations of the reference standard.

Figure 10: Percentage of Stunted Children\textsuperscript{44}

The barriers that prevent the poor from having access to high-quality basic health services, however, are specific to particular social and environmental situations. Among the SA-PPA studies that dealt in detail with this issue the costs of transport and physical distance from health facilities, the hours of opening of health facilities and the lack of support from the formal health system for informal systems such as Village Health Workers were mentioned.\textsuperscript{45}

\textsuperscript{43} The percentage of individuals reporting an illness in the two weeks prior to survey who complained of a particular symptom.

\textsuperscript{44} PSLSD (1994).

10.3 Unemployment

Not surprisingly, poverty and unemployment are linked as is shown in Table 10.

Table 10: Unemployment rates* above and below the poverty line

<table>
<thead>
<tr>
<th>Group</th>
<th>Poor</th>
<th>Non-poor</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>56.9</td>
<td>19.5</td>
<td>35.6</td>
</tr>
<tr>
<td>Male</td>
<td>53.9</td>
<td>10.4</td>
<td>25.9</td>
</tr>
<tr>
<td>Rural</td>
<td>55.5</td>
<td>16.3</td>
<td>40.2</td>
</tr>
<tr>
<td>Urban</td>
<td>55.2</td>
<td>13.6</td>
<td>23.4</td>
</tr>
<tr>
<td>All</td>
<td>55.4</td>
<td>14.3</td>
<td>30.3</td>
</tr>
</tbody>
</table>

The unemployment rate among those from poor households is 55%, in comparison with a rate of 14% for those from non-poor households. In addition, labour force participation is lower in poor than non-poor households. Half of the working-age poor are outside of the labour market. As a result, the percentage of working age individuals from households below the poverty line that are actually working, is significantly lower than average. Only 22% of individuals aged 16-64 living in households classified as poor are employed, compared with 60% from non-poor households.

Figure 11 shows the differences between the sources of income for poor and non-poor households.

Figure 11: Sources of income among poor and non-poor households.

The figure shows that the poor are far more dependent on remittances made by household members who are employed in other parts of the country, as well as upon state transfers, than the non-poor. What cannot immediately be seen from the graph is that poor households typically rely on multiple sources of income. In the SA-PPA

---

46 The unemployment rate is calculated by dividing the number of people aged 16-64 who are not working but would like to work (and are either actively seeking work or are too discouraged to continue looking) by the number of people in the labour force. This definition includes many people involved in part-time micro-enterprise or survivalist activities (PSLSD, 1994).

47 Capital income refers to income from sources such as dividends, interest and imputed rent (PSLSD, 1994).
Murphy (1995) found that all of the extremely poor women in her study had two or more sources of income, and one woman had income coming from seven different sources. This reduces risk, as the household is less vulnerable if it should experience a sudden loss of income from a particular source.\(^{48}\)

The figure again highlights the importance of wage income. Poor households are characterised by a lack of wage income, either as a result of unemployment or of low-paid jobs. In rural areas in particular, jobs represent a poor and rather unstable source of income. Thus, while more jobs are important, so are better jobs for those that are already employed (Klasen, 1996).

The arduous work of the poor is well illustrated by the SA-PPA, and was often reported to lead to ill health. Life histories provided useful material and included injury from mining and farming work, ill health from factory work and from ‘cheap labour’ and even death from industrial accidents.

### 10.4 Access to services

Access to water, electricity and sanitation impact directly on quality of life. Access to clean water and sanitation has the most obvious and direct consumption benefits in reducing mortality and poor health and increasing the productive capacity of the poor. It can be seen from Table 11 that lack of access to basic services is closely related to poverty.

**Table 11: Access to basic services**

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage of households with access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ultra-poor households</td>
</tr>
<tr>
<td>Electricity</td>
<td>14.8</td>
</tr>
<tr>
<td>Flush or VIP toilet</td>
<td>11.1</td>
</tr>
<tr>
<td>Piped water</td>
<td>19.9</td>
</tr>
</tbody>
</table>

The burden of water provision falls particularly hard on women and although “Men … did not usually have to concern themselves where water came from and few had to labour to obtain the water they used. Provision of water in the dwelling was generally the responsibility of women, and children instructed by women.” (Annecke, 1992)

### 10.5 Non-income measures of deprivation\(^{49}\)

Klasen (1996) has developed a deprivation measure based on a composite index of 12 household indicators that were thought to represent critical basic capabilities.\(^{50}\) Table 12 describes the indicators and the scores attached for each characteristic. The total deprivation index is a simple average of all individual scores.\(^{51}\)

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\(^{49}\) This section is based upon Klasen (1997).

\(^{50}\) Due to data limitations, all measures are applied at the household level and thus do not necessarily measure individual welfare within a given household adequately. At the same time, none of the measures include community characteristics that may have an impact on well-being and deprivation.

\(^{51}\) For each indicator, a score of 1 to 5 (with 1 being the lowest and 5 the highest) is given to each household depending on the characteristics of the household with respect to this indicator.
For the purposes of analysing poverty and deprivation, it may be most important to compare the most deprived groups as measured by income poverty and by the composite index, to see whether the income poverty measure and the composite index of deprivation yield similar results. Table 13 takes the 30% worst off as measured by income (the poorest quintile of households) and the composite deprivation index (scores up to 2.4) and compares their characteristics. While by definition, all of the income poor is drawn from the poorest quintile, about 35% of the most severely deprived are actually drawn from quintiles 2, 3, and even 4. This suggests that while the two measures concur in identifying about 8 million people as both severely poor and severely deprived, at the same time, about 3.7 million severely deprived people are apparently ‘missed’ by the income poverty measure, and vice versa.

The average income of the most deprived group is higher than that of people in the poorest quintile (R190 vs. R117), suggesting that their higher incomes are more than off-set by other deprivations. This is borne out by all the other indicators where the worst off in the deprivation measure do much worse than the people in the poorest quintile. A significantly larger number of people is drawn from households with no one in employment; more dependent on pensions and remittances; their housing and access to water, sanitation, and energy sources is significantly worse; a much higher rate of children are stunted and the average education levels are much worse; finally, they are considerably more dissatisfied than people in the poorest quintile.

When it comes to race and location of the most deprived group, there are also considerable differences between the two indicators. While both indicators put over half of the worst-off people in Eastern Cape and Northern Province, the deprivation index finds that KwaZulu-Natal is home to about 24% of the most severely deprived, as opposed to ‘only’ 14.5% in the poorest quintile. Conversely, the deprivation index has much lower shares for all other provinces. The reason for the much higher share of KwaZulu-Natal in the deprivation index than in the poorest income quintile is mostly due to the much worse levels of housing and services (water, sanitation, and energy sources) available in the rural areas. The prevailing incomes and employment levels, however, are slightly better than in the rural areas of other provinces. Finally, the deprivation index suggests that virtually 100% of the most severely deprived are Africans, while the income poverty measures finds 3% coloureds among the worst off.
<table>
<thead>
<tr>
<th>Component</th>
<th>Description of indicator used</th>
<th>Score (1 signifying most deprived, 5 least)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td>Average years of schooling of all adult (16+) household members</td>
<td>1 &lt;2 3-5 6-9 10-11 12+</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>Expenditure quintiles (as used throughout section)</td>
<td>Poorest quintile Quintile 2 Quintile 3 Quintile 4 Richest quintile</td>
</tr>
<tr>
<td><strong>Wealth</strong></td>
<td>Number of household durables (appliances, vehicles, phone, etc.)</td>
<td>0-1 2-4 5-7 8-10 11+</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Housing characteristic</td>
<td>Shack Traditional dwelling, hostel, outbuilding Combination of buildings Flat, maisonette House</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>Type of water access</td>
<td>River/Stream, Dam, Standing Water Rainwater, protected spring, well, borehole Public standpipe, water tanker/carrier Piped water on premise Piped water inside house</td>
</tr>
<tr>
<td><strong>Sanitation</strong></td>
<td>Type of sanitation facilities</td>
<td>No toilet Bucket Latrine Imp. latrine, chem. toilet, flush toilet outside Flush toilet inside</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>Main source of energy for cooking</td>
<td>Wood Dung Paraffin, coal Gas from bottle, dry battery Electricity from grid, town gas</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>Share of adult members of households employed</td>
<td>0-19% 20-39% 40-59% 60-79% 80-100%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>Type of transport used to get to work</td>
<td>Walk Bicycle Bus, train, taxis Car</td>
</tr>
<tr>
<td><strong>Nutrition</strong></td>
<td>Share of children stunted in household*</td>
<td>80-100% 61-80% 40-59% 20-39% 0-19%</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td>Use of health facilities during last illness*</td>
<td>None Family, friend, traditional healer Clinic, public hospital, shop Pharmacy, visit by PHC nurse Private doctor</td>
</tr>
<tr>
<td><strong>Perceived Well-being</strong></td>
<td>Level of satisfaction of household</td>
<td>Very Dissatisfied Dissatisfied Neither/Nor Satisfied Very Satisfied</td>
</tr>
</tbody>
</table>

*Only applies to households that have children under six or have used health services in previous two weeks, respectively.*
Table 13: Comparison of Alternative Poverty Profiles

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Income Poverty (Poorest Quintile)</th>
<th>Deprivation Index (up to 2,4 average score)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1, Expenditure, employment, and income sources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average monthly adult equivalent expenditure (R.)</td>
<td>117,3</td>
<td>190,9</td>
</tr>
<tr>
<td>% in poorest expenditure quintile</td>
<td>100,0</td>
<td>65,1</td>
</tr>
<tr>
<td>% in quintile 2</td>
<td>0</td>
<td>26,4</td>
</tr>
<tr>
<td>% in quintile 3 or above</td>
<td>0</td>
<td>8,5</td>
</tr>
<tr>
<td>% of people with no one in household employed</td>
<td>49,0</td>
<td>58,6</td>
</tr>
<tr>
<td>% of income from pensions and remittances</td>
<td>47,1</td>
<td>54,6</td>
</tr>
<tr>
<td><strong>2, Housing and Access to Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% living in shacks or traditional dwellings</td>
<td>54,0</td>
<td>73,9</td>
</tr>
<tr>
<td>% without piped water to household</td>
<td>81,2</td>
<td>95,4</td>
</tr>
<tr>
<td>% without modern sanitation</td>
<td>88,6</td>
<td>98,4</td>
</tr>
<tr>
<td>% using wood as main source of fuel for cooking</td>
<td>63,6</td>
<td>79,7</td>
</tr>
<tr>
<td><strong>3, Education, health, and satisfaction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with less than two years of average education per adult</td>
<td>23,6</td>
<td>30,1</td>
</tr>
<tr>
<td>% with less than five years of average education</td>
<td>80,6</td>
<td>86,1</td>
</tr>
<tr>
<td>% of households with all children stunted</td>
<td>16,8</td>
<td>24,5</td>
</tr>
<tr>
<td>% dissatisfied or very dissatisfied</td>
<td>73,0</td>
<td>80,2</td>
</tr>
<tr>
<td><strong>4, Race and location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% living in rural areas</td>
<td>80,7</td>
<td>90,1</td>
</tr>
<tr>
<td>% living in metropolitan areas</td>
<td>5,3</td>
<td>2,6</td>
</tr>
<tr>
<td>% living in Eastern Cape and Northern Province</td>
<td>52,0</td>
<td>52,4</td>
</tr>
<tr>
<td>% living in KwaZulu-Natal</td>
<td>14,5</td>
<td>23,6</td>
</tr>
<tr>
<td>% living in North-West, Free State, and Mpuimalanga</td>
<td>27,0</td>
<td>20,5</td>
</tr>
<tr>
<td>% living in Gauteng, Western Cape, and Northern Cape</td>
<td>6,6</td>
<td>3,3</td>
</tr>
<tr>
<td>% African</td>
<td>97,1</td>
<td>99,3</td>
</tr>
<tr>
<td>% Coloured</td>
<td>2,9</td>
<td>0,7</td>
</tr>
</tbody>
</table>


While corresponding relatively closely, there are significant differences between the two methods of identifying the most deprived groups. The income poverty measure seems to miss groups of people who have slightly higher incomes, but are deprived in multiple other ways. About 90% of the group ‘missed’ by the income poverty indicator are Africans from rural areas, drawn to a large extent from KwaZulu-Natal (41% or 1.5 million of the about 3.7 million ‘missed’). This suggests that Africans in rural areas, particularly in KwaZulu-Natal, are more deprived on a broader scale than their expenditure levels would suggest.

The considerable difference in income-based and broader measures of deprivation indicates the need to examine broader measures of deprivation for policy and targeting purposes. In household surveys such as the PSLSD, the OHS and the Income and Expenditure Survey, the data for such broader measures is readily available and can be used to develop such broader indicators of well-being and deprivation.
11 The Experience of Poverty

Statistics such as those given above say little about the actual experience of poverty. The experiences documented in the various SA-PPA reports provide a very clear image of what results from extreme poverty. Generally, the picture that emerges from almost all of the studies comprises continuous ill health, arduous and often hazardous work for virtually no income, no power to influence change, and high levels of anxiety and stress.

11.1 Experience of Poverty

The absence of power is almost a defining characteristic of the poor. Clearly, powerlessness is linked to gendered power relations within the household: “My husband is demanding money. I have no choice, I must give him. I am alone. No-one is helping me” and within community leadership:

“In our culture, women tend to feel very small. Men have always been the leaders, their voice is final.”

“Another thing that makes me very unhappy. Everybody is allowed to voice their opinion. In many cases, I’m cut off while I am voicing my opinion.”


Finally, the constant emotional stress of being poor and of the struggle for survival is revealed in many of the studies. This is most extreme in the case of street children. Here, analysis of self-portraits drawn by the children indicates stress, anxiety, emotional regression and the lack of a real connectedness with the world.(Bedford, 1995:20). Violence and sexual abuse is also a part of the lives of these children, as is graphically depicted in the drawings produced by them.

Violence and sexual abuse is by no means confined to the extreme example of street children. The case studies documented by Black Sash describe the rape of teenage girls, women being afraid to press child maintenance claims on the fathers of children for fear of being beaten and an argument between a drunken couple leading to the women being stabbed and, as a result, crippled. For two of the women interviewed by Murphy, violence had had a profound impact on the lives of the poor. The husband of one had been murdered ‘by gangsters’ in Durban leaving her little option other than limited farming and the support of her father from his pension. In the case of the other, political violence had resulted in her house being burnt, the family dispersed between relatives, and to the family having to relocate in a new area.

Amongst other reactions, the emotional stress produced by the struggle, uncertainty and extreme living conditions can be linked to the resignation that little will change. This is well summed up by the following:

“Since birth I have had a difficult life. Things did not improve after my marriage. Through my experience, I have got used to the difficulties.”

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52 This section is based on SA-PPA (1997).
In urban areas, poverty produces other forms of reaction:

“I am so behind with my rent (service charges) that I can’t even sleep at night” (Black Sash, 1995:38).

For street children, sniffing glue is not a problem. Rather sniffing glue relieves the pain of cold and hunger. Taking alcohol or marijuana relieves boredom and enables the child to become part of a supportive group. (Bedford, 1995:44).

The link between stress, the responses to stress and health show the inter-related nature of the causes of extreme poverty and how poverty is experienced.

In Chapter One, the participants in the SA-PPA characterised poverty as including food insecurity, crowded homes, the usage of basic forms of energy, lack of adequately paid, secure jobs and fragmentation of the family. Using the poverty lines development in this section, Table 14, traces the experience of those below different poverty lines. The richest 10% of households are included for comparison.

### Table 14: Comparison of Selected Indicators for Different Poverty Lines

<table>
<thead>
<tr>
<th>Indicator</th>
<th>$US a Day</th>
<th>Bottom 20%</th>
<th>Bottom 40%</th>
<th>Top 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food as a % of household expenditure</td>
<td>58,0</td>
<td>59,2</td>
<td>57,6</td>
<td>14,9</td>
</tr>
<tr>
<td></td>
<td>(59,8)</td>
<td>(60,1)</td>
<td>(58,4)</td>
<td>(16,2)</td>
</tr>
<tr>
<td>Energy, water &amp; rates as % of household expenditure</td>
<td>16,3</td>
<td>11,0</td>
<td>12,6</td>
<td>6,3</td>
</tr>
<tr>
<td></td>
<td>(14,0)</td>
<td>(9,0)</td>
<td>(10,4)</td>
<td>(6,0)</td>
</tr>
<tr>
<td>Education spending as % of household expenditure</td>
<td>3</td>
<td>2,9</td>
<td>3,1</td>
<td>7,6</td>
</tr>
<tr>
<td></td>
<td>(1,9)</td>
<td>(1,8)</td>
<td>(1,9)</td>
<td>(4,5)</td>
</tr>
<tr>
<td>Monthly food expenditure per adult equivalent</td>
<td>R40,52</td>
<td>R69,75</td>
<td>R99,81</td>
<td>R436,88</td>
</tr>
<tr>
<td></td>
<td>(R40,21)</td>
<td>(R68,78)</td>
<td>(R95,75)</td>
<td>(384,00)</td>
</tr>
<tr>
<td>Economic dependency ratio</td>
<td>5,8</td>
<td>5,3</td>
<td>4,8</td>
<td>1,8</td>
</tr>
<tr>
<td></td>
<td>(5,3)</td>
<td>(4,8)</td>
<td>(1,8)</td>
<td></td>
</tr>
<tr>
<td>% of household members 15-64 formally employed</td>
<td>20,3</td>
<td>23,9</td>
<td>28,7</td>
<td>80,5</td>
</tr>
<tr>
<td></td>
<td>20,3</td>
<td>23,9</td>
<td>28,7</td>
<td>80,5</td>
</tr>
<tr>
<td>Average no. of under 16’s in household</td>
<td>2,7</td>
<td>2,4</td>
<td>2,2</td>
<td>0,6</td>
</tr>
<tr>
<td></td>
<td>(2,7)</td>
<td>(2,4)</td>
<td>(2,2)</td>
<td>(0,6)</td>
</tr>
<tr>
<td>% of 6 year olds enrolled in school</td>
<td>57</td>
<td>67</td>
<td>70</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>(57)</td>
<td>(67)</td>
<td>(70)</td>
<td>(66)</td>
</tr>
<tr>
<td>% of 13 year olds in std. 6 or higher</td>
<td>11,8</td>
<td>24,2</td>
<td>28,4</td>
<td>62,0</td>
</tr>
<tr>
<td></td>
<td>(11,8)</td>
<td>(24,2)</td>
<td>(28,4)</td>
<td>(62,0)</td>
</tr>
<tr>
<td>Av. of people per room</td>
<td>2,8</td>
<td>2,4</td>
<td>2,0</td>
<td>0,5</td>
</tr>
<tr>
<td></td>
<td>(2,8)</td>
<td>(2,4)</td>
<td>(2,0)</td>
<td>(0,5)</td>
</tr>
<tr>
<td>% of hhds using paraffin as energy source for cooking</td>
<td>25,0</td>
<td>24,2</td>
<td>28,2</td>
<td>11,6</td>
</tr>
<tr>
<td></td>
<td>(25,0)</td>
<td>(24,2)</td>
<td>(28,2)</td>
<td>(11,6)</td>
</tr>
</tbody>
</table>

Source: PLSDS (1993)

53 This analysis can also serve as a sensitivity test for the different poverty lines.
54 The figure in parentheses represents the median.
55 Only for those households making such expenditure.
56 No. of persons supported by each worker. Excludes households with no workers.
57 Some caution may be needed in interpreting this result as the time of year when the survey might matter. i.e. Some children in std. 5 may have just turned 13.
While the differences between the households below the different poverty lines are marginal, the comparison with the wealthiest households is striking. The poor allocate almost 60% of their total to food, compared to only 16% in the case of the wealthiest 10% of households. This amounts to only R40 per month in the case of those spending less than $1 per day, and less than R99 per month for 40% of South African households. In contrast, the wealthy spend R440 per month. Expenditure on energy accounts for an addition 16% of household expenditure for the most poor, compared to 6% in the case of the wealthy.

There are many reasons for these differences, but the table suggests two. In the poorest households only 20% of adults in the economically active age group are formally employed, and each worker supports over five people. In the richest households, 80% of those in the economically active age group are employed, and each worker supports less than 2 people. In addition, poor households have more than 2 household members who are children, whereas only every second wealthy household contains children. Not surprising, almost 3 people share a room in poor households compared to 2 rooms being available per person in rich households.

In terms of education, while children in poor households are enrolled in school, and appear to stay in school until after 16 years, only 12% of children aged 13 appear to be in the correct standard or higher, compared to 62% of the children from wealthy families. Finally, over one quarter of poor household use paraffin as their main source of energy compared to 10% of wealthy households.

11.2 Time Poverty

Time is one of the most important costs associated with many of the livelihoods plans constructed by the poor. The SA-PPA highlighted the amount of time which women spend in unpaid labour. Women are often singly responsible for child-care, cleaning the house, fetching and heating water, washing and ironing, shopping, collecting firewood, cooking and washing dishes as well as for many tasks associated with agricultural production. Nduli (1995:45) notes that 80% of the time spent on water collection was carried out by women, as was 80% of the time spent on cooking, all of the time on weeding and 70% of the time spent on the collection of wood. The Operation Hunger study suggests that the length of the working day of women may be up to 25% longer than those of men and women have been found to work a 10 hour day (Chopra and Ross, 1995).

As an example, the following day is typical for many of the women encountered:

“I get up at four in the morning and go down to the river to fetch the water. This can take up to two hours as the river is usually dry and I have to dig to get clean water and it takes long to fill my container (a twenty litre container).

I return to clean the baby and heat the water for the gogo (grandmother) to wash with. I then prepare some food for the family - this is usually porridge and tea. I then go to the fields to water my crops and dig up any weeds. This usually takes until the afternoon but it might be later during the rainy season.
When a lot of digging and planting is required and in the late summer when we harvest the mielies.

When I return I start cooking the evening meal. We cook with an open fire and I collect the wood from the forest at the weekends. After cooking and feeding the baby I wash and clean and then go to sleep about six; but this can be later in the summer when we are busier.” (Chopra and Ross, 1995)

When asked how she would spend an extra two hours if they were given to her, this woman immediately replied that she would spend it growing more vegetables.

### 11.3 Seasonality

Seasonal stress is an important dimension of poverty and inequality and has long been recognised as a feature of the livelihoods of the rural poor in many contexts. An assumption has prevailed in South Africa, however, that due to the relatively smaller statistical importance of own account agriculture, even for the rural poor, this would be less the case. The SA-PPA, however, suggests that seasonality is a major issue for the rural poor in all areas where studies were carried out.

As an example, poor women in KwaZulu-Natal indicated that the months when they ‘struggled the most’ were September, October, August and July (in that order). The components of this recurring crisis were lack of home produced food, especially maize, which is exhausted in this season, combined with low levels of income from casual work, and high levels of expenditure required for buying seeds, fertiliser and obtaining tractor ploughing services. This means that cash resources have to be split between the purchase of food, and investment into the forthcoming season. There is also a minor crisis at the beginning of the year, in January/February when school fees are due, and income is low. In the Northern Province, a similar cycle was reported with the ‘lean season’ in the winter months and malnutrition rising to a peak in July and August.

Seasonality goes beyond the availability of food and peaks in expenditure. Ill health also follows a seasonal pattern, as does workload. Seasonal patterns in labour demands need also to be recognised, as these often occur at the same time as income needs are greatest, and resources are least available. There are other periods of seasonal stress which are largely determined by the nature of local economic activity. This varies by area and settlement type. Urban areas also experience seasonality in terms of climate (high energy requirements in winter), income earning opportunities (the holiday season) and opportunities for urban agriculture.

### 11.4 Poverty Traps

Recent quantitative research in South Africa has explored the factors which lead to a persistence of poverty (May et al., 1995). In essence, this research concluded that the lack of access by poor households to complementary assets and services resulted in ‘poverty of opportunity’, whereby individuals were unable to take full advantage of the few assets that they did have access to.

The cheap labour system upon which South African capitalism relied appears to be an important factor that resulted in entrapping mechanisms. This system relied upon the
existence of a rural population unable to produce sufficient for its needs and therefore bound to a migrant labour system, but still tied to the land. In this way, the rural areas supplemented the low wages paid to urban workers by providing residence, services and some income for their families. With the dramatic contraction of the South African economy and the erosion of the rural economic base through population expansion, the absence of infrastructure, and outright dispossession such as resulted from Betterment Planning, households previously dependent upon a cash income now find themselves with neither the income, nor the assets from which to generate an adequate income themselves.

This lack of money was given, by many participants in the SA-PPA, as being the reason why people could not perform other income earning activities. This included being unable to plough or purchase fertiliser, send children to school, participate in stokvels and other associations and run informal businesses (SA-PPA, 1997:12).

In addition, May et al (1995) argue that rural households in South Africa have to deal with highly distorted markets and face considerable barriers in terms of accessing these markets. Thus the majority of work seekers find themselves in a segmented labour market, in which pre-market selection means that they are confined to a secondary labour market in which wages are low, and employment is insecure. Likewise, in financial markets, the lack of a financial market geared towards small or micro borrowers and savers has meant that appropriate institutions are wholly lacking in poor communities beyond informal systems. In terms of commodity markets at which home produced goods could be sold, the monetised economy of South Africa has meant that poor communities have become dependent upon the large scale formal cash economy. Few marketing opportunities now exist in the former bantustans and most requirements have become commoditised and are purchased from chain stores.

12 CONCLUSION

Despite the obviously large numbers of people living in such circumstances in rural South Africa, the best method of objectively measuring the extent of poverty has been the subject of some debate amongst poverty researchers in the past. What has emerged from recent quantitative research is a broad agreement that some 40% to 50% of people in South Africa can be categorised as being poor, whatever the measure that is employed. In terms of indicators of human development, the high level of inequality in South Africa results in a highly differentiated experience of poverty. Thus, while urban whites living in the Western Cape enjoy a standard of living comparable to the most developed countries, rural Africans living in the Northern Province endure a standard of living common in countries that are far less developed or well resourced than South Africa. Significant differences also emerge in terms of gender. Women are more vulnerable to being poor, and carry the burden of unpaid reproductive tasks.

The experience of poverty is multi-dimensional and, moreover, the different dimensions reinforce a vicious circle of arduous low paid work, ill health and constrained options. This has a seasonal dimension that varies from area to area. In addition, the specific history of South Africa appears to have set in motion forces that potentially trap individuals, households and groups in poverty. These forces include skewed access to resources, institutional failure and the operation of markets.
CHAPTER THREE
MACROECONOMIC CONTEXT

The RDP is, therefore, committed to a programme of restructuring public expenditure to finance the democratic government's contribution to the RDP. Given the fiscal malaise left by apartheid, careful programmes must be developed around financing increased capital expenditure, increasing the efficiency of consumption expenditure and improving the revenue-recovery capacities of the government. (RDP: A Policy Framework, 1994)

13 INTRODUCTION

The macroeconomic context provides insights into the study of poverty and inequality. Through macroeconomic policy, governments can create an environment for economic growth and the reduction of poverty and inequality. Economic growth is crucial for the reduction of poverty and can contribute to inequality reduction, while widespread poverty and significant inequalities can undermine economic growth. Policies aimed at achieving higher growth rates and those aimed at reducing poverty and inequality can therefore reinforce each other.

This chapter starts by describing the structure and past performance of the South African economy, and how this has impacted on the current levels and patterns of poverty and inequality. Furthermore, it examines Government's current macroeconomic framework with respect to its potential to contribute to the reduction of poverty and inequality. This entails an analysis of the Growth, Employment and Redistribution Strategy (GEAR) and a review of public expenditures in the post 1994 period. The analysis of the GEAR is based on the public documents available and not an examination of the model itself.

14 PAST PERFORMANCE OF THE SOUTH AFRICAN ECONOMY

14.1 The Elements of Economic Crisis

Since the mid-1960's the South African economy has suffered a prolonged deterioration in real growth, domestic savings, employment creation and, as a result, the distribution of income earning opportunities. During the 1960's the economy grew at some 6 % per annum, and total employment by nearly 3% - in line with population growth. By the late 1980's the real economy was shrinking, as was formal sector employment. Since population growth continued at around 2% per annum during this period, real per capita incomes were declining throughout much of the late 1980's. Figure 12 shows the trend decline in GDP and the even sharper decline in employment creation, despite the relatively high level of population growth.
The combined outcome of these trends has been an economy with very high income inequality, widespread poverty, and high levels of unemployment. There is a strong correlation between poverty and unemployment. Table 15 shows how almost 30% of the labour force were unemployment in 1994\textsuperscript{58}, and as the analysis in Chapter 2 has shown, unemployment is highly correlated with poverty and is particularly severe among the African population.

Table 15: Income Levels and Unemployment\textsuperscript{59}

<table>
<thead>
<tr>
<th>Race</th>
<th>Quintile 1 Ultra-poor</th>
<th>Quintile 2</th>
<th>Quintile 3</th>
<th>Quintile 4</th>
<th>Quintile 5 Richest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>54,3</td>
<td>44,2</td>
<td>32,0</td>
<td>19,7</td>
<td>13,1</td>
<td>38,3</td>
</tr>
<tr>
<td>Coloured</td>
<td>34,3</td>
<td>32,5</td>
<td>21,2</td>
<td>14,5</td>
<td>6,8</td>
<td>20,8</td>
</tr>
<tr>
<td>Indian\textsuperscript{60}</td>
<td>***</td>
<td>***</td>
<td>23,3</td>
<td>12,6</td>
<td>3,7</td>
<td>11,3</td>
</tr>
<tr>
<td>White</td>
<td>***</td>
<td>***</td>
<td>25,8</td>
<td>9,4</td>
<td>2,8</td>
<td>4,3</td>
</tr>
<tr>
<td>Total</td>
<td>53,4</td>
<td>43,3</td>
<td>30,4</td>
<td>17,1</td>
<td>4,4</td>
<td>29,9</td>
</tr>
</tbody>
</table>

\textsuperscript{58} The unemployment rate is calculated by dividing the number of people of aged 16-64 who are not working but would be willing to work (and are either actively seeking work or have given up looking) by the number of people in the labour force (defined as those currently employed plus those not working who would like to work).


\textsuperscript{60} Since very few Indians and whites live in the poorest 20% of all households, there are too few observations in these cells to calculate reliable rates.
With the election of the new democratic government in South Africa, it was generally recognised that a sustained improvement in the country’s macroeconomic performance would be an essential pre-requisite to a successful socio-economic transition. The poor macroeconomic performance of the economy since the mid-1970’s greatly contributed towards widespread poverty, unemployment and declining *per capita* incomes. Without rising real output *per capita*, little progress in the reduction of poverty is likely. This could exacerbate social conflict, which in turn could further undermine growth. Rebuilding and strengthening the economy is thus one of the key foundations of the Government's Reconstruction and Development Programme. Central to the Government's commitment to rebuild the economy has been an understanding of what lies behind the long-term decline in the growth rate and the even steeper decline in job creation.

14.2 Constraints to Growth
The decline in the real growth rate can be traced to several basic problems:

- a decline in the level of investment and in the efficiency of investment;
- private and public sector dis-saving;
- structural weaknesses in the balance of payments;
- declining utilisation of human resources and slow growth in human resource development.

These are discussed in turn.

14.2.1 Falling Investment
Fast growing economies require high levels of investment. Most economies that have achieved levels of growth in excess of 3% over sustained periods have had investment levels in excess of 20% of GDP.

Total investment in South Africa grew steadily from the immediate post-war period until the late 1970’s. Total investment rose from 19% in 1960 to almost 28% in 1980, before falling to a low of 17% in 1993 and recovering somewhat to 20% in 1996. If South Africa is to significantly reduce the level of unemployment, economic growth must be increased to around 6%. To achieve such growth rates, the level of investment needs to be above 25% of GDP.

Much of the investment decline after 1980 is attributable to a dramatic fall in public investment, which by international standards, was quite high. Between 1980 and 1990, public investment fell from 12-13% of GDP to less than 6%. Over the same period private sector investment declined from 16% to 13% of GDP.

The level of private investment in South Africa has, on the whole, been inadequate. Private sector investment reached 16% of GDP in 1982 before falling back to around 11% in 1986. Capital outflows and ongoing uncertainty over political developments has undermined the level of private investment. Since the new Government assumed office, private sector investment has increased from around 12% to 15% of GDP.
14.2.2 Declining efficiency of investment

During the 1970's the level of investment in South Africa was as high or higher than other middle-income countries, and at the time was comparable to many of the Asian economies. High levels of investment in South Africa were, however, not translated into higher growth. Instead South Africa witnessed a very sharp increase in the capital output ratio (the volume of capital required to produce a given level of output) as is shown in Figure 14.

The high share of public sector investment in total investment contrasts with the Asian economies. Large public sector investment programmes added to the capital stock but had a declining impact on output growth. Public investments were mainly done in highly capital intensive industries, and thus contributed little to employment growth. Similar patterns were observed within the private sector, in part in response to trade and industrial policies. A range of subsidies and tax incentives were provided to capital intensive activities in the private sector.
Given that foreign investment will only ever account for a small proportion of total investment, growth as a whole will depend on the level of domestic savings. If rapid employment growth is to occur, the urgent policy priority is to ensure that the limited supply of domestic savings is channelled into those sectors with lower capital-output ratios and higher labour-output ratios.

14.2.3 Savings behaviour

Given that foreign investment can only account for a small proportion of total investment, growth as a whole will depend on the level of national savings. In South Africa, the savings-investment balance has been adversely affected since the 1980's, when the level of savings available to finance investment declined dramatically.

Having risen from 22% of GDP during the 1960's to above 25% during the 1970's, gross domestic saving reaching over 30% during the boom years of 1979 and 1980. It has declined dramatically since then. By 1990 gross domestic savings had fallen to 19.5% of GDP and by 1996 it reached only 16.5% of GDP. The most significant change has been the decline in Government savings. In 1960 Government saving amounted to 6.5% of GDP. By 1970 it had fallen slightly to 6.1% where it remained until 1980. Between 1980 and 1990 government saving declined from over 6% to 1.2% of GDP, while during the 1990's, government has been dis-saving by between 3 and 5% of GDP per year.

Private savings have been more stable. Total private savings rose from an average of 16% in 1960, to over 25% by the late 1970's. They have declined gradually since then and stood at 19.2% in 1996. Total fixed investment has also suffered as a result of the decline in the availability of foreign savings. Between 1985 and 1994, capital left the country, with net capital outflows to the rest of the world ranged from 2% to 4% of GDP.
Increasing growth in South Africa will thus require a recovery of investment and savings. This is one of the major challenges that Government faces in the conduct of macroeconomic policy.

**14.2.4 Balance of payments**

Until the mid 1950's South African trade and industrial policy was based on the typical mix of import substitution and commodity exports. Success of an import substitution-led strategy depended on the size of domestic markets and required high tariff barriers, and was typically constrained by the extent of domestic demand and the eventual end to easy opportunities for import replacement. As the importance of mining in the economy began to decline, it became increasingly apparent that many years of import substitution had not prevented the development of sizeable deficits on the current account during periods of domestic expansion.

In the period from 1960 to 1985 South Africa experienced periodic deficits on the current account. These were, on the whole, manageable due to the availability of foreign financing and the pursuit of domestic policies designed to constrain demand. After 1985, however, South Africa was cut off from foreign financing and had to run a surplus on the current account of the balance of payments, which in turn necessitated contractionary policies on the part of the authorities. Since the normalisation of international relations in 1994, the current account has tended to move into deficit under relatively moderate growth conditions. During 1995 the economy grew by 3.4% and developed a current account deficit of 2.1%. High real interest rates enabled the country to finance the deficit that developed, but also constrained investment, and therefore reduced growth. A stronger export growth performance is therefore required if the balance of payments is not to become the critical constraint on the rate of growth.
14.2.5 Declining employment creation

Reversing the decline in the number of jobs created and improving the level of human resource development is central to meeting the development challenge in South Africa. The severity of poverty and inequality is closely linked to the high level of unemployment. The under-investment in human resources limits the opportunities available to many of the unemployed within the labour market. The problem with the South African economy is not only that investment has fallen as a proportion of GDP, but that the number of jobs created per Rand of investment has also fallen dramatically. There is also evidence to suggest that despite the high levels of unemployment, the economy is constrained by the limited supply of skilled labour given the capital structure, and by limited flexibility in wages.

There are several theories to explain the steady rise in the level of unemployment during the 1980's and into the 1990's. Given the close correlation between employment creation and growth, declining growth due to declining levels of investment partly explains the decline in employment growth.

Factor price changes may also explain the decline in demand for unskilled labour. Policies that have reduced the cost of capital and increased the cost of labour may have resulted in a downward shift in the demand for labour. Moreover, policies that increased the capital intensity of production will have increased the demand for skilled rather than unskilled labour at a time when the racial segmentation of the labour force and under-investment in education limited the attainment of improved education amongst large sections of the population.

The demand for unskilled labour may also have declined in response to the rising cost of unskilled labour. Between 1980 and 1994 the wages of unskilled formal sector workers increased substantially, despite the growing numbers of unemployed. It is not clear how real wage gains were sustained in the face of high levels of unemployment. In the absence of other rigidities, competition for jobs could be expected to have resulted in higher employment at lower wage rates, rather than massive unemployment and rising wages for the few fortunate enough to find a job in the formal sector. The combination of rising levels of unionisation and labour market regulation may have created barriers to entry into formal sector employment, and/or conditions in which real wages have risen faster than productivity resulting in job-shedding.

Government policies of separate development may have created additional barriers to participating in the labour market. Apartheid spatial development strategies, which forced large sections of the population to live in remote areas, substantially increased the cost of job seeking, and thus the number of ‘geographically’ discouraged workers.

Under-investment in education also contributes to the discouragement and exclusion of potential work-seekers. Basic literacy may act as an entry barrier to employment for many members of the labour force, given the sophistication of the capital stock.
15 THE MACROECONOMIC POLICY RESPONSE

By early 1996, it had become clear to many observers that without new macroeconomic initiatives from Government, sustainable economic growth greater than 3% per annum was unlikely to be achieved. With growth of 3% or less, critical economic objectives in areas such as poverty alleviation, income redistribution and employment creation would not be achieved. Low levels of growth would also constrain the level of public expenditure that could be afforded, thereby limiting Government’s ability to provide essential social services.

15.1 Growth, Employment and Redistribution Strategy

Faced with this outlook, and spurred on by a sharp depreciation in the currency, the government released the Growth, Employment and Redistribution Strategy (GEAR) in June 1996. While not embodying any major departure from earlier Government policy pronouncements, the GEAR reiterated government’s commitment to the existing policy framework and its continued application over the medium term. The GEAR also identified many of the structural weaknesses in the economy that inhibit growth and employment creation, and focused attention on market-based policy measures to address them. The GEAR clearly indicated government’s intention to alter the relative price of tradables and non-tradables to help increase the outward orientation of the economy, boost investment, and increase the demand for labour.

The strategy recognises that accelerated job creation is essential to achieving a sustained reduction in inequality, and that substantial job creation would require structural transformation to achieve higher and more labour-absorbing growth within the economy. GEAR then focuses its strategy for higher growth rates on several related elements, including:

- A reprioritisation of the budget towards social spending;
- an acceleration of the fiscal reform process;
- the gradual relaxation of exchange controls;
- the consolidation of trade and industrial reforms;
- expansionary public sector restructuring;
- structured flexibility with collective bargaining; and
- a social agreement to facilitate wage and price moderation.

The last six elements will be considered with respect to their impact on poverty and inequality. In the case of the reprioritisation of the budget, a public expenditure review has been undertaken and is discussed in Section 16.

15.2 Fiscal Policy

In an effort to improve the performance of the economy, Government has adopted a fiscal policy stance compatible with lower inflation and interest rates. The key elements of this policy are a reduction in government dis-saving, a revision of the tax structure to increase its efficiency, reprioritisation of the budget, and the restructuring
of state assets. The prominent role given to fiscal prudence within the GEAR signals its importance as an essential element of sound economic policy management, particularly given the impact of global conditions on national economies. Nonetheless, several issues need to be raised about the specific approach taken in the GEAR, given the prevailing patterns of poverty and inequality in South Africa.

15.2.1 Inflation
From the point of view of addressing poverty, experience shows that a low and stable level of inflation can help protect poor people against the erosion of their standard of living. However, the extent and duration of the economic contraction required to achieve this outcome must be considered as well, since this may generate costs that offset some of the anticipated gains from low inflation. The deficit targets set in the GEAR are aimed at maintaining inflation at single digit levels, which in turn call for fairly restrictive monetary and fiscal policies. It remains an open question whether pushing inflation so low produces substantial marginal benefits. For example, various studies have shown that when middle-income countries (such as South Africa) have moderate inflation (i.e., 10-20%), the fiscal and monetary policies necessary to lower inflation further can result in a contraction in both employment opportunities and real income in the short run (Fallon and de Silva et al, 1994; Griffin, 1996). A similar result has been found for the South African economy (Khan et al, 1992). This implies a potential trade-off between the GEAR objectives of low inflation and higher levels of employment and output.

The extent to which lower inflation benefits poor households depends on other factors as well. In particular, the impact of lower inflation on different households will depend on the commodity composition of its consumption. For example, lower inflation rates will benefit poor households relatively more if the decrease in the inflation rate is due primarily to lower price increases for basic goods which they consume, such as food.61 A 1996 CSS study on the impact of inflation on food spending among low income households, found that between 1990 and 1994 there was a general trend for food prices to increase more steeply over time than other prices. This result raises the possibility that, even if overall inflation decreases, the resulting pattern of commodity price changes would adversely affect the relative position of low-income households.

15.2.2 Savings and investment
In order for any economy to grow, it is essential for it to generate the savings required to support investment. The estimates made in the GEAR put this at approximately 25%. Thus, the focus on reducing government dis-saving makes sense given the important contribution of government saving to the overall domestic savings level. It is generally accepted that while foreign capital infusion can be helpful to growth, it is limited to a maximum sustained level of around 2-3% of GDP over the long run, so

61 According to the 1995 income and expenditure survey, households in the bottom quintile (earning R400 - R6,868 per annum) spend 51% of their income on food, followed by 43% for the second lowest quintile and 12% for the highest quintile.
ultimately it is the level of national savings that will determine the resources available. The crucial issue is therefore the extent of government saving required in the context of the multiple challenges of growth, poverty and inequality that South Africa faces.

The deficit levels that are appropriate for purposes of economic stability vary according to the circumstances of a country. The GEAR takes the view that maintaining the government deficit at 5% or above will crowd out private investment. Given the possible negative impact of a contractionary fiscal policy on poverty and inequality, it is important to note that there are differing points of view among economists on whether or not deficit spending leads to ‘crowding out’ or ‘crowding in’ of private investment. Some government investment expenditures may actually ‘crowd in’ private investment. For example, expenditure in rural and urban infrastructure and human resources development are likely to increase the amount and profitability of private investment opportunities, and lead to an increase in private savings and investment. Others believe that increasing government investments financed by larger deficits are offset by reduced private investment, because people realise that they will have to pay for the public sector deficits eventually. Under these circumstances, a higher government deficit to finance greater public investment will result in an offsetting decrease in private investment and no change in private savings behaviour. Available cross-country evidence suggests that ‘crowding out’ is the stronger effect, although there may be some special categories of public investment with significant ‘crowding in’.

To come to a conclusion one way or another, one would have to know how investment responds to interest rates and what the prevailing elasticity of money demand is under particular deficit conditions. Empirical evidence suggests that both investment and consumption respond negatively to increases in interest rates, although the elasticities are fairly low by international comparison.

The attribution of high interest rates to the level of government debt also bears examination against recent South African and international experience. Although the deficit has been reduced, real interest rates remain at historically high levels. South Africa's external debt is not very high by international standards, yet its real interest rates are among the highest in the world. Many other factors have been responsible for the high interest rates including:

- political uncertainty in the transition to a democratic South Africa;
- a credit boom that led the central bank to pursue a tight monetary policy; and,
- high domestic (as opposed to external) public debt levels fed by sizeable fiscal deficits.

Structural changes in credit demand necessitated higher interest rates than before to contain domestic credit. However, the level of government deficit still displayed an upward pressure on the interest rate.

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62 For example, see Griffin (1996).
Further reduction in deficits would, over time, lead to lower debt levels. This, together with lower interest rates, saves on government interest expenditures. These already take up over 20% of the budget, and are likely to rise further if efforts to curtail the deficit are not successful. Interest expenses crowd out other government expenditures, including social expenditures.

Budgetary compression is another worrying dimension. Such restraint may well constrain government in meeting the objectives of reducing poverty and inequality. Given the extent of poverty and inequality that exists, government has to undertake some measure of redistribution and reprioritise expenditure towards poor households (e.g. in education, health and sound welfare). The current fiscal stance will require, therefore, either squeezing more out of the ‘haves’ or giving less to the ‘have-nots’. Poor people are already marginalised in South Africa and have little capacity to persuade government to provide an adequate level of services. Examples of this are already evident in education, health and land reform where government has/is being forced to be more moderated in its redistributive approach. This not only puts the country at risk of social instability, it also has the potential to undermine economic growth.

15.3 Monetary and Exchange Rate Policy

The thrust of current monetary policy in South Africa is to gradually reduce exchange controls, to maintain low inflation rates, and to ensure that the real exchange rate is at a competitive level. The gradual reduction of exchange controls is designed to create a conducive environment for private sector investment and for fostering business confidence in the economy in general. The maintenance of a competitive real exchange rate is aimed primarily at making South African exports more attractive. Taken in combination, these objectives have the potential to contribute positively to the reduction of poverty and inequality, particularly if the firms that are able to take advantage of the export markets produce more labour-intensive products. They will also contribute to overall growth of the economy through a healthy balance of payments.

A tension exists between the above objectives and that of maintaining low inflation rates through the enforcement of high real interest rates. Several points need to be made regarding this policy and its impact on poverty. First, as acknowledged in the GEAR, persistent high real interest rates have a negative effect on growth in general (and employment expansion in particular), as well as on diverse goals such as development of the SMME sectors and encouragement of home ownership. Second, this approach requires careful co-ordination with the objectives of exchange rate policy, as higher interest rates can have the effect of strengthening the value of the currency. The cumulative effect of this trend could be to undermine export competitiveness. Finally, the focus on high interest rates as the main driver for reducing consumption often leads to the neglect of other ways of mobilising domestic resources.

The key issue is for government to evaluate, on an ongoing basis, issues of policy timing and flexibility regarding its macro stance, in order to facilitate both economic growth and the reduction of poverty and inequality. Ultimately, the key determinant
of investment and hence growth is the strength of effective demand within an economy. Thus, while acknowledging that it is to the long-term benefit of any economy to maintain business confidence, a sound balance of payments, appropriate deficit levels and so on, it must be recognised that if the policies used to achieve these goals prevent the emergence of strong effective demand, the country will not benefit as much from them.

15.4 Consolidation of Industrial Reforms

The trade and industrial reform strategy proposed in GEAR consists of elements designed to help South African industry become internationally competitive, encourage the development of small and medium firms, strengthen competition policy, and develop an industrial cluster programme.

For an international competitiveness strategy to benefit poor people, it should be carefully planned to ensure that “the structure of production is consistent with the country’s resource endowment and can benefit the poor in the long-run” (Khan, 1997). This requires an approach that encourages the use of labour-intensive technologies as well as taking the appropriate precautions to deal with the possibility of short-run adverse impacts of globalisation on poor people.

By its very nature, trade liberalisation involves industrial restructuring and resource reallocation, including labour. Firms will normally respond to increased competition from world markets or expanded export opportunities with a variety of changes: reorganising production processes through measures such as additional shifts or consolidation of production lines, investment in newer, higher productivity machinery, acquisition of new technology, and so forth. There is also some potential for trade liberalisation to have a negative impact among the poor, particularly if it leads to shedding of unskilled labour or adoption of practices that lower the social wage received by poorer households. As South African firms respond to the changed external environment, it will be important to monitor the impact to ensure that the poor do not bear an excessive share of the adjustment burden. The implication of this is that it is precisely in those industries where poor people are predominantly employed, that jobs are likely to be shed and/or conditions of employment to deteriorate.

One of the challenges facing South Africa as it enters the global arena is how to enhance its international competitiveness. The key elements of the competitive strategy are trade liberalisation, tax incentives (such as accelerated depreciation tax allowance and tax holidays), initiatives to attract foreign direct investment, and continuing relaxation of exchange controls. While the GEAR does recognise the importance of labour intensive technologies as part of South Africa's development strategy, reliance on policy instruments such as tax holidays runs the risk of undermining this objective. The tax incentives selected have been shown to encourage

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63 Such as reduced social benefits achieved by increased reliance on sub-contracting.
64 For example, see Leiva (1995) in the case of Chile.
capital intensive industries rather than labour intensive ones. If so, this would have negative implications for addressing poverty.

Clearly, given South Africa's previous isolation and the resulting distortions in the productive structure and processes, there are benefits to be derived from having a more open economy. This could come from an infusion of new technology, management skills and expertise, access to international sources of finance and global markets. The challenge facing South Africa is to develop a carefully structured international competitiveness strategy that has the maximum beneficial impact on poverty and inequality. Government needs to ensure that the structure of production that emerges from this process is consistent with the country's resource endowment and will benefit the poor in the long run. This requires, for example, encouraging the use of labour intensive technologies and taking appropriate action to deal with the adverse effects of globalisation on poor people (Khan, 1996).

15.5 Public Sector Restructuring

One aim of the current fiscal policy is to increase the efficiency of public spending through the restructuring of the public sector. The public sector restructuring programme includes mechanisms for transforming public corporations, the sale of non-strategic assets and the creation of public-private partnerships in transport, telecommunications, and other areas of service provision. The latter approach of using public partnership is being rapidly expanded to local government service delivery as well. Also forming part of the public sector restructuring process, is public service restructuring. The overall thrust toward public sector restructuring is designed to reduce government spending. This is to occur through ensuring that:

- government moves out of providing services that can be more efficiently provided by the private sector;
- public-private partnerships are used to increase access to capital, new technologies and increase efficiency; and
- the funds raised from privatisation are used to reduce the budget.

The restructuring of state assets, done correctly, can lead to an expansion of services at lower prices. The restructuring process also provides other opportunities for addressing poverty and inequality. For example, governments can use restructuring as an opportunity to redistribute assets to poor households. As part of the public sector restructuring process, government has embarked upon a process of ‘right-sizing’ the public service. Right-sizing is the process of identifying areas of priority and allocating personnel accordingly. This could lead to an increase in personnel in some sectors and a decrease in others. Under the current conditions of

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65 There is increasing international experience of countries using the restructuring of state assets to provide poor households with access to capital assets. This is normally done in the form of shares offered to individuals for free or at largely discounted rates. In Central and Eastern Europe and the former Soviet Union, this has taken the form of mass privatisation, while in Malaysia the distribution of shares was targeted at the historically marginalised members of the population.
budget compression, reprioritisation has been conflated with across-the-board budget reductions. In short, not only are departments being required to set new priorities, they are also expected to undertake across the board cuts. There is a risk that in this process, government is going to undermine its capacity to build a strong public service. This is particularly the case given that not only is government trying to meet new priorities, it is also extending services to the whole population where before only a minority was fully catered for.

15.6 Structured Labour Market Flexibility

One of South Africa's key economic concerns is to increase employment in order to address poverty and inequality. The framework for increasing employment provided in the GEAR focuses on supporting “a competitive and a more labour intensive growth path through wage moderation and increasing employment flexibility.”

The GEAR proceeds from the recognition that, in the context of increasing globalisation and international division of labour, relative wages play an increasingly important role in determining international competitiveness and the location of production. Thus international competition “places downward pressure on unskilled wages and upward pressure on skilled wages, and greater labour market flexibility is becoming prevalent as a way of increasing employment and ensuring wage distribution.”

While the GEAR does not define precisely what it means by labour market flexibility, it is worth considering the implications of labour market flexibility, particularly at the “lower end of the wage distribution.” The recent South African Labour Market Flexibility Surveys, indicate that South African firms have been moving towards the greater use of flexiworkers, such as casual labour, contract labour, sub-contracting to smaller firms, hour-workers and other agency workers. The conclusion drawn is that “South African industry has a high and seemingly growing degree of employment flexibility” (Standing, 1997:7). While drawing the unemployed into the work force through such flexible opportunities may be a sound strategy, there is also a basis for concern if this approach ends up producing lower quality jobs and increased worker insecurity, particularly for those already employed.

Firms will, in the face of global competition, require a margin of flexibility in order to adjust to competitive pressure. The challenge for South Africa is, therefore, how to ensure flexibility with security. This inevitably implies some regulation of the affected labour markets as well as structuring a benefit system to which the various employers can contribute. In addition, it implies the need for government intervention to ensure that overall social wages earned by workers place them above the poverty line.

15.7 Social Compact

The GEAR advocates for “a social agreement to facilitate wage moderation, underpin accelerated investment and employment and enhance public service delivery.” A social agreement is precisely the type of instrument that can be used to deal with the negative impact of labour market flexibility and international competitiveness on vulnerable groups. The GEAR starts from the assumption, strongly supported by
international evidence, that the most successful strategy for reducing poverty and promoting equity is one that emphasises growth and job creation. In the South African context, this is supported by the results of the PIR, which show a strong correlation between unemployment and poverty. Articulation of a social compact among economic stakeholders can provide an important means to foster agreement on shared goals and reach compromises on specific areas, even if there remains some disagreement over details. For maximum effectiveness, this compact should try to incorporate the interests of all groups, not just those typically engaged in public debate. For example, consideration should be given to small-scale businessmen (both current and future), not just the larger corporate interests, and to the unemployed and unskilled, not just skilled and organised labour.

The appropriateness of the policy instruments chosen, however, will be influenced by the philosophy behind them and a concern is that the criticism that GEAR has attracted may undermine the potential for such a compact.

16 Reprioritisation of the Budget

This section focuses on the attempt by government to reprioritise its expenditure since the democratisation of South Africa, as well as the impact of this expenditure on poor individuals and households. Public expenditure reviews are a useful tool for undertaking such analysis. However, these are usually a major exercise that requires information that may not always be readily available. For the purposes of this study, only certain elements of the public expenditure review will be dealt with due to lack of more recent data, (e.g., household income and consumption data). In many cases policies are also fairly new and comprehensive data on their key performance indicators is not available. In the analyses that follow the PSLSD has been used.

It is important that in the future South Africa must develop the capacity to undertake more comprehensive public expenditure reviews as part of the monitoring and evaluation of policy implementation. What is essential, at this point, is to provide sufficient insights with respect to how public expenditures are being allocated, and their likely impact on poverty and inequality.

16.1 Sectoral Composition of Expenditure

This analysis will focus on a review of the allocation of government expenditures across the various functions of government. The purpose is to determine the level and trend of expenditure for the social sectors as a proportion of overall expenditures. In the case of South Africa, the functions that comprise the social sector are education, health, social security and welfare, housing, and recreation and culture. In other literature on international comparisons, sanitation and water are also included as social sector functions.

The level and nature of expenditure allocations, to sectors of government concerned with human development are an important indicator of whether or not government expenditure is likely to lead to a reduction in poverty and inequality. There is a strong

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66 This section is based on Ketley and Swami (1997).
correlation between poverty and lack of access to basic services in South Africa. Therefore, one of the first steps to remedy poverty is to ensure that adequate resources are allocated to those sectors of government that provide basic services. In any case, social sector services often require government intervention because of the existence of market failures, particularly the positive externalities accrued by society.

An examination of government expenditure indicates that there has been an increase in the share of total expenditure going to social services. This has increased from about 43% in 1985 to 57% in 1995/96. In the 1997-98 budget allocations, social services account for 60% of non-interest spending and 46.9% of total consolidated national and provincial expenditures. Of this allocation, education receives the largest share followed by health, social security and housing.

Table 17 and Table 18 below show the trend with respect to social services since the 1994/95 budget year for the Consolidated National and Provincial Budgets.

**Table 17. Functional Classification as % of Total Expenditure**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Services and unallocated expenditure</td>
<td>7,6</td>
<td>6,9</td>
<td>7,6</td>
<td>7,0</td>
</tr>
<tr>
<td>Protection services</td>
<td>18,1</td>
<td>16,0</td>
<td>15,9</td>
<td>15,7</td>
</tr>
<tr>
<td>Social services</td>
<td>45,0</td>
<td>47,1</td>
<td>45,6</td>
<td>46,9</td>
</tr>
<tr>
<td>Economic services</td>
<td>11,7</td>
<td>11,1</td>
<td>11,0</td>
<td>10,0</td>
</tr>
<tr>
<td>Interest</td>
<td>17,5</td>
<td>18,8</td>
<td>19,6</td>
<td>20,4</td>
</tr>
</tbody>
</table>

The table indicates that as a share of total expenditure social services increased while the share for economic services has decreased in 1997/98. Nonetheless, within the economic services group, water and related schemes have increased from 0.7% in 1994/95 to 1.0 in 1997/98. Within protection services, defence has decreased by 34% from 8.7% of total expenditure in 1994/95 to a budgeted 5.7% of total expenditures for 1997/98. This trend indicates a shift in expenditure toward social services. This is the only area whose share of total expenditure increased over the past four years. These shifts are generally considered to be an indication of a poverty sensitive budget.

**Table 18. Functional Classifications as % of GDP**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Services and unallocated expenditure</td>
<td>2,4</td>
<td>2,2</td>
<td>2,4</td>
</tr>
<tr>
<td>Protection services</td>
<td>5,7</td>
<td>5,0</td>
<td>5,0</td>
</tr>
<tr>
<td>Social services</td>
<td>14,1</td>
<td>14,8</td>
<td>14,5</td>
</tr>
<tr>
<td>Economic services</td>
<td>3,7</td>
<td>3,5</td>
<td>3,5</td>
</tr>
<tr>
<td>Interest</td>
<td>5,5</td>
<td>5,9</td>
<td>6,2</td>
</tr>
<tr>
<td>Total estimated expenditure</td>
<td>31,4</td>
<td>31,7</td>
<td>31,7</td>
</tr>
</tbody>
</table>

It is also useful to examine how South Africa compares with other countries with respect to its expenditure allocations. Such comparisons do have limitations although they are useful, to a certain extent, as an indicator of where a particular country falls.
Table 19 below shows what other regions spend on education relative to South Africa. The data indicates that, in general, South Africa is spending considerably more on social services as a share of total expenditure than the other countries. The amounts for education and housing are comparable to those of East Asia. In the case of education the region closest to South Africa is East Asia. However, because total government expenditure in most countries shown in the Table is lower than in South Africa, social spending in South Africa as a share of GDP is considerably higher.

Far less is spent by South Africa on economic services than what the other regions spent in 1990. In virtually all the cases the largest allocation within economic services was for transportation and communication followed by agriculture. As this is related to the structure of the economies of these countries, it is difficult to deduce what this means for South Africa. In the economic services sector it is more difficult to make comparisons because the components of spending may differ substantially depending on economic policy and the structure of the economy. Nonetheless, there is a need to look further into whether or not there are deficiencies in South Africa’s economic services spending.
Table 19: Means of Government Expenditure in Developing Countries (1985-1990)
(As % of total expenditure)

<table>
<thead>
<tr>
<th>Sector</th>
<th>East Asia</th>
<th>South Asia</th>
<th>Sub-Saharan Africa</th>
<th>Latin America</th>
<th>MENA</th>
<th>South Africa (1997/98 budget figures)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social services</td>
<td>33,51</td>
<td>26,5</td>
<td>26,18</td>
<td>31,34</td>
<td>28,59</td>
<td>46,9</td>
</tr>
<tr>
<td>Education</td>
<td>20,45</td>
<td>8,95</td>
<td>13,9</td>
<td>14,85</td>
<td>10,73</td>
<td>21,3</td>
</tr>
<tr>
<td>Health</td>
<td>7,03</td>
<td>4,2</td>
<td>5,47</td>
<td>7,21</td>
<td>4,35</td>
<td>10,7</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>3,09</td>
<td>5,66</td>
<td>2,29</td>
<td>5,48</td>
<td>8,23</td>
<td>9,8</td>
</tr>
<tr>
<td>Housing</td>
<td>2,19</td>
<td>5,36</td>
<td>2,44</td>
<td>3,11</td>
<td>3,28</td>
<td>2,2</td>
</tr>
<tr>
<td>Economic Services</td>
<td>25,17</td>
<td>30,56</td>
<td>22,19</td>
<td>18,56</td>
<td>20,47</td>
<td>10,0</td>
</tr>
</tbody>
</table>

Source (Pardhan, 1996; SA Budget Review, 1997:B64)
*MENA - Middle East and North Africa*
South Africa’s public expenditure on health amounted to 3.2% of GDP in 1990 (UNDP, 1997). As is shown by Table 20 this was above the average of 2.3% for countries falling within the medium human development index (HDI) category.

Table 20: Comparison of Government Expenditures and Composition

<table>
<thead>
<tr>
<th></th>
<th>South Africa (1997/98 budget)</th>
<th>Industrialised Countries</th>
<th>NICS67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures (% of GDP)</td>
<td>30.6 31.0 55.1 29.3 44.9 23.0 34.6 18.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which Health</td>
<td>3.3 2.6 6.6 3.0 5.9 2.3 5.2 3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>6.5 4.5 6.4 2.9 5.6 3.4 5.0 3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>3 13.5 19.5 9.6 13.9 6.2 7.9 1.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Schuhknecht and Tanzi (1996); Budget Review 1997

During 1993-94 South Africa spent 7.1% of its GDP on education as compared to an average of 2.9% for countries with a medium HDI. The value for the 1997/98 budget year is 6.5% of GDP. This figure compares favourably to all OECD countries, and the Newly Industrialising Countries. Similarly, only ‘Big’ OECD governments outspend South Africa on health as a percentage of GDP. However, education expenditures were lower than what other countries with similar HDIs, such as Botswana (8.5%), Namibia (8.7%), Zimbabwe (8.3%) and Congo (8.3%) spent. This analysis suggests that the pattern of South Africa’s social spending compares favourably to most other ‘similar’ countries.

To give a more definite judgement on the Government’s social spending, one needs to focus on the quality of services provided, how equitably they are distributed, and their impact on quality of life and economic growth. However, it is important to note that, even if government is allocating spending in proportions which are comparable to ‘internationally accepted norms’, the overall favourable impact may be reduced if overall spending is decreasing at the same time. Inefficiencies within the system can also serve to undermine the impact of government spending.

16.2 The Economic Composition of Expenditure

The economic composition of expenditure is an aspect of the budget that also needs to be considered as part of a public expenditure review. In most countries, recurrent expenditures tend to dominate overall government expenditures, accounting for roughly 80% of total expenditures. Between the 1994/95 and 1997/98 budget years

67 For example, Chile, Hong Kong, Korea, Singapore; 1990 or nearest available year.
68 For example, Belgium, Italy, Netherlands, Norway, Sweden (public expenditure more than 50 percent of GDP in 1990).
69 For example, Austria, Canada, France, Germany, Ireland, New Zealand, Spain (public expenditure between 40 and 50 percent of GDP in 1990).
70 For example, Australia, Japan, Switzerland, United Kingdom, United States (public expenditure less than 40 percent of GDP in 1990).
total recurrent expenditures have been accounting for approximately 92% of total expenditures in South Africa’s case (Budget Review, 1997). In part, the low level of investment can be explained by increasing use of private-public partnerships in infrastructure and economic services. However, the rapidly rising wage bill suggests that overstaffing and/or public sector wage policy could play a role as well.

Remuneration accounts for the highest proportion of recurrent expenditure. In the 1997/98 budget, remuneration to employees makes up 39% of total expenditure and 56% of total recurrent expenditure. However, in the case of social services, remuneration of employees makes up 75% of total expenditures for education - 87% in the case of pre-primary, primary and secondary education and 84% for tertiary education), and 55% for the health sector. Police services also has a large proportion of its expenditure going to remuneration at 79% of total expenditures. In the category of general government services, remuneration accounts for 55% of the total budget. Overall current expenditures as a proportion of total expenditure for social functions are shown in Table 21. The figures indicates the heavy weighting of current expenditure relative to capital expenditures overall, but more specifically in the service sectors which are human resource intensive.

Table 21: Current expenditures as a % of total in Social Services.\(^71\)

<table>
<thead>
<tr>
<th>Function</th>
<th>Current as % of total for function</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Social Services</td>
<td>90%</td>
</tr>
<tr>
<td>Education</td>
<td>96%</td>
</tr>
<tr>
<td>Pre-primary, primary, secondary</td>
<td>97%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>96%</td>
</tr>
<tr>
<td>Health</td>
<td>99%</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>99%</td>
</tr>
<tr>
<td>Housing</td>
<td>13%</td>
</tr>
<tr>
<td>Recreation and Culture</td>
<td>90%</td>
</tr>
</tbody>
</table>

The significant share of current expenditures in the social services sector, particularly the remuneration of employees, raises several issues. First, it points to the importance of a human resource development and planning strategy as an integral part of anti-poverty and inequality policy. Without such a strategy in the public sector, it will be very difficult to make needed gains in efficiency in the delivery of services in these sectors. The government’s White Paper on public service delivery is a step in the right direction. Second, the large numbers of individuals involved in these sectors, raises potential difficulties in the restructuring and reprioritisation of their programmes. This relates to factors such as contractual agreements, current skills profiles and imbalances in the provincial and rural-urban distribution of human resources. Again, government has started to address this issue, beginning with education, where some rationalisation and retrenchment of personnel is planned. Finally, there will be inefficiencies experienced as a result of dislocations arising from the current policy changes being undertaken in these sectors. This could offset gains made in cost-savings made in other places and calls for caution to be exercised in the ‘budget compression’ process.

\(^71\) Source: Table 10 - Consolidated National and Provincial Budgets (Budget Review, 1997).
According to the 1997/98 budget, current transfers comprise 13% of total expenditure, with the largest components being made up by household transfers (9.3%) followed by business subsidies (3.6%). Transfers have declined from roughly 15% in 1994/95 to 13.1% in 1997/98, with most of the change attributable to a fall in business subsidies, which decreased from 5.1 to 3.6% during the same period (Budget Review, 1997). There has also been a shift in the nature of the subsidies since 1990, from a focus on white farmers to the support for exports. Capital expenditures have stayed at an average of 8% between 1994/95 and 1997/98, with the figure for the latter year being 7.9%. Sixty percent of the capital expenditure goes toward the acquisition of fixed capital assets, stock, land and other intangible assets. These figures indicate that, as of the 1997/98 budget, the GEAR objective to shift public expenditure toward capital expenditure away from current expenditures has not yet occurred.

16.3 Incidence of Expenditure and Tax

To analyse the impact of expenditure and taxes on poor individuals and households, an analysis of the incidence of expenditure and taxes was undertaken. The purpose of the incidence of expenditure is to determine who is receiving government expenditure. While it is difficult to estimate a true economic value for many items of government expenditure, they can be divided into those that permit a direct allocation to households and those that cannot be allocated directly. In this analysis, the assumption has been made that expenditures that can be allocated directly to households are agricultural subsidies and services, education, health, social security and welfare.

The analysis of the incidence of expenditure that follows was undertaken using 1993/94 budget figures as well as the PSLSD data. The results of the incidence of expenditure analysis show that with respect to the distribution of allowable expenditures, Africans received by far the largest share of allocable expenditures in 1993/94. However, in order to understand the real impact of these expenditures it is necessary to compare them to racial income shares, tax burdens and population shares. The shares of expenditure allocated to Africans and whites people are more in line with their population shares than either their income shares or their tax shares are. Furthermore, their tax shares in contrast are more in line with their income shares than their population shares.

Taking the analysis further, Table 22 shows the estimated shares of allocable government expenditure by income group in 1993/94. The top income quintile received by far the largest share of allocable expenditure and this share dropped progressively down the quintiles with the lowest quintile receiving only 12.5% of total government expenditure. What this data also shows however, is that there is a significant discrepancy between what the middle quintiles also receive in education, health and social pensions relative to what the poorest quintile receives. This implies that not only are the rich benefitting more relative to the poor, so too are those in the middle quintiles. This pattern, not uncommon in other countries, reflects in part the higher use of subsidised social services such as health and education. In part, these

72 According to the 1995 income and expenditure survey, households in the bottom quintile (earning R400 - R6,868 per annum) spend 51% of their income on food, followed by 43% for the second lowest quintile and 12% for the highest quintile.
patterns still reflect the policies of the old regime. For instance, the agricultural subsidies that are rapidly being phased out, mainly benefited large-scale farming. These patterns are changing rapidly, but no data after 1993 are available to assess the extent of the shift.

Table 22: Share of allocable expenditures and composition by quintile

<table>
<thead>
<tr>
<th>Sector</th>
<th>Poorest Quintile</th>
<th>2nd Quintile</th>
<th>3rd Quintile</th>
<th>4th quintile</th>
<th>Richest quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0%</td>
<td>0,08%</td>
<td>0%</td>
<td>0,18%</td>
<td>99,9%</td>
</tr>
<tr>
<td>Education</td>
<td>14,6%</td>
<td>17,6%</td>
<td>17,2%</td>
<td>21,0%</td>
<td>29,7%</td>
</tr>
<tr>
<td>Health</td>
<td>15,0%</td>
<td>18,0%</td>
<td>20,0%</td>
<td>23,0%</td>
<td>24,0%</td>
</tr>
<tr>
<td>Social Pensions</td>
<td>6,0%</td>
<td>22,5%</td>
<td>23,5%</td>
<td>18,0%</td>
<td>30,0%</td>
</tr>
<tr>
<td>Total</td>
<td>12,5%</td>
<td>18,6%</td>
<td>19,1%</td>
<td>20,5%</td>
<td>29,5%</td>
</tr>
</tbody>
</table>

Local and international experience indicates that there are several factors that may impede the access of poor people to services such as education and health even in cases where government spends ‘sufficient’ amounts on these sectors. These include difficulty in accessing services due to long distances from facilities, poor quality of services, lack of information and the cost of using the service. For example in the rural areas people have to walk long distances to get to hospital facilities and to schools. In the former case, they incur significant transaction costs in the form of time, effort, and transportation costs in order to access health care. Equally, scholars having to walk long distances to get to schools in rural areas suffer the same problem. When such factors are not addressed, the basic services provided will not reach those who need them the most.

The importance of financial factors is borne out by the analysis by Castro-Leal of data from the 1993 Living Standards Survey. According to the survey, approximately 20% of the respondents indicated that school going age children were out of school because school expenses were too high. (Castro-Leal, 1996:8) The next most important reason cited after this was the need to get out and work to help support the family. This links closely to the previous reason, which is lack of financial resources. Among the 13-17 and 18-22 year olds, 16% and 15% respectively left school due to pregnancy and 12% overall cited not being able to cope with schoolwork as a reason.

These numbers illustrate the fact that children from poor households are disadvantaged in accessing educational opportunities due to negative environmental factors, both in and out of school. A combination of the above factors, and others is reflected in the result that only 24% of the 18-22 year olds said they were not in school because they had completed it. This further reinforces the point that policy must address the full range of factors that will affect whether public expenditures lead to desired outcomes, for poor individuals.

While the poor receive a smaller proportion of government expenditure, the relative importance to them of these benefits is quite high. This can be shown by determining total expenditure (including non-allocable) as a percentage of income by race group, income group, and area of residence. What this analysis shows is that whites received considerably less than average ratios, while Indians also received less than average benefits from government expenditure in 1993/94. In contrast, Africans and coloureds received substantially more than the average benefits from government expenditure.
With respect to income groups, all of the quintiles except the richest one were receiving above average benefits.

Rural people received 84% of their income in public expenditure benefits while people living in urban and metropolitan areas received only 34% and 26% respectively. This illustrates the high proportion of poorer people living in rural areas. Of course, this does mask the fact that these benefits were, nonetheless, insufficient to sustain the majority of the population above poverty. Nevertheless, it does emphasise the importance of social services and their impact on the quality of life of low income households.

The above findings indicate that while households in the lowest quintiles receive the smallest share of government expenditure, the benefit derived from those expenditures is much higher than in the case of the richest quintile. This points to the importance of government expenditures, particularly in the social sectors for poor people, and in particular Africans and coloureds as well as rural people. Targeting these groups for intervention could therefore lead to a positive impact on the reduction of poverty. Importantly, it points to the need to undertake a review of the extent to which the pattern is changing in post 1994 allocations.

16.4 Redistribution and Tax Incidence

In order to complete the picture, it is necessary to calculate the extent to which government expenditures in 1993/94 offset the tax burden on each household, and hence to estimate which households experience positive redistributions and which households experience negative redistributions of their incomes through fiscal activities.

An indication of relative levels of redistribution can be obtained by comparing the actual distribution of taxes and expenditures with a hypothetical budget, in which total of taxes and revenues remains unchanged, but taxes and expenditures are assumed to be distributed in proportion to income. The percentage differences between the hypothetical post-redistribution incomes and the actual post-redistribution incomes will measure the relative extent of redistribution. The estimates of redistribution that are made use both of these techniques. The first technique has been included because it brings together the taxes and expenditures of each group.

There is significantly more redistribution under the ‘low burden and high benefits in poor’ assumption than under the opposite assumption. In both cases whites experienced a drop in income, ranging from between 9.4% and 18.5%, while Africans experienced a rise in income ranging from 8.4% to 17.7%. Coloureds experienced a very slight rise in income under both assumptions, while Indians experienced a minute rise under the ‘high poor burden’ assumption. Only whites experienced a drop in income and this income flowed to all three of the other race groups. Under the ‘low poor burden’ assumption Africans and coloureds gained what whites and Indians had lost in terms of income.

In order to arrive at an estimate of redistribution among income groups, once again, the hypothetical tax burden is 35.2% of income on each group and the hypothetical expenditure benefit of 40.82% for each group was made. The results indicate greater

\[73\] That is, at a constant rate of 35% of taxes and 40.3% of expenditure of South Africa in 1993/94.
redistribution under the low burden on the poor assumption than under the opposite assumption. In both cases, all of the redistribution took place away from the fifth quintile towards the other quintiles. However, in both cases, a greater redistribution occurs towards the second and third quintiles than towards the first quintile. Under the ‘high poor burden’ assumption even the fourth quintile gained more than the poorest first quintile.

This analysis again shows a pattern where the lowest quintiles appear to benefit least from government expenditure. This is obviously not desirable in terms of reducing poverty amongst the worst off quintile.

The implication is that the middle quintiles should perhaps be bearing a slightly higher proportion of the burden, under both assumptions, in order to improve the position of the poorest quintile. These results are interesting in terms of their policy implications in that they indicate that fiscal activities in 1993/94 were serving to redistribute income away from the richest quintile to the middle quintiles, but not to the poorest quintile. This will obviously have to change if redistribution is to help those groups most in need, rather than the relatively less worse-off income groups.

16.5 Intra-sectoral Composition of Social Service Expenditures

The focus of this analysis will be on intra-sectoral allocations of expenditures in the social sector components of public spending with a specific focus on education, health and welfare. These are the sectors that impact significantly on poverty and inequality and they also make up a high proportion of the budget relative to other components.

The discussions on health, education and welfare in this chapter are not meant to cover the function comprehensively, as each will be dealt with in detail in Chapter Five. The focus of this analysis is on the intra-sectoral distribution of expenditures and their impact.

16.5.1 Education

The 1997/98 allocations of expenditure indicate that education receives the largest proportion of the budget (21%) followed by debt interest at (20%). It also receives the largest proportion of funding allocated for social sectors. The current allocation to education is 16.4% higher than the 1995/96 allocation in current prices.

With respect to the intrasectoral allocation of education, Table 23 below shows that pre-primary, primary and secondary education receive the largest share of the allocation. This compares favourably with amounts spent by countries such as Indonesia (89%), Malaysia (74%) and Korea (84%) on basic education in their early years of development (Chandra, 1997). The focus of these countries was on quality basic education in order to provide a sound foundation to increase the pool of individuals eligible for higher education. What is, however, currently a weakness in the allocation of resources within the education sector, is that pre-primary education and Adult Basic Education and Training (ABET) sectors do not receive nearly the amount of funds reflected by the level of need. Greater focus on these areas is critical for strengthening the impact of primary and secondary education. This is particularly important given the levels of poverty among Africans, and the fact that African women, especially rural women, have the lowest levels of education. This issue is to be elaborated upon in Chapter Five.
Table 23 shows that the proportion of expenditure allocated to pre-tertiary education has been declining progressively since 1994/1995. This trend is contrary to intrasectoral allocations normally advocated, namely to spend less on tertiary education and more on the primary and secondary levels. It also goes against the idea that tertiary level education recipients should bear a higher proportion of their costs, because of the direct returns they will receive from having higher levels of education.

Table 23. Allocations of Education Expenditures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>30 849,8</td>
<td>34 594,0</td>
<td>39 165,6</td>
<td>40,270,5</td>
</tr>
<tr>
<td>Pre-primary, primary and secondary</td>
<td>26 519,7 (86%)</td>
<td>28 959,4 (84%)</td>
<td>32 332,6 (83%)</td>
<td>33 074,3 (82%)</td>
</tr>
<tr>
<td>Tertiary</td>
<td>4 330,1 (14%)</td>
<td>5 634,7 (16%)</td>
<td>6 833,0 (17%)</td>
<td>7 196,3 (18%)</td>
</tr>
</tbody>
</table>

Source: Budget Review 1997:B63

In 1995/96 spending on primary education was 43.1%, secondary 30.7%, university 14.6% and technikons 10.7%. The extent to which these allocations represent ‘adequate’ funding to address poverty and inequality can only be measured through a benefit-incidence analysis.

A benefit incidence analysis of public expenditure in education undertaken by Castro-Leal (1996) using 1993 figures indicates that “[i]n 1993, poor households received 40% of all public education spending for 60% of the South African school-age population, while the share going to the richest households was 28% for only 8% of the school-age population. Ultra-poor households received 21% of public education resources for 34% of the school-age population”. The research further found that as the education level rises from primary to tertiary, so too does the distribution of resources widen across income groups and different races. In addition to that, 1996 per capita student expenditures on primary education were lowest in the provinces with the highest incidence of poverty, KwaZulu-Natal, Eastern Cape and the Northern Province. With respect to secondary education, the Free State, Mpumalanga and Northern Province have the lowest respectively. These are also the provinces where poverty is concentrated.

This raises another dimension in the allocation of expenditures. This is the question of whether or not it would make sense to target, particularly, the Eastern Cape and the Northern Province for extensive public education in order to address poverty and inequality. For example, the Financial and Fiscal Commission (FFC) in the development of its formula for fiscal equalisation, uses rurality as a proxy for concentrations of poverty and general underdevelopment. The formula has a weighting for ‘ruralness’ designed to increase allocations to the poorest provinces. Access to quality basic education is a national question because of its importance for long-term human development in South Africa. Research shows that universal targeting of basic education services makes more sense than narrower targeting because the costs of managing and administering the latter often outweigh the benefits, and basic education has significant social returns. Nonetheless, given the history of South Africa, targeting the populations in the poorest and most undeserved
provinces for allocations, in particular to improve the quality of education and levels of access to education may be necessary.

16.5.2 Health

Health receives the next largest allocation of total expenditure after education. The major focus of the reprioritisation of expenditure in the health sector has been to increase spending on the expansion of access to primary health care particularly in underserved areas. A benefit incidence analysis undertaken by Castro-Leal using 1993 data on the utilisation of public and private facilities highlights several patterns. The first is that clinics are not widely used, even by the poor. In fact on the average, 50% of people use private doctors. Among poor households, 30-40% use private providers and roughly the same amount go to public hospitals. There is also generally high usage of hospitals by all income groups, with the middle and richest quintiles utilising them most.

The picture that emerges is that South Africans appear to be utilising high cost, high level care for primary health purposes. There is also a significant leakage of high level clinical care in public hospitals going to the richest quintiles. The high usage of private care by poor households is related partly to lack of easy access or unavailability of clinics and the lower quality of care clinics provided in the areas in which they live. The clinic building programme that is designed to make primary health care more accessible is thus a welcome sign. In fact, the spatial distribution of clinics built thus far has generally been in favour of the poorest provinces. Of the 126 clinics to be built by February 1997, 41 were in KwaZulu-Natal and 33 in the Northern Province with building still lagging behind in the Eastern Cape where only 6 were projected.

Apart from accessibility, the quality of health care that is provided also needs to be at a level that encourages local communities to utilise them. There are certain factors in the current policy that will positively influence this. The existence of free health care for children and lactating mothers who do not have medical insurance coverage means that a significant proportion of lower income households will be encouraged to use these facilities. Their experience with them will influence their long-term usage as well as the extent to which other household members utilise them. Experience in other countries shows that proximity is not the only factor that determines whether or not poor people will utilise a health facility. Quality and cost of care are also important determinants.

The direction in which health care policy is moving in South Africa is generally desirable. The major challenge facing the country is how to provide the incentive structure that will change the patterns of use of public and private facilities in the correct direction. These incentives include user fees on a progressive scale, and health insurance reform to develop an affordable health care insurance scheme that can cover larger proportions of the population. In addition, improving the quality of care provided to the elderly is essential. These are important elements for making health care delivery equitable and sustainable, while addressing health care conditions faced by poor households.
16.5.3 Welfare
Social security and welfare expenditures form an essential part of government's programme to address poverty. Expenditures on this sector have increased substantially over the past five years in order to achieve parity in social grants. Of the sector's overall budget, 88% goes toward social security, 8% to welfare assistance and services and 4% to capital expenditure (DoW, 1997:33). Most of the social security (60%) goes to the elderly, 24% to the disabled and 14% toward maintenance grants.

Pensions have been shown to make up a significant proportion of the income of poor household (Swami and Ketley, 1997). According to the data, on the average 64% of those eligible for pensions receive them. The percentage of Africans receiving pensions is 80% for women and 77% for the men. Whites rely less on state provided old-age pensions as reflected by the fact that only 7% of the eligible men and 14% of the women take them up. The potential of welfare pensions to ameliorate poverty is also reflected in the data. Africans receive 90% of the benefits. In addition, pensions make up 23% of the income of poor households and 29% of the income for the ultra-poor as compared to only 5% for the non-poor.

The provision of old-age pensions is one of the programmes that can accurately target the eligible population. Given that approximately one-third of all children were living with a pensioner in 1993, the benefit also reaches poor children.

Unlike old-age pensions, the incidence of expenditure of the child maintenance grant is skewed against African women. Despite the high rate of poverty among Africans, only 0.5% of African children were covered in 1993. This is as compared to 13% of coloured children and 2% of white children (Swami and Ketley, 1997: 38). To address this problem, government has introduced a new child maintenance system called the Child Support Benefit (CSB). The CSB grant will provide R100 per month to the primary care-giver of the eligible child. The grant will begin in early 1998, and aims to reach 3 million of the poorest children over a five-year period. This will amount to 48% of children under the age of 7 years, living in households earning less than R10,000 per year or R833 per month.

It is hoped that through this system a larger number of children will be reached. Even though the amount is less than was previously provided, the benefit also has to be seen in the context of other benefits that would accrue to this cohort, such as the free health care and early childhood development programmes.

17 Conclusion
The macroeconomic context of a country forms an important aspect of any country's strategy for the reduction of poverty and inequality. It determines the incentive structure which will prevail within the economy and therefore which sectors will flourish and which ones will not. It also affects the extent to which government can play a facilitating role in the growth process through the use of taxes and revenues to impact on increasing the capabilities of citizens to participate in the economy and have sustainable livelihoods.

One key issue for the reduction of poverty and inequality is targeting of government expenditures to the poor. Benefit incidence studies indicate that the richest and middle quintiles have been largely the beneficiaries of public in the past, although recent policies are likely to change this conclusion quite quickly. In order to address
inequality, sectoral policies must continue to target the poor, as well as address racial, gender and spatial imbalances in access to basic services.

Government is striving to simultaneously reprioritise the budget, reduce overall spending, and improve targeting, while keeping the fiscal targets set out in the GEAR. This is a huge task, which will remain a challenge for a long time to come. Some initial successes are already apparent: Government has achieved a reprioritisation of expenditures, has stayed within the overall budget limits, and seems to better reach the poor. However, in the short to medium term, there will be certain costs and inefficiencies associated with organisational and systemic dislocations arising from fundamental shifts in policy. The attempt to refocus the budget and reduce costs simultaneously may yet prove difficult to achieve. As a result, the GEAR proposals concerning the size of the deficit, its impact on social expenditure, and current monetary policy regarding the decision of the Reserve Bank to use interest rates to cut credit remain areas of controversy.

The government has taken constructive steps to address the poverty and inequities created by past policies. What appears necessary is a mechanism to monitor the impact of policies very closely to ensure that poverty and inequality reduction are an integral part of the focus of the policies and their implementation. Furthermore, the country must develop the institutional capacity to take corrective action quickly should policies fall short of expectations. Considering which areas should be of major priority, and how the changes should be phased is thus of critical importance in terms of the impact of macroeconomic policy on the reduction of poverty and inequality.
CHAPTER FOUR
POVERTY AND THE LABOUR MARKET

“One man’s family has worked for a farmer for three generations, hard physical labour every day. This man has worked since his birth for the same farmer but has nothing, no savings, not even a bicycle. These people can afford nothing.”

(Interview with farmworker foreman, Eastern Cape, 1995, reported in the SA-PPA, 1997: 106)

18 INTRODUCTION
The ability of individuals and groups to maintain sustainable livelihoods is an essential element contributing towards the reduction of poverty and inequality and access to quality employment is one of the most important ways of achieving sustainable livelihoods. The structure of the labour market has a significant impact on the employment status of poor people. Poor people face a dual problem of unemployment and underemployment. This is reflected in the low labour force participation rates of poor people and the quality of jobs that they occupy. This, together with the structure of demands, determines the extent to which poor people will benefit or not from increase in aggregate demand or economic growth. The challenge is therefore not only one of creating a larger number of jobs, but also ensuring that better quality jobs are maintained.

The labour market itself consists of several systems of income. These include direct remuneration in the form of cash wages, indirect remuneration in the form of fringe benefits, employer-provided entitlements and state transfers. All of these can be targeted as part of an accord or ‘social wage’. It is important to note that income security in South Africa has relied to a relatively large extent upon the direct remuneration from employers and increasing indirect payment of fringe benefits, whereas the state’s contribution has been relatively low. The other side of this is that wage costs for employers are relatively high. It would be in the interest of the employer if the state could take over more of this aspect of the wage package while they themselves save resources and take responsibility for more direct labour relevant benefits like training. An accord will need, to some extent, to address these issues of the balance of responsibilities for social benefits with the aim of addressing both poverty and inequality.

The purpose of this chapter is to undertake an analysis of the labour market conditions faced by poor people in different economic sectors.

19 LABOUR MARKET SEGMENTATION
The South African labour market has long been characterised by segmentation i.e. the existence of different sectors (Buroway, 1975). The formal sector is further divided into a secondary and primary labour market sector. In addition to this, there also exists a non-market labour segment comprising informal and casual labour, unpaid, domestic and family labour (Makgetla, 1997, May et al, 1995). The primary labour market is regulated and characterised by higher wages, an organised workforce, higher skill requirement and opportunities for training upward mobility. Secondary
labour market workers have lower skill levels, are paid less, their markets are less regulated, and opportunities for further training and upward mobility are limited.

Poor people are often relegated to the secondary labour and informal labour markets and have difficulty moving out into the primary labour market due to various barriers. For example, a variety of barriers allegedly exclude the poor from the primary labour market, in effect creating the secondary market. These take the form of outright discrimination against minority or poor groups, as well as recruitment practices that emphasise skill, experience and stable work histories, prerequisites that poor job seekers can rarely satisfy. (Schiller, 1989:74). In addition, although participants in the SA-PPA perceived employment to be an important way in which their problems could be solved, the labour markets which are open to the poor appear to be highly restricted in terms of the possibility of any form of accumulation. This is particularly true in the case of agricultural work. Here, low wages, insecure working conditions and poor access to services have resulted in little, if any, long term occupational or social mobility:

The dual labour market serves to remind us that the really critical issue is how much actually ‘trickles down’. It also suggests that public policy can be used to increase the size of that trickle by reducing the barriers that separate the poor from the jobs and incomes that are created.

It is important to note that the labour market is also fragmented. For example, firms which appear to employ workers who are mainly in the primary labour market may also resort to ‘informal labour’ or practices associated with secondary labour market practices such as sub-contracting and the use of casual and temporary workers. As the structure of work changes, the distinction between the secondary and primary labour market become blurred, since work security is no longer guaranteed even for highly skilled workers.

20 Poverty and Formal Employment

Poor people do not have secure jobs and poor communities are characterised by the widespread absence of the formally employed. Instead, people have numerous, small, often dangerous jobs, rather than one job, and are particularly vulnerable to injuries, both in terms of the likelihood of injury and the consequences of injury. Unemployment for men has a greater impact than the loss of income, and has significant social costs in terms of the potential of violence and gender conflict. In this context, it is not surprising that poor people in both the PSLSD and SA-PPA consistently expressed the need for reliable, secure forms of income. The poor are also subject to seasonal stress, even when employed. Farm work is also moving from permanent jobs to seasonal and casual jobs.

20.1 Agriculture

As indicated in Chapter Two, high levels of poverty prevail in the rural sector. Within this sector, farm workers are among the poorest households. Consequently, changes in the number and quality of employment of farm workers is one way to impact significantly on poor rural households (LAPC, 1997: Fig 7). The vulnerability of farm workers is increased because they rely upon their employers not only for employment and wages, but also for services like schools, housing, electricity, access to medical facilities, water and transport. As is illustrated by the SA-PPA, the farmer therefore
has extensive control over virtually every aspect of the worker's life, including housing and the little social and educational benefits they and their family enjoyed.

Wages in the agricultural sector fall well below the minimum living level. Naledi has quoted farm workers as earning only one sixth of auto labourers. In 1991, 65% of coloured workers and 75% of African workers in agriculture received under R250 per month (LAPC: 1997:6). This, however, reflects a large increase from 5 years earlier. In 1986, African farm workers received as little as R82 on average and coloured farm workers received an average of R97. Seasonal workers, on the other hand, earned approximately 10% less than permanent workers did (Westgarth-Taylor 1997).

In addition to their wages, farm workers receive payments in kind, estimated to form an average of R19 per month or R22 for male farm workers, R9 for female farm workers, R21 for African workers and R13 for coloured workers. In addition to the poor wages, farm workers have few other resources and demonstrate very limited mobility on the labour market. Less that 5% find help in other extra jobs, or from relatives in order to survive. Less than 5% receive additional pensions and grants that may assist the household survive.

The educational qualifications of these workers are low. Approximately 50% of black farm workers have received no schooling and a further 40% have only been educated between standards one and five (LAPC, 1997). Thirty eight percent have no education or only standard 1, another 43% have between standard 1 and 5. In other words, 81% have standard 5 or less in education. Furthermore, virtually none are attending literacy or basic education programmes. They spend virtually nothing on school fees, receiving some sort of schooling from their employer as part of their wages. Due to a limited access to educational faculties they also have no hope of improving their education. Only 6% wish to continue their education.

The main trend in the agricultural sector has been a continuous, although also complex and diverse, trend of labour shedding (LAPC, 1997). The changes in labour demand are closely linked to technical changes in agriculture, changing incentives (changes in relative prices, government taxes and subsidy policy etc.) and drought episodes. Furthermore, the changing demands for labour in agriculture seem to affect African workers most directly. Between 1975 and 1992, total African farm worker employment decreased by 25% whereas total coloured farm workers employment increased slightly by 3%. Full-time employment increased by 25% in the same period, while African full-time employment decreased by 13%, and total number of casual labour decreased by 17% (LAPC 1997).

Production and employment have been varied at the sub-sectoral level. Certain types of agricultural production have greater employment creating effects. This occurs either because they are more labour intensive or because they generate multiple effects in other sectors of production. LAPC (1997:7) indicate that overall expansion in agriculture would increase agricultural employment as well as industrial employment through backward production linkages. This is particularly true where labour intensive technologies are used. Forward linkages in the form of food processing and other manufacturing that utilises agricultural raw materials are important.

With regard to areas for potential job creation, the study indicates that horticultural crops have an appreciable export demand. Due to its labour intensive nature, horticulture provides an opportunity for employment creation. Other labour intensive
sectors that would be more directed toward the domestic worker are pig farming and poultry production. The key to addressing poverty in the agricultural sector is to increase employment through the use of labour intensive technologies, increasing the conditions of employment of farm workers, as well as increasing support for small farmers through extension services and research on appropriate production methods.

20.2 Mining

The mining sector also consists of a large number of vulnerable workers. Furthermore, because mining has been historically dependent on rural labour both internally and from Southern Africa, its impact has ramifications beyond the employees. It is estimated that the dependency ratio for mine workers is 1:10 per mine job.

While the role of mining in the South African economy is declining, historically it has played an important role in South Africa's development and economic growth. The contribution of mining to GDP declined from 15% to 8% from 1973 to 1995. In 1995 mining and quarrying accounted for 4% of the economically active population, with the gold sector accounting for 60% of total mining employment (Goode et al, 1997). Together with platinum, gold comprises 90% of total employment in the mining sector. Approximately 77% of gold miners and 66% of the total mining work force are migrants, with approximately 55% coming from the rural areas of South Africa. The 24% decline in mining over the last decade impacts on rural households not only in terms of loss of jobs but also in terms of the health problems associated with mine employment. The health problems create an additional burden for the families of mine workers.

Mining labourers' wages are slowly recovering from a 7-year low in 1993. During the 1994-95 bargaining round, median mining labourers' wages increased to R150 a week, a 3.5% real increase from 1993. Despite falling real wages through the 80s and early 90s, labourers in the industry are enjoying a decrease in the gap between companies paying the highest and the lowest wages. However, the differences have remained enormous, being 582% in 1955, with the highest being plus R393 and the lowest R58. A survey of minimum wages for labourers in 1996 confirmed the large wage gap between different mining companies, the highest being R1,503 at a cement works and the lowest being R229 a month at a remote diamond mine. The wage gap in the mining sector (between mining labourers and grade 8) is 68% higher than the SA average wage gap (LRS, 1995). The average minimum wage in mining has increased by 46% from 1994 to 1996 and was estimated at R3,000 in 1996 (LRS, 1996). The black mining workers have typically been said to have an average wage that is 30% lower than that of manufacturing. Simultaneously, white miners earn about 10% more than white workers in manufacturing do (LRS, 1996).

The average wage for the unskilled workers in the mining sector is R770 a month (OHS, 1995). Technicians in the mining sector earn, in comparison, R10,131 a month, while office staff and clerks earn R2,923, and craft workers (which include miners, shotfirers, and blasters) earn R3,881. Plant and machine operators (which include mining, mineral and metal processing plant operators) who would be typical semi-skilled workers in mining, earn an average of R1,301. The wage levels differ by region, with Western Cape showing the highest average wage (R1,052) and Northern Cape the lowest (R445).
All in all, the OHS (1995) indicates that the workforce is composed mainly of men (90%), and is mostly African (78%). The education level is higher than amongst farm workers or other vulnerable groups, in that only 23% have standard 1 or no education, while 40% have achieved between standard 2 and standard 5.

Employment in the mining sector generally pays lower wages than in manufacturing. However, white employees in mining tend to receive higher incomes than their band levels in manufacturing (ILO, 1996: 305). On the other hand, the ratio of white wages to black wages did not change significantly between 1984 and 1994 (Goode et al., 1997: 6). The declining role of mining and the impact that this is likely to have on rural unemployment and the households which depend on mine remittances for survival is the key issue. Furthermore, addressing the historical racial inequalities with respect to access to higher skill and wage employment as well as the general quality of employment of lower end mineworkers is essential.

20.3 Private, Community and Domestic Services

The private community and domestic services comprise largely domestic services and other services for households. This is the largest sector of employment in the SA economy, particularly for black women (Makgetla, 1997). According to the OHS (1995), one third of South African employment is in personal services with an additional 17% in trade, catering and accommodation, compared to only 15% in manufacturing and 13% in agriculture.

The official data points to a net decline in manufacturing employment, while the one area that shows potential for employment growth is the service sector. The OHS (1995) shows that there is a definite shift in the formal economy away from jobs being found in the primary and secondary industries towards jobs in the tertiary industries. In fact, this sector is potentially a major source of growth and covers a diverse range of activities from high-income to very low-income activities.

Much of the employment in this sector is not formalised and is characterised by home based micro-enterprises, and reliance on informal skills. Mostly women do this form of work and often the distinction between unpaid and paid labour is blurred. The level of income generated by these activities tends to be low because they operate in highly competitive environments whose clients comprise largely low income households.

What is ironic is that the services provided by this sector are essential for the communities they serve. Four important sub-sectors are domestic labour, early childhood development, hairdressing and social work. Thus, “they contribute significantly to community and individual development and reproduction of the labour force” (Makgetla, 1997).

Several key challenges for creating sustainability and improving the quality of employment in this sector have been identified. First, the quality of infrastructure available, particularly adequate housing, water, sanitation and electricity, are essential for more efficient operation, particularly in the townships. Training and the development of certain norms and standards for certifying competency levels are also essential. Finally, a more coherent and well-targeted policy and institutional framework for supporting macro-enterprises is needed. At present no institutional framework, which allocates responsibility for fostering the development of personal and community services, exists within government.
Specific cohorts of the work force that remain in poverty while still in employment are those in the informal sector. This section intends to derive an analysis of the self-employed, which explores the factors that determine or correlate with the poverty prevalent in this group of workers. The analysis below will demonstrate that employment in this sector is to be viewed as a second best alternative to formal employment and that the informal sector includes, predominantly, workers involved in survivalist activities. Thus, it can be argued that the informal sector represents those who, while being employed, are severely disadvantaged in the labour market.

The informal sector is estimated to comprise 1,7 million people (OHS, 1995). Africans account for 86% of the self-employed. Whites have the smallest representation at 2,2%, coloureds 7,6% and Indians 4,4%. The activities undertaken by the self-employed are numerous and varied. They range from street sellers to those involved in food processing. The five largest activities are predominantly retail and service orientated.

Hence, approximately 36% of all the self employed are either street sellers or shopkeepers. It is perhaps only those employed as artisans who are applying a specific skill to their work tasks. This reinforces the view that the retail and services sector, while being nodes for job creation, will engender employment that is essentially at low skills levels and therefore low pay. Notably, only 0,77% of the self-employed are located in manufacturing. This has bearing on policy interventions designed to promote the small, medium and micro-enterprise (SMME) sector. These interventions, it would seem, are directed at a relatively small segment of the informally employed. Not only that, they are not likely to impact significantly even on this segment of the population due to the way they are targeted.

Direct evidence of indigence in the informal sector is captured by earnings data. While the maximum profit earned was R100,000 per month, the average net return to the self-employed individual was R826 per month. The median income was much lower at R200 per month. The mean return reported is higher than the average wage in both agriculture and domestic services, also using the PSLSD survey. However, the mean wage across all sectors is approximately R1,902, which is over twice the amount earned in the informal sector. This is the primary reason the sector has been identified as offering a second best option to formal employment.

It is necessary to be more specific when examining the vulnerable and poor within the informal sector. For this purpose, two basic poverty lines: the Supplemental Living Level (SLL) and the Minimum Living Level (MLL) are used. Both are individual rather than household poverty lines and reveal whether the earnings of an individual from self-employment are sufficient to support that individual at a level above poverty. The SLL is set at R220.10 per month and the MLL, using more stringent

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74 This section is based on Bhorat and Liebrant (1997).
75 Unlike the previous data, the data that follows in the rest of this section captures only households with one self-employed member. The reason for this is that the PSLSD reports household but not individual incomes from self-employment. Therefore, the only way to derive individual incomes was to look at those circumstances in which total household income from self-employment could be attributed to the activities of one person.
poverty criteria, is at R164.20 per month. These figures highlight the self-employed that are clearly vulnerable.

Using the two poverty line estimates above makes it clear that a minimum of 45% of the self-employed, or 379,600 individuals in the economy, are earning an income that is lower than the poverty line. The figures also show that well over half of the self-employed are earning less than R220.10 per month, so placing them below the SLL.

An examination of the characteristics of poverty indicates that there are essentially four markers of poverty among the self-employed. These are race, gender, age and location. Amongst all race groups, Africans represent about 76% of the total self-employed earning below the SLL and about 72% of those earning below the MLL. Whites follow with 15% earning below the SLL and 18% below the MLL. For both groups there are a disproportionate number of self-employed earning less than R164.20 per month. The largest degree of within-group poverty is for the coloured self-employed, where 61% of the group earn less than the SLL. The Asian self-employed are comparatively very well off, with 61% earning more than the SLL.

The second marker of poverty amongst the self-employed is gender. Sixty percent of all those earning less than the SLL are women. For the self-employed earning more than the SLL, 54% are men. When using the MLL, the corresponding figures are 60% and 51%. A disproportionate number of self-employed women are working in poverty, compared to a larger number of men working and earning above the poverty line. Approximately 50% of the female self-employed in the sample are working and earning less than R164.20 per month. For the male self-employed, 40% are in this income category. These figures speak of a familiar developing country scenario of the feminisation of the low paying and low skills end of the labour market.

Age and location are also important markers. Younger individuals in the labour market and those living in rural areas would be the most disadvantaged cohorts within these two categories. The largest incidence of poverty incomes is to be found among the self-employed youth, where 67% of the self-employed between 15 and 24 earn less than R220.10. The age cohort 25-34 contains those individuals with the greatest likelihood of earning an income higher than the poverty line. In addition, poverty is concentrated amongst those in the 35-44 age group. More specifically, of all the self-employed earning below the SLL, 34% are between 35 and 44 years of age. This dominance though is a function of the majority of the self-employed being concentrated in this cohort.

The self-employed by location shows that for those in rural areas, the probability of earning very low incomes is higher. Hence amongst all the self-employed earning less than the SLL, 46% are located in rural areas. Within each location as well, a disproportionate number of individuals in rural areas earn less than the poverty line. Hence, 61% of the rural self-employed are working in poverty and earning less than the SLL. The corresponding figure for the metropolitan self-employed is 47%. As much as 50% of the rural self-employed are earning less than R164.20, earning below the MLL.

The key markers of poverty earnings from self-employment are race, gender, age and location. Within this, it is evident that the most disadvantaged amongst the self-employed will be African, female, between the age of 15 and 24, and living in the rural areas. Using this prototype individual, it is possible to discern their poverty status.
Table 24: Vulnerable Self-Employed

<table>
<thead>
<tr>
<th>Poverty Line</th>
<th>Below</th>
<th>Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLL</td>
<td>80.3</td>
<td>19.7</td>
</tr>
<tr>
<td>MLL</td>
<td>70.4</td>
<td>29.4</td>
</tr>
</tbody>
</table>

As indicated in Table 24, 70% of this cohort earn less than the MLL and 80% less than the SLL. This high incidence is reflective of the strong predictive power of these markers.

There is also a strong correlation between the type of activity the self-employed are engaged in and the extent of poverty. This is shown in Table 25, which uses the MLL.

Table 25: Type of self-employed activity

<table>
<thead>
<tr>
<th>Category</th>
<th>Below</th>
<th>Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopkeeper</td>
<td>43.2</td>
<td>56.8</td>
</tr>
<tr>
<td>Street Seller</td>
<td>51.2</td>
<td>48.8</td>
</tr>
<tr>
<td>Shebeen Operator</td>
<td>53.4</td>
<td>46.6</td>
</tr>
<tr>
<td>Sewing/Selling Clothes</td>
<td>35.1</td>
<td>64.9</td>
</tr>
<tr>
<td>Artisan</td>
<td>43.5</td>
<td>56.5</td>
</tr>
</tbody>
</table>

It is only amongst shopkeepers that the majority earns more than the poverty lines. Occupations with the highest incidence of poverty incomes are street sellers and shebeen operators. This would again be fairly conclusive proof that the informal sector does not offer much by way of long-term employment. Most of the income-earning activities within the sector generate poverty incomes. There are pockets of better-remunerated individuals in the informal sector but it should be clear that the informal sector contains a large portion of the working poor that would readily take up employment in the formal sector.

In conclusion, participation in the informal labour market provides some form of income, but does not enable people to survive above poverty. Furthermore, the markers of poverty among the self-employed mirror trends observed overall for poor people. Current policies aimed at the SMME sector need to be better targeted at the most vulnerable segments of the informal sector. The policy recommendations in this regard would be similar to those already proposed in the section on personal and community services, as there is in fact significant overlap in the characteristics of the two sectors.

22 Poverty and Unemployment

Lack of employment is a significant contributor to poverty. People interviewed in the SA-PPA explicitly commented that male access to regular formal employment had reduced, and that this was threatening the survival mechanisms of households (SA-PPA, 1997:31). In addition, several studies documented the negative impact of male unemployment on the survival tactics of women in the absence of alternative productive roles for men, or the reallocation of responsibilities for reproductive activities (Bank, 1995; Murphy, 1995).

Using the narrow definition of unemployment, (i.e. the number of people who are not working and actively looking for work divided by all employed and those actively
looking for work) oscillated between 13% and 20% in three recent three household surveys. According to the broad definition of unemployment, the number of people who are not working and actively looking for work divided by those people who are working and those who are searching or have given up looking, has been estimated at around 30%.

The characteristics of unemployment in South Africa are such that Africans have a much higher rate of unemployment. Also, broad unemployment rates are higher for rural areas and for females. The smaller difference between narrow rural and narrow urban employment indicates that there are a far greater number of rural discouraged workers. Age discrepancies in unemployment rates are also high. Broad unemployment among the youth stands at 60% for youth below 20 compared to 12,5% for people over age 55.

Using the PSLSD and a combination of the 1995 OHS and the 1995 Income and Expenditure Survey (IES), Klasen and Woolard (1997) examine the linkages between poverty and unemployment. This analysis shows that using the broad definition of unemployment, the rate of unemployment stood at 53% for the poorest quintile compared to 4% for the richest quintile in 1993. According to the 1995 IES the unemployment rates have risen to 59% and 5,5% respectively. Furthermore, 36% of working age adults in the poorest quintiles are unemployed compared to 3% for the richest quintile. Fifty four percent of households in the poorest quintile also have no one employed. Labour force participation rates are also telling. The PSLSD survey showed that the poorest quintile had participation rates of 49,5% as compared to 76,5% among the richest.

22.1 Profile of the Unemployed

In order to formulate effective policies for addressing unemployment among poor people and households, it is essential to understand the characteristics of the poor. Examining the characteristics of those falling in the poorest quintiles, one finds that 93% of the unemployed poor are Africans, and 6,5% are coloured. Fifty six percent are female and 58% from rural areas. Fifty percent have only completed primary education or less. There is also considerable unemployment among young people as indicated by the fact the 70% of the unemployed in these quintiles are below the age of 35. Finally, on the average, 72% of the broadly unemployed have had no prior job experience. This is closely related to the preponderance of young people among the unemployed. Of the unemployed poor who have work experience, 78% were in the major occupational categories ‘elementary occupations’ (such as domestic workers and farm workers) and ‘craft and related trade’, which includes construction workers and mine workers.

The data that emerges from the characteristics of the unemployed poor indicates that there are at six categories of unemployed (Klasen and Woolard, 1997). Each requires that government adopt a different strategy to effectively address their plight. These categories are as follows:

- Group a: poorly educated rural unemployed (28%);
- Group b: poorly educated urban unemployed (13%);
- Group c: young unemployed with no labour market experience (36%);
- Group d: long-term unemployed with no labour market experience 6%);
• Group e: those with labour market experience and some education (15%); and
• Group f: highly educated unemployed poor (1%).

Table 26 shows the share of the 6 groups of unemployed poor and their characteristics.

When considering the broadly unemployed poor, group a) and d), possibly the two groups who have the greatest difficulties in getting into formal sector employment, make up 34% of the unemployed poor (27% of the narrowly unemployed poor), with the vast majority consisting of the rural poorly educated unemployed poor. Groups b) and c), the urban poorly educated and the young unemployed with no job experience, make up nearly 50% of the broadly unemployed poor (and 52% of the narrowly unemployed. Finally, groups e) and f), probably the ones most easily placed when labour market opportunities increase, make up 16% of the broadly unemployed poor (and 21% of the narrowly unemployed poor), made up predominantly by those with previous job experience and some education.
Table 26: Unemployment Profile

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Group a</th>
<th>Group b</th>
<th>Group c</th>
<th>Group d</th>
<th>Group e</th>
<th>Group f</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Broad</td>
<td>Narrow</td>
<td>Broad</td>
<td>Narrow</td>
<td>Broad</td>
<td>Narrow</td>
</tr>
<tr>
<td>TOTAL NUMBER</td>
<td>768,000</td>
<td>252,000</td>
<td>351,000</td>
<td>166,000</td>
<td>985,000</td>
<td>445,000</td>
</tr>
<tr>
<td>% of total poor unemployed</td>
<td>28.2</td>
<td>21.5</td>
<td>12.9</td>
<td>14.1</td>
<td>36.2</td>
<td>37.9</td>
</tr>
<tr>
<td>% female</td>
<td>60.1</td>
<td>57.2</td>
<td>51.7</td>
<td>51.3</td>
<td>56.5</td>
<td>53.1</td>
</tr>
<tr>
<td>% African</td>
<td>98.9</td>
<td>98.3</td>
<td>86.1</td>
<td>83.0</td>
<td>92.3</td>
<td>89.9</td>
</tr>
<tr>
<td>% Coloured</td>
<td>0.9</td>
<td>1.5</td>
<td>13.6</td>
<td>16.9</td>
<td>7.1</td>
<td>9.4</td>
</tr>
<tr>
<td>% urban</td>
<td>45.9</td>
<td>54.8</td>
<td>60.9</td>
<td>66.1</td>
<td>60.9</td>
<td>66.1</td>
</tr>
<tr>
<td>Western Cape</td>
<td>0.4</td>
<td>0.5</td>
<td>12.1</td>
<td>15.5</td>
<td>5.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>22.5</td>
<td>24.7</td>
<td>21.2</td>
<td>20.8</td>
<td>18.6</td>
<td>17.2</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0.6</td>
<td>1.2</td>
<td>5.6</td>
<td>6.8</td>
<td>2.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Free State</td>
<td>5.2</td>
<td>6.3</td>
<td>11.7</td>
<td>9.1</td>
<td>7.2</td>
<td>4.8</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>26.3</td>
<td>26.5</td>
<td>10.4</td>
<td>11.5</td>
<td>24.5</td>
<td>28.4</td>
</tr>
<tr>
<td>North West</td>
<td>14.0</td>
<td>9.6</td>
<td>10.1</td>
<td>9.4</td>
<td>8.9</td>
<td>8.0</td>
</tr>
<tr>
<td>Gauteng</td>
<td>0.7</td>
<td>0.9</td>
<td>20.4</td>
<td>21.6</td>
<td>12.0</td>
<td>17.3</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>0.6</td>
<td>11.0</td>
<td>6.0</td>
<td>3.3</td>
<td>10.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Northern Province</td>
<td>20.7</td>
<td>19.3</td>
<td>2.6</td>
<td>2.2</td>
<td>11.3</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Group a: poorly educated rural unemployed  
Group b: poorly educated urban unemployed  
Group c: young unemployed with no labour market experience  
Group d: long-term unemployed with no labour market experience  
Group e: those with labour market experience and some education  
Group f: highly educated unemployed poor (1%).
The poorly educated rural unemployed given their lack of education and their location may have great difficulties getting formal sector jobs. On the other hand, poorly educated urban unemployed areas that have less than complete primary education, may have greater labour market opportunities. Nonetheless for both categories, strong growth in labour intensive employment, support for informal sector activities and intensive education and training may be required to integrate them into the job market. For the rural poor, a growth in labour intensive agricultural employment and support for rural development programmes is essential. In addition, in the interim, community based public works programmes and adequate social safety nets could be important interventions.

The young unemployed with no labour market experience comprise people under age 35 who have never worked, have at least standard 5 (complete primary) education (but no post-secondary). They have more education, but no labour market experience. More jobs, skills training, and assistance with job search may be the most appropriate interventions.

People with labour market experience and some education have at least completed primary education (and less than post-secondary). For this group, greater labour market opportunities and assistance with job search and placement may be all that will be required to provide employment for many of them.

Highly educated unemployed poor people with at least some post-secondary education make up a small share of the unemployed poor. They probably consist of frictionally unemployed.

The characteristics of the groups differ somewhat. Group (a) is virtually exclusively African, heavily female-dominated, and particularly focused in the provinces of Eastern Cape, KwaZulu-Natal and Northern Province. Group (b) is slightly less female, and less African dominated with a substantially more coloured share) and is drawn disproportionately from Eastern Cape, Gauteng, and Western Cape. Group (c) is also female-dominated, has slightly more rural dwellers, and is spread among the provinces of Eastern Cape, KwaZulu-Natal, Gauteng, Northern Province, and Mpumalanga. Group (d) is particularly female dominated, mostly African, and concentrated heavily in KwaZulu-Natal and Eastern Cape. Group (e) is slightly male-dominated, with a considerable coloured share, predominantly urban, and drawn from Eastern Cape, Gauteng, KwaZulu-Natal, and North-West. Group (f) is strongly dominated by Africans - a somewhat surprising finding given that we would have expected the frictionally unemployed to be represented in proportion to their representation in the labour market (and hence that more white and Indian graduates would be unemployed). The persons in group (f) are predominantly urban and drawn from the Western Cape, Eastern Cape and KwaZulu-Natal. KwaZulu-Natal and the Eastern Cape have the full spectrum of the problems of unemployment, including the most difficult ones. This data also reinforces the race, gender, age and location markers observed among poor people who are in the formal and informal sectors. Based on the above, one can conclude that an increase in labour intensive employment is essential to reduce poverty. However for all the unemployed to benefit, greater emphasis needs to be placed on education and training, and assistance with job searches. Education and training are essential not only for ensuring that people can take advantage of new employment opportunities, it is also essential for the long term development of the country.
22.2 The Long-term Unemployed

For the long-term unemployed with no labour market experience (that is, unemployed poor people above age 35, who have never worked and have some education (at least complete primary, but less than post-secondary) the problem may be particularly intractable - given their very long time without labour market experience. Education, training, and intensive support to assist them in finding and keeping employment will be required. However, without a significant growth in employment their position will not change significantly. In the meantime, social safety net support may be crucial.

In the short-term assistance to this sector of the population needs to be provided through safety nets, community based public works programmes, and better support for micro-enterprises. More than anything it re-emphasises the need for a multi-pronged strategy, and the need to balance an increase in domestic and export production.

22.3 The Demand for Low-paid Labour

While the South African economy appears to have broken out of the long-term stagnation that characterised much of the seventies and eighties, it is nevertheless functioning well below levels that would meaningfully dent into the problems of employment creation. The inability of the economy to create jobs undoubtedly poses a simultaneous challenge as far as equity is concerned.

In 1993, the economy showed the first signs of an upward turn, when gross domestic product increased by 3.1%. However, the overall growth rate conceals variations amongst the broad sectors of the economy. Most of the economic growth in 1996 came from the primary sector (agriculture and mining), in which agriculture accounted for 7.7% growth in output. The secondary sector (manufacturing, construction, and electricity, gas and water) grew at a much lower rate of 1.2%. What this suggests is that employment in the non-agricultural sectors is declining. However, employment in the tertiary sector and also in the informal sector has expanded in recent years.

There exists a fair amount of controversy regarding unemployment figures for South Africa. The results of the October Household Survey of 1994 suggest that 56% of the economically active were formally employed, with 11% in the informal sector and 33% unemployed. On the other hand, the ILO report argues that there are problems in the way that unemployment data are being produced and suggests that the unemployment rate is about 20%. While there is little doubt that unemployment is one of the major causes of poverty, there is also a link between those who are employed and yet facing poverty.

There is a critical link between the jobs that people do at different occupational levels and the wages they receive. More than 2 in every 5 Africans (42%) earn gross monthly incomes of less than R1,000 from employment. By contrast, only 11% of Indians and 4% of whites fall into the lowest category. Those that fall into the lowest income category tend to be employed in jobs that require the lowest levels of skills.

23 The Impact of Government Labour Policy

The use of labour market policy in strategies to eliminate or reduce poverty should be approached with care. Employment policies and labour market policies need to be closely
associated with poverty eradication strategies and firmly rooted in knowledge about poverty, and living standards amongst strata of the labour force. From this understanding it is clear that labour market policy may not be the main instrument for eradication of poverty. Other policy areas (welfare and health policy, distribution and taxation policy, etc.) may be more important and effective as single instruments in reducing poverty. Thus, securing an effective, successful process of poverty eradication is only achievable through co-ordinated government strategies and action. The following sections will touch upon some of the areas believed to be important in poverty alleviation.

Four distinct sets of instruments can be used in labour market policy. There are those instruments directed at increasing the rate of employment and job creation. Second, there are those that directly target the quality of employment and thus the income level of the poor. Third, there are those policies that increase the quality and skills of the labour force. And finally, there are policy instruments that directly affect the bargaining power of workers and create incentives for them to provide their full potential qualifications in the job (ILO 1995).

What makes the South African problem particularly difficult is that poverty is not caused by unemployment only, but is connected to a combination of individual factors. The functioning of the labour market also creates pools of low-paid labour and unemployed who share the same characteristics. Furthermore, poverty amongst these groups is not transitory, but is long-term and related to structural factors.

23.1 Public Works Programmes and Labour Intensive Public Sector Programmes

Public works have often formed part of an ‘employment focused’ poverty reduction strategy. This approach is based on the idea that the most abundant asset of the poor is their labour, and if demand for this labour is increased, their incomes will increase (Radwan, 1995). Ideally, the use of public works as a strategy for the reduction of poverty and inequality should be done within a wider framework of support for agricultural and rural growth stimulation, strengthening of human resources and the build up and maintenance of productive resources. They should also be co-ordinated with industrial strategy and the labour demands of growing economic sectors.

Dedicated public works programmes for poverty alleviation should be distinguished from broader programmes to promote labour intensity on capital works programmes throughout government. The South African government has adopted both approaches and has made the Department of Public Works responsible for the implementation of this element of the strategy for poverty reduction. In support of this, the GEAR envisages that a quarter of new jobs will be created through infrastructure development and the maintenance of public works which amounts to some 100,000 jobs per annum (GEAR, 1996:18). This role was also recognised by the Presidential Commission on the Labour Market.

76 This section is based on Khosa (1997).
The National Public Works Programme (NPWP) was established as an initiative to contribute to the alleviation of unemployment, particularly in deprived rural communities. The NPWP consists of a process of labour intensification and increased training and capacity building in the provision of infrastructure. It thus provides an enabling framework that regulates the terms under which public contracts are granted, including the question of wage rates. It funds the construction of public facilities rather than employment programmes \textit{per se}, and is the mechanism through which the number of people employed through public sector contracts can be increased. A sub-component of the NPWP is the Community Based Public Works Programme (CBPWP) which is targeted at poverty reduction. This was launched as a presidential lead project within the NPWP. A grant of R250 million was allocated from the RDP fund to finance the CBPWP until the end of the 1996 fiscal year. A further R100 million was allocated in November 1995.

These public works programmes were to be put in force for dual purposes - both to contribute to job creation and to provide infrastructure as part of the RDP delivery. Public works programmes can play an important role not only in delivering services and highly needed benefits to parts of the population earlier excluded from them. They can also play an important role in providing an income, training, and building skills.

Promoting the general use of labour intensive methods across all departments as a strategy for the reduction of poverty and inequality has two short-term problems. Firstly, it is unlikely to reach those most in need that generally live in marginalised rural areas and have little access to the labour market. Secondly, there are technical constraints on the rapid implementation of labour intensive construction techniques and it may take up to five years before public sector construction can reach maximum labour intensity (Abedian, 1997). Dedicated programmes of public works for poverty reduction are also problematic. These run the risk of providing infrastructure or amenities that are already provided via line function budgets, and may run the risk of addressing competing priorities, being guided by different policy frameworks and, most importantly, lack adequate provision for ongoing management and maintenance. In addition, the job creation benefits are usually not widespread or long-term, and may represent an extremely costly way of creating employment.

The key to the success of dedicated public works programmes as income providers to poor people is ensuring that they are well targeted. An evaluation of the Community Employment Programme (CEP), which is the component of the CBPWP implemented through the IDT indicates that the programme had an significant impact on employment and was largely well targeted. For example 79% of workers employed were African, and 41% were women. Furthermore, 61% of the CEP projects were located in the three poorest provinces, KwaZulu-Natal, Eastern Cape and the Northern Province and 88% of CEP workers were drawn from rural areas. However, the evaluation found that the CEP workforce was dominated by the 25 to 45 age groups, although rural areas contain larger numbers of youth and elderly. With respect to the education profile of the workforce it was found to have a close correlation with that of the poorest segment of South African society. Seventy percent of the CEP workers had either no education or only primary education. While overall, 48% of the CEP workers were unemployed before the
programme, 22% were in full-time employment away from home, 11% in part-time work and 5% in domestic work.

In line with the promotion of labour intensive public works, other programmes which have played an important role in job creation, training and building of assets, are the Community Water and Sanitation programmes or Working for Water programmes, as well as the road building programmes of the Department of Transportation. As an example of the former, over 40,000 people have recently been employed to remove invasive plants.

Despite the apparent success of the CBPWP, the capacity of government to utilise the funds set aside for public works is an area of concern. In an evaluation of the CBPWP, BKS (1996) estimate that some 11% of the total budget amounting to R16 million would not be spent in 1996/7. In addition, the long-term sustainability of Public Works type programmes is questionable in terms of their long-term affordability.

Public works projects may also not be the best choice under conditions where wages are likely to be pushed beyond what the project budget can sustain, as well as undermining the potential of such programmes to ‘self-select’ the most poor. This appears to have occurred in South Africa. Innovative mechanisms will be needed to set wages at a rate to which all parties will agree and adhere through the course of the project. Finally, the Labour Market Commission identified the absence of adequate monitoring procedures and evaluation criteria as an important shortcoming of the CBWP.

Nonetheless, the use of public works in this manner constitutes an important short-term poverty alleviation programme for marginalised communities in South Africa and should be reinforced at least as a stop-gap measure until the pace of job creation in the public and other sectors increases.

23.2 Equity and Discrimination

As discussed above, direct discrimination on the basis of race and gender constitutes one of the major barriers for vulnerable groups in the labour market. Consequently, the implementation of labour standards and legal mechanisms as well as a court system in order to promote non-discriminatory labour practices are essential.

Discrimination manifests itself at two levels, outside the labour market and within the labour market. The Green Paper on Employment and Occupational Equity of 1996 and the proposals of the Labour Market Commission address themselves to discrimination within the labour market. They focus particularly on those formally employed in firms or institutions that are more easily monitored, as well as those firms and sectors that have well developed internal labour markets. As the data above shows, this cohort would exclude the large majority of the working poor who are either self-employed or working for firms or individuals that remain very much on the periphery of the formal labour market.

Amongst the working poor, very little in terms of internal labour market discrimination is in fact witnessed. The exception would probably be workers in the mining industry. It is true though that in the informal sector, the domestic service sector and in agriculture, a sophisticated or significant job ladder does not exist, making the presence of internal
labour market discrimination unlikely. In this sense, the prevalent initiative on employment equity has only a marginal relevance to the working poor.

Indeed, the primary form of discrimination amongst the working poor is extra-market discrimination. In short, the working poor, in the main, are in the occupations they are in because of inadequate access to education and training, locational disadvantages and class background. The character of the inequality and discrimination faced by the working poor then, is the inability to access more secure, well-paying jobs that offer the opportunity of upward mobility in the long-term. This points to the importance of providing access to training and education at various levels, in order to overcome the barrier to entry into formal employment amongst the working poor.

Employment equity policy for the working poor, as outlined above, involves using supply-side measures to reduce the number of working poor and facilitating their entry into the formal labour market. Clearly, employment equity policies will still need to be complemented by demand-side policies designed to increase the labour absorptive capacity of the economy. The provision of education and training to the working poor will be a necessary, but not sufficient condition for the provision of more secure employment to this cohort of workers.

23.3 Labour Standards and Job Security

The Basic Conditions of Employment Bill is the first significant government intervention that will directly affect living and working conditions of workers. The regulation of working hours, maternity leave, overtime and its compensation are all important parts of securing improved working conditions for the workforce. One problem however, is that it will have limited significance for those thousands of the most vulnerable in the domestic service and the informal sector. One reason is that these sectors are not covered by the Unemployment Insurance Fund, another is that monitoring implementation of the law within these sectors is likely to be difficult. Inspection and control impose significant costs in the implementation of labour standards regulation.

The above could be ameliorated by the establishment of the Employment Conditions Commission which will potentially play a central part in improving the living and working conditions of the workforce and especially the poorest segments. Its role is to investigate and recommend minimum standards of employment within the different sectors of employment. The Commission will primarily investigate sectors that are difficult to organise, where bargaining councils or statutory councils are therefore unlikely to exist. The agricultural sector is one area in which the Commission can play a crucial role.

In some settings where unemployment is the main cause of poverty, job security will in itself be an important mechanism for reducing poverty. However, in settings where employment per se does not necessarily supply sustainable livelihood, job security will be important, but not as a main factor for reducing poverty. The key to the success of the approaches taken to increase job security is to maintain the appropriate balance between maintaining flexibility in the labour market and employment security, particularly for vulnerable workers.
Minimum wage setting has been portrayed by many as a barrier to needed flexibility in the labour market and to job creation. This viewpoint argues that minimum wage setting exacerbates the effects of unemployment, particularly during periods of economic difficulty. Those who remain employed in the formal sector thus protect their wages at the cost of depressing living standards of informal sector workers, many of whom are already poor. However, even market models of wage determination have recognised that there is a floor price for labour because of the need for subsistence (Figueireido and Shaheed, 1995). In addition, wage fixing for specific vulnerable groups in particular sectors has been less criticised for its general wage and employment effect in the economy; although such systems are difficult to implement.

Under systems providing for general minimum wages, one approach can be to establish a general floor for the wage structure. Such a ‘safety-net’ minimum frequently has direct relevance only to a limited number of workers and corresponds to a view that a general minimum can make a contribution to reducing poverty only if it directly affects a relatively small proportion of the workforce. A general minimum wage setting can also play a role as part of a macro-economic policy, affecting general wage levels in line with broad objectives of stabilisation, growth and income distribution. This requires on the other hand, government to deal with many and complex social and economic issues simultaneously. A recent international workshop established that minimum wage fixing has had limited, if any, effect upon employment levels in those countries where it has been established (Shaheed, 1994). All in all, the effects of minimum wage fixing upon general wage levels, actual wages being paid and employment is far from obvious and will have to be established on the basis of detailed empirical work. Standing et al (1996:204), argue that “it does not follow from our critique that minimum wages and protection of employment security has a positive impact on employment, but it has not been demonstrated that it has a negative effect.”

The implications of the above are that a policy based on severe wage restraints does not create employment, and may possibly increase poverty at the household level. In other words, the relationship between the unemployed and the employed reflects high dependency rates among the economically active population within each household. In fact, the dependency rates are higher amongst the poorest groups of the population. That is, far more poorly paid workers than higher income earners are single income breadwinners in their families. Consequently, while wage flexibility may indeed increase jobs, if the associated employment elasticity proves to be low, then household poverty will rise. Given that the trade-off between wages and employment is likely to occur at the low end of the labour market, accurate estimates of wage elasticity for affected sectors and regions are necessary in order to carry this issue forward. For example, the fact that location is an important marker for poverty, also suggests that lower wages in urban areas may not necessarily translate into job opportunities for those employed in the rural areas.

South Africa has been rated as having one of the poorest human resource development indices in the world, in terms of both the degree of skilled workforce and the amount of resources being spent on industry training. The poor quality of basic education and the
systematic exclusion of black South Africans in the apartheid training institutions has been the main reason for this.

The level of industry training in South Africa is indeed lower than that of its major trading partners. Furthermore, most training is informal. A very small proportion of formal training is provided to lower-level workers and the sectors that are most likely to grow in the future spend even less on skills development than the national average (DoL, 1997). There are indications that companies spend a maximum of only 2.5% of their budgets on training (LRS, 1996). Fifty eight of the South Africa’s largest companies spend only 2.5% of their pay-roll on training and it is likely that small and medium sized companies spend even less. This suggests a huge gap between South African companies and the international average of between 4% and 7% (LRS, 1996). About 40% of companies do not provide any structured training while the remaining offer only initial induction or informal training.

Appropriate labour market policies include training and retraining to build up human capital and marketable skills, such as basic literacy, basic entrepreneurial and training in non-traditional occupations for participating vulnerable groups, so that they can be integrated into the labour market (Figueiredo, and Shaheed, 1995).

This was the basis for training strategies and the Training Board being promoted through the Department of Labour's Green Paper on ‘Skills, Development Strategy for Economic Growth in South Africa in 1997’. The Green Paper relied on three pillars: employers will pay a levy of 1 to 1.5% of their pay roll into a central fund raising. Furthermore, a national skill authority will determine the composition, funding and pay levels of trainees in proposed sector Training and Education Organisations for most industrial sectors. Finally, a standardised system of learning in 12 areas to replace the current industry-run system of apprenticeships will be introduced. One part of this focuses on the need to increase the number of artisans in South Africa.

Skills acquisition is critical if the vulnerable groups within the labour market are to reach a stage where they can compete effectively in the labour market. Furthermore, ‘human capital’ is the key to unlocking strategies of technology, new markets, production scales etc., in the future. Competitiveness and economic growth depend largely on the ability of the labour force to learn and adapt. Wages will be increasingly tied to training and upgrading. In addition, more capital-intensive industries are expected to become more important for job creation with demands being put on the skill levels of the workforce.

23.6 Labour Pools and Bureaux

Employers have a vested interest in ensuring that the quality of human resources they employ is of a high standard. Proper labour recruitment stations or bureaux, which guarantee the qualifications and references while also ensuring that proper labour practices are being adhered to, could be helpful. Through these bureaux the information gap regarding employment opportunities and potential recruits could also be bridged.
24 SOCIAL AGREEMENT: A PRODUCTIVITY ACCORD?

Given the challenges South Africa is facing to generate the levels and quality of employment that lead to a significant reduction in poverty and inequality, there have been discussions regarding the formulation of a social accord. While labour and business are often portrayed as having conflicting interests, they also have overlapping interests. Business has a prime interest in the promotion of productivity, profit, investments and economic growth. Equally however, it has an interest in labour peace and stable industrial relations. Many studies have shown that a more equitable distribution of resources contributes to profitability and economic growth by mobilising loyalty and efficiency on the side of workers. Furthermore, international studies indicate that worker involvement and good systems of communication, consultation and joint decision-making on specific issues have a positive effect upon productivity.

Labour on the other hand has an interest in promoting workers' wage interests, job security and labour standards. Yet they also depend upon economic stability and growth in order to protect their own jobs. Furthermore, the inter-linkage between the economic interests and responsibilities of their members to the community at large also makes it difficult to isolate their own interests from those of the unemployed and the wider society.

On this basis, a national accord or social agreement building upon the joint interests of the parties and compromises between them may assure the right balance between the market and legislation, profits and labour standards, and growth and redistribution while also assuring that policy-making and implementation are facilitated.

Productivity accords have been reached between labour, business and the state in many countries. Labour has contributed with wage moderations and industrial peace. The state has contributed with taxation policy, social benefits, and/or price control. The employers may have contributed with real worker participation and influence, training, and skill systems and/or reinvestment of improved productivity and profitability into the company. In addition, business may contribute through a process of technical improvement, enhancement of work processes, labour rights and working hours.

25 CONCLUSION

The focus of this chapter has been on the analysis of the labour market characteristics and conditions of poor individuals and households. As such, while it does not provide an overall employment creation strategy, it gives important pointers regarding what such a strategy must address. Addressing the employment conditions of poor people in the first instance requires a set of policies that will be implemented by different departments in a co-ordinated manner.

Creating quality employment requires restructuring the labour market with increased focus on companies which are able to comply with the stipulated labour regulations, the demand of the new consumers and international competition, including increased quantities and/or quality of goods and services. Such restructuring does imply that some jobs will be lost as certain companies go out of business. An active labour market policy that contributes to sustainable livelihoods has to focus on ensuring that no work is structured in a manner that reduces productivity.
With respect to internal labour market factors, the degree of inequality in South Africa is extreme by international standards, and wage inequality is a primary determinant of this. Standing et al (1996:206) argue that the compensation level of manufacturing workers on average are not low compared to developing countries, but if salaries are expressed as a ratio of average value added per worker, chief executives have been receiving very high salaries by international standards. This points to the need not only to look at overall wage costs, but also to examine occupational wage differentials as a part of a mechanism to protect households against poverty. Greater attention needs to be given by employers to effect labour standards and a living wage in creating incentives for worker loyalty, efficiency and business profitability.

A more integrated approach to the creation of options for sustainable livelihoods is essential as part of a strategy towards the reduction of poverty and inequality. Apart from a more effective employment creation strategy, it is clear that government policies in the area of increasing people's human capabilities are of critical importance in addressing the external factors which act as barriers to accessing well paying jobs. In addition, it is also important to distinguish what is achievable to improve the quality of life of poor people in the short to medium term, and what will only change in the long term. The discussion on the informal sector and self-employed sectors in particular, points to a need to rethink the country's SMME policy and address the gaps it has with respect to improving conditions for micro and survivalist sectors in the short-term. Any process of change has a transition phase, and there is a need to pay closer attention given our understanding of this sector, of more appropriate strategies, without abandoning the more long-term growth oriented aspects of the SMME strategy. This is essential for the creation of a more equitable society, which is essential for more rapid growth.
CHAPTER FIVE
HUMAN DEVELOPMENT

“The women showed they have benefited from the following government services: clinics, medical and old age pensions and food aid. Two areas where the women would most welcome government action is in providing greater training and work opportunities for themselves and their children locally and help with meeting the cost of schooling.” 77

26 INTRODUCTION

This chapter covers the ‘big spenders’ i.e. Education, Health, Police and Welfare. It takes further an earlier chapter’s overview of the allocation of resources to these key social services. It argues that in these areas in particular, resources need to be prioritised for those least able to provide for themselves rather than, as in the past, concentrated among those who can supplement public provision with private purchases. It notes the enormous backlogs and disparities that exist in respect of all the services, as well as the powerful forces and voices which impede efforts to rectify these imbalances. It notes the need to go beyond inter-provincial redistribution and reallocation, to target more needy areas, groupings and individuals within provinces.

Education and health are often perceived to have greater potential to ‘solve’ poverty than they, in fact, possess. Without economic opportunities, in particular, higher levels of education and better health will not put an end to poverty or inequality. Nevertheless, the services provided by these sectors can make a contribution to the alleviation of poverty by increasing poor people’s well being. Further, even where the poor do not escape poverty through access to these services, equity demands that they have greater access to education, training, health care, and protection.

The chapter also covers two issues - HIV/AIDS and nutrition - where responsibility is situated within the Health Department, but where there is an urgent need for crosscutting, inter-sectoral work. With crime, too, although this chapter focuses on the South African Police Service (SAPS), government has recognised the need for inter-sectoral work and has devised a cross-departmental strategy. Several of the issues raised in respect of such crosscutting work are discussed further in the institutional chapter.

In respect of each Department or crosscutting issue, the discussion briefly describes the current situation, then goes on to describe policy formulation, changes in structures and implementation to date, and ends with an assessment of strengths and weaknesses. This chapter also concentrates on the official ‘hard facts’. The South African Participatory Poverty Assessment (SA-PPA) provides numerous more qualitative, and often more hard-hitting, evidence of what denial of decent education, health and protection means from the perspective of the poor themselves.

77 Murphy, (1995:20), input report to the SA-PPA.
Proponents of education point to the generally higher earnings of the more educated, to correlations between expenditure on education and income distribution, lower fertility, better nutrition and better health where education levels are higher, and better living standards for children of educated people. There is also an association between countries with high growth rates and high educational levels. Certainly, education was stressed by almost all groups in the SA-PPA as their highest priority need and as the most effective route out of poverty. Two separate types of need were articulated: firstly for quality basic education for their children, and secondly for effective skills training to improve employment chances for adults (SA-PPA, 1997:55).

It has to be emphasised however, that education and training alone do not provide the opportunities (such as jobs) which allow individuals to utilise their skills and knowledge to escape from poverty. Education and training also produce unequal returns for women and men, black and white, and so on. Government’s efforts in respect of education and training will, therefore, improve the opportunities of those who are reached, but, without other interventions, such as job creation and equal opportunity initiatives, will not ‘solve’ the problems of poverty and inequality.

There are four areas of education and training with special significance for the poor, namely the childhood years of free and compulsory schooling, early childhood development (ECD), adult basic education and training (ABET) and further vocational provision for previously disadvantaged adults. If improvement of provision focuses on these areas, it will have the greatest impact on the current enormous disparities.

27.1 The Shape and Size of Inherited Inequalities

27.1.1 Schools

In 1994 average per capita expenditure varied between R5,403 in House of Assembly (white) schools and R1,053 in the Transkei. Repetition and pass rates correlated closely with these differences (Department of Education, August 1996:15; 63). In 1993 60% of the school-age population in the poorest 40% of households received 40% of all public education spending, while 8% in the wealthiest 20% of households received 23% of public spending (Castro-Leala, 1996:vii).

South Africa has a fairly good record in enrolment at school but a poor one in repetition and pass rates, or even attendance. In 1994 97% of 10-14 year olds were enrolled, but only 55% were in the ‘normal’ standards for their age (EduSource Data News, September 1996). ‘Over-age’ scholars are a result of both late entry to school, and high repetition rates in the first years. These factors, in turn, are often related to poverty.

Fuller et al (1995) suggest that despite increasing enrolments by African children, uneven quality of teaching has resulted in ongoing marked racial differences in basic literacy and numeracy, even where there is similar attainment in terms of standard passed. The effect of additional years of schooling on literacy levels was weaker for those who did not

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78 This section is based on Budlender (1997).
complete primary school, pointing to the need for follow-through if education and training is to be sustainable.

Matriculation results show both poor performance overall and marked geographic (which in South Africa is a reflection of race) and gender differences. Only 55% of the full-time 1996 students passed, and only 16% with university entry endorsement. The figures also suggest that young women and men in impoverished areas stay at school despite poor performance because of the high unemployment rate and lack of alternative possibilities, and the (often misguided) perception that education provides a route out of poverty. Young women also stay in school longer (on average) than men because matriculation opens the door to nursing and teaching, two of the very few careers perceived as being open to women, while young men might experience more pressure to look for employment sooner.

Educators are key to quality education. Here again there are severe deficiencies in terms of both quality and distribution. In 1994 36% of teachers, and 40% of women teachers, did not have the officially required three-year post-matriculation qualification. (Edusource Data News, July 1996:20). The School Register of Needs revealed an average pupil:classroom ratio of 51:1 in the Eastern Cape, whereas the official norm is around 37:1.

27.1.2 Adult education and training

Harley et al (1996) arrive at an estimate of 5,268,200 potential adult basic education and training (ABET, or 'literacy') learners between the ages of 15 and 65 - about half the total number of school pupils. In 1994 20% of African women of 20 years or older had no formal schooling, compared to 14% of African, men (Hirschowitz and Orkin, 1996:12). Illiteracy impacts on power and performance in the labour market, but also on the home and community. Further, mothers (and interested fathers) who are educated are able to assist their school-going children, increasing the children’s ability to benefit from their studies. Yet Harley et al estimate that current provision reaches only 6% of potential learners. Further, the ‘T’ in ABET does not feature particularly strongly in most provision, reducing the utility and attractiveness for the fortunate few who are reached.

Under apartheid, very limited state resources were devoted to vocational training for adults by the state or private sector. Training on the public works programmes of the new government are well targeted to the extent that the programmes operate in the poorest areas. In effect, however, the training provided has been very limited.

27.1.3 Early childhood development

The October Household Survey (OHS) of 1995 recorded that 21% of children aged 0-5 were attending pre-school or crèche. This figure is almost double previously reported figures, and indicates an urgent need for further research into what is really happening. The OHS showed attendance to be highest among white children - at 38% - followed by African, at 21%. As expected, attendance levels increased with age.

An evaluation of Free State ECD programmes revealed significant differences in performance in their first year of school between children who had attended ECD programmes and those who had not (JET Bulletin, June 1996:5-7). However, the effects of ECD extend beyond the children. Deficiencies in facilities also impact on the ability of the
primary caregivers (usually women) to pursue their own income-earning and other activities. All in all, neglect of this area of education will incur serious problems in the future at both economic and social levels and for individuals and households, as well as for the society more generally.

27.2 Expenditure on Education and Training

The 1996/7 Budget allocated a total of R34,133 billion of national and provincial departmental allocations to Education, approximately one quarter of the total budget. Between November 1995 and early 1997 Education received a further R85m in the form of Official Development Assistance from foreign governments.

The amount for Education was the single largest amount, almost twice as much as the second largest (R44m for Health), and more than three times as much as the third largest (R27m for the Constitutional Assembly) (NGO Matters 2(4), April 1997:9).

State financial support for training comes primarily in the budget of the Department of Labour. Programme 4 (human resources development) was allocated a total of R201,286,000 in the 1997/8 budget, or only 0,05% of the total amount allocated to Education.

The focus for initiatives to address poverty and inequality must fall on the provinces, where 85% of the Education budget and the bulk of the staff and students are. In all provinces approximately 80% of the budget is allocated to public ordinary schools, with probably two-thirds directed to the primary level. This concentration of resources, although focused on an area which is important in terms of poverty, leaves little scope for expansion in other currently under funded areas such as ABET and ECD.

Pre-school education accounts for around 1% of the total Education budget. A small number of ECD providers also obtain subsidies from Welfare, Health or local authorities. By mid-1994 the Independent Development Trust (IDT) had reached almost 100,000 children through 1,970 projects. The IDT money is now at an end and many of the services have collapsed or are at risk in the absence of alternative funding.

27.3 Policy Development and Barriers

The ANC has stated its commitment to the integration of education and training and the promotion of ‘lifelong learning’. The chapter on employment creation discusses some of the problems that occur as a result of the poor preparation that most South Africans currently receive for the world of work. To date, most of the effort has been concentrated on schools “as the building blocks for transformation of the education system” (DoE, December 1996:8). Because these institutions already exist, the problem is much more ‘present’ and obviously pressing than the issue of adult education or ECD, for example, where it is largely a question of building something completely new.

27.3.1 National Qualifications Framework

The new National Qualifications Framework received institutional form with the establishment in 1996 of the South African Qualifications Authority (SAQA). While the NQF has many attractive and progressive aspects, unfortunately many see it as primarily
about redress, about entry for those denied education in the past. If all players do not accept the NQF as a common framework, those who qualify through alternative paths will continue to be seen as second rate.

Within both education and training new syllabi are being developed to reflect the new framework. New curricula were originally to be introduced in grades one and seven in 1998, 360,000 teachers would have needed retraining, and the necessary textbooks would have had to be produced. Largely because of shortage of resources, the pace of implementation has now been slowed.

Nevertheless, an enormous task lies ahead and, without careful planning and targeting of resources, existing disparities could be increased by the introduction of the new syllabi. The less qualified teachers who predominate in poorer schools will generally be those least able to make the necessary paradigm shift because of their poor grounding in terms of both content and pedagogy. Immediate, and enormous, initiatives are needed to increase the current low levels of INSET (in-service training).

27.3.2 Schools

The constitutional devolution of power makes progress in education and coherent implementation of policy reliant on the capacity, policy and commitment of the provinces. Movement towards equity has been retarded by, on the one hand, the incapacity of some of the poorer provinces to spend their full allocation - particularly for new projects intended to address disparities - and, on the other hand, the ability of the better-off provinces to lobby successfully for additional funds. The medium-term expenditure framework may help address this problem.

Inter-provincial Issues

The South African Schools Act (SASA) stipulates that the state will provide basic infrastructure, including teachers salaries, materials, and textbooks. The Minister of Education will legislate minimum norms and standards for implementation by provinces. To avoid having to set levels at the lowest common denominator, there is talk of stipulating that provinces must provide objective verification of bias in favour of the poor rather than setting absolute ratios. Such a move would promote equity. The Department is also investigating the possibility of finer targeting of needy schools based on the socio-economic characteristics of communities rather than the present ‘broad-brush’ system based on provincial characteristics. One challenge will be developing the capacity within provinces to implement such a system. Another challenge will be negotiating monitoring and control systems that are not seen to detract from provincial autonomy.

SASA also states that school governing bodies may set user fees to fund improvements in quality. This will see the persistence of inequalities between schools on the basis of the wealth of parents unless the provinces introduce strongly progressive funding formulae. Further, SASA provides for a much larger role of parents in the management of schools. Poorer communities will generally require more assistance than the more privileged to acquire the literacy, financial and other skills necessary for an effective governing body.
**Right-sizing**

Three-quarters of the total national and provincial Education budget goes to personnel. In individual provinces the percentage is even higher than this. The pressure to reduce government consumption expenditure falls especially heavily on Education given that educators account for over a quarter of all public servants and Education, as seen above, accounts for the largest single chunk of the government budget.

The DoE, like many other departments, feels it has had less control over the right-sizing process so far than it would have liked and feels that the voluntary severance packages (VSPs) were neither efficient nor well-targeted. Fears about numbers prepared to be redeployed within provinces seem to be unfounded. On the other hand the number of applications for voluntary inter-provincial redeployment has been very low. Inter-provincial equity will not be achieved if the national Department is unable to exert some influence in the form of ‘carrots’ and ‘sticks’ to convince more of the educators in those province with more than the norm to accept jobs in under-resourced provinces.

**Training of educators**

Agreement has been reached that each teacher’s ‘workload’ should include at least 80 hours per year of in-service training (INSET). International funding is available in the form of the Presidential Education Initiative (PEI). So far a ‘nodal point’ has been established in each province and business plans are being drawn up. Actual training has, as yet, not started. This is of particular concern given the proposed imminent introduction of Curriculum 2005.

**Information Systems**

The School Register of Needs (SRN) census was conducted by a consortium of research organisations during 1996 and revealed severe deficiencies and inequalities. The data has been used to establish a GIS system. The Department is now seeking donor funds for training and equipment at the provincial level. There are, as yet, no clear plans as to how the SRN data will be updated.

**Figure 15: Some findings of the School Register of Needs**

- In schools across the country there is a shortage of more than 57,000 classrooms, 10,000 boreholes, 15,000 electrical connections, 17,000 telephones and 270,000 toilets
- Almost half of all Northern Province pupils are at schools with no water within walking distance. Close on eight in every ten schools have no electricity, two thirds have no telephones, and over four in every ten need serious repairs. There is less than one toilet for every forty children (Mail & Guardian, 8-14 August 1997).

***27.3.3 RDP projects***

*The Culture of Learning* (CoL) was one of the Presidential Lead Projects established in 1994. The CoL was to fund school renovation, promote school governance structures,
improve attendance, and encourage greater stakeholder involvement. To date the bulk of
the money has been used to repair schools.

Initially many of the provinces struggled to get the programme off the ground because of
all the usual constraints facing new initiatives outside ordinary line functions. Often the
greatest difficulties were experienced precisely in those provinces that most needed the
initiative. Nevertheless, by early 1997 the programme was underway in all but one
province. Further, the business plans show focused attention being given to RDP
principles such as community participation in maintenance of buildings, employment of
small contractors, and provision for the disabled. As always, these features can mean that
projects proceed more slowly than they would under ‘normal’ circumstances. The
principles nevertheless can bring with them important benefits, not least in terms of
poverty, inequality and sustainability of the investments.

The National Schools Building programme provides for new classrooms and/or schools.
Because of the pressure for delivery, the 1995/6 allocations were based on enrolment
figures as well as the ability of the different provinces to spend. The following year’s
allocations were based, more equitably, on enrolment figures and the extent of the backlog
in each province.

Unlike the CoL, the Department managed the Schools Building programme. It thus
managed to avoid the marginalisation experienced by CoL staff and got off to a quicker
start. Despite the progress, the SRN bears witness to the huge backlog that remains.

A recent national survey of 15-30 year olds who had left schooling earlier than they
would have wished (‘out-of-school’ youth) found that 57% of young men and 46% of
young women said that they had been forced to abandon their education for financial
reasons (Everatt and Jennings, 1995). The gender discrepancy was primarily explained by
28% of women citing pregnancy. The 1996/7 national budget allocated R20m from the
RDP budget to each province except Gauteng for out-of-school youth. Gauteng’s existing
initiative had a much bigger five-year budget of R200m. Provinces progressed very slowly
and it has now been agreed that the original amounts should cover three years. The long-
term future of this aspect of educational provision seems undecided.

27.3.4 Early Childhood Development
By mid February 1997 all provinces had submitted business plans for pilot Early
Childhood Development (ECD) projects. The pilots are well targeted in that they focus
on community- or home-based services i.e. outside formal schools. Further, poorer
provinces received disproportional allocations. The National department has promised
funding for the first year, and provinces are supposed to cover the remaining two years of
the project. The Gauteng Department of Education (GDE) is providing matching funds
from the start and has accessed additional RDP and donor money. It is unclear whether
accessing similar top-up funds will be feasible for other provinces or, indeed, whether the
commitment to do so exists.

The national policy focuses on the reception year as the first of ten years of free and
compulsory schooling. GDE has broadened this to cover children 3-6. Most other
provinces leave younger children to the Department of Welfare (DoW) which itself has
very limited resources. GDE is attempting to promote integrated work through the
establishment of an inter-sectoral ECD committee. In addition, those responsible for the initiative are hoping to work closely with local authorities, NGOs, CBOs and the labour movement.

27.3.5 ABET

The main responsibility for the ‘basic’ level of literacy and numeracy lies with the provincial DoEs. A small staff in the national Directorate, Project Funding, is charged with ‘kick-starting’ initiatives in the provinces. The DoE’s documents accept that the primary responsibility for ABET lies with the state. However the White Paper describes the ABET intervention as a National Literacy Campaign rather than a permanent line function. Such a campaign could be a useful tool in spearheading an effective assault on the problem.

However, there will always be both ‘new’ and unreached illiterates. Further, those reached in the first years will need ongoing input if the ‘investment’ is to be sustainable.

Both national and provincial activities have been hampered by lack of person-power, authority and resources. There is a maximum of three people in each provincial office, and Northern Province has no ABET staff at all. The state allocation is only a tenth of the Centre for Education Policy Development’s projected figure as to what was necessary for 1994/5.

The primary delivery achievement to date has been the launch of the Ithuteng ‘Ready to Learn’ Campaign as a Presidential Lead Project in February 1996. Ithuteng concentrates on ABET sub-levels 1 and 2, and is thus well targeted at the most needy. The Campaign was launched together with the Thousand Learner Unit (TLU) Project of the National Literacy Co-operation (NLC), the umbrella body for literacy NGOs. Both campaigns incorporate the twin problems of (a), equal allocations per province despite differing need, and (b), limited funding periods.

By end 1996 the state Campaign had been launched in six provinces. The overall target of 90,000 adult learners had been exceeded but with extreme regional imbalances. Several provinces are unable to distinguish between ABET learners and those studying at higher levels, e.g. matric, making it unclear how many of the 90,000 are true ABET learners.

At this stage virtually all provinces are mainly employing ordinary teachers who then teach adults at night. This denies opportunities to other educated, equally competent, but unemployed people. Most educators are using school methods and materials. These limit the appeal for potential learners who see ABET as assisting them in attaining a better life and, in particular, earning a better living.

27.3.6 Adult further education

In 1994 the government established an Inter-Ministerial Working group consisting of the Ministries of Education and Labour, the National Training Board (NTB), organised business and labour. The group recommended that the Ministry of Education be renamed the Ministry of National Education and Training and take over the training functions of the Ministry of Labour. At this stage, however, most of the thinking and co-ordination with regards to adult education beyond ABET is still occurring under the auspices of the Department of Labour.
In late March 1997 the Department of Labour published its Green Paper on training. The Paper proposes a National Training Fund with payroll levies on employers as the primary source of funding. At least one half of training must be at artisanal or lower level. The Paper further envisages grants as incentives to employers to reach certain priority skills targets, support new labour market entrants, and assist small enterprises. It extends the idea of placement to include job creation schemes, development programmes, and SMEs. Twenty percent of funds from levies, government and other donors will be allocated to a national skills fund for national priorities.

The Green Paper’s concept of ‘target groups’ consists of several defined categories of disadvantaged women, youth or disabled people. It proposes that employers should target these groups in line with the government’s Green Paper on Employment Equity, and that there be incentives for them to do so.

More controversially, it proposes ‘discounted’ wages for young trainees or other target groups. The Paper refers, in passing, to the need to encourage women to enter non-traditional fields although it does not specify how this is to occur. It also states that “extra effort will be needed to ... ensure that learnerships are designed for areas of so-called ‘women’s work’” (Department of Labour, 1997:35). The Paper recognises that the state must take final responsibility for addressing any failures of the private sector to provide for ‘vulnerable’ groups.

27.4 Assessment of Education Policy

Education is relatively well-resourced, at least in monetary terms, training less so. However, certain ‘development-related’ areas are under-funded, under-resourced, and lack capacity and ‘clout’. Where projects exist, there is often little clarity as to how and if pilots will be ‘mainstreamed’ after the pilot period or ‘first round’.

Throughout the education and training system equity demands significant decreases in the resources allocated to the more advantaged in the form of, for example, subsidies to expensive suburban schools. It also demands much tighter control, if not cuts, in the allocations to sectors such as tertiary education, which reach primarily those who are already relatively privileged. Both rich and poor South Africans place great store on education and those who are currently advantaged are unlikely to give up that advantage easily. Yet, given the gross inequalities and the impossibility of expanding the already large slice of the cake going to education, significant changes for the poor are impossible without some reduction in the levels of state-funded provision to the more privileged.

The ongoing challenge for the Education Department is to strengthen the voice of those who have been disadvantaged and to stand fast against the strong voices of those who are advantaged. Whether at the inter-provincial or intra-provincial level, the national Department needs to play a strong leadership and monitoring role.
Health care is merely one of the determinants of health. A range of other factors including housing, access to safe drinking water, sanitation, and so on, impact on health status. Sanitation and water, in particular, are arguably more important determinants of health, particularly if the country is keen to emphasise prevention rather than cure. Nevertheless, health care accounts for approximately 10% of the total budget and the second largest amount of Overseas Development Assistance and is thus significant in itself. At the purely instrumental level, those who are less healthy are likely to be less productive, to experience greater difficulty in completing daily tasks, and to benefit less from other initiatives, such as education. At a broader level, better health is obviously a significant factor in quality of life.

As with the discussion of education and training, this section cannot hope to cover all initiatives in health. Instead, the discussion here focuses on those initiatives seen as having the greatest actual or potential impact on poverty and inequality. These include the development of a District Health System, building and upgrading of clinics, reallocation of financial resources, and the introduction of free health care. Most of these fall within the broad ambit of a shift towards primary health care.

Discussion of the initiatives is preceded by some facts and figures illustrating the disparities that necessitate the programmes.

28.1 The Situation as regards Health and Health Services

28.1.1 The shape of the health sector

Figure 16 summarises some of the key characteristics of the health sector at the time of the 1994 elections:

Figure 16: Characteristics of the South African health sector (pre-1994)

- Fragmented management of public sector health services;
- Fragmentation of curative and preventive services;
- Bias towards hospital-based, doctor-centred, curative care;
- History of racial discrimination in access to health services;
- Systematic under-funding of certain, usually poorer, geographic areas; and
- Substantial private health sector, with high levels of health care resources relative to the population served, and heavy concentration in large urban areas.

At the same time, there were some innovative, if isolated, models of progressive health care provision, such as the Alexandra Primary Health Care Centre, the Health Services Development Unit, the Elim Care Groups, KwaZulu community health workers, and others.

Sources: van Rensburg and Harrison (1995); Tollman and Rispel (1995)
The last point, in particular, distinguishes health care from a sector like education, where the private sector is comparatively small except in specialised areas. Thus private sources of finance accounted for nearly 61% of total health care expenditure in 1992/93 (McIntyre et al., 1995). Yet under a quarter of South Africans enjoy access to private sector health care on a regular basis (Valentine and McIntyre, 1994). The rest are dependent on what the state can provide. This pattern results in different pressures than those in education in respect of improvements of the public service, as well as possible removal of hidden and unhidden subsidies to the private sector.

28.1.2 Ill health and mortality in South Africa
A striking element of many of the studies in the SA-PPA was poor health among those who are poor. Many studies reported people suffering from poverty related illnesses, or from ill health resulting from working conditions and health emerged as a seasonal issue (SA-PPA, 1997:116).

Available statistics suggest that the South African infant mortality rate varies between 7 for whites and 54 for African, the maternity mortality rate per 100,000 live births between 3 for whites and anywhere between 23 and 250 for Africans, and life expectancy between 76 for white women compared to 67 for African women and 69 for white men compared to 60 for African men. Measles incidence, which was estimated at 32 per 100,000 people in 1993 (DoH, 1994a), has close links with poverty, and can be eradicated completely with appropriate programmes.

Tuberculosis is another serious public health problem with a very strong association with poverty. Those who are poor and live or work in overcrowded and unhealthy conditions are more likely to become ill with tuberculosis, Conversely, tuberculosis contributes to poverty by making people less able to work and perform other daily tasks. A total of 74,650 cases were notified in 1995, accounting for over eight in ten of all notifiable diseases. Given poor notification and undetected cases in rural areas, the real figures are much higher.

The strong association between tuberculosis and HIV/AIDS has led to predictions that the incidence of tuberculosis will increase even further unless given serious attention (Health Systems Trust, 1996:23).

28.1.3 Health service provision and utilisation
As in other areas, a few indicative statistics illustrate the enormous disparities in both provision and utilisation. Thus, in 1992/3 per capita public sector health care expenditure varied between R137 in Mpumalanga and R491 in the Western Cape. The population per clinic varied between 23,000 in KwaZulu-Natal and 6,000 in the Northern Cape. In 1995 over 35% of Africans living in former bantustan rural areas had to travel for an hour or more to reach the nearest health care provider (Hirschowitz and Orkin, 1995).

Private medical aid scheme members visit a general practitioner on average 5 to 6 times a year (McIntyre, 1995). Residents of the poorest districts in South Africa who were more reliant on public services, utilised outpatient services (clinics and hospital outpatient departments) on average once a year (McIntyre et al, 1995).
28.1.4 Health service financing

The DoH has developed a medium term expenditure framework, which projects public health spending by the level of care to the year 2000. On the basis of this model, the DoH predicts that it will be able to afford to provide basic health care to all South Africans within ten years if two conditions are met. The first condition is that there should be a redistribution of public health resources. The second condition is that there are additional, extra-budgetary sources of revenue. The White Paper proposes that extra money be found through health insurance and by using user fees collected at public hospitals within the health sector rather than putting them into the general government revenue pool (DoH, 1997a).

The strategy will need to focus on the health insurance aspect if it is to be effective. The experience in developing countries, particularly in Africa, is that gross user fee revenue rarely exceeds 5% of recurrent health sector expenditure (Creese, 1990). Given high collection and administration costs, net user fee revenue is even lower. User fees are therefore unlikely to be a major source of additional revenue, in countries with low income levels and marked income distribution inequalities unless there are high levels of insurance coverage. Out-of-pocket user fees without insurance are also less ‘poor-friendly’.

28.2 Health Policies and Programmes since the 1994 Elections

A key policy goal of the new government was to achieve universal access to an “…essential package of primary health care interventions” (DoH, 1995: 3). Such a shift to primary health care is universally acknowledged to be progressive, poor-friendly and sensible, in that it focuses on prevention rather than cure. In addition, there is a clear commitment from the new government to prioritise the health needs of vulnerable groups such as “…the rural, peri-urban and urban poor” (DoH, 1995: 4). Women and children are acknowledged as being amongst the most vulnerable groups.

28.2.1 Health department restructuring initiatives and managerial capacity issues

A major task facing the new provincial health departments was the integration of fragmented bureaucracies. The appointment of senior health department managers has taken considerable time. There are further capacity problems among both ‘old’ and ‘new’ staff. The time involved in restructuring, while necessary, has impacted adversely on service delivery and detracted from the implementation of new primary care programmes.

28.2.2 The development of a District Health System

Prior to 1994, primary care service delivery was fragmented between a number of health authorities and relatively few resources were allocated to the primary care level. The development of a District Health System (DHS) forms the foundation for primary health care.

National guidelines suggest that district boundaries should preferably be coterminous with those of local governments and the administrative boundaries of other sectors so as to promote collaboration. By late 1996, delineation of district boundaries had been completed in five provinces. Major constraints were the slow progress in finalising local
government boundaries and inadequate inter-sectoral consultation and collaboration. Where boundaries have been delineated, further bureaucratic delays have arisen in obtaining Public Service approval of district manager posts (Mjekevu, 1996).

Eventually District Health Authorities (DHAs) are meant to be accountable to local government rather than provincial administrations. The slow and uneven development of local government has meant that this was not immediately feasible or sensible. In the interim, provinces have developed differing governance mechanisms. International experience has demonstrated that decentralisation can be accompanied by increasing geographic inequities (Gilson et al, 1996). It is thus essential that provincial health departments retain certain decision-making powers in relation to inter-district resource allocation. The Eastern Cape has explicitly recognised this in its governance mechanisms.

28.2.3 The Clinic Upgrading and Building Programme
A detailed review (Govender and McIntyre, 1997) of the Clinic Upgrading and Building Programme (CUBP) found that the majority of new clinics are located in currently under-served areas. The two provinces that had particularly poor population to clinic ratios (KwaZulu-Natal and Northern Province) have been the major beneficiaries. Further, the majority of new clinics are in the poorest magisterial districts. The Programme has thus made a significant contribution to addressing poverty and inequality. Nevertheless, of the 295 clinics proposed for the 1994/5 through 1996/7 financial years, only 92 had been completed by the end of March 1997.

The major obstacles to successful implementation were lengthy delays in the tendering process; problems with achieving community consensus on siting of clinics; and delays in funds being sent to provinces, which meant that contractors, their workers and their suppliers could not be paid in time. Some of these problems are similar to those experienced in other sectors and several are discussed in Chapter Seven.

28.2.4 Inter-provincial resource allocation policy
As from 1995/96 the Department of Health (DoH) attempted to redistribute resources so as to achieve weighted per capita equality in provincial health budgets within five years. A resource allocation formula was developed through the Function Committee mechanism. The budgets of certain provinces were cut by 20% in real terms, while other provinces received real budgetary increases of as much as 30% between 1994/95 and 1995/96. The reallocation had tangible results. It enabled, for example, 700 additional posts to be created at primary care level in one previously disadvantaged province. As a result of concerns about the pace of change and the ability of provinces to cope, in 1996/97 the time period was changed to ten years. Nevertheless, substantial further gains have been achieved.

The 1996 Constitution curtailed the power of the Function Committees. The FFC’s proposed formula will ‘ring-fence’ resources for the provision of district level health services. However, additional allocations to health beyond this will be at the discretion of the provincial government. As a result, the process of reducing inter-provincial health care resource inequities is now likely to take longer as the ability of health departments to compete successfully for a greater share of the provincial budget will be particularly
constrained in those provinces which have large bureaucracies. This problem will arise in the very provinces that most urgently require additional health care resources.

28.2.5 The free health care policy
Free care for certain health services and categories of patients is the policy that has probably made the most significant impact on improving access to health services for the poor to date. The first phase was the introduction of free care for pregnant women and children under the age of six years on 1 June 1994. The second phase was the introduction of free primary care services for all patients on 1 April 1996.

An evaluation of the free health care (FHC) for pregnant women and children under six policy (McCoy, 1996) found that health service utilisation, particularly by the rural poor, increased substantially and pregnant women started attending antenatal clinics at an earlier stage. There was overwhelming support for the policy, but health personnel felt strongly that greater consultation and planning should precede the implementation of such extensive changes.

While the April 1996 extension of free primary care has improved financial accessibility, it does not directly address geographic and other aspects of access to primary care services, and the quality of care. Accessibility and quality of care improvements would include providing integrated, comprehensive primary care services (so that patients have a ‘one stop shop’), longer hours of opening, ensuring the routine availability of essential medicines, and empathetic staff attitudes. There should be exemptions from outpatient fees for residents in rural areas who live closer to a hospital than a clinic.

28.2.6 Other health sector programmes and policies
Other health sector programmes and policies, can be grouped into two categories:

• those that redress inequities, particularly through primary care services; and
• those that target vulnerable groups and diseases of poverty.

The Committee of Inquiry into a National Health Insurance System
As noted above, one of the key features of the health care system in South Africa is the severe inequality between those with access to private services and those who depend on public delivery. In an attempt to address this inequality, the Committee on Inquiry into a National Health Insurance System (South Africa, 1995) proposed a publicly funded primary care system which all South African residents would be entitled to use. Explicit recommendations on the required number of primary health care facilities, and the staffing requirements for such facilities, were made. The Committee also proposed a purchaser-provider split, with budgets being provided to district health authorities who could then purchase primary care services from public sector providers or accredited private providers. In response to pressure from various stakeholders, the DoH has decided not to implement some of the recommendations of the Committee, such as that primary care Essential Drug List medicines be provided to the private sector at state tender cost, despite the benefits they could have brought in terms of more affordable provision for the poor.
**National Drugs Programme (NDP)**

An Essential Drug List (EDL) for primary care facilities was published in March 1996 and contains those medicines considered essential for 90-95% of common conditions. The EDL promotes rational use of medicines, and contains costs. Improving procurement and distribution is critical, as a lack of availability of essential medicines will negate initiatives to improve access to health services. Proposals for restructuring the state drug procurement organisation were formulated in September 1995, but have not yet been implemented.

**Human resources**

South Africa has favourable health personnel to population ratios by international standards, but the majority work in the private sector and are maldistributed between provinces and between levels of care. The gains in human resources from the substantial increase in salaries in 1996 were somewhat offset by the offer of VSPs. The national DoH (1995) recommended that doctors undertake two years compulsory service after graduation, both to recoup public sector investment and to address the lack of personnel in rural areas. Medical students vociferously opposed this proposal. The DoH has subsequently amended the proposal to provide for one year’s community service, but this proposal, too, is being opposed by medical students. Another initiative to improve staffing in currently under-served areas is the recruitment of foreign doctors from Cuba, United Kingdom and Germany. Media response was initially often hostile. Later press reports documented the many cases in which these foreign doctors were providing assistance to people who had previously been denied access to expert medical assistance.

Some measures have been taken to increase the number of clinical nurse practitioners, the front line primary care workers. In many under served, poor communities, community health workers (CHWs) are the main primary care providers (Makan *et al.*, 1996). Many are employed by NGOs facing severe financial constraints as international donor funding is directed to government. Neither the national nor the provincial health departments have adopted a clear position on the future of CHW programmes.

**Staff attitudes and behaviour**

Unsympathetic and rude treatment by health care staff documented in many studies including the SA-PPA influences patients’ perceptions of service quality (SA-PPA, 1997:101). Perceived lack of caring by health personnel can be a deterrent to service utilisation. Three provinces have contracted with a research-based NGO, the Women’s Health Project, to undertake a ‘Transformation Project’. An interim evaluation of the Project suggests it has been well received by staff and has had a meaningful impact. The Centre for Health Policy is also involved in a project to improve quality and performance at primary health care facilities.

**Maternal, child and women’s health (MCWH)**

Measures to promote the rights of women and children and specific programmes to address their health needs are important poverty reduction strategies. Among the measures embarked upon by the DoH are the free health care programmes, a national
cervical screening programme, an accelerated immunisation programme, the primary school nutrition programme and the passing of legislation on termination of pregnancy.

**Control of tuberculosis and other communicable diseases**

The DoH has recognised that while tuberculosis and poverty are closely related, it is not necessary to wait for socio-economic conditions to improve in respect of tuberculosis. The Minister of Health has declared tuberculosis a national health priority. The national and provincial health departments undertook a review of the National Tuberculosis Control Programme (TBCP) in collaboration with the World Health Organisation (WHO), NGOs, and academics and have formulated a comprehensive new strategy. Key elements of the new strategy involve improving facilities for the early diagnosis of tuberculosis, standardising treatment regimens, and implementing Directly Observed Treatment (DOT) advocated by WHO on a national basis.

The recorded cure rate for tuberculosis in the first half of 1996 was 54%, while 72% of patients successfully completed treatment. The new tuberculosis programme is intended to achieve a cure rate of over 85% by the year 2000. The first step in implementing the new programme is the establishment of a Demonstration and Training District in each province, each to target an 80% cure rate by 1998.

The DoH has added Hepatitis B vaccinations to the list of routinely administered immunisations for children due to the high level of deaths attributable to this disease. The DoH embarked on a mass polio immunisation campaign in 1995. A mass measles and polio vaccination campaign was repeated in 1996. These campaigns have improved immunisation coverage. It has, however, been suggested that only areas with low coverage should have been targeted, and that improving comprehensive primary care services would have been a better use of resources than mass campaigns (Wigton *et al*, 1996).

### 28.2.7 Macro-economic and budgetary policy

The government’s macro-economic and budgetary policy, in targeting ongoing decreases in the budget deficit, places severe constraints on sectoral budgets. The anticipated cuts - or very small real increases - in the health budget will constrain the health sector’s ability to deliver services to meet the health needs of South Africans. In particular, the implementation of the Committee of Inquiry’s recommendations for achieving universal access to primary care services will be severely retarded without increased funding. Within the constraints of the current macro-economic policy, the pace of redistribution of health care resources both between and within provinces is likely to be slowed, with adverse effects on attempts to redress inequities and to alleviate poverty.

### 28.3 Assessment of Health Care Policy

The existing policies and programmes provide an excellent basis for addressing the challenges facing the health sector. In addition, practical steps have been taken to redress health sector inequities and to address poverty. The DoH has generally taken a strong stand in favour of redistributive measures and firmly withstood the ‘voice’ of powerful stakeholders who fear they will lose their previous advantages. In some cases, however, such as community service for medical students, and control over the market for
medicines, the Department has so far felt forced to back down, at least temporarily, in the face of protests by powerful professional, commercial or political groups.

The success of some policies was marred by inadequate implementation strategies, which may be attributable to eagerness to make rapid changes. There is also great variability between provinces. There have been some difficulties in moving from policy and programme development to implementation. This is partly due to inadequate management capacity, but also to structural obstacles and constraints. Financial constraints are of particular importance. A major remaining gap is a coherent policy on the private sector.

29 HIV/AIDS

29.1 HIV/AIDS, Poverty and Inequality

The combination of poverty, natural disasters, violence, social chaos and the disempowered status of most rural and peri-urban women in Southern Africa form a fertile environment for the transmission of HIV infections. Mobile individuals such as migrant workers are also at increased risk. Poverty increases the risk of HIV infection. Conversely, the illness increases the risks of a household or individual becoming impoverished. Beyond the individual and household, HIV/AIDS lowers the general level of health in communities in which it is prevalent because of its close relationship with other communicable and poverty-related diseases such as TB.

29.2 The South African Epidemic

29.2.1 The form of the epidemic

The global HIV/AIDS pandemic is composed of numerous individual epidemics. ‘Type 2’, dominant in South Africa since 1990, tends to be widespread, involves individuals from heterosexual relationships, and has a higher female prevalence. The effects extend beyond the infected individuals, with serious social and economic consequences for society at large.

During the epidemic stage there are rising numbers of people with AIDS and a steady increase in HIV seroprevalence levels. In the beginning the health, social and economic burden is borne primarily by infected individuals and their families. After about 15 years rising numbers of people with AIDS place increasing demands on health and welfare services and disrupt economic activities. The required response to this stage is to continue prevention programmes whilst providing appropriate care and support services.

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80 This section is based on McKerrow (1997).
81 The epidemic passes through three phases. During the HIV+ stage widespread transmission of the virus occurs. Because of the 4-5 year latent period, there is a steady rise in HIV seroprevalence amongst members of the community without the obvious presence of people with AIDS. Whilst this stage imposes no new demands on services, it provides the opportunity for health and education services to establish preventive strategies.
The final and persistent stage occurs as the total HIV seroprevalence level stabilises, while the social and economic consequences reach their peak and become the dominant feature of the epidemic. This stage requires widespread multi-disciplinary prevention, care, support and development responses.

29.2.2 The extent of the epidemic to date

HIV seroprevalence figures in South Africa have been routinely monitored in two ways since the late 1980s:

- nationally in an annual survey amongst pregnant women attending antenatal clinics; and,
- at a number of sentinel sites throughout the country.

The national surveys can be considered to be representative of all groups of sexually active adults. Sentinel surveys illustrate the geographic, racial and class differences as well as the different stages and rates of progression within the country.

The seven national surveys illustrate the relentless progression of the epidemic. The latest, October/November 1996, found an average of 14.07% of all pregnant women attending antenatal clinics to be HIV+, giving a total estimate of over 2.4 million HIV+ people at the end of 1996, HIV infection peaks in women aged 20-24 years. Levels are highest among African women. In the worst affected regions the incidence of new infections appears to have slowed down. Nevertheless Doyle (1996) estimates that there are roughly 1,000 new cases every day.

Geographic variations may be the result of cultural attitudes towards male circumcision and pre- or extra-marital sexual relations; proximity to high seroprevalence level neighbouring states; time in terms of the evolution of the epidemic; the presence of major transport or trade routes; the degree of migrancy; and levels of social chaos. Levels of poverty appear to be of lesser significance.

The sentinel surveys at municipal sexually transmitted disease (STD) clinics have shown women increasingly severely affected compared to men. An urban-rural difference has been confirmed in some, but not all, provinces.

HIV/AIDS affects society as well as individuals and families. An economic model (Broomberg et al, 1991) predicts that by the year 2000 HIV/AIDS in South Africa will account for 19-40% of all health expenditure, with public sector spending accounting for 50% of total costs. In terms of indirect costs, lost production will increase from R296 million in 1991 to R9.3 billion by 2000. The total cost will average R15.5 billion per annum by 2000, equivalent to 2.5-4% of current GNP.

The SA-PPA shows that the poor particularly fear the social isolation that AIDS leads to, as this undermines one of the critical ways in which the poor survive - the use of kin and social networks. Furthermore, the causes of AIDS, and how to assist those affected is poorly understood by poor communities. Programmes for counselling and treatment need to address this fear of social isolation, which leads many households and individuals to hide the fact of infection.
29.3 The South African Response

Responses to the epidemic in the government and NGO sectors emerged slowly, increased in the late 1980s, faltered in the post-election period and may be gathering momentum once again. Overall, the response has been characterised by poor co-ordination, limited inter-sectoral collaboration and variable commitment from role players.

In the period that HIV/AIDS was seen as a gay Type 1 epidemic, it evoked minimal response from the formal state structures. By the mid 1980s surveillance systems and AIDS databases were established. By 1985 a safe blood supply had been secured throughout the country.

As the shift towards Type 2 became evident, a more constructive state response emerged. The DoH established a number of AIDS Training and Information Centres (ATICS) to provide training for AIDS counsellors, public information and counselling and support services to infected individuals.

Each centre was located within local authority structures and, until recently, funded by the national DoH. By 1996 there were over 20 ATICS but none in rural areas. In 1996/7 the devolution of financial control to the provinces resulted in the closure of some ATICS as funds were directed towards more immediate provincial priorities.

In 1990 The DoH established a dedicated AIDS Unit. The unit was to draw up a national AIDS strategy and co-ordinate all AIDS related activities in the country, but to have a limited implementation role. To facilitate implementation, an Interdepartmental Committee on AIDS was established at the end of 1990 as well as an independent body, the AIDS Advisory Group, to offer advice to the state administration.

At the end of 1992 the AIDS Unit was restructured as the AIDS Programme with four major components - AIDS Support Services; Marketing; Training and Education; and Research. As yet, no national strategy had been developed. AIDS related activities remained uncoordinated, but some progress had been achieved with a communication strategy. Distribution of free condoms had been initiated as a major preventive measure.

Despite the restructuring, the most significant response during the early 1990s occurred in the NGO sector. The National AIDS Co-ordinating Committee of South Africa (NACOSA) not only created a networking and advocacy forum but, more importantly, pursued strategy development and implementation plans. Other organisations worked with affected individuals and communities in prevention, care and support initiatives. The strengths of these programmes lay in the commitment of their staff, their grassroots contacts, their perceived legitimacy and credibility in comparison with state-associated structures and their access to international support and funding. After 1994 NGO HIV/AIDS programmes such as the Children’s HIV/AIDS Model Programme (CHAMP), and the programme of the National Progressive Primary Health Care Network (NPPHCN) were among those that were forced to close as international donor agencies redirected much of their funding to government.

Advisory Group with wider participation; a committee to oversee NGO funding by the state; and another committee to oversee research funding. The establishment of these committees coincided with the upgrading, in 1996, of the programme into the Directorate of HIV/AIDS and STDs and its recognition as a Presidential Lead Project.

The new plans were more detailed and explicit, but probably over ambitious. Nevertheless, there has been some progress in implementation of the five key strategies:

- Life skills programmes have been developed and should be implemented in all nine provinces during the next two years;

- Mass media campaigns to popularise key prevention strategies have generally had little effect either because they have been insensitive to many local cultures and conditions, ignore available resources or, as in the Sarafina case, have been factually inaccurate, provided limited coverage of the population or been surrounded by controversy. The failure to exploit radio as an education medium is inexplicable. Non-state campaigns targeting local communities have shown greater success;

- Programmes for the improved management of patients seeking treatment for STDs began in many provinces in 1996. Training manuals for staff were developed, training implemented and the programme incorporated into all levels of health care;

- Barrier methods for the prevention of HIV transmission have been widely and freely available throughout the nineties. More recently, femidoms have been introduced;

- To date the promotion of appropriate care and support of HIV infected people has received very little attention from the Directorate.

The recruitment of all government departments into developing their own response to the epidemic has been hesitant and slow. Human rights and legal issues have dominated, with a limited response with respect to preventive, care or support programmes.

### 29.3.1 Department of Health

In all provinces the Provincial AIDS Programme is situated in the provincial department of health. Overall there is a maldistribution of trained or knowledgeable staff with a better quality of care available in the larger urban centres than elsewhere. The absence of a national policy and funds has so far precluded the implementation of specific protocols or procedures for infected individuals. HIV infected people form part of the general patient load and receive adequate treatment for complications but little, if any, prophylactic or anti-retroviral therapy.

The lack of development of appropriate health promotion centres, home-based care programmes and hospices within affected communities has further undermined the quality of care of infected people as well as aggravating rural-urban inequities.

### 29.3.2 Department of Welfare

The Welfare White Paper of 1996 incorporates an adaptation of the NACOSA Plan. There are gaps in the proposed policy with no identified activities, designation of responsibility, indications of legislative reforms or suggestions with respect to structures. At the end of 1997, the Department was still in the process of finalising a draft action
plan on HIV/AIDS. The Department is also currently in partnership with the Children in Distress Project (CINDI) which will assist the Department to develop models, policy guidelines, norms and standards for the development of integrated and inter-sectoral services to people affected by HIV/AIDS.

Nevertheless, an AIDS Unit was established within the Directorate of Special Needs at the start of 1997 and each province has identified an AIDS co-ordinator. Unfortunately all have multiple roles with additional responsibilities. The immediate goals of the central Unit are to strengthen provincial structures and explore the requirements of children.

29.3.3 Department of Education

Children aged 4-14 years are the largest group of uninfected members of any HIV affected community and provide a ‘Window of Hope’ (Smart & Fincham, 1993) for the implementation of effective preventive programmes in the form of education programmes for those who are not yet sexually active.

To date, no AIDS unit has been established at any level within the Education Department although at a national level someone has been designated, in addition to other responsibilities, to co-ordinate AIDS activities. Personnel committees are developing policy with respect to HIV-related issues affecting both employees within the department and pupils in school. A Curriculum Development Committee has identified life skills as a key component of the school curriculum and a Project Committee and Task Team has been appointed.

The life skills programme has been identified as a Ministerial Lead Project. The project committee is strong and active and has broad representation from provincial and national government and NGOs. A curriculum has been developed and is being tested. A teacher training programme aiming to train two teachers per school and one subject advisor per district to deliver the curriculum is being implemented.

There are no plans or programmes for children who are not in school. The Education Department has also not developed policy with respect to meeting the educational needs of HIV+ children.

29.3.4 Other government departments

Many other government departments have engaged in debates around HIV/AIDS and issues related to their particular areas. Prolonged lobbying by NACOSA and human rights activists has recently seen the cessation of pre-employment testing in all state departments. In the private sector, however, testing remains at the discretion of employers, although it is probably unconstitutional.

29.3.5 The non-governmental response

The NGO sector has been crucial in policy development, precipitating a more effective governmental response, monitoring state programmes, servicing areas not covered by the state, and ensuring the rights of infected individuals. However service related programmes are concentrated in urban communities and the more developed provinces.
NGO and government have worked together to develop and implement training packages for professional and lay counsellors to meet the psychological needs of those infected and affected by HIV/AIDS.

29.4 Assessment of Policy on HIV/AIDS

To date the government response has been reactive rather than proactive. Funding remains a key constraint. The initial NACOSA implementation plans were costed out at R260m in 1995. Since 1992 the total state expenditure on national AIDS programmes amounts to R183,4 million. The redistribution of international aid has weakened the capacity of NGOs to deliver, particularly in rural areas.

Key steps to improve the response and facilitate the more effective implementation of the National AIDS Plan are:

- Greater political, bureaucratic and financial commitment to the Plan;
- Greater adherence to the principles identified within the Plan;
- More effective steps to target the most vulnerable groups and to reduce the maldistribution of resources. Women, in particular are found in greater numbers in rural areas; social, family and community demands on women preclude easy access to health care; and working women tend to be employed in the domestic labour force or informal sector where health care is seldom provided.

30 Malnutrition

Nutrition is no longer simply equated with food, or regarded as a medical problem. Rather, it is understood as the outcome of complex inter-related social, economic, political and other processes. Given the focus on poverty, here the emphasis is on under-nutrition. Nevertheless, chronic degenerative diseases are on the increase among disadvantaged communities. Future nutrition policy will have to pay attention to these as well.

30.1 The Causes and Consequences of Malnutrition

It is useful to consider the causes of malnutrition at three levels - immediate, underlying and basic (UNICEF, 1993).

- **Immediate causes** of malnutrition include inadequate dietary intakes and disease.

- **Underlying conditions** are those necessary to ensure adequate dietary intake and health - household food security; adequate maternal and childcare; and adequate access to basic health services and a healthy environment.

- The **basic causes** relate to the availability, access and control of human, economic and organisational resources. Poverty is thus a basic cause of malnutrition.

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This section is based on Maclaclan and Kuzwayo (1997).
Research and policy have, until recently, focused on the impacts of severe malnutrition, largely ignoring the impact of mild to moderate forms of malnutrition (MMM). While the risk of death increases with severity of malnutrition, the largest number of deaths occurs among those affected by MMM. Where malnutrition does not cause death, it impacts on the quality of life and opportunities of those affected and on their ability to earn adequate income.

30.2 An Overview of Malnutrition in South Africa

Stunting among young children is a moderate public health problem. The national stunting rate, captured by height-for-age measurements, ranges between 23% (SAVACG, 1995) and 27% (PSLSD, 1994). Among the poorest 20% of households the rate is 38%. Acute malnutrition, measured by weight-for-age, is a less significant problem, but very important as an easily measurable indicator of recent under-nutrition.

Malnutrition rates among school entrants appear to be substantially lower than rates for pre-school children. However, the wide range of under-nutrition prevalence in localised studies suggests that malnutrition is a problem in specific areas and among specific groups of children.

Micro-nutrient malnutrition, which leads to learning disabilities, mental retardation, poor health, low work capacity, blindness and premature death (World Bank, 1994b), is a public health problem of considerable significance in South Africa. One in three children display marginal vitamin A status. Twenty percent of children are anaemic and 10% iron deficient. (SAVACG, 1995).

The BRISK study documented a prevalence of 59% of obesity among African women aged 45-54 years. On the other hand, the PSLSD (1994) estimated that 39% of the population did not meet a 2000 kcal/day requirement. Further work is necessary to understand the co-existence of under-nutrition and over-nutrition in certain communities and households.

Although breast-feeding prevalence data are encouraging, exclusive breast-feeding is rare, with mothers adding water and other fluids at a very early stage, and starting to add solids by the age of three months.

Available information suggests that malnutrition in South Africa is related as much to poor people’s living conditions and the social and psychological consequences of poverty, as to the economic dimension of poverty. The relative importance of different causes in particular groups or geographical areas is less well understood. There is an urgent need for research on causality. Such work should be closely linked to policy and programme interventions, to provide information required for decision making by policy makers and programme planners.

30.3 Policy Development and Programme Implementation

To combat malnutrition, the immediate, underlying and basic causes of the problem need to be addressed and there must be short, medium and long-term actions at various levels and by a range of sectors. Economic development strategies and appropriate social spending by government are important, as well as mutually supportive strategies to
achieve sustainable improvement in nutritional status. In addition, relatively low cost direct nutrition programmes, such as behaviour change strategies and micro-nutrient fortification, can have considerable impact (Gillespie et al, 1996).

30.3.1 Protein Energy Malnutrition Scheme
The Protein Energy Malnutrition (PEM) Scheme was conceived as a supplementary feeding scheme during the late 1960s and early 1970s. Allocations of around R500,000 per annum were used to subsidise local authorities to purchase skimmed milk powder for distribution to malnourished pre-school children at clinics. The Modified PEM Scheme, with a budget of R40 million per annum, was introduced for a wider range of vulnerable or malnourished target groups in 1993.

The PEM scheme, which is currently under review, was promoted as a ‘treatment’ for malnutrition, with food as ‘medicine’. The Scheme is not yet adequately linked to other crucial functions of the health care delivery system for the prevention of malnutrition, such as actions to address infection. Nutrition education usually takes the form of lectures of varying appropriateness. Messages are undermined by practices of the scheme itself.

30.3.2 National Nutrition and Social Development Programme
The Nutrition Development Programme (NDP) was introduced in 1990/1 as a food aid safety net at the time of the planned introduction of VAT on basic foodstuffs. The Programme came in for trenchant criticism from bodies such as the National Rural Development Forum’s Nutrition Task Force, which argued that food handouts were a completely inappropriate response to the introduction of VAT, as well as promoting dependency and corruption.

The programme was subsequently renamed the National Nutrition and Social Development Programme (NNSDP), and its vision and mission somewhat broadened. The annual budget of some R400 million was distributed to provinces on the basis of population size and need and implemented at local level through NGOs and community-based organisations.

Nevertheless, the legitimacy crisis of the previous government affected the credibility of the NNSDP and, in spite of the stated broader focus, the emphasis remained on food distribution, which was not always well targeted at those most in need. The NNSDP is currently being transformed to be part of the Community Based Nutrition Programme.

30.3.3 Presidential Lead Project: Primary School Nutrition Programme
The Primary School Nutrition Programme (PSNP) was announced at the opening of the first democratic parliament in May 1994, as a Presidential Lead Project, to be implemented countrywide, in all primary schools where the need had been established. At present it retains the food-based intervention paradigm of the NNSDP. Elements still being developed will address problems related to improved health care and a healthy environment. An assessment currently being finalised is expected to be positive overall, and will almost certainly recommend ongoing funding for the programme, and its integration with other nutrition programmes. There have, however, also been serious criticisms of some aspects of the programme, such as the hurried, top-down manner in
which it was implemented, the failure to exploit possible links with other local development initiatives, and serious corruption in some areas.

30.3.4 Nutrition Strategy

The report of the Committee on Nutrition on an Integrated Nutrition Strategy (DoH, 1994b) has been accepted as the guiding policy framework for nutrition within the health sector. The brief for the Committee indicates an understanding that nutrition is a crosscutting development issue. With health as the lead agency, the nutrition strategy focuses on specific initiatives within the health sector, including the restructuring of the existing programmes. There is a strong emphasis on information and a surveillance system, as well as a call to use nutritional status as an outcome indicator for the RDP. The approach is child-focused.

The report proposes an integrated strategy for the DoH, including health facility-based programmes, community-based programmes, and nutrition promotion and advocacy.

It envisages that the existing programmes, namely the Primary School Nutrition Programme (PSNP), the National Nutrition and Social Development Programme (NNSDP) and the Protein Energy Malnutrition (PEM) Scheme would be incorporated into the new integrated programme. A draft guideline document proposes that the integrated nutrition programme should consist of two components, namely a community based component, and a policy/general nutrition promotion component.

To date there has been limited progress with regard to nutrition promotion and education. A breast feeding policy is being finalised. The NNSDP, now referred to as the CBNP, and the PSNP remain the most visible nutrition activities. The PSNP progress report for January 1997 indicates that 4.8 million children were reached - 57% of the total number of children in primary schools. Nevertheless, because of lack of personnel and systems in the provinces, during the first six months of the 1996/97 budget year, only 18% of the annual budget of R360 million for the NNSDP/CBNP had been spent.

Responsibility for the CBNP and PSNP has, since mid 1996, been devolved to provinces although still funded nationally. The national directorate is cast primarily in the role of technical adviser for provincial structures. In this role it has provided capacity building support to provinces to establish pilot projects for the community based nutrition programme. Although there do not appear to be major tensions, it will take time for an effective relationship to develop between provincial and national structures. Staff capacity to adopt a new approach to nutrition programmes has been one of the major stumbling blocks in successful implementation. The national Nutrition Directorate, with the collaboration of Agriculture, Welfare and Education, has embarked on a comprehensive advocacy and training project, which will focus on building capacity at various levels, but particularly to support community level nutrition workers.

30.3.5 Nutrition-relevant social and economic policies and programmes

The health sector - and the small number of nutrition units in particular - cannot solve the malnutrition problem alone. In practice, however, most sectors are ill-equipped to integrate nutritional objectives into their activities. An important task for dedicated nutrition units in the health sector is, therefore, to assist relevant sectors to do so.
The Education Department is a partner in the Primary School Nutrition Programme. A pilot study is currently being undertaken to prepare core nutrition education materials for the new curriculum.

The Welfare White Paper (DoW, 1997) proposes that all Welfare Departments include nutritional objectives and activities into relevant components. In the Northern Province there is collaboration with the Nutrition sub-directorate on the Welfare Flagship project for women and children. In Gauteng, staff from Welfare are involved in some of the Community Based Nutrition Programme Pilot Projects.

The Water and Sanitation Policy White Paper (DWAF, 1994) makes far-reaching proposals for widening access to safe water.

The Department of Agriculture recognises that national and household food security are equally important, and is committed to enhancing the contribution of agriculture to improving household food security. At the provincial level there is scope for including nutritional objectives into projects aimed at supporting resource poor farmers.

Public works programmes, whether conducted under the auspices of the Department of Public Works or other departments, provide an opportunity for targeted food assistance, as well as increasing the incomes of poor people so as to allow them to provide for their own nutrition and other needs.

Inter-sectoral work is admittedly difficult. Nevertheless, the nutritional challenges of the country cannot be addressed unless departments other than Health recognise the ways in which they are implicated, and take steps to address the problem.

30.3.6 NGO activities in nutrition

Non-governmental structures such as the National Rural Development Forum and Nutrition Task Force (NTF) have played an important role as advocates for nutrition. Since 1996, however, the NTF has unfortunately not been active and advocacy and networking have declined.

At implementation level, involvement of NGOs increased dramatically during the 1990s because of the stated policy of the NNSDP to deliver services through NGOs and CBOs. Involvement of NGOs in programme decision-making had mixed results. There is an ongoing debate on the merits of funding service organisations rather than (smaller) community based organisations. The uncertainties around funding have, in some instances, strained relationships between NGOs and government.

30.4 Assessment of Policy Concerning the Reduction of Malnutrition

Progress with overcoming malnutrition in South Africa requires that nutrition goals be explicitly incorporated into the activities of economic and social sectors, with realistic levels of collaboration between sectors to achieve these goals. Service delivery sectors, notably Agriculture, Welfare and Health should implement activities with distinct nutrition-related objectives, while others, such as Trade and Industry, Finance, and Water and Forestry should be aware of the potential impact of their activities on nutritional status. To sustain such an approach, the nutrition units within Health should be empowered to support other sectors as they develop and implement nutrition-relevant
activities. Appropriate structures for co-ordinating implementation should be in place at national, provincial and local level. The Inter-ministerial ‘cluster’ addressing social issues, chaired by the Minister of Health, would be an appropriate focal point, if supported by an inter-ministerial policy or technical unit.

South Africa has the potential to eradicate malnutrition through such an integrated approach. Some of the required structures and systems are being put in place, and nutrition is appearing in the policy statements of a number of departments. What is required, however, is a concerted effort to strengthen the information base for nutrition, and to build capacity of policy makers, programme planners and implementers to act effectively. Inter-sectoral collaboration is essential.

Service and community based organisations should also play a prominent role in nutrition-related activities, and should receive appropriate support from government for their contribution.

31 Welfare

The Welfare budget is a designated budget to reduce income poverty and promote human development. It is the fourth largest vote in the Government’s budget, accounting for close on 10% of the total. Welfare services and social security programmes form an integral part of the Government’s strategy for responding to poverty and inequality. The social component of the Welfare budget is the largest (88.1%) and impacts most directly on poverty and inequality, whilst the welfare services component of the budget (11%) contributes towards human and social development. Almost all (99%) of the budget is allocated to the provinces. In practice, however, most welfare expenditure, being statutory grants, is decided at national level.

Welfare policies and programmes are also designed to address transient poverty (short term, temporary or seasonal poverty) as well as chronic poverty, which is long-term or structural. Social security and welfare emerged as a particularly important theme in the SA-PPA. Indeed, without social security benefits, it is apparent from this and other studies that many households and communities would collapse. These benefits are shared by households and communities and are used to invest in the development of household assets, and their utilisation. At the macro-economic level, the GEAR acknowledges that social security, social services and related social development programmes are investments that contribute to social and economic gains and growth.

The focus of the Department’s anti-poverty programmes is not only on income poverty but also on human poverty. Programmes are therefore designed to expand people’s access to opportunities, improved living standards and the empowerment of the poor through increased organisation, to shape decisions affecting their lives. These programmes are provided in collaboration with non-governmental organisations and the private sector, and contribute to institution building. The DoW is actively involved in supporting inter-sectoral initiatives to promote ‘pro-poor’ policies and programmes.

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83 This section is based on Mbatha (1997) and Budlender (1997).
Welfare provision still bears the marks of apartheid inequalities, with people in disadvantaged and rural areas having very limited access, or no access at all, to the services of either government or welfare NGOs. The challenge facing the DoW is the development of a welfare system which is accessible, equitable, appropriate and which meets the needs of poor and vulnerable groupings.

31.1 The White Paper on Social Welfare

The White Paper on Social Welfare was published in early 1997 after a long process of consultation. One of the notable features is the shift to developmental social welfare, as opposed to a conception of welfare as ‘handouts’. Developmental social welfare emphasises helping people to help themselves through providing an enabling and caring socio-economic environment so that those receiving social assistance can, wherever possible, become self-reliant.

While there is general support for the new policy, there are also some concerns. Some critics simply disagree and feel that welfare should be limited to safety nets for the vulnerable. Others consider the shift premature given the current extreme levels of poverty in South Africa and the high demand for traditional social work services.

The shift also has difficult resource implications. The Welfare budget has already increased since at least 1988, both in absolute terms and relative to other votes, so as to achieve racial parity in social pensions. At present staffing accounts for a very small proportion of the welfare budget because of the preponderance of grants. A developmental approach will require increased staffing, which might run counter to government’s attempts to limit current expenditure. At the level of the human material itself, to date the activities of South African social workers have mostly been confined to individual counselling crisis intervention. Even outside of government employ, much of the time of social workers is spent fulfilling statutory obligations on behalf of government, for example supervising parolees, placing foster children, and so on. Reorientation towards developmental social welfare will require training and practice. Nevertheless, it is in line with the central notion of social work as a profession with the goal of ‘helping people so that they can help themselves’.

The Department is making a conscious effort to support a smooth process of transition towards developmental social welfare. This involves reprioritising budgets, human resources development and reviewing the role of statutory bodies such as the Interim Council for Social Workers. The Social Welfare Action Plan (SWAP), first drafted in 1996 by the Heads of the National and Provincial Welfare Departments, is a strategic three-year plan guiding the implementation of the White Paper on Welfare. The Plan has since undergone various revisions as a result of national and provincial workshopping and consultation and has been linked to a three year MTEF for Welfare. The SWAP can also serve as a guide for welfare organisations in civil society and is to be implemented from April, 1998.
31.2 Social Security

31.2.1 The shape of the current system

The social security system in South Africa has four major elements:

- Private savings whereby people voluntarily save for retirements and unexpected contingencies such as disability and chronic disease;

- Social insurance which is also referred to as contributory benefits. These refer to joint contributions by employers and employees to pension on provident funds, or to social insurance covering other unexpected events. Government may also contribute to social insurance covering accidents at work. In the past, coverage of this and the first form of social security have been heavily racially biased. Examples of social insurance include unemployment insurance (UIF) and workmen’s compensation which are both the responsibility of the Department of Labour.

- Social assistance, which refers to non-contributory and income-tested benefits provided by the State to vulnerable groups who are unable to provide for the own minimum needs, such as the disabled, elderly and unsupported parents with children. Social assistance is the responsibility of the DoW and benefits include old-age pensions, disability grants, the new child support grants and care dependency grants;

- Social relief, which refers to short-term, non-contributory and needs-tested assistance to tide over individuals and communities in crisis. Disaster relief is a crosscutting governmental responsibility in terms of both departments and different spheres of government, with the DoW providing cash and in-kind assistance.

Close on 90% of the Welfare budget is allocated to social security. Approximately seven out of every 100 South Africans are in receipt of government social assistance of some sort and every month the DoW pays social grants to 2.9 million households (DoW, August 1996b). Social grants have been a source of household security for millions of South Africans who were marginalised through racially discriminatory legislation. Social grants contribute to poverty alleviation and are often used as collateral. They infuse cash into rural areas and are gender sensitive. The proportion of income derive from social pensions is 28% for the ultra-poor versus 5.8% for the non-poor, with 22.4% of rural incomes coming from transfers compared to 12.4% in urban areas.

The old age pension is a means-tested benefit with eligibility based on age, level of income and citizenship. As from July 1998 the maximum monthly amount is R490. Those with incomes of R6,000 or less per annum are eligible for the full amount, with smaller grants on a sliding scale for those with incomes of under R30,000 per annum.

The old age pension programme consumes approximately 60% of the social security budget. It is generally considered to reach a high proportion of those who are eligible, to be well targeted, and to provide many poor households with a regular income which provides a basic level of food security and protection against seasonal and other fluctuations and shocks. Eighty nine percent of the households receiving old age pensions are African and two-thirds of the pensions go to rural areas (Ardington and Lund, 1995). In March 1998, there were 1.6 million beneficiaries of old-age pensions, but the benefit spreads beyond these individuals. In a typical rural household, the pension of the female
household head could well be the only regular income supporting a household of seven (Lund et al., 1996:101-2). Households with pensioners are also households with children. Sixty percent of African households with pensioners are three generation households with children present. Roughly a third of all children aged four or under are in households receiving pensions, and the percentage of children living with pensioners is even higher in the poorer quintiles (OHS, 1995).

*Maintenance grants* are means-tested payments to single parents and children where the other parent is not able to provide. At present the parent grant is R430, with R125 each for up to two children. Fourteen percent of the social security budget is allocated to these grants - a small amount in both absolute and relative terms given the large number of children living in poverty.

*Disability grants* (24% of social security budget) are paid to those with physical or mental disabilities that render them unable to work and support themselves. The grants are at the same level as the old age pension. Applicants are assessed by a district surgeon and subjected to a means test similar to the one for pensioners.

Some critics argue that the means test - for old age pensions in particular - discourages citizens from saving for old age and providing for themselves. This criticism ignores the fact that those recipients fortunate enough to have been employed, would usually have been earning such low wages as to prohibit saving. However, this also points to the need for Government to develop an approach to retirement provision that could be addressed in a more comprehensive social security policy.

The economic and developmental arguments for cash benefits as opposed to in-kind support include the fact that there is generally less loss through leakage and corruption, that they are easier and cheaper to deliver, and that they are relatively easy to make more efficient, especially with new information technology. Furthermore, when delivered efficiently, they hold out greater possibilities than do most other development initiatives that resources will go into the pockets of the really poor rather than be skimmed off by intermediaries.

At present the South African system does not exploit this potential and it is estimated that fraud, theft and inefficiencies absorb around 10% of the R11 billion budget (*Sunday Tribune*, 30 June 1996). A significant number of departmental staff are reported to have been involved in the fraud and corruption, but because there are no effective mechanisms to deal with this, suspects often continue to be employed. Robbery at pension pay points is a relatively frequent occurrence. Some provinces have outsourced payment as a way of addressing this and making collection of pensions more convenient.

As one measure to deal with this, there is a major initiative underway in the DoW to ensure that only legitimate beneficiaries are receiving social grants. It is anticipated that this process will yield significant savings. The process comprises various methodologies, the most successful of which will be translated into on-going data verification processes. These processes include the re-registration of all social security beneficiaries, data mining and the comparison of data bases with other government departments. The re-registration of all beneficiaries is considered necessary to clean the current social security database of all incomplete and incorrect data. This process will also resolve problems such as duplicate payments, payments to children over 18 and some other irregularities.
Already millions of Rands have been saved when duplicate, dead and emigrated recipients were picked up by the integrated national computer system. Fraud units in the provinces have been prosecuting offending officials.

31.2.2 Establishment of a National Social Security System

Effective service delivery requires a system that is simple for both providers and recipients, and provides the least opportunity for abuse. The DoW acknowledges the problems and has taken steps to address them. In 1996 the government appointed the Committee for the Restructuring of Social Security (CRSS) which recommended that the social security system be overhauled and organised nationally, rather than provincially. The aim is to introduce the new system in April 1998 and to have it fully operational by the year 2000. To date, data from nine of the 14 previous administrations have been amalgamated.

In rural areas in particular, many potential beneficiaries do not know that they are entitled to social security benefits. As one step in addressing lack of information and awareness, the DoW has, in collaboration with the Black Sash, recently published an accessible booklet entitled: You and social grants: the social assistance regulations.

Cabinet has already approved one of the CRSS’s key recommendations that social security should be organised as a national system. The implementation of this system will require a strong national Welfare Department that can manage and monitor the system strategically. It also means that provinces will need effective departments supported by financial, administrative and human resources to deliver services. The national system does not preclude the possibility of there being provincial variations, neither will it stop the move to a provincial organisation of the system in the future. It is also important to note that a central system does not necessarily imply central processing of information nor the central delivery of grants.

The national system will be phased in during 1998 and will be fully operational by the year 2000. Technical work has been commissioned and this process will be carried forward in close collaboration with the provincial departments.

31.2.3 Child Support Grant

The Lund Committee on Child and Family Support was convened in February 1996, after the Welfare MINMEC (comprising the national and provincial ministers for Welfare) raised concerns about the financial viability of extending state maintenance grants to all at the level then enjoyed by non-Africans. Given projections, which estimated that the R1, 2bn spent on the grants could escalate to anywhere between R5bn and R20bn, the Committee was tasked with seeking alternative approaches to social security for children.

The Committee stressed that some kind of benefit needed to be continued given the importance of the early, vulnerable years in order that a child should have a better chance of surviving and becoming a productive adult. It pointed to the possibility of even greater costs in the absence of a benefit. Families might be forced to abandon or hand over children into the care of others (requiring a more expensive foster care grant), or into the care of the state (in an institution, or in the criminal justice system).
The Committee nevertheless recommended that, in recognition of the multiple forms of household and family, the grant be given to the primary caregiver rather than, necessarily, to a biological parent. Given the financial constraints, the Committee recommended that each qualifying child be given a much smaller amount than previously, and that the grant be restricted to a much smaller age group so that it could reach a large number of those most in need.

The Committee’s recommendations were largely accepted by the Cabinet, which proposed that the new system be phased in and the old one phased out over a period of five years. The method of targeting still needs attention and could prove difficult given South Africa’s current income distribution, where a large proportion of the population are clustered at very low levels.

Critics have expressed discontent with aspects of the decisions. While most are pleased with the emphasis on equity and the shift to caregivers rather than biological parents, they argue that those currently receiving the grant will be much worse off than before. They argue that the Committee and Department should not have accepted the limited available budget, but should rather have calculated on the basis of a reasonable amount that would enable children to live above minimum levels and then motivated for the necessary budget. In response to these criticisms, the Minister for Welfare and Population Development emphasises that the child benefit grant must be seen as part of a package of support which includes, for example, free health care.

The Child Support Grant (CSG) is an important policy change flowing from the Lund Committee, and is a major policy shift for the Welfare function. It signals the intention to support children in poverty, and those poor households, particularly in rural areas, who have never benefited from maintenance grants in the past. The CSG replaces the State Maintenance Grant, and will be introduced from 1st April, 1998 with the intention of providing a cash grant to supplement income for poor households. It will target children, 0-6 years (until the 7th birthday) and a simple means test will be used. Each child will receive a flat rate grant of R100 per month. The Government provided a total of R75 million in the 1997/98 financial year to kick-start this programme. The cost of the programme at full maturity (after at least 5 years) is R3 818 million.

Implementation of the Lund Committee recommendations will address inequality to the extent that assistance should reach a far greater number of children than at present - the target is 3 million children after five years - and also be less racially and geographically skewed. It will address poverty to the extent that the grants reach intended beneficiaries. Nevertheless, the limited size of the grant will limit the impact, and current recipients will be worse off in that the size of the grant and age range covered will be reduced. The developmental social welfare component of the CSG hopes to fill this gap by providing opportunities for income generating activities and training, while the over-hauling of the private maintenance system by the Department of Justice should also be of assistance.

One concern is that moves towards more community- or home-based services could place an even greater burden of unpaid work on poor women who are already overburdened, performing both paid and unpaid work to support themselves and their families.
31.3 New Initiatives in Development Social Welfare

31.3.1 The Disability Policy and implementation
The number of disabled people in South Africa is unknown. The responses to a series of crude questions in the October Household Survey of 1995 suggested that around 5% of all South Africans are disabled, with older people more affected than younger, and serious eye disabilities being the most common form. The Department of Health has recently commissioned a more in-depth survey that should provide better information.

The Integrated National Disability Strategy (INDS) is the responsibility of the Deputy President’s Office and seeks to ensure that disabled persons are enabled to develop optimally. It argues that people with disabilities should not be removed from their families and communities, and that ways of meeting their needs should be developed within the communities. It points to inadequacies in procedures and Acts, such as the Workers Compensation Act, that militate against the welfare of people with disabilities.

The INDS document places special emphasis on women, children and the elderly as vulnerable categories. It directly addresses the issue of poverty in advocating for the provision of loans for small businesses and the removal of discriminatory practices limiting the economic empowerment of disabled persons. Issues such as job satisfaction and access to services such as public transport are emphasised as possible areas of intervention to promote independence. Disabled people were themselves largely responsible for the development of the INDS. An investigation is underway within the DoW to assess the social security requirements of people with disabilities and will make recommendations with a view to policy options. As with the CSG, a major policy shift is possible in reviewing the criteria for assessments and emphasis being placed upon training and income generation. Indeed, there is a strong lobby among the disabled for disability not to be regarded as a Welfare issue.

31.3.2 The Flagship Programme
The Flagship Programme is a three-year pilot which aims to assist single women with young children in escaping the poverty trap by developing group economic activities. Each province is responsible for developing two projects involving 120 to 180 women. Criteria for inclusion of individuals stipulate that they should not be receiving social security benefits, that the mothers should not be in school, and that they should be permanently resident in the target area. In the first year each province was allocated R400,000. Allocations for the following two years will be R300,000 and R60,000 respectively. Thus far 10 business plans spread over seven provinces have been approved.

The programme is seen as having a strong economic empowerment effect and promoting the circulation of money within poor communities. There is a strong emphasis on an integrated approach. Thus projects are urged to draw on the services of a range of government departments such as Agriculture, Public Works, and Health.

The goals of the Flagship Programme are laudable. Limited resources will, however, mean that attempts to expand the programme will face obstacles, as it has heavy resource requirements in terms of both money and person-power. The DoW has guaranteed a
market for the products of the pilot projects. While this will be advantageous to the women involved, it raises questions as to the replicability of the programme.

At this stage it is too early to draw any lessons. The DoW has, however, recognised the importance of monitoring the Programme, as one of its first and most focused attempts to institute developmental social welfare. It is already commissioning evaluations in the first provinces.

31.3.3 The Family Preservation Project

The rationale for the Family Preservation Project (FPP), part of the Inter-Ministerial Committee for Youth (IMC) strategy (see below) lies in the multiple problems in the child, youth and family care services. To date the focus in these services has been on removing children at risk from communities under stress. While the intentions may have been good, the result has been the disintegration of the family as a unit. The Family Preservation Pilot Programme aims to provide an alternative to out-of-home placements which is family-focused and community-based and enhances the capacity of families to care for their children. The FPP stresses inter-sectoral, community-based work based on partnership. So, for example, the Inanda pilot Management Committee includes five community representatives, NGOS in the field, as well as the Departments of Welfare, Health, Education and Safety and Security.

31.3.4 National Population Policy

The population policy was developed by the Ministry of Welfare and Population Development, in consultation with a wide range of individuals and organisations (Klugman, 1996). It moves away from the historical perspective that fertility reduction should be the primary means of addressing poverty and/or that family planning alone can achieve a drop in fertility. It thus firmly situates itself within the international debate by recognising that it is a change in the overall socio-economic circumstances of people rather than lower birth rates that will achieve a sustainable situation in relation to population growth and distribution.

The Draft White Paper for a Population Policy will be finalised and submitted to Cabinet for final approval before the end of the 1997/98 financial year. A national plan of action will then be developed to implement the policy.

The new population policy for South Africa represents a complete shift away from post policies under the apartheid government. The intricate inter-linkages between population, development and the environment are recognised and a basic tenet of the policy is that population concerns are multifaceted and inter-sectoral. The National Population Unit (NPU) has the crucial function of facilitating and supporting the population policy. The NPU will analyse the relationship between population and development data and will ensure that population issues are effectively taken into account in development planning.

The framework is sound, although to date there do not appear to be firm plans as to how to implement the policy. The DoW has established the NPU at a national and provincial level and has employed new staff to plan how to change both views and practices across all the sectors and departments involved. Given the inter-sectoral focus of the policy,
such plans will need to take account of the challenges of inter-sectoral work as discussed in Chapter Seven.

31.3.5 Partnerships with civil society

The DoW bears primary responsibility for relationships with and legislation concerning NGOs. The location of responsibility within Welfare is an inheritance from the pre-1994 situation, where subsidies were provided to registered welfare organisations rather than the much wider range of non-governmental organisations now being considered as collaborators, if not necessarily as recipients of subsidies.

Government does not see itself as being able to provide for all the needs of citizens and stresses the need for partnerships with civil society so as to address problems like poverty. There are ongoing efforts to put into place new enabling legislation so that NGOs can function more effectively with minimum government control.

Approximately 1,400 NGOs, mainly registered welfare organisations, receive subsidies from the DoW for services, facilities and development programmes amounting to R1,5 billion in 1997/98. The DoW is trying to establish a new framework for governments funding of such NGOs. In addition to the development of new financing criteria for welfare programmes, new legislation replacing the Fund Raising Act was tabled in Parliament in 1996 in the form of the Not-for-Profit Organisations Act. This is based on minimal government interference, with voluntary registration through a system of incentives and the maintenance of a public register that indicates certain basic organisational, governance and reporting standards.

31.4 Assessment of Welfare Policy

The DoW has produced a number of policy documents and gone some way in implementing recommendations. There has been a conscious effort to target those categories that are most vulnerable. There are, however, some obstacles that may interfere with the realisation of the goals of social welfare. Firstly, at the level of those who implement, there is a lack of knowledge and expertise in the welfare sector on how to implement developmental social welfare programmes. Yet social workers in particular, are expected to utilise the approach in their daily activities. Retraining of social workers and other categories of personnel is therefore a priority.

Budgetary constraints present a second obstacle. Firstly, developmental social welfare might require a bigger staff complement than at present. Further examples of the effects of financial constraints are seen in the restriction of the Flagship to those not receiving any other forms of state assistance, and the controversy over the CSG. An increase in the welfare services component of the Department’s budget is required in order to implement developmental social welfare programmes.

The lack of, and difficulty in implementing co-ordination of initiatives undertaken by the various government departments is an important challenge. Collaboration has often proven difficult, as government bureaucracies are not designed to facilitate inter-sectoral work. Finally, there are large numbers of needy people who must cope unassisted by the state as they fall outside the categories eligible for the specific benefits that are available.
South Africa has among the highest rates of violent crime in the world. More than 16% of all deaths in South Africa occur as a result of trauma compared to the World Health Organisation's global figure of 5%. This ranks trauma as the second largest cause of overall deaths (after circulatory diseases), compared to a ranking of fourth place in the USA – considered a violent society – and even lower in most other countries (Trauma Review 1(1), April 1993:4-5). Not all traumas are the result of crime, but in South Africa crime is the leading cause of injury and death (Trauma Review 1(2), August 1993:2). Violent crime takes its toll on the health and lives of the poor. In the most extreme case, the death of household members is one of the more severe shocks that can cause vulnerable households to become poverty stricken.

To date research and policy on crime control and prevention has been slanted towards wealthier suburban residents and business groups. Yet other areas and sectors experience higher levels of many crimes. Crime rates in black townships have been high for years, but racial segregation largely insulated whites. Extreme levels of inequality and the political conflict both contributed to high levels of crime. The widespread use of violence extended beyond state agencies and political groups, with high levels of domestic violence and violence against women and children.

The state of emergency from 1985 to 1990 probably suppressed crime levels, as well as the reporting and recording of those crimes that did occur. Political liberalisation in the early 1990s witnessed an apparent crime explosion as social controls were loosened and police were released from duties of suppressing political opposition.

Crime statistics and comparisons between areas are unreliable because of differences resulting from the previous balkanisation of the country, because of the absence of police in many areas, and because of the distrust of most ordinary people of the police, discouraging reporting. Further, where the offender knows the victim, particularly of a non-property crime such as rape or assault, fear of reprisals may also inhibit reporting.

32.1 The Links between Crime and Poverty

32.1.1 The nature and impact of crime on the poor

In a countrywide 1995 survey of crime perceptions, half of those in the ‘very poor’ group reported assault as ‘the most important crime’ committed against them, as opposed to one in 10 of the highest income category. After assault, the most commonly reported crime by the ‘very poor’ was child abuse and rape. None of the respondents in the remaining income categories listed this crime. Thus, while the wealthy are victims of property crime, poor people - stereotypically Africans and women in the South African context - are at risk from personal crime. Africans are 20 times more at risk from a homicide death than whites (Marks and Anderson, 1990). Further in 1995, 95% of reported rapes were of African women.

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84 This section is based on Louw and Shaw (1997).
People known to the victim often perpetrate violence against women, rich and poor. Poverty, high unemployment and marginalisation of men increase the risks. Conflict over money or food within the family often results in violence. Poorer women are often ‘trapped’ in abusive relationships due to their dependence on partners for food, shelter and money. Furthermore, areas inhabited by the poor are less likely to have infrastructure such as street lighting, telephones, public transport and decent roads that might facilitate crime prevention. Having to walk long distances to collect water and firewood in rural areas increases women’s chances of victimisation. Poor communities can be ‘entrapped’ in a deprived environment if crime acts as a disincentive to infrastructural investments, or if infrastructure is destroyed or stolen.

Poorer people are unlikely to be able to supplement the services of the police by purchasing private security. South African public police resources are, at 3.1 active force members for every 1,000 people, close to the European average of 3.5, but are inequitably distributed. In 1996 three-quarters of police stations were in white areas. While the actual loss as a result of criminal activity against the ‘haves’ may be substantial in financial terms, the relative cost for the ‘have-nots’ is greater. The loss of an uninsured bicycle for someone with no other means of transport is more serious than that of an insured BMW for someone who has access to other means of transport. The death, maiming, or bodily injury caused in personal crime directly diminishes what is for many poor people their primary asset, namely their body and ability to work. Restrictions on movement in high crime areas, intimidation associated with gang activity and political conflict and violence, and transport problems associated with taxi or train violence are other ways in which crime affects poor people’s ability to earn income. Crime affects access to education when schools are closed as a result of violence and gang related activity, or if pupils and teachers fear attending due to the threat of victimisation. Sexual harassment and violence result in young women not proceeding in their education as far as they might otherwise.

32.1.2 Regional differences
The Northern and Eastern Cape, as case studies, illustrate the wide range of different experiences of crime around the country. Violent crimes like murder, assault, rape and child abuse, often in association with alcohol and familiarity among victims and offenders, are comparatively high in the Northern Cape. A higher rate of reporting is likely given the high police presence, relative efficiency, a single language (Afrikaans) spoken and understood by much of the population, the relative lack of alternative community and family support networks in predominantly ‘coloured’ areas, and ongoing campaigns in the province since 1992 encouraging the reporting of violent crimes. Nevertheless, in a 1996 survey Northern Cape recorded a higher rate of personal experience of crime than any other province.

Interview material provides some insight into two defining features of most violent crimes in Northern Cape and Kimberley in particular. Firstly, interpersonal violence often takes the form of violence between friends, within the family, and in particular against woman and children. The rape of young children and underage teenagers is a serious problem within the family unit. Secondly, alcohol is a major factor in domestic violence, child abuse, assault and murder. South Africans generally drink large quantities of
alcohol. In the Northern Cape the situation is aggravated by the historical legacy of both the regulations and practices around alcohol consumption in mining compounds and the tot system. The latter, which was established practice on virtually all commercial farms in the Western and Northern Cape, saw farmers paying part of the ‘wage’ of all farmworkers ‘in kind’ in the form of a daily portion of alcohol, thus effectively institutionalising alcoholism in those communities providing labour.

Official statistics suggest that crime in the Eastern Cape is less of a problem. But while the SAPS statistics for murder are probably fairly accurate, the same cannot be said of other categories of crime. Poor record keeping and statistics, a general mistrust of police, community-based alternatives to state criminal justice agencies and lack of access to police, all contribute to poor reporting levels. The 33 police stations in the former Transkei serve a dispersed population of over 2,000,000 compared to 85 stations for a population of 763,900 in the Northern Cape. Interview material suggests that crimes such as stock-theft and taxi violence, which directly affect the poor, are not accurately reflected in the statistics. With taxi violence, a particularly Eastern Cape dynamic is that police officers in the former bantustans were, until 1994/5, allowed to operate taxis as a supplement to their income, and policing was thus often biased. Today many of the old linkages remain.

Policing structures in the Transkei were designed more for purposes of asserting central state authority among the rural poor than as a system of service delivery. After ‘independence’ in 1976 the Transkei Police were key to the buttressing of state authority. The military coup of 1987 resulted in the downgrading of the Transkei Police, with a resultant fall in morale. Post-1994 attempts to transform policing in the territory have met with limited success. Most of the 8,500 members of the Transkei and Ciskei Police have had only six weeks of basic training. Many have had no formal training at all.

Further, poor management, and weak controls and administrative systems have resulted in high levels of corruption. Problems are exacerbated by poor infrastructure. Nineteen of the 33 police stations in the former Transkei have no telephone or fax communications. In 1995, in the whole of the former Transkei there were only 27 working police vehicles. Many police managers are critical of a European Union project which aims to provide training on community policing when “the money could be better spent on improving infrastructure” (South African Police Service, 1997).

### 32.2 State Responses

Despite government assertions to the contrary, new policies aimed at curbing crime are still more reactive than preventative. Any system, no matter how efficient, can do little in the form of restitution for victims of crime. For the poor, successful crime prevention is thus critical.

Prevention aims to reduce or prevent the occurrence of crime, either by altering the environment in which it occurs, or by intervening more broadly to alter the social or other conditions which are thought to cause crime. Some causes, such as overall socio-economic conditions, can only be addressed in the medium to long term. Others are more immediate and more amenable to shorter-term interventions.
The most viable crime prevention strategies are those that aim at a particular crime (or particular group of crimes) and put in place a customised, comprehensive programme of preventive measures. For rape, for example, one would need programmes which consider education, alcohol distribution, environmental factors (such as lighting or the position of shebeens in relation to schools), victim support and finally, policing.

To date police reform has concentrated on the visible component of the service. Detection of crime has been virtually ignored. Further, at the end of the criminal justice pipeline, in the prisons, there are severe staff shortages, prisoner and warder unrest and increasing corruption. Delays in the system and rigid sentencing policies both contribute to high prisoner numbers, overcrowding and recidivism. The weaknesses contribute to higher crime rates as a growing loss of confidence in the system encourages people to take the law into their own hands.

### 32.2.1 The National Crime Prevention Strategy

The National Crime Prevention Strategy (NCPS) of 1996 aims to co-ordinate the activities of the departments involved in crime control and prevention, as well as to build partnerships with civil society. Six core government departments were involved in developing the approach: Correctional Services, Defence, Intelligence, Justice, Safety and Security and Welfare. The Strategy’s greatest strength – its inclusive and comprehensive nature – is also potentially a great weakness. The key to the Strategy's success will be co-ordination and measurement, yet there is little evidence of this and no time frames specified for implementation.

The 18 prevention programmes of the NCPS are divided into four pillars: criminal justice process, community values and education, environmental design and transnational crime. The programmes are driven from the national level and do not have a poverty focus. Indeed, some of the strategies could exacerbate relative dangers for the poor. For example, environmental design strategies are more likely to be successful in developed urban areas where the wealthy live than in underdeveloped areas where there is little infrastructure. Some measures might result in the displacement of crime to other less protected areas - often where poorer people live - rather than its prevention. Another serious weakness is the lack of clear guidelines and strategy as to how prevention programmes can be implemented at local level.

The document expresses a commitment to victims, particularly women and children. The concern is not reflected in other documents. Thus a recent SAPS Police Plan (1996/97) prioritises crimes against property above crimes against people. Its only reference to violence against women is a passing reference to loss of life as a result of “violent crimes, domestic violence and witchcraft” (Olickers, 1997). Several initiatives to train police to deal more appropriately with crimes against women have been instituted but a review found them to be largely inadequate (Jackson, 1997). There is also a lack of co-ordination between welfare services and the police.

Proposals around reshaping juvenile justice deal with young people already in trouble. Interventions should rather aim to prevent young people from coming into contact with the system at all. This need was recognised in the establishment of the Inter-Ministerial Committee on Young People at Risk (IMC-Y) in mid-1995. The IMC-Y, consisting of
the Ministries of Welfare and Population Development, Justice, Safety and Security, Correctional Services, Education, Health and the RDP office, was originally established in response to the crisis brought about by the release of hundreds of awaiting trial juveniles in 1994. Nevertheless, it saw its mandate as wider than merely reacting to this.

Proposed IMC-Y strategies focus on education and the family and community as arenas for intervention. Once a crime has been committed, early interventions aim to divert young people away from the criminal justice system in an attempt to stop youngsters from re-offending. At present, diversion is provided primarily by NICRO’s 20 branches and does not reach all areas or all categories of crime or child. Even if community groups and NGOs were brought on board, estimates in 1995 were that community based programmes could cater for only about 2,000 of the approximately 35,000 perpetrators of minor offences (Schmid, 1995).

Several pilot IMC-Y projects are currently testing programmes aimed at the assessment and diversion of juveniles as well as identifying and responding to those at risk. The arrest, reception and referral project in Durban and the Family Group Conferencing pilot in Pretoria have reported notable successes. Nevertheless, changes around assessment, sentencing and diversion procedures recommended in 1994 have yet to be embraced by government. Further, while the NCPS identifies child offenders as a priority, provincial police plans do not.

32.3 Assessment of Crime Prevention Policy

Pretoria-centric crime prevention initiatives will have little effect on problems specific to different areas. At the same time there is a need for guidance from the national level to ensure that crime prevention policies are in line with national frameworks, and that provincial policies do not serve the interests of only certain groups within the area, in order to address the severe spatial and other imbalances in current service provision.

At the outset, it may be advisable to site the issue of crime prevention more firmly in the office of MECs for Safety and Security rather than at national level under the NCPS. The constitutional establishment of a national police agency has resulted in a growing - and in many cases public - tension between MECs and their provincial commissioners. The current arrangement distances MECs from political accountability for crime control at the same time as weakening their responsibility for crime prevention.

Much greater attention needs to be given to specific crime prevention strategies for the poor, who are largely dependent on public provision. At present, poorer areas and, in particular, the former bantustan regions, are severely under-resourced, requiring policy responses quite different from those in the urban centres which currently enjoy the attention of planners.

Poorer communities are seldom seen as the predominant victims of crime. Yet, not only do the poor form the majority of victims, they also have fewer resources with which to cushion themselves against the costs of crime. Prevention is not only logical but also essential in that improving the reactive system, while important, does not assist poorer victims of crime.
33 Conclusion

As stated in the introduction, the sectors covered in this chapter consume large amounts of national and provincial budgets. They also enjoy generous allocations from Overseas Development Assistance. Given government’s macroeconomic policy, the amounts allocated to the sectors are unlikely to increase. Yet within each sector (outside of social security in respect of pensions) there are large numbers of people - black, rural, African, female and young people in particular - who are either not receiving services at all, or are receiving severely inadequate services. Meanwhile there are a few privileged and generally wealthier people, groups and areas who receive first-class services at little cost to themselves.

The challenge facing these sectors is clearly reprioritisation and redistribution. The discussion above suggests that all sectors have drawn up policies that move in this direction. Implementation has been patchier. In many cases the delays and problems are understandable and are being addressed. In other cases it seems that the voices of powerful (and privileged) players have been allowed to retard progress.

Policy has also not always been reflected in resource allocation. This is seen, for example, where sub-sectors such as ABET and ECD - of significant potential benefit to the poor - continue to receive only a tiny proportion of the Education budget. Redistribution within sub-sectors will bring limited benefits to the poor unless the resources to be redistributed are significant.

Further, many of the ‘new’ and redistributive programmes are currently donor-funded. The use of donor funding is appropriate for one-off ‘catch-up’ initiatives such as the building of schools or clinics. It is less appropriate for programmes that will entail ongoing recurrent costs, unless the Department concerned, as well as the Finance Department, commit themselves to filling the gap when donor money ends.

Much of the debate and discussion to date has concentrated on the broad picture - on racial differences or, more commonly in government debate, on provincial differences and inter-provincial allocations. The situation on the ground suggests that the debate and practices need to become much more nuanced and targeted. There is a growing awareness of this in some circles in government. A successful attack on poverty and inequality will need this awareness to be extended, and methods of effecting and monitoring intra-provincial and other types of targeting developed.
CHAPTER SIX
INFRASTRUCTURAL SERVICES

The RDP integrates growth, development, reconstruction and redistribution into a unified programme. The key to this link is an infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training for all our people. This programme will both meet basic needs and open up previously suppressed economic and human potential in urban and rural areas. (The RDP: A Policy Framework, 1994)

34 INTRODUCTION

Infrastructure services such as communications, power, transportation, provision of water and sanitation are central to both the activities of households and a nation’s economic production. Communications, energy and water are used in the production process of nearly every sector of the economy, whilst transport is an input in every commodity. The same services are at the core of all households’ daily survival needs. Providing these services to meet the demands of all households, the business sector and civil society, is one of the major challenges of economic development and growth. In order to ensure that growth is consistent with poverty alleviation, infrastructural development needs to be extended to all sectors of the population. Access to at least minimum infrastructure services is one of the essential criteria for defining welfare. The 1994 World Development Report describes the poor as “…those who are unable to consume a basic quantity of clean water, and who are subject to unsanitary surroundings…lack the minimum energy requirements and… have extremely limited mobility or communications beyond their immediate settlement” (World Bank, 1994:20). Access to at least minimum infrastructure services is therefore one of the essential criteria for defining welfare.

This chapter examines issues relating to the efficient and affordable delivery of services. The link between infrastructure and the reduction of poverty and inequality is reviewed before water, sanitation, energy, transport and communication services are discussed.

35 INFRASTRUCTURE AND THE REDUCTION OF POVERTY AND INEQUALITY

The different infrastructure sectors have different effects on improving the quality of life and reducing poverty. Access to reliable energy, clean water and sanitation helps reduce mortality and morbidity, and can potentially increase the productive capacity of the poor by releasing them from both costly and time-consuming tasks of water and fuel collection. The benefits of transport and communication include the access they provide to other goods and services, especially in the cities. Affordable transportation also becomes a key factor in obtaining and maintaining employment and enabling people to reach each other, as well as facilitating the transport of locally produced goods out of the area. A reliable and affordable communications system allows the poor access to information on a host of different economic activities, and medical and educational
facilities. Each of these services does not exist in isolation from the other, and their provision needs to be considered in conjunction with each other.

It is widely accepted that there are inequalities in the provision of infrastructural services. This includes the distinctions between those who enjoy the benefit of such provision and those who do not, as well as differences in the levels of service enjoyed by those who have services. Further analysis of inequality also identifies inequalities based on the waiting period people can anticipate in receiving services and the likelihood that services are sustainable.

Redress of current imbalances and inequalities in all these services requires investment in infrastructure and delivery programmes in the short term and medium term. This requires considerable financial commitment, despite the government’s commitment to reducing expenditure and the budget deficit. Ahmed (1996) however argues that “Economic growth requires both public investment in basic infrastructure and a strict control over public spending. Resolving this fiscal dilemma – engendering sufficient public investment without incurring excessive public debt – is essential for capturing the growth and poverty reduction linkages of infrastructure investments.”

The countries of the Latin America and the Caribbean reflect the close linkage between the provision of infrastructure and the increase in GDP per capita. Historically, for each percentage point increase in GDP per capita the infrastructure stock has grown by 1% (World Bank, 1995: 8).

Links between poverty, inequality and most infrastructural services in South Africa today, are similar to those that exist in most underdeveloped and developing countries. In many instances however, the origins of poverty and inequality may be traced to the historical suppression and neglect of African, Asian and coloured people by the ruling elite. On the one hand those neglected people who were located close to infrastructure, next to white residential or commercial areas, were simply ignored or provided with sub-standard services. Others were systematically forced to settle in areas where biomass energy supplies were rapidly depleted, water sources relatively inaccessible, roads very poor, communication with the wider world limited and little done to address these conditions. In South Africa today most people are not poor because they do not have these basic services, rather they do not have these services because they are poor.

As suggested in Chapter One, inequality should be viewed in a number of different ways. In terms of access to infrastructural services, a central premise of each definition is that some sectors of the population have less access to either one or a mix of the full spectrum of utilities. This differential access could be separated to a number of factors:

- Differences in access to the services;
- Differences in the levels and costs of service;
- Differences in the waiting period people can anticipate in receiving services;
- Differences in the level of maintenance of the service.

Links between poverty and infrastructural services in South Africa are not easy to define, due to the fact that the lack of access to one utility need not mean that there is a lack of access to a combination of the others. Therefore, a communications poor household
might be water wealthy, thereby making any single classification of a poor household difficult to adhere to. This chapter considers the access, both physical and economic, of the poor in South Africa to the following basic services:

- water supply and sanitation;
- energy (for domestic heating and lighting, or small businesses);
- communications (including telecommunication, postal services and information);
- transport.

36 The Delivery of Infrastructure in South Africa

The national government has allocated billions of Rands for investment in infrastructure. The bulk of the delivery of most of the services discussed in this Chapter is ultimately entrusted to local government. The Municipal Infrastructure Investment Programme (MIIF) sets basic policy guidelines for investment in water, sanitation, roads, stormwater, energy and solid waste removal infrastructure in disadvantaged areas. The MIIF provides cost estimates for overcoming service backlogs, a framework for the financing of capital and recurrent costs and for assessing local affordability, and provides an overview of the institutions and the integrated planning and development required. Originally developed only for urban areas, it now incorporates the Rural Infrastructure Investment Framework (RIIF) and thus, in theory, covers the whole country. Local government holds the ultimate responsibility for delivering these services and the MIIF should assist them in infrastructure planning.

While the framework was developed by the Department of Constitutional Development (DCD), the implementation of the programmes flowing from the MIIF are the responsibility of various departments and spheres of government. The Consolidated Municipal Investment Programme (CMIP) developed from the original presidential lead Municipal Infrastructure Programme (MIP) is probably the most important.

The MIP and CMIP have been able to disburse funds at quite a fast pace so far. Part of this may be attributable to the fact that most of the allocations have been to urban areas. A further factor is that the delivery is left to local government structures that must meet capability criteria before accessing funds. In total terms, the backlog is being significantly reduced and, as such, is addressing inequalities in terms of access to services. In terms of poverty alleviation it is not really known if the MIP funding is reaching many of the poorest. The funding is allocated partially on the basis of poverty index but that is on a provincial basis. Both targeting and delivery is usually the responsibility of local government and there is no clear indication of the manner in which this is being undertaken.

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85 The CMIP is analysed further in Chapter 8 and the capacity of local government is assessed in Chapter 7.
37 WATER SUPPLY, IRRIGATION AND SANITATION

The absence of potable water, irrigation water and sanitation services directly impacts upon the health of people, and on their ability to generate livelihoods. The costs to the state are increased pressure on community health care and social welfare services, and the loss of the productive capacity of members of society. The provision of dependable water supplies can have a strong positive effect on food security and income generation for rural women. Substantial livelihood gains are likely to be made by releasing labour time normally spent on obtaining access to water, making this labour available for production.

Improved access to irrigation water can also open up production opportunities that are dependent on the resource as an input. There is evidence that where water is more readily available, it is used for productive uses – irrigation of small farms, commercial vegetable gardens and community gardens - thus providing an opportunity to increase nutritional intake.

Development planners have tended to encourage the development of such activities as a means to promoting small-scale enterprise, and as a supplement to household diets. In many cases, the income generated by produce constitutes the only income into that household and, as such, is essential to the survival of that household. This occurs on both a household and community level.

37.1 Domestic Water Supply and Sanitation – The Status Quo

In South Africa, surveys have suggested that only 21% of households have access to piped water, and only 28% have access to sanitation facilities (RDP, 1995). In rural areas, more than 80% of poor households have no access to piped water or to sanitation. Amongst rural African households, 74% of all households need to fetch water on a daily basis. For 21% of this population, the cartage distance is greater than 500m.

37.1.1 Legislative framework

Until 1994, ownership of water rights was concentrated in a small group of individuals, most of whom owned land, thereby effectively limiting access for the majority of people, particularly those living in rural areas. Furthermore, the laws and planning of the apartheid structure limited most of the capital development of water and sanitation services to infrastructure that benefited the relatively small, mostly white population of South Africa.

The 1994 White Paper on Water Supply and Sanitation Policy began to touch on issues such as tariff structures, delivery mechanisms and agents, including the private sector. It also set out the principles behind the approach to be taken to water supply and sanitation with policies on sustainability, community participation, institutional capacity building and an emphasis on labour intensive methods.

The National Sanitation Policy White Paper was published jointly in June 1996 by the Ministers of Water Affairs and Forestry, Education, Environmental Affairs and Tourism,

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86 This section is based on Clements and Schmitz (1997) and Vaughan (1997).
Health, Constitutional Development and Provincial Affairs, and Housing. The Paper places emphasis on health education and awareness programmes, because sanitation relates to health practices and attitudes as much as to technology and design, and because the desire to have sanitation facilities installed generally rises significantly once communities have received health and sanitation education.

In April 1997 the White Paper on National Water Policy for South Africa was released by the DWAF. This paper is concerned with the management of the resource at the national level. The document introduces the concept of ‘the reserve’, ensuring that no matter how scarce water may become and how powerful the competition for access to it in society, a portion will always be set aside to ensure that basic human needs are met. The same ‘reserve’ also ensures that the basic needs of the environment are met. The paper considers the implications of the continuous demand growth on the resource base and long term solutions to this issue. It suggests that many problems can and will be dealt with through efficiency measures and through effective management practices. The White Paper declares that previous rights will be repealed and a commitment to equity enshrined in the system. Furthermore, the Paper reiterates that water is to be considered a national asset to be managed by government in public trust.

A new institutional framework for water management is proposed. The institutional framework will reflect the role of National Government as the custodian of the nation’s water resources. It has been decided that the catchment or water system (comprising a number of catchments) is the most appropriate unit for integrated water resource management and that Catchment Management Agencies (CMAs) that have a developmental orientation will be established. Catchment management plans will be formulated by CMAs (or in consultation with all role players). Such plans will contain details of water allocation; the requirements of the Reserve and international obligations; the issues affecting water quantity and quality; management strategies for addressing key issues; management strategies for achieving goals; and financial arrangements. Once arrangements for water allocation and management have been made at the catchment level, control over allocated water can be delegated to water user groups through the establishment of Water User Associations. These would be statutory local level bodies similar to the present Irrigation Boards. Potentially, Water User Groups would allow any group of water users, including irrigators, to manage their own infrastructure, and lobby around issues of common concern.

Although the inherent centralism, and the Integrated Catchment Management model implied by the White Paper may cause tensions and difficulties at regional and local levels, the principles that have been adopted set the parameters for fair and equal access to a scarce resource. Theoretically, the profound changes to the way in which water is managed and allocated should have far reaching impacts. However, access to water for domestic and productive use is not a function of policy and law alone. Expensive infrastructure may be needed. And access to land is a pre-condition for the development

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87 Water User Associations are not discussed in the White Paper (1997). Provision for the establishment of Water User Associations is made in the new draft legislation. A brief account of how these proposed local level institutions might operate is provided in DWAF and DoA (1996:15-16,).
of new irrigators. Budgetary and capacity constraints will impinge on rapid realisation of the objectives of new water policies. Also, vested interests will have to be accommodated. It seems likely that the majority of current users will retain their access to water under the new licensing system.

The 1997 White Paper is, on the whole, consistent with the 1994 White Paper. The 1994 paper addressed primarily water supply and sanitation, the delivery and service related to water provision, whereas the 1997 Paper focuses rather on the bulk management of water, and the sustainability of water as an essential resource base. The 1994 paper outlines a system of tariffs that requires the poor to pay only for the operation and maintenance of a basic level of service (25 litres within 200 metres) in a life line tariff. The 1997 Paper advocates a qualification that, in the case of new resource tariffs being levied, further water taken from the resource base for processing and used for provision of basic needs be exempted from these charges. While the paper is the result of two years of consultation between key stakeholders and participants in the water sector, there was very little consultation with communities during the paper’s formulation. To ensure successful implementation of the concepts outlined and to ensure that the systems established are equitable, the government needed to consult more widely. The Department is currently distributing the paper and publicly requesting input from civil society, NGOs and other stakeholders over the coming months. This input will need to be given serious consideration, as the impact of the final policies will be widely felt.

Water allocation is currently regulated by the Water Act of 1956. Although this has been amended regularly to take account of rapid industrialisation and urbanisation, it still enshrines private water ownership and the riparian principle. Furthermore, it makes no allowance for the basic consumptive needs of the disadvantaged, let alone their productive needs. New water services legislation, designed to implement the 1994 Water Supply and Sanitation Policy, is being promulgated in parallel with the review of the overall water law. The draft National Water Supply Regulations, announced in April 1997, govern the activities of local authorities and the relationship between local authorities and consumers in the field of water supply. The regulations are strongly prescriptive in the field of water supply technology and aim to cut down strongly on municipal and private household uses of water.

37.1.2 Delivery agents

Many actors - government, parastatal, non-government and private - are involved in the delivery of water supply and sanitation services. An important development in 1994 was the decision that the DWAF should have the mandate to take a national overview and to intervene in support of the policy goals of access, equity and efficiency. This has helped to clarify responsibilities. The new situation is that, while local government retains the primary responsibility for service provision, there is now a central government agency that sets and supports the achievement of basic norms and standards for service provision. Tensions between the various delivery agents are noticeable. While the delivery targets are high, the process of consultation and the participatory process are by definition slow. To solve this, building the capacity of local governments to deliver water supply and sanitation projects should be given priority. To some extent, this is already being undertaken through the efforts of the Department of Constitutional Development and
DWAF to align their grant programmes to local governments in order to ensure a more co-ordinated approach to the provision of infrastructure.

37.1.3 Community Water Supply and Sanitation Programme

The Community Water Supply and Sanitation Programme (CWSS) aims to provide water supplies to 90% of the currently non-serviced population by 2004. To date it has provided basic water supply to almost 2 million people and has spent R730 million of the R3.2 billion that has been committed to 1,300 projects since the programme began in 1994.

The CWSS was initially financed from the RDP budget, but the funds required have recently been provided on DWAF budget. Community managed grants are provided by the CWSS to communities to set up water supply systems. Recurrent costs of these projects will only be picked up by future inter-governmental grants where municipalities actually design and implement projects themselves.

In most cases, agents other than local government must temporarily carry out the implementation functions. CWSS works together with CBOs and NGOs that have developed a constituency in local areas, while local government capacity is strengthened.

Within the CWSS, the identification of projects was a top-down process during Programme 1. From Programme 2 onward, Provincial Planning Forums (PPF) were set up and projects identified at provincial level. The PPF are stakeholder forums whose membership is broad and inclusive. It is at this level that provincial governments participate and are able to set priorities for investments in water services. Currently, Area Forums (local structures at district level) serve to identify possible projects and submit these to the PPFs. Beyond this, the PPFs serve to co-ordinate the administering of grants for the provision of water services. The PPF does not have a mandate to take decisions on water matters. Communities and community-based agents are still relatively unclear as to the purpose and functioning of the PPFs.

37.1.4 Water Boards

The traditional role of the Water Boards has been as regional public utilities, delivering (usually purified) bulk supplies of water for urban, industrial and, occasionally, livestock agricultural purposes. Separate irrigation boards usually manage water for agriculture. Water Boards are currently being called upon to become increasingly involved in two new areas: the direct provision of water to consumers and the provision of support services to local level structures handling water supply. Two of the largest and most successful Water Boards seem to be able to cope with some extension of their roles. Umgeni Water and Rand Water are both supplying directly to consumers and are involved with poorer, less resourced communities. Rand Water is able to do this as it acts as an implementing agent for DWAF on a number of projects and is subsidised to do so. Umgeni Water has been able to extend its area of supply to more remote rural areas through cross-subsidisation, a system that achieves high levels of cost recovery, and some work as an implementing agent for DWAF.

There is a need to involve bodies like the Water Boards in service provision. They are in the unique position of not having to answer to shareholders so they have some flexibility while also having to be efficient because they must be self-sustaining.
37.1.5 Local government

Local government structures carry primary authority for the provision of water supplies and sanitation. It is ultimately responsible for delivery and the establishment of operation and maintenance systems and ensuring that these are managed in a financially sustainable manner. For most rural services, a formal revenue base for local government does not yet exist. Many people do, however, pay for water in rural areas and the policy of DWAF is to support and develop the capacity for local government to raise funds through this mechanism in a structured way.

In many instances, local government does not, however, have the capacity to effectively deliver and manage water services. In rural areas, the physical areas for which local government is responsible are too large to organise effective community participation in the projects.

The basic policy of the CWSS programme is to provide basic needs infrastructure on a grant basis while communities take responsibility to pay for its operation and maintenance costs. Support is given to develop cost recovery programmes as part of the overall CWSS focus on supporting and developing the capacity of local government. In addition it is expected that some form of recurrent inter-government grant will be made available at local government level to support part of their future operating costs. It is important that the design of these grants should reflect the needs of the poorer communities. This issue is discussed further in the finance chapter of this paper.

In urban areas municipalities are able to recover costs for operation and maintenance services via tariffs and taxes. Electricity, water and sewerage charges make up R17.8 billion of local government revenue. However, there are issues relating to levels of payment for services which are severely hampering the progress of urban local government.

37.1.6 The private sector

In order to speed up the process of delivery, both the Municipal Infrastructure Directorate of DCD and the Community Water Supply, and Sanitation Division of DWAF have developed policy initiatives that aim to involve the private sector more extensively in the process of service delivery.

There is already private sector involvement at numerous levels in the water sector, mostly in the form of short-term service contracts. Some local governments have begun to set up more advanced contracts. While DWAF has begun a substantial process of private sector involvement by setting in motion a BOTT programme, which expands its delivery capacity by using private consortia to Build schemes, Operate them, Train staff and Transfer the scheme to local government. These could provide significant new sources of finance and expanded delivery.

37.1.7 The Mvula Trust

The Mvula Trust works with communities of between 500 and 5,000 people to implement water supply projects in rural areas. The Trust was established with funding from the IDT, Kagiso Trust and foreign donors. Currently, 90% of its budget is provided by
DWAF. The Trust has a similar relationship with DWAF to that of an implementing agent, although it has special status because of its significant contributions to the development of water supply and sanitation policy. The Trust finances the training, set up and capital costs of projects in line with a per capita limit on capital funding.

The Trust has delivered water supply to over 350,000 people and sanitation to almost 50,000 people. In general the Trust’s projects are community oriented. They are generally as successful at building commitment and ownership among community members as at building good reticulation and sewage systems.

It is difficult to give an overall rate of cost recovery for Mvula projects as most are still being implemented. An evaluation undertaken in 1996 indicated that it varies from one community to the next. The Mvula Trust is working hard to ensure that its projects are sustainable. The change made to its capital contribution policy indicates that it is responsive to needs and adapts as lessons are learnt.

Mvula adopts the philosophy that primarily the community not paying operating and maintenance costs, feels the implications thereof.

37.2 Irrigation Water

37.2.1 The status quo in policy and in law

As a consequence of apartheid policies, the distribution of access to irrigation water in South Africa is as skewed as patterns of access to land. Two distinct experiences of irrigation usage can be drawn out in South Africa. On the one hand, historically, the relative success of many of the white settlement schemes can, in part, at least, be attributed to the very comprehensive support and subsidies made available to white commercial agriculture in addition to irrigation development support. By contrast, schemes in the former Bantustans have been fraught with problems deriving from irrigation systems unsuitable for smallholder production and lack of appropriate support from development agencies and Bantustan line function departments.

At present, approximately 50% of South Africa’s water use is devoted to the irrigation of 1.3 million ha of land. The land under irrigation accounts for between 25-30% of South Africa’s total agricultural output. The areas under irrigation can usefully be categorised in terms of financial assistance received from government for water supply costs. The categories are as follows:

- Private irrigation farms comprising approximately 40% of the irrigated area. The owners of the land have met the costs of irrigation development themselves.
- The over 300 Irrigation Board Schemes which comprise about 30% of the irrigated area. Government paid a one third capital subsidy for Irrigation Board Schemes but does not provide assistance to cover the costs of operation and maintenance.

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88 The percentages are drawn from a briefing paper prepared for the Minister of Agriculture on the New Water Law for South Africa (1997). DWAF (1995) uses the same categorisation of irrigated areas, but provides a somewhat different percentage break down.
Irrigation Boards have typically been established through local initiatives in the commercial farming areas.

2. State Irrigation Schemes comprising 30% of the irrigated area. These include the white settlement schemes dating from the early 1930s (such as the Vaalharts Scheme) and the former Bantustan schemes dating from the early 1950s (for example, the Mthandeni Scheme in the Umvoti Valley in KwaZulu-Natal, Taung in former Bophutatswana, and Ncora or Qamata in the Transkei). Government paid the full capital cost of these schemes. In addition, government has provided substantial operation and maintenance subsidies.89

3. In addition to private irrigation development, Irrigation Boards, and large government schemes, a myriad of irrigated community gardens have been established in the former Bantustan areas.

At present, irrigation and irrigation development is the combined responsibility of the Department of Water Affairs and Forestry, the National Department of Agriculture, and the Provincial Departments of Agriculture. The Department of Water Affairs and Forestry is responsible for the development of national water infrastructure, and for the allocation and control of scarce water resources. The National Department of Agriculture is responsible for national strategies such as marketing standards and norms, and the Provincial Departments of Agriculture are responsible for supporting and developing irrigation farming (DWAF, 1995).

Water rights are a complex issue. Riparian rights apply in the case of private irrigation development in commercial farming areas. Riparian rights also apply in the case of some Irrigation Board development. Land held under title which borders a stream or river may have riparian rights. The water right is attached to the title deed, and is a common law right. In some cases riparian rights date back many decades. Some riparian rights have never been exercised. The extent of unexercised riparian rights is unknown at present. In addition to riparian rights, water rights have accrued to individuals through sales by the Department of Water Affairs and Forestry, and through Water Court decisions.90

In contrast to the areas where land is held under freehold, the former Bantustan areas were granted water rights as a whole. The allocation of water rights to individuals on traditionally held (communal) land is not possible under the present system.

37.2.2 Implications of the White Paper for Irrigation

The White Paper notes that agriculture, which accounts for half the nation’s water use, will have to re-evaluate this use, and will have to pay a price for water that reflects the

89 The subsidies on operation and maintenance costs on schemes in the commercial farming areas are being phased out over a period of five years (Pers. Comm. M de Lange, National Irrigation Policy Secretariat, 1997). The terms and conditions have been negotiated between the Department of Water Affairs and Forestry and the South African Agricultural Union (DWAF and DoA, 1996:13).

90 Indeed, the White Paper notes that the riparian principle was an instrument of the apartheid state to assist white landowners to use water to develop their land and an agriculturally based economy. Now policy focuses on creating jobs in other sectors like industry and tourism, and attempts to ensure equity in society (DWAF, 1997:10).
real economic cost, including the cost to society and the environment. Water will be allocated through a new licensing system founded on achieving beneficial use in the public interest. Licenses will be granted for appropriate periods of time that will recognise the substantial investment required in some sectors.

In terms of moving from more general issues relating to water management towards a new irrigation policy for South Africa, a process has been initiated through a discussion document on future irrigation published in 1995 (DWAF, 1995). This has been followed by a joint publication from DWAF and the Department of Agriculture entitled Towards an Irrigation Policy for South Africa (DWAF and DoA, 1996). These documents argue that large-scale government irrigation schemes as a development strategy have been a dismal failure in Africa. Capital costs have not been recovered and intended spin-off benefits (community development and secondary activities) have not ensued. Scheme managements have been blamed, as have the farmers. However, the fundamental problem has been that the institutional arrangements have precluded possibilities for human resource and entrepreneurial development. Central management structures or agents have taken the decisions regarding crop choice and cultivation practices, and farmers who have supplied their labour have had to bear the risks.

The conclusion drawn from the analysis is that small private irrigation enterprises are likely to be successful, as are large estates that employ labour. Estates based on farmer settlement are, however, doomed by definition. The lessons to be learned for the future are that irrigation development should be founded on farmer management, and on participative planning. Irrigation systems should be designed for farmer management.

Despite the impediments to rapid change in systems of water management and allocation, the new principles will open access, and will enable previously disadvantaged users of water for productive purposes to articulate priorities and needs. The separation of water rights from title deeds to land will open access to those without freehold tenure. The establishment of Water User Associations at a local level will provide for the effective representation of small irrigation farmers (on schemes), and participants in community gardens. It should be noted that small-scale irrigation farmers and community garden participants in the former Bantustans have previously had no mechanisms or channels through which to articulate their interests. The establishment of Water User Associations will also allow small-scale irrigators greater scope for self-management.

Organised commercial agriculture has been quick to express concerns about the proposed new principles and arrangements. The South African Agricultural Union has stated that riparian rights are an integral aspect of property rights (DWAF and DoA, 1996:22). Fears have been expressed that administration of the new system will be even more complex and onerous than administration of the present system. There are concerns that the new licensing system will create space for corrupt practices. Fears have also been expressed that the time limit on licenses may inhibit investment, and that the termination of riparian rights will impact negatively on land values, and on the value of current investment.

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91 Participatory Irrigation Management (PIM) is the current World Bank phrase (DWAF and DoA, 1996:16).
37.2.3 Future irrigation development

The Department of Water Affairs and Forestry discussion document (1995) argues that in the light of the huge cost of irrigation development, under-utilised schemes should be restored and upgraded. While this seems a reasonable approach, it is important, however, that the restoration and upgrading of derelict or under-utilised schemes should be based on a clear and detailed understanding of the histories and production dynamics of these schemes. Restoration and redevelopment should not be based on the simple assumption that failure can be attributed to a common core set of factors.

In addition, successful irrigation projects almost invariably involve or require the reorganisation of land allocation and land use (Shillington, 1986). Land re-allocation has been an issue within many former Bantustan irrigation developments. Irrigation development in communal areas has also often led to intensified land demand, and to a demand for freehold tenure (MacDonald and Vaughan, 1995). The character, scale, and impact of land re-allocation (and land dispossessions) need to be taken into account in assessing past experiences, as do the shifts in land demand.

Finally, security of tenure has been found to be an enormous problem for independent irrigation farmers in communal areas of the former bantustans (McIntosh, Quinlan and Vaughan, 1993). The majority of farmers are not irrigating on the land that they have inherited. Most acquire irrigable land from a traditional authority, lease land from missions, or rent from other people. Farmers have expressed fears that contractual arrangements with the landholders might not be binding. Such insecurity has resulted in unsustainable farming practices - for example, continuous cultivation of lucrative crops to recoup on investment as quickly as possible.

37.3 Water Supply – The Way Forward

Planning for access to water supply and sanitation services could, in future, be integrated with planning for the productive use of the resource. This determination should also consider the imposition of an upper limit on household water consumption within the ‘reserve’ in order to ensure a measure of equity in access to water for consumptive purposes.

Non-payment for services is a crucial problem to be tackled if services are to be sustainable. The failure of communities to pay agreed contributions to the cost of providing services may constrain the progress of different spheres of government. Many municipalities are facing severe financial problems and improving income from service charges would significantly stabilise the position of local government. In order to resolve this, there is a need for more research into the reasons behind non-payment for services so that policies can be improved. Service levels need to be matched with income as much as possible and local authorities need to be trained in understanding the importance of payment for services, proper billing practice, and engaging the communities and their representatives directly in discussion around the solution of payment issues.

Irrigation development, historically a mechanism for the realisation of the political and economic agendas of the apartheid state, offers a range of possibilities for poverty alleviation. The budgetary implications of many of the options are modest. A new institutional framework for water management and allocation will facilitate irrigation
development through creating space for the representation and self-development of small-
scale irrigators. What is required are clear policy principles and relevant information to
guide provincial Departments of Agriculture and local authorities. The discussion
documents that have been produced so far represent only preliminary moves towards
policy formulation.

38 Energy\textsuperscript{92}

There is a certain basic energy consumption level, estimated at around 2,000 calories per
person per day, required to sustain a minimum standard of living. Energy poverty
describes the condition of having less that this minimum level of energy security and
comfort, and of consequent vulnerability. Energy poverty results in people eating too
little or over-refined food, not being able to use boiled water to feed babies, and not being
able to wash adequately, or keep warm. Energy sources are not always reliable and all
sources take significant resources, which may include time, to access them. The
expending of these resources impacts on the ability of the poor to generate other ways of
earning a living.

In the long term, the provision of secure and affordable energy increases opportunities for
life-style choice including participation in economic activities. In the short-term, effective
and reliable energy sources enable people to initiate informal small and micro-enterprise
in both urban and rural areas. Many people sell produce and drinks from home, which is
made possible only through the use of refrigeration. Sewing, baking bread, panelbeating
and power tools are all enhanced or enabled through electricity. An adequate energy
supply offers advantages of improved health to women and children, and enables them to
participate in economic activities. Time usually spent collecting alternative energy
supplies can be made available for more productive activities.

The energy sector is usually divided into three sub-sectors: electricity, hydrocarbon fuels
(for example coal, gas or paraffin) and biomass fuels (wood, dung and crop waste). In
South Africa, most of the poor meet their energy needs using a variety of energy sources,
although biomass fuels, or a combination of biomass and hydrocarbon fuels are the most
common. This is known as multiple-fuel use or fuel-switching and is a phenomenon
particular to low income households.

Biomass fuels are used by about 16 million people, hydrocarbon fuels by about 21
million people and electricity by about 20 million. Given that the population of South
Africa is 37 million, it is apparent that many people use more than one domestic energy
source on a regular basis. Just under half of all South Africans do not have access to
electricity, despite the accelerated electrification programme. Many of those who have
access to electricity cannot take full advantage of it. Thus, for the next five to twenty
years the poor are likely to continue to use wood fuel in particular, but also paraffin and
coal. Consequently, energy strategies to address the needs of the poor should consider all
three energy sectors, and not just electricity.

\textsuperscript{92} This section is based on Anneke (1997).
38.1 Energy – The Status Quo

38.1.1 Delivery agents
There is currently a significant mismatch occurring between consumer demand and agent supply strategies. In the absence of new policy (the White Paper is yet to be approved) the key delivery strategies to the poor are Eskom’s Accelerated Electrification Programme and, on a significantly smaller scale, the Biomass Initiative which has been absorbed by DWAF into their Community Forestry policy and programme. The Department of Mineral and Energy Affairs (DMEA) is responsible for policy formulation. The National Electricity Regulator (NER) was established by the DMEA in early 1995 with the task of promoting efficiency, electrification and controlling licenses. It is also tasked with assessing and advising on such functions as the level of services offered, the efficiency of response to consumers and the provision of reader-friendly accounts. It has, through its license controls, considerable power to ensure that minimum standards of electrification are being met. It does not, however, have the power to regulate or monitor the recipients of the electrification programme.

In many areas, local government plays a central role in the reticulation of electricity. If local government are not delivering according to their mandate, the NER has the authority to call for the removal of the government representative. An electrification fund was made available for the first time in 1997; such a fund needs to be administered on a national level, and made available on a need basis. The NER is, at this stage, responsible for the devolution of funds to provincial and local authorities.

There appears to be a need for an effective monitoring mechanism that is more accessible to communities and recipients of electrification programmes as well as the delivery agents involved. As the delivery market opens to competition, the need for regulations and control will expand. The NER currently does not have the capacity to cope with such expansion.

38.1.2 The Accelerated Electrification Programme
The RDP (1994) set the target of electrifying 2,5 million households, or 72% of all households, by the year 2000. These RDP targets of 450,000 new connections per annum up to the year 2000 were not set by government, but were decided by the respective distributors and estimations by the electricity supply industry of what is achievable, in consultation with the relevant communities. The delivery of the Accelerated Electrification Programme is the responsibility of Eskom, local government in the form of Transitional Metropolitan Councils and the Independent Development Trust (IDT).

On the whole Transitional Metropolitan Councils have not been able to meet their targets. The IDT’s rural development programme that includes the off-grid electrification of schools and clinics has achieved its goals. In 1995/96 Eskom reported that its contribution to the national electrification programme was well on track. It exceeded its target in 1996, and will probably manage this again in 1997. These connections are primarily in rural areas.

Eskom has followed a pattern of extending the grid in each of the provinces in order to probe rural areas and electrify dwellings within strictly observed cost per connection.
parameters. This means that Eskom did not necessarily electrify where the need was identified but rather where it was easiest and cheapest to extend the grid. However, the Accelerated Electrification Programme is running into a crisis around cost.

The Department of Finance has indicated that serious consideration is being given to taxing Eskom. Thought is being given to structuring Eskom in such a way that dividends become payable. Eskom claims that if this were to take place, it would impact on its ability to finance its electrification programme (Eskom Annual Report 1995: 8). In addition, there is a ‘significant threat’ to electrification looming in the form of the continuing non-payment of electricity accounts. Eskom’s outstanding arrears now amount to R1.2 billion. In addition, low take up rates have restricted their ability to cross-subsidise, as they had originally planned. In 1997, Eskom made available R300 million to the industry, to facilitate the delivery the meeting of targets within the industry. This was allocated by the NER to local authorities and delivery agents.

Local government is responsible for sourcing the funds to electrify the areas for which they are responsible. Not all Councils are in a position to do this. Most Metropolitan Councils are unable to raise the funds to pay for the electrification programme and unwilling to discontinue the funding of other municipal services through electricity charges, thus their ability to deliver is constrained. Significant changes to the electricity supply industry’s structure are likely to be made this year.

Generation and distribution will be separated and Eskom will retain responsibility only for generation, while a number of regional distribution agencies (REDs) will be established. These will currently be accountable to the NER. This will be an extremely important change in the energy distribution industry and should facilitate the sustainable extension of energy services to all South Africans. The DMEA and the NER is encouraging the opening of the delivery market to competition. It is envisaged that the role of the private sector will grow, contributing both financial capital and skills. This will also facilitate a more equitable tariff structure. Private sector involvement will be both the delivery and distribution services, as well as generation.

### 38.1.3 Coal, paraffin, liquid petroleum gas

Some 44% of households use paraffin every day, making it the most widely used commercial fuel in urban and rural areas. There have been annual increases of 6-7% in the domestic consumption of paraffin for the past five years. Despite this fact, there are no formal financing mechanisms, which enable the poor to access it or any of the other hydrocarbon fuels.

However, paraffin is widely distributed: many informal distribution networks exist and many small retailers of paraffin provide credit to customers. With regard to appliances there are no finance mechanisms that allow for the purchase of paraffin, LPG or coal appliances. Retailers only offer credit on large appliances such as coal or electric stoves or refrigerators. Informal arrangements may be made between the buyer and the seller of second hand appliances.

In terms of pricing, the prices of petroleum products are controlled through fixed retail and wholesale margins and form the basis of the price of paraffin. Only the maximum wholesale price of paraffin is controlled. The retail mark-up is limited by government
legislation to 33.3% above the controlled wholesale price, but this cannot be effectively controlled and it is suspected that mark-ups are much higher, although this profit is not being made by the informal distributors. The price of LPG is not controlled by legislation, although the oil industry wholesale price is derived in a similar way to that of IP.

There are serious safety issues connected with hydrocarbons. The burning of low-grade coal has been associated with respiratory disorders. Fires in shack settlements are frequently either caused or exacerbated by paraffin and are a major source of social and financial disruption. This has resulted in the popular township saying: “we live in paraffin and burn in it” (SA-PPA, 1997:113).

Paraffin poisoning is estimated to affect fifteen thousand children each year (Medical Research Council). The IP Safety Association has produced a multi-pronged, multi-media safety campaign that includes the distribution of safety caps for paraffin storage. The efficacy of this campaign has still to be assessed.

### 38.1.4 Bamboos and alternative technologies

Many of the very poor in both rural and urban areas depend on biomass fuels in the form of collected wood, residual forestry wood, crop waste or dung. In urban areas wood may be collected free from the bush or collected from waste dumps. In rural areas wood is usually available without monetary cost, although it is becoming a commodity in areas where deforestation is occurring due to commercial and agricultural land pressures. The task of collecting wood has severe social and health costs that accrue primarily to rural women and children.

Woodlot, which cover an estimated 65,000 ha have, as yet, provide relatively little fuel-wood. The DMEA, along with several partners, was responsible for a R1 million social forestry programme known as Plant for Life, as part of the Biomass Initiative. This has been taken over by DWAF and incorporated in their Community Forestry Programme. There is growing environmental concern with regard to deforestation that occurs as people settle in rural areas.

The DMEA, private sector and a number of NGOs are involved in small-scale pilot studies and delivery of energy through a range of renewable and alternative technologies, ranging from solar cookers, hot boxes and fuel-efficient stoves, to wind generators and sophisticated photovoltaic systems. Refsa (Renewable Energy for South Africa) is the DMEA’s agent for encouraging renewable energy use and implementing specific projects, and RAP (Rural Area Power) works together with Eskom, EDG and IDT’s off-grid programme. As yet these contribute minimally to total energy usage, but their potential to do so is considerable and should be encouraged.

Alternative technologies are still in their infancy in terms of popularity and cost, but they are environmentally benign, inexpensive in the long term, and offer significant potential for meeting energy needs. There is considerable expertise in this area in South Africa that could be developed and supported. Alternative energy source programmes need to be considered a responsibility of energy provision, rather than an option.
It has been argued that improved thermal performance of housing can add considerably to the comfort of residents while decreasing the demand for space-heating and thus reducing the pressure of peak period demands on electricity or the need for other fuels. All low-cost housing projects could make use of the extensive expertise in this area: correct siting of the dwelling and basic insulation should be minimum requirements and would make a difference to the quality of life of the occupants. The urgency to attend to thermal performance requires a lead from the government.

38.2 Energy – The Way Forward

While the ideal may be to supply every dwelling, school and clinic with electricity, this is an unlikely scenario, at least for the next ten years. Policy and strategies do not yet reflect this reality. At the household level it is already apparent that electricity is not necessarily a solution to the energy poverty of its consumers. Eskom and energy researchers have found that the uptake of electricity among low-income households averages about 50 units a month. This is sufficient for lights, and little else, indicating that households continue to use multiple fuels even after electricity has been delivered. This mismatch between consumer demand and agent supply strategies needs to be addressed to the benefit of low-income households.

It is expected that the White Paper on the Energy Policy of the Republic of South Africa, planned for adoption in mid-1997, will address specific issues around household energy including:

• access to basic energy services;
• health and safety;
• energy efficiency and energy conservation;
• capacity building; education and information dissemination; and,
• households and energy sector governance.

It is further expected that the new White Paper will recommend the zero rating of paraffin for VAT. Despite the above, it could be argued that inadequate attention is paid to the household sector in the draft White Paper. For various reasons energy services to low income households have largely been ignored. These reasons include:

• government does not seem to view household energy as a priority;
• the energy use patterns and survival strategies of low income households are complex and not well understood by development planners and policy makers;
• through the gender division of labour, management of household energy needs is regarded as ‘women’s work’ and, in keeping with the lack of recognition for women’s labour, household energy needs are not given adequate recognition; and
• insufficient attention has been given to integrating energy planning across different government departments;
• there is insufficient capacity at the different levels of government to perform these planning functions.
While the draft White Paper purports that the policy should be guided by the principles of equity, efficiency and the environment, none of these are clearly defined. Alternatives to electricity are posed as possibilities rather than responsibilities. As has been argued above, from both the demand and the supply side, attention to alternatives to grid electricity is imperative. There is clear recognition within the DMEA that the ‘electricity for all’ slogan will not fulfil the espoused equity principle. However, the recommendations to address the needs of the poor (for example, zero-rating of paraffin, safety caps for paraffin and encouragement of woodlots and forestry programmes) do not go far enough. There is no direct line of budget or delivery from DMEA to address the needs of the poor.

In one of its first recommendations, the NER, in collaboration with major stakeholders, made representation to the government to constitute a body to recommend ways to restructure the distribution industry to overcome the current fragmentation. This is about to happen. Generation will be de-linked from distribution from August 1997. Thereafter distribution will be the responsibility of Regional Electricity Distributors who will move towards cost-reflective tariffs and developing transparent mechanisms to fund electrification and other municipal services. It is not clear yet how this will affect the delivery of services, or whether the REDs will have the capacity to undertake the transformation of customer service and billing envisaged. However, it is essential that the delays that are being experienced in implementing the REDs model be resolved quickly. The role of the private sector is to be encouraged in the generation and distribution of electricity.

38.3 Energy, Poverty and Inequality

To date there is no official policy from the DMEA, which has primary responsibility for the supply of energy to the poor. A draft White Paper awaits Cabinet approval. The draft makes tentative moves in the direction of reducing inequality. There is, however, little in the way of solid strategies outside of the electricity sector. There have as yet been no significant shifts in the budget for the department in terms of a commitment to addressing inequality.

In terms of electricity there are a number of specific issues that currently hinder progress towards reducing inequality of access. In response to demands that the energy sector becomes sensitive to consumer demands, the government established the Electricity Working Group (EWG) consisting of government and industry representatives. This working group has no representation from the poor because ‘the poor’ are neither homogenous nor organised and it remains difficult to find ways in which poor communities can determine and solve their energy needs.

Eskom is essentially only delivering to where the grid currently reaches or is planned to be extended to within the next five years. Those who do not fall into these areas - for the most part those who are most disadvantaged and isolated - are highly unlikely to receive electricity in the next five years. Scant attention has been paid to the sufficiency, accessibility and security of energy sources other than electricity. This means, for example, that isolated rural women are not likely to have their needs met with the same vigour as those close to the grid.
A further problem is that of tenure in urban areas. Generally Transitional Metropolitan Councils are responsible for the electrification of urban areas. On the whole these Councils are reluctant to electrify an area unless tenure is secure. In informal settlements this is very difficult to achieve.

At present the only clear strategy for supplying energy to the poor is that of electrification, predominantly being carried out by Eskom. Unfortunately this does not adequately meet the needs of the very poor. There is a significant gap between what people use and what is supplied. The take up rate has been significantly lower than expected and in most households it is under-utilised. Most often it is used only for light. Other fuel needs are met via a mixture of fuel sources.

Current energy strategies are thus not meeting the needs of the poor. Bold strategies involving alternative forms of energy such as biomass and liquid fuels need to be adopted in order to make a real contribution to the alleviation of energy poverty. In the case of biomass, the involvement of DWAF will also be critical through initiatives such as community forestry projects and the potential role to be played by commercial forestry.

39  TRANSPORT

Efficient and reliable transport addresses the issue of isolation, and broadens access to centres of economic activity and income generation. Increasing people’s ability to travel also opens up opportunities to increase their knowledge and education, encourages and broadens the scope within which the poor can seek assistance and development aid, and the ease with which goods and services can be delivered.

Adequate infrastructure enables active participation within the transport industry in the area, in provision, servicing and maintenance of the industry. Reliable transport is essential in stimulating and maintaining small enterprise and commercial activity in the form of access to routes through which produce can be delivered. It plays a key role in getting land into production, in marketing agricultural commodities, and in making forest and mineral wealth accessible. Transport is a significant factor in the development of health and education programmes, and in the exchange of ideas, which in turn impact on productive activities. The length of time spent commuting daily robs the poor of a valuable commodity - time. This time could be spent in income generation or other productive purposes.

39.1  Transport – The Status Quo

The South African passenger transportation system was designed largely to transport people between the dormitory townships and their workplaces. Due to the spatial distances resulting from apartheid planning, the working poor (as well as middle-income groups) spend a large amount of time and money on transportation. Only a small proportion of households have access to a private car. Transport costs rise with income, but constitute a much larger share of expenditure among the working poor than among wealthier people. Whites, coloureds and Indians in 1995 spent an average of around 8%
of their incomes on transport compared to African commuters who spent 11%. More than 60% of the ultra poor walk to work.

There are attempts to improve access roads, particularly in rural areas, but these efforts are uncoordinated and ad hoc, reducing their impact. There is a need for increased coordination between bodies for greater impact to be achieved. There is also currently a backlog of R7 billion for maintenance of access roads.

The accessibility of transport services for the poor is limited in the extent and location of the services provided. Inequalities are further entrenched as poorer groups are often required to utilise more that one mode of transportation to reach their destination. In addition, the safety and security of passengers differs according to the mode of transport. The Department of Transport (DoT) is responsible for transport policy and strategy formulation, and the granting of subsidies and incentives to operators. It is also the responsibility of the DoT to oversee the regulation of the taxi industry. The DoT has considered granting concessions to the private sector to operate and maintain rail services. The provincial and local departments are responsible for the delivery and maintenance of transport services within their jurisdiction, and maintaining standards formulated by national government. The administration of subsidies to transport operators is being devolved to provincial level. Components of delivery and maintenance are in many cases contracted out to the private sector. Growing involvement by the private sector is encouraged, especially in the provision and maintenance of roads, and in public-private partnerships addressing the operation of transport services. Competition from within the private sector has been stimulated through the opening of specific route subsidies to tender, based on predetermined fares, frequency of journeys, and levels of service. Provincial departments administer these. A committee comprising the nine provincial Ministers of Transport (MINCOM) provides liaison between spheres of government structures.

39.1.1 The minibus taxi

The minibus taxi industry increased its share of the African commuter market from virtually zero some two decades ago to over 50% in 1996. In order for the taxi industry to become sustainable, there is a need for at least a 20% increase in the number of new vehicles per annum - approximately 20,000 new minibuses or R1.2 billion new investment per annum to replace those vehicles that are not roadworthy. A number of financial and operational factors work against this. Financial institutions are no longer willing to enter into deals and arrangements with the taxi industry due to a perceived market saturation, declining profit rates and general structural crisis in the industry. As a result of the lack of replacement and upgrading, a great number of vehicles on the road are not roadworthy. This poses a significant threat to the safety of taxi commuters as well as others on the roads. The situation is exacerbated by the fact that many of the drivers are unlicensed. This serves to reinforce the widely held perception that the minibus taxi industry is a leading contributor to road fatalities. The ongoing taxi wars are a constant danger for passengers, and in many cases affect the availability of taxis for the poor.
39.1.2 Rail infrastructure
The rail network in South Africa falls under the control of Spoornet and the South African Rail Commuter Corporation (SARCC). Urban rail offers commuters the cheapest mode of transport. The demand among low-income communities is not currently being met, but can be met with substantial investment. The estimated cost of commuter rail extension and new stations is more than R540 million. A further budget of R780 million has been drawn up to build and refurbish rolling stock that is 22 years old.

In general, the SARCC achieves a cost recovery of only 30% of the total revenue by it from the fares and other revenue sources. The balance comes from the State Revenue Fund through subsidisation. It is estimated that there is a fare evasion of 25%.

The high cost of rail subsidisation has led the DoT to consider introducing concessions for the private sector to operate and maintain railway services.

39.1.3 Road infrastructure
Road transport is the dominant means of transport in South Africa and investment in roads accounts for a major part of the capital stock of the Government. The replacement cost of the rural road network is estimated to be in excess of R130 billion. It is estimated that more than half of South Africa’s road network has exceeded the 20-year design life span. The key problem is the lack of financial provision for the municipal roads function.

The commercialisation of roads may resolve the funding crisis for roads in urban and metropolitan areas in the short term. However commercialisation of roads on a wide scale is unlikely to assist the poor, especially those in rural areas. Rather than helping the poor, the suggested policy may undermine rural livelihoods. There is a need to investigate creative ways of building rural roads for the poor. The Community Based Public Works Programme is one mechanism that has been able to direct resources to rural communities.

Some 129 of the 937 assets created through the programme are rural access roads. It is estimated that between 296,700 and 490,200 people are the beneficiaries for the new access roads, in addition to those who benefit from jobs. However, these roads generally pass through rural areas, thus facilitating access to and from the rural area. There is very little penetration within the rural areas of secondary roads, thus inhibiting movement within these areas. This has a gender bias as women generally move within the rural area, as well as having significant implications for local economic development.

The Spatial Development Initiatives Programme adopted by national government (DOT and DTI), focuses on the stimulation of economic growth and development in the areas of greatest disadvantage in the country. The development of the various regions defined as SDIs is reliant on the provision of a major road transportation link through the region. This will facilitate movement between the major centres at each end of the road. Movement within the underdeveloped areas along the transport links will, however, not be enhanced, nor will the additional traffic along these routes contribute to substantial development and therefore impact positively on the poor residents in these areas.
39.1.4 Transport subsidies

The DoT uses two subsidy systems for bus transportation, namely the subsidisation of multi-journey tickets and the contract system, where subsidies are paid according to the productive kilometres travelled. The DoT paid out R813 million for multi-journey subsidies and R88 million for contract subsidies in 1995/96. The latter is only applicable in Gauteng and KwaZulu-Natal. This level of expenditure, and its potential future expansion with urban growth, poses severe budgetary problems, which would displace urgent needs in other areas.

On average, 50% of the operating income of subsidised bus companies has been in the form of bureaucratically governed subsidies. There have been no incentives or penalties to encourage a better, more efficient service. In spite of the recorded decrease in the number of passengers, the amount of money paid to bus operators as transport subsidies has been multiplying. The nature, content and direction of the transport system in South Africa tends to benefit transport operators even in cases where there is evidence to suggest that the transport operators do not carry the majority of the poor.

A new scheme to be introduced over the next 6 to 36 months will introduce a degree of competition for transport subsidies. Transport operators will be asked to tender for specified routes at predetermined fares, frequency of journeys and levels of service.

Although there are over 1,200 bus companies in South Africa, only 35 companies receive subsidies. One of the challenges which will face provinces when they assume the role of subsidising passenger transport is how to support emerging transport operators who will find the new competitive tender system unsympathetic to them. If the role of transport subsidies is to benefit the disadvantaged and the poor, other transport operators, who currently do not receive subsidies, should ideally be brought into the system.

Of the nine provinces, Gauteng receives almost half the bus transport subsidy (R402.6 million), followed by KwaZulu-Natal (R157 million). From an equity point of view, these figures suggest that a new transport formula should be established to ensure that provinces with the highest number of poor people receive a fair share.

In the DoT’s new transport system, subsidies are still directed at transport operators. A new multi-sectoral subsidy strategy, which considers ‘user-side’ subsidies, should be examined in the long term. The beneficiaries of the transport subsidies (bus commuters) are not the ultra-poor, but middle income earners.

Since the taxi service is most available to the majority of the poor and the government does not provide direct financial assistance, it is nearly impossible for the existing transport subsidies to benefit the poorest of the poor. The train service, which receives R1.3 billion annually in subsidies, is surprisingly unavailable to the majority of commuters. This is classic case of ‘resource mismatch’.

39.2 Transport – The Way Forward

A Green Paper on Transport Policy was published in March 1996 and, following comments and submissions, Cabinet accepted the White paper on Transport Policy in September 1996. The White Paper outlines a fundamental shift in transport policy towards private sector partnerships and signals a move away from government’s role as a
transport operator towards a role in the formulation of policy and strategy. It suggests that the right to public transport should become the cornerstone in the transport policy of the future, and that all freight and passenger transport operations should be run on a commercial basis rather than as a social service. In terms of minibus taxi operations, the White Paper recommends that these could form legally registered businesses, such as co-operatives or companies. It promises to offer financial and technical assistance to minibus taxi operators in order to ‘improve their financial viability’.

As part of the White Paper process, six sectoral working groups were established to analyse issues within specific transport sectors. In October 1995, the land transport working group published a draft passenger transport policy framework. This suggested that a single, national Land Transport Act should be drafted to clarify the roles and functions of various levels of government.

The National Land Transport Bill of May 1997 encompasses all areas of passenger transportation, rural and urban, public and private, long distance and short distance, commuter and casual infrastructure, operations and freight transportation in urban areas. Some of the new aspects of the National Transport Bill are to create a code of conduct for taxi operators, and the establishment of a national register for taxis and mechanisms to punish associations which break the rules. The proposals contained in this Bill to convert the existing transport subsidies to a contract subsidy system will not necessarily benefit the poor, as the subsidies will still be paid to the transport operators. While primary responsibility for transport delivery is devolved to provincial and local level through the Bill, provincial government structures have neither the capacity nor experience to deliver effectively. Both national and local authorities have the experience and skill to operate effectively. However, this break in the delivery chain from national to local level inhibits effective transport provision. Only a fraction of funding directed through provincial authorities to local tiers becomes available for effective use by the local government.

### 39.3 Transport, Poverty and Inequality

The majority of the population who do not have access to safe and reliable transport are not those who are using forms of transport which are subsidised. People with disabilities are a particularly vulnerable group, as the lack of efficient transport effectively excludes them from most economic activities. Subsidies funded by public taxes, for the most part go to private companies rather than assisting the poor who need them. Again the strategies in place do not help redress inequality and the system does not particularly lend itself to simple reformist interventions.

The main beneficiaries of transport subsidies are operators and users. For the most part the beneficiaries are not among the poorest. As such, public transport policies and strategies are not currently addressing poverty.

For similar reasons to those outlined above, access roads which meet the needs of the poor have not been particularly well addressed. There is little evidence of real targeting in terms of the roads that have been constructed, and there are serious problems with sustainability because of insufficient resources for maintenance.
40 COMMUNICATIONS

Communications are often not considered part of the primary bundle of development services in developing countries. Given the levels of under-development and the shortages that exist in terms of basic necessities such as food, clothing, shelter, security, health, education and social integration, communications and information processing systems simply do not rank highly on the development agenda. Yet they are tools well suited to improving the supply of all the above necessities. In contrast, in developed societies these are taken for granted as key factors of economic, commercial and social activity and as a prime source of cultural activity. Reliable telecommunications provide access to information, employment opportunities, education and health facilities, which in turn impact on productivity, and social networks. All of these influence the ability of individuals and households to participate productively in the economic sphere.

There are five major actors in the telecommunications sector: The Minister of Communications, the Standing Parliamentary Committee on Communications, the Department of Communications, the South African Telecommunications Regulatory Authority, and the Universal Service Agency.

40.1 Telecommunications

40.1.1 Telecommunications – the status quo

In South Africa, Telkom is the only fixed line provider of basic telecommunications services and currently has a fraction over 4,1 million residential and commercial lines in service throughout the country. Almost half of these are installed in Gauteng and the Western Cape. The most poorly serviced provinces in terms of the number of telephones per capita are the Northern Province and the Eastern Cape.

Penetration amongst white households generally exceeds 85%, among Indian households it stands at 74 %, coloured households 37% and African households 14%. Across all races, household penetration of private telephones in rural areas is approximately 1%, whilst in urban areas it is 32%. Among the reasons given by Telkom for the continued differences in coverage is the high cost of providing services in rural areas. These costs have been found to be as much as five times that of an urban area. It should also be noted that 61% of all schools, 22% of all libraries, 19% of all hospitals and clinics have no telephone at all. National pay phone penetration currently stands at 1,14 pay phones per 1,000 persons, with a total of 71,000 public telephones installed throughout the country. The penetration is highly skewed by province, with Gauteng and the Western Cape, which comprise only one-quarter of the entire population of South Africa and only 16% of the African population, having over half of all pay phones.

The formation of a National Telecommunications Forum in 1993 culminated in 1996 with the drafting of the White Paper on Telecommunications. The White Paper reflects the state’s vision for telecommunications as one that balances the provision of basic

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94 This section is based on Stavrou (1997).
universal services to disadvantaged rural and urban communities with the delivery of high-level services to meet the needs of a growing economy.

The Telecommunication Act of November 1996 grants Telkom a five-year period of monopoly over voice telephony. The reasons for such an arrangement were largely to ensure the delivery of a universal service, which in its narrowest sense means that basic telephony should be made accessible to all South Africans – this includes:

- to roll out a network to expand residential and business telephone penetration to all who can afford it, regardless of where they reside and at uniform cost;
- to roll out the network to expand the public pay phone penetration to all parts of the country, ensuring a ratio of 3.5 telephones per 1,000 people in urban areas and 5 pay phones per 1,000 people in rural areas;
- to ensure that all priority clients (schools, hospitals/clinics, libraries and local authorities) are connected before the end of the century;
- to strategically rebalance tariffs to reduce the costs of international and long distance calls, which currently cross-subsidise local calls; and
- to prepare Telkom for competition.

A ‘Universal Service Agency’ (USA) has been established by the Telecommunications Act to:

- promote affordable and accessible universal service to historically disadvantaged communities;
- encourage, facilitate and offer guidance in respect of any scheme to provide universal service or access to telecommunications services as part of the RDP;
- foster new methods of attaining universal service; and,
- stimulate public awareness of the benefits of telecommunications.

The USA, from time to time, makes recommendations to the Minister as to what constitutes universal access and provision, and is responsible for evaluating the extent to which universal service is being delivered. Furthermore, the USA will be responsible for the administration of the Universal Service Fund, which is to be set up for the purposes of:

- paying subsidies towards the cost of provision or use of telecommunications services to needy persons; and,
- paying subsidies to Telkom or any other license holder to assist with the financing of a public switched telecommunication service to areas that are not presently adequately serviced.

Other measures to promote economic empowerment include broadening equity ownership, employee share ownership schemes, creating new employment opportunities through intensive training and the promotion of African commercial enterprises.

The government has also made it clear that Telkom is to finance the expansion through a combination of retained earnings, borrowings either on the domestic or international
money markets, or sale of equity in the organisation. Furthermore, Telkom is to pay the state a settlement fee emanating from the break up of the previous Post and Telecommunications structure, whilst continuing to be a full taxpayer. As a first step to raising revenue, Telkom sold 30% equity to SBC and Malaysia Telkom for R5 billion, which also represents the single largest post 1994 investment in South Africa.

The activities of the sector are regulated by the South African Telecommunications Regulatory Authority (SATRA), an independent body which was constituted in 1997. The Minister appoints members, and funds made available through Parliament. Telecommunication policy is formulated in conjunction with the Authority.

40.1.2 Telecommunications – the way forward

The total number of households without telephones stand at almost 4 million (3,928m), and range from a high of 2,67 million rural black households, to 1,62 million black urban households, 0,32m coloured households, 0,2m white households and 0,06m Asian households. It has been estimated that, in order to provide every family with a telephone, South Africa would have to spend R120 billion, or 12 times total government gross domestic fixed investment.

In order to reduce inequalities amongst households in South Africa, everybody who can afford a residential telephone service should gain access. After accounting for the current cost of installing and maintaining a fixed telephone, the total number of households that could afford a service currently stands at 1,87 million telephones, of which 80% (1,496m households) are black homes. The distribution of this under-supply amongst black homes is almost evenly split between urban and rural areas. Telkom will, therefore, have to install approximately 805,000 telephones in black rural, 691,000 in black urban, 167,000 coloured, 37,000 Asian and 170,000 white households. If the current demand for telephones is adjusted upwards by 3,7% per annum to accommodate population growth rates, then by the year 2000, the cumulative demand for one telephone per household would have reached 2,2 million.

In terms of its licence obligations, Telkom is, subject to affordability, hoping to install 2,69 million new lines over its five year fixed line exclusivity period. Two million of the new lines have been earmarked for under-serviced areas with existing infrastructure. During the same time period Telkom is to replace 1,25 million lines, digitise a further 1,5 million analogue and almost 90,000 manual lines. These totals would therefore seem to match well against the latent demand and it could, therefore be argued that if Telkom successfully meets this unsatisfied but economically feasible demand, both unequal and inequality of supply throughout the country would be eliminated. The location of this pent-up economically feasible demand in relation to the overall level of unsatisfied demand (economic or not) will be the key variable that determines the speed at which inequalities are eliminated and the appropriate strategies implemented. The timeframe within which this demand can be satisfied will largely be a function of the availability and terms of investment capital. Sufficient equity to both kick-start and see the process through the initial stages was raised with the sale of equity to SBC and Malaysia Telecom.

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Nevertheless, affordability will remain a problem. Telkom had based affordability calculations on a 6% GDP growth rate, and increased efficiency within its own operations and structures. In the event of a sluggish growth rate of 3% or less, delivery would range from between 1,9 million to 2,3 million lines, of which two thirds would be in the current under-serviced areas. At this ‘low road’ scenario Telkom could fall short by 0,3 million lines, thus ensuring remaining inequalities.

There will be areas that will remain outside the network and therefore, by implication, will continue to not be serviced. In all likelihood, these will be the remote rural areas of the country. Inequalities will therefore continue to exist, based on spatial characteristics.

Telkom’s plans do not address inequality on a geographical basis. Gauteng, with 39% of all existing telephones, is earmarked for 30% of new lines in 1997. The Eastern Cape and Northern Province, which presently have 7% and 3% of all telephones respectively, are allocated a percentage of the total number of lines to be rolled out that is under 1% of all Africans resident in those two provinces. The Western Cape, on the other hand, continues to receive more than double the telephone lines it requires to reach an equitable penetration rate.

Telkom is aware that a total of just under 2 million households will remain excluded from the residential network, and is therefore placing a strong emphasis on the delivery of public telephony. The government has set Telkom an ambitious target of increasing the number of pay phones from current levels to 190,000 by the year 2001 - an additional 120,000 new pay phone installations over the next five years. Unlike their fixed telephone penetration strategy, Telkom aims to eliminate the provincial imbalances in pay phone penetration by linking future penetration rates to population densities. Their stated objective is that there be 3,5 pay phones per 1,000 people in urban areas and 5,1 pay phones per 1,000 people in rural areas. These pay phone objectives must not be seen as an end, but rather as a means to achieving more equitable penetration in the long term, to private residential service.

In addition, the government has stated that every village, defined as a settlement of at least 100 homesteads, of which a first list of 3,204 settlements have been identified, will be on the telecommunications grid and have at least one public telephone by the year 2000. The intention is good, although no villages in the Northern Cape and Western Cape have been identified for connection. Furthermore, Telkom has defined a homestead according to urban criteria, as a family per group of dwelling units. Given that in rural areas, multiple family units could be found residing in a single cluster of dwellings, these will be vastly under-enumerated, thereby reducing the number of homestead clusters classified as villages. The problem is further intensified, as it could be argued that the incidence of poverty is more likely to be higher amongst multiple homesteads within single dwelling clusters, as households are forced to share meagre resources. This is likely to have the biggest negative impact in the Northern Province, Eastern Cape and KwaZulu-Natal, where a large percentage of rural people reside.

A recent development that Telkom is pursuing is Voicelink, a centralised message service based on voicemail technology. Through Voicelink people who do not have their own telephone service obtain a voicemail and pin number and are able to use pay phones, private telephones or cellular telephones to send and retrieve messages. An individual or
family is given a com card and an address list on the public telephone network. All incoming calls are recorded and messages accessed whenever the holder of the com card calls their address. Although there is no relief on outgoing calls, this system allows those that cannot afford a fixed line at their place of residence to at least receive messages. Telkom will soon be introducing a telephone that will only receive calls and make emergency outgoing calls. Technology also allows for these telephones to be programmed to make calls only to certain destinations. This would allow low-income households to regulate the destination of all telephone calls and limit overall expenditure on telephony.

In addition to their public network expansion, Telkom, together with the government, has identified a number of social sectors that classify as priority clients, to whom telecommunications must be delivered by the end of the century. These sectors are health (clinics and hospitals), education (schools and libraries), and governance (local authorities and post offices). Telkom plans to provide 24,000 new lines to these sectors. It will not charge a connection fee and hopes to service 55% of these priority customers within the next three years. A problem, however, lies with the organisation responsible for settling accounts.

The DOE has, for instance, refused to be held liable for the accounts of individual schools, and wherever the principals do not personally commit themselves to paying accounts, installation will not occur. Among the bolder of Telkom’s initiatives, is the promise of an Internet connection in 2,000 schools, libraries or community centres. This includes the costs of Internet line installation and line rental charges, as well as domestic Internet service fees for 2,000 access points. The company will also provide 2,000 personal computers, printers and software as part of the initiative.

Two GSM cellular network operators are licensed in South Africa - Vodacom and Mobile Telephone Networks (MTN). The licensing of a third is currently under investigation. As part of their licence obligations Vodacom and MTN are obliged to install a certain number of community phones. Currently, 7,000 community phones have been installed by Vodacom and 4,900 by MTN. The intention of the licence obligation was to ensure the delivery of telephony to those areas that were either very poorly serviced or not on the grid and unlikely to be connected in the near future. Due to there being no locational spread stipulated and the absence of an ineffective regulator at the time, Vodacom and MTN simply chose the most convenient areas possible and over-loaded these with public pay phones. This was further compounded by the lack of co-ordination between Telkom and the two network operators, resulting in the three parties duplicating services in particular areas, while neighbouring communities remain excluded.
40.2 The South African Postal Service

40.2.1 Postal service – the status quo

The South African Postal Service (SAPOS) has only recently formulated a business plan that has a weighty emphasis on development, specifically in previously disadvantaged areas. As a member of the Board, the Department of Communications also influences these policy decisions, ensuring that the needs of the previously disadvantaged remain high on the agenda.

The postal White Paper process is well on track. It is expected that the future of the postal monopoly, the definition of universal postal services and the role and delivery of the state postal subsidy will be addressed in the paper. Should the government come out strongly in support of services, particularly to the disadvantaged and poor, new legislation will in all likelihood have to be promulgated to enforce delivery to the poor, as there are insufficient economic incentives. There may also need to be benefits for SAPOS if supply targets for the poor become compulsory.

SAPOS grades its post offices according to the volumes of mail, the level of postal sort functions, and product range offered. Although post offices hold different grades, SAPOS appears to be aiming towards a long-term scenario in which each postal outlet (both post offices and postal agencies) offer a full range of services (Hansmann, 1997). This will specifically ensure that rural areas, where postal agencies are currently more prevalent, have access to a wide range of services. Postal agencies provide a range of postal services on behalf of SAPOS, opening up postal services to people previously unable to gain access to these services. There is a move towards increasing the number of postal agencies in the country as SAPOS moves away from the conventional post office typology.

SAPOS is aware of the crucial role it can assume in community development. It has made a commitment to an open, visible, and effective relationship with government at local, regional and national level, as well as with other service providers. SAPOS’s emphasis on community development is, however, not necessarily consistent with its objectives of breaking even in terms of revenue generation. This is primarily due to the costs involved in establishing fully-fledged post offices, which are unlikely to generate enough revenue to cover their establishment and operation costs due to insufficient postal volumes and the number of counter transactions undertaken at this point. The areas where the developmental commitment needs to be strongest thus include townships and rural areas.

40.2.2 Postal services – the way forward

Historically, post offices were the only institutions through which postal services were available. In recent years a number of commercial alternatives have emerged but these concentrate on business needs and are expensive. SAPOS has begun to systematically rationalise the distribution pattern of the postal service, through the closure of post offices in over-serviced areas and the opening of new post offices in previously under-serviced areas.

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95 This section is based upon Hansmann (1997).
areas. This is being facilitated in certain instances by the introduction of retail postal agencies in established host businesses. SAPOS is, in addition, using the revenue gained from the sale of property (for instance from the above mentioned closures) to finance the establishment of new postal services for disadvantaged areas.

The adopted strategy includes:

- Placing basic postal services within easy reach of the communities. This will be achieved by making postage stamps available at outlets other than post offices. SAPOS has also introduced a range of stationary to facilitate one-stop shopping at postal agencies, although this service is presently available only in select outlets. The interior of post offices has been redesigned for a single queue system, so clients can do all their postal business at one counter.

- Giving each person in South Africa a postal address. Steps are underway to ensure that postal boxes are installed in previously disadvantaged areas. Methods will include self-collection post box lobbies, private post boxes and fixed poste restantes. It is intended that street delivery, which represents one of the largest costs in the distribution of mail, be phased out.

- Delivering mail according to set standards. In April 1993, SAPOS introduced set mail delivery times, against which performance is measured by both external auditors and internally by SAPOS.

- Creating a computer network to facilitate counter services. Excellpos is a computer network facility which aims to link postal counter service points nationally to improve the service at the counter. It will substantially improve the service received in rural areas by eliminating delays between transactions. What the poor should have access to through the post is communication with friends and relatives, particularly given the extended nature of many families in South Africa. Postal services are, in many instances, the only affordable form of long-distance communication with friends and relatives.

Access to education can be provided through the postal services, as underlying any distance-based education system is a safe and reliable postal system. Distance education is becoming increasingly important due to the rising costs of secondary and tertiary education in South Africa. Even in those cases where the funds for tuition are raised, education, particularly at the tertiary level, remains beyond the grasp of many impoverished and dislocated households, as there are no institutions within convenient proximity. Furthermore, there remains pressure on the youth in poor households to find productive means of employment from an early age, thereby reducing opportunities for attendance at education facilities.

Access to retail facilities is crucial to the poor who live in areas where the range of locally available products is limited and prices uncompetitive. All direct order houses will send their products to any client who can reach a post office and accept payment in the form of postal orders or direct account payments at post offices. This serves to expand the retail options and facilities available to the poor, particularly those in rural areas.
Access to state governance and infrastructural services. Underlying the basis of the Masakhane campaign is the delivery of information to the public on their rights and obligations, the successful delivery of accounts and their successful payment. Without access to a postal service, this would not be possible.

The issue of whether the poorest can afford postal services is not straightforward for two reasons. Firstly, poor households allocate their resources creatively to maximise their survival strategies according to their own objectives. Only if postal services fit this purpose will resources be allocated to the purchase of stamps and stationary. Secondly, if greater emphasis is placed upon the postal services as a means of aiding the poor in accessing information, for instance from state departments and non-governmental organisations, these organisations should provide registered free postal addresses.

SAPOS is considering launching a line of postal stationary for private users, similar to the old aerogramme, which is a fraction over the price of a conventional stamp. This will reduce the need for the user to pay the additional cost of stationary.

In 1984 SAPOS joined the International Postal Union, which stipulates that a universal rate be charged for all letters delivered within a nation’s boundaries, regardless of the distance that the letter has to be transported. Consequently, people in more dispersed locations have no additional financial barriers to the use of postal services for standard mail distribution. Nevertheless, other barriers persist in these areas, such as the lack of regularly serviced postal boxes and sites to purchase stamps. These are being addressed by SAPOS as it rolls out postal lobby boxes to rural areas and utilises retail agencies.

40.3 Infomatics

Access to information emerges as a critical constraint to people’s participation in development. Participants in the SA-PPA indicated that they neither knew the channels to request assistance, nor what assistance was available to them. Communities are unaware of the policies that have been fashioned to assist them, nor how to activate these, nor how to push for changes to these if they are inappropriate. Shortage of time was another aspect of poverty mentioned by participants in the SA-PPA, suggesting that time saving technologies would be an important form of assistance.

40.3.1 Infomatics – the status quo

There is no one all encompassing South African information policy; rather it lies within several other policies, notably the White Paper on Telecommunications and the Science and Technology White Paper. An important party that is so far missing from policy development processes is the Central Statistical Service. The government’s Science and Technology (S&T) White Paper presents the government’s vision for S&T within the overall framework of the RDP. It is founded on the notion that S&T are central to creating wealth and improving the quality of life in contemporary society. The goal of the RDP is to provide universal affordable access for all as rapidly as possible within a sustainable and viable telecommunications system. It goes further by stating that the goal should aim to develop a modern and integrated telecommunications and information technology system capable of enhancing, cheapening and facilitating education, health care, business information, public administration and rural development. The RDP calls
for the development of an advanced information network; it retains the basic infrastructural network within the public sector, but licenses certain value-added services; it calls for a telecommunications regulatory authority; and encourages a strong export-oriented telecommunications manufacturing sector.

40.3.2 Infomatics – the way forward
Information has changed and is changing the way in which our economy operates. Information is now a factor of production, together with land, capital, labour and energy. Information is one tool that can be used to alleviate poverty, as well as to reduce inequalities, therefore, as with any resource it needs to be managed carefully and distributed equitably. Information policy is thus tasked with ensuring that these changes are for the benefit of all South Africans. A clear, concise and visionary information policy can contribute toward the efficient and effective implementation of projects that will make a positive impact on alleviating poverty and reducing the vast imbalances that exist in South Africa through facilitating access to information, goods and services.

40.4 Communications, Poverty and Inequality
Inequality will be addressed by the postal and telecommunications sectors, probably within the next five years. This is for those for whom access and not affordability is the key consideration. Both Telkom and SAPOS are delivering in accordance with plans to tap into as many paying customers as possible. As commercial enterprises, although still majority state owned, these two institutions have the flexibility and financial imperatives to meet such objectives.

Current SAPOS and Telkom strategies have aimed their delivery to the poor through a public network. Although, they will not have addressed the needs of the poor in the same way that they will have met the needs of paying customers, by early next century all South Africans residing within remote areas will have access to both services. The issue of affordability is being addressed through the use of technology, but it is unlikely that the majority of the poor will be able to fully utilise the systems.

Access to information technology poses more problems than other services because of issues such as education and affordability.

41 CONCLUSION
A three-prong approach is suggested as a way in which the impact of government’s spending on infrastructural services can be maximised. The first prong suggests a revision of the way in which institutions relate to existing government structures in the delivery of services. This will ensure that inequality is addressed through facilitating access and delivery to all that can afford the service. The second prong of the approach comprises very focused interventions in each sector, designed to relieve the plight of the poor and ensure delivery to the members of this group. The third argues for the need for a prioritised agenda: while all these services are essential in addressing poverty, programmes that will have the greatest impact in poverty alleviation need to assume priority.
The institutional framework within which the delivery of services takes place should be transformed. A clear distinction needs to be made - and has in practice already emerged - between the mechanism by which the delivery of demand (market) driven services takes place, and the mechanism to deliver services that meet basic needs.

Two primary problems have been identified: that of lack of access to service facilities and that of affordability where access is available. Where the services are not available, but the communities would be able to afford them, the delivery of services should be ensured as quickly as possible. In instances where these services are not affordable, demand-drive safety net mechanisms should be instituted.

The delivery of those services where access to, and not affordability of, the services is the issue, should be market driven. The private sector or parastatal delivery agents should therefore undertake delivery. The policy and regulatory framework within which this occurs should ensure effective and equitable delivery to those who can afford these services. These include private communications connections, private energy and water supply, and transportation services.

Where the provision of services cannot be market driven and the services meet basic needs (for example water supply and sanitation), or where these services are public goods (for example, roads, streetlights, public telephones), the public sector needs to ensure delivery. This should be undertaken through the government institutional framework. It is within this framework that policy should ensure that delivery services those in need of these services but unable to afford them. Given the problem of institutional capacity in rural local governments, regional public water utilities such as the Water Boards, have an important role to play in the provision of water services that needs to be expanded.

In order for the public sector to undertake such provision, steps need to be taken to ensure that grants and funds from government are efficiently used to meet these basic needs. Mechanisms need to be put in place to monitor this. Safety net systems need to be developed and target-subsidies need to be directed to the end user, which can be used both to provide assistance to the end-user and to monitor whether the poor are gaining access to services. Criteria should be formulated to determine eligibility for target-subsidies, which should ideally be administered at provincial and local level.

Departments involved in the delivery of services need to move beyond sectoral to spatial priorities. Institutions, departments and other role-players need to be identified and to operate on a spatial level, ensuring integrated development rather than isolated sectoral development. Development should be directed at establishing viable, social and economically integrated communities. For this to be efficiently achieved, significant institutional transformation is necessary to ensure that institutions have the capacity, resources, political will and transparency to ensure delivery. This requires that the following steps be taken:

Parallel power processes within the government institutional framework need to be eradicated. This is best achieved through the elimination of overlapping jurisdictional functions and a clarification of the line functions of all spheres of government.

This should not detract from communication and integrated planning between the different sectors and government departments. Where appropriate, development co-
ordinating committees at a provincial and district level can ensure effective communication, consultation and co-operation between the different departments and government spheres, as well as other institutions involved in delivery. Business and labour should also be represented on these committees at district level. These committees should develop the capacity to monitor and evaluate the programmes implemented at local level.

The possibilities of bypassing local and provincial level authorities and applying directly to national level government departments and programmes must be avoided. All applications for service provision should be co-ordinated at the local authority level. The co-ordinating body should include representation from national level projects.

Resources need to be directed to local authorities to facilitate capacity building of local government structures, to enable effective delivery by these structures. Capacity building exercises aimed at local structures need to be clearly co-ordinated.

Local level institutions must be given, or be able to derive, an asset and financial base from which to work. Financial resources should be made available through local government planning mechanisms. These funds would be targeted specifically towards the meeting of basic norms and standards of water and sanitation provision.

The importance of private sector agents needs to be acknowledged and their role incorporated into service provision policy. Communication and delineation of responsibilities between the public sector institutions and private sector agents need to be encouraged.

A concise policy on minimum standards needs to be formulated, and implemented to fill the vacuum created by the lack of a coherent policy on tariffs and cross-subsidisation within sectors. Where possible, the monitoring and evaluation of these standards should be incorporated into local government responsibilities.

Where provincial governments lack the capacity to fulfil the functions ascribed to them through legislation, the role and existence of this sphere of government needs to be reconsidered. Effective flow of funds and line functions from central to local government needs to be facilitated to ensure the effective delivery of services to those that need them most. Resources should be directed towards local government structures to facilitate capacity building.
CHAPTER SEVEN
INSTITUTIONAL CONTEXT

“We don’t know what we can ask for, we don’t know who to ask, and we don’t know how to ask”

(Community workshop, Northern Province, in the SA-PPA, 1997:107)

42 INTRODUCTION

The policies of apartheid have impacted on almost all institutions and their ability to function. As a result, the SA-PPA refers to a state of institutional mayhem in terms of structures and capacity to deliver, which prevails in much of government and civil society. Much of this can be ascribed to the differing pace of change required of different institutions and systems. In certain areas of critical importance to the poor there has been little change. As a result similar problems are being experienced as before political transition.

The purpose of this chapter is to analyse the evolving institutional context in South Africa in terms of policy formulation and implementation processes. The analysis will examine both the macro- and micro-level dimensions of the institutional context. The macro-level analysis will focus on the constitutional framework within which South Africa is operating and the impact thereof, while the micro-level analysis will highlight the key issue of public accountability and effectiveness in the provision of services.

43 FRAMEWORK FOR ANALYSIS

43.1 Institutions and Organisations

Institutions are patterns of behaviour or systems of legitimate enforceable rules, recognised and valued by society and embedded in social relations. Organisations are purposeful, structured, role-bound social units constituting actual systems of co-operation where people get together to carry out particular functions. Organisations such as trade unions and employers organisations, and even the ‘household’ (family), are also institutions, providing sets of rules which govern relationships both among their members and between members and non-members. Both organisations and institutions shape social, political and economic behaviour.

96 This chapter is based on Humphries (1997), Budlender (1997) and Burns (1997).
98 Governance can be seen as “the exercise of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences” (UNDP, 1997:9). The concept embraces all the methods that societies use to distribute power and manage public resources and problems.
43.2 The role of institutions
From a broad social and political perspective, institutions determine the capacity for governance. Thus, it is possible to talk about good or bad governance practices with respect to every institution and organisation in society - from civil society to the state. For government, when implementing its activities in an integrated manner, ‘governance failure’ may be an important consideration (Stern, 1990). That is to say, although the policy framework might be appropriate, government may be unable to implement good policy. Such institutional failure is therefore an important factor contributing to the persistence of poverty. This takes place in three ways: firstly through the rules and structure of the institutions themselves; secondly, through the non-delivery of the services which the institutions are meant to provide and finally, through the behaviour and attitudes of the officials within the institutions. The success of development initiatives depends on the strengths and weaknesses of the underlying institutional environment.

43.3 Assessment Criteria
In assessing the institutional context, the following four criteria can usefully be applied:

- **Efficiency**: referring to cost-effective delivery;
- **Equity**: if development initiatives are to be successful they must reach the poor. In particular, there needs to be a focus on the marginalised sections of society;
- **Adaptability**: as society progresses and changes, development needs and priorities will also change. An effective institutional environment should be characterised by adaptability and flexible rules;
- **Accountability**: an institutional environment should promote accountability by organisations. Without accountability, there is an incentive for corruption, inequitable actions and inefficiency.

The institutional environment in South Africa is diverse, comprising many different role-players and organisations. The remainder of this chapter will examine the institutional context of poverty and inequality in South Africa on the basis of the criteria outlined above. A matrix of criteria is a useful way in which this environment can be assessed. On the basis of information gathered about the activities of these bodies, they can be rated according to whether this is an area of strength or weakness. Although this is a subjective exercise that is not based upon an in-depth evaluation, the exercise shown in Figure 17 on the following page provides a useful starting point for discussion.

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Figure 17: Rating of Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Initiating</th>
<th>Design/Planning</th>
<th>Resource generation/Allocation</th>
<th>Implementation/Delivery</th>
<th>Monitoring and Review</th>
<th>Accountability</th>
<th>Efficiency</th>
<th>Adaptability</th>
<th>Equity</th>
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<td>x</td>
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<td>x</td>
<td>x</td>
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44 Households and Communities

The generally accepted unit of analysis of poverty has been the household, despite the fact that this concept may not be appropriate nor is it constant. Research has shown the household to be a complex and dynamic concept, with boundaries that are constantly shifting. Moreover, income, power and assets are unequally distributed within the household, suggesting that poverty may occur within households in a differential manner. The South African situation is further complicated by the close links between and within rural and urban areas, whereby individuals are linked to more than one household (SA-PPA, 1997:76).

44.1 Household Structure

South Africa is characterised by a wide diversity of household structures. In rural areas, three and four generation households are common, and empirical evidence suggests it is not the norm for children (below the age of 17 years) to live with both their parents. Up to three-fifths of children included in surveys have been found to be living with only their mother, while just over a fifth live without either of their parents.

Empirical evidence, including studies in the SA-PPA, also show that life cycle dynamics, and economic and social factors impact upon household composition. Household composition may vary owing to economic hardship, resulting in a need to reduce the number of dependants because they cannot be supported by the livelihood strategy adopted by the household members. If the source of income is lost, individuals may also disperse to join households that have an income. Similarly, when a new source of income is accessed, individuals may break away from households to establish their own household. These moves that are made in search of income are not confined to rural areas only: similar processes have been found in dense informal settlements (Ross, 1993; Annecke, 1993).

44.2 Intra-household Distribution

Quantitative and qualitative research has shown that the experience of poverty is differentiated within the household. The SA-PPA reports that in terms of access to decision-making and power, women tended to indicate that they had no option but to accept the decisions and demands made by men within the household. Even between women, younger women may be required to follow the instruction of older women in household. The elderly expressed concerns over their perceived isolation and abuse by other family members, while children also indicated that they experienced poverty in a manner that was distinct from that of the rest of the family (SA-PPA, 1997:44).

The existence of agricultural resources, amongst other factors, influences power relations in the household. Where agriculture is undertaken, some scope is provided for women to exercise control of some resources and place themselves in a stronger position vis-à-vis men. Where these resources are absent, the subordination of women is a more direct reflection of gender relationships in a patriarchal system.

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100 This link may occur via remittance payments, marriage, child care services etc.
101 For example see Ardington (1988), James (1992) and Ross (1993).
44.3 Double Rootedness

‘Double rootedness’ has been used to describe patterns of migration as well as dual residence in which individuals have stakes in households in rural and urban areas, or multiple households within urban areas. Although originally imposed by apartheid legislation, dual residence continues to be a strategy adopted by many households in South Africa as a means of keeping their options open in rural and urban areas, thereby sharing risks between these areas.\(^\text{103}\)

Double rootedness thus implies that the experience of poverty may be split spatially across several homesteads, as well as socially, across different households. Consequently, a loss of income or an adverse event in one of the households may well have negative implications elsewhere.\(^\text{104}\) On the other hand, this mechanism does act to smooth out fluctuations in income and limit the consequences of adverse events.

44.4 Community

The notion of community is extremely tenuous in South Africa.\(^\text{105}\) The role of forced removals and high levels of migration, mobility and pervasive violence have all contributed towards undermining social cohesion. The result is that many communities are extremely divided with little commonality in terms of needs and aspirations.

The impact of forcible resettlement went beyond the loss of assets, to also have an impact on social structures within the affected communities (Roodt (1995:11-12). A complex set of power relations exist through which people’s relations to each other are mediated. These are underpinned by a number of social variables of which access to land is the most important. In one example, in the wake of the collapse of a successful community alliance between landholders, the landless and the youth to resist removal, an area in the Eastern Cape has become characterised by simmering discontent. The result has been a divided community in which destructive power struggles have emerged for local government functions. This struggle is summed up by a participant in the SA-PPA:

> “Since 1936 we have had many people come from the farms and change everything. Half the people in this village I don’t even know. I would not even look at them. People who arrive here do not listen to the people who were here before, they just do things” (SA-PPA, 1997:23).

Besides divisions within the community over resources and power, households and individuals within households have differential access to community support networks. In part, this is owing to inadequate resources required for participation in these networks being owned, and in part, is an outcome of the divisions within the community itself. Hence, to assume that all individuals belong to a nuclear family or a homogenous, harmonious community is problematic.

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\(^{104}\) It also means that if one household deliberately withholds income from another that is dependent upon it, the former holds power while the latter is rendered powerless.

\(^{105}\) Studies such as SA-PPA have shown this. The notion of ‘community’ may well be tenuous for other countries too. It is problematic in the sense that it implies homogenous behaviour.
45 The Constitution

The advent of a democratic system of governance and the establishment of a new constitution in South Africa has facilitated the creation of a new institutional environment within which policies are formulated, implemented and monitored. The Constitution sets in a place a democratic system of government and provides citizens with the opportunity to elect into government individuals and parties they feel will represent their interests. As such, the Constitution influences how, where and by whom policy is formulated and implemented. This process has given South Africa the chance to focus on the design of new public sector institutions. The concern for effective and good governance has become a key interest of the new government as it faces major governance challenges. Not only must it eradicate the multiple ravages of apartheid, but also embark on a comprehensive new governance programme and the rebuilding and redesign of state institutions to achieve new governance goals.

45.1 Co-operative Government

The programme that is being followed has been based upon co-operative government and seeks to establish new ways in which the institutions and structures of all spheres of government deal with, and relate to, each other and to the citizens they serve. The framers of the new Constitution however, intend co-operative government to be a means of enhancing governance and the efficiency of government structures, as well as promoting participation by citizens in the structures of government. Increasingly, governance is seen as involving partnerships between the spheres of power, both public and private, of which the national government is but one partner.

45.2 Spheres of Government

One hallmark of the new Constitution has been the creation of a decentralised political system that allows opportunities for wider consultation and participation by civil society in the workings of government. An entire chapter in the Constitution has been devoted to listing the principles of co-operative government. These principles, which are applicable to all spheres of government - national, provincial and local government, include:

(a) respect the constitutional status, institutions, powers and functions of government in the other spheres;
(b) not assume any power or function except those conferred on them in terms of the Constitution;
(c) exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere; and

The use of the clause/word ‘sphere of government’ is in deliberate contrast to the more orthodox characterisation of ‘tiers of government’. The framers of the constitution argued that ‘tiers’ implied far too much of a hierarchical relationship between the national, provincial and local governments than was envisaged by co-operative governance. The constitution also holds that the different spheres of government are “distinctive, inter-dependent and inter-related”.

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(d) co-operate with one another in mutual trust and good faith.

Perhaps the core of co-operative governance is to be found in points (c) and (d). Two points can be made to illustrate their importance in the South African context.

Firstly, some provincial and many local governments suffer from a severe skills shortage, which impacts on their ability to provide services to the residents of their areas. Co-operative governance places an obligation on those higher spheres of government with capacity to help authorities in other spheres to exercise their powers.

This contrasts with the long-standing tradition in South Africa (and elsewhere) where, if a level of government could not perform its duties, these would be assumed by a provincial authority or the central government. Now the provinces and the national government must actively help such local authorities to perform their functions, rather than arbitrarily remove their powers. Numerous national government departments, from the Department of Constitutional Development and Provincial Affairs to line function departments such as housing and public administration, are now involved in capacity building programmes in the provinces. The provinces in turn, are assisting local authorities.

Secondly, co-operative government does accept that differing perspectives do, or can, exist between, for example, provincial governments and the central government on any public policy issue. It does not attempt to smother differences. Tension between spheres of government will occur from time to time but co-operative government provides a framework for resolving such disputes within certain parameters.

For example, while point (c) contains a clause that discourages legal proceedings, this clause does not amount to a total prohibition on such action. If an aggrieved government structure launches proceedings in the Constitutional Court, it will only be able to do so after it is clear that substantive negotiations have failed to resolve the dispute. Co-operative government through the new Constitution thus contains built-in provisions designed to deal with inter-sphere tension in co-operative ways.

45.3 Assessment of the Constitutional Framework

Chapter Three of the Constitution proclaims a broad yet fundamental philosophy of governance, requiring all organs and institutions in all three spheres of government to actively co-operate with each other. It also establishes a reciprocal relationship between all government institutions and spheres of government. Still, within this system of governance where different levels of government have their own defined powers and function, whether exclusive or concurrent, certain competencies may be separated and assigned to specific levels of government. One such convention is that powers pertaining to redistribution and equity issues should be assigned to the national sphere of government. This is currently reflected in Clause 146 Subsections (2)(b) and (c) of the Constitution which deal with the establishment of norms and standards and the promotion of equal opportunity and equal access to government services.

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107 This does not mitigate the threat of a higher level of government stepping in to sort out an issue. However, the implication is that once the problem has been solved, the lower sphere government will resume its power.
There are at least two questions that need to be addressed with respect to the concept of co-operative government:

- Will the division of powers and functions increase or hinder government’s capacity to address issues of poverty and inequality?
- Are there areas of comparative advantage among the three spheres of government to implement policy that will reduce poverty and inequality and, if so, how closely does this match the powers and functions designated to them?

The allocation of financial resources is an important dimension in the policy implementation process. This is dealt with in Chapter 13 of the Constitution. Clause (124) prescribes that all levels of government must receive an equitable share of revenues raised nationally, and that each province and local government must receive an equitable share of such revenue. The success of this process relies upon the capacity and integrity of the institutions charged with this task, principally the Financial and Fiscal Commission.

While national government is responsible for providing a framework within which service delivery will occur equitably, the responsibility for the implementation/delivery of the relevant services is often a concurrent function of more than one sphere of government. A significant proportion of the delivery of services that impact on poverty and inequality are the responsibility of provincial or local levels. Examples of this are the delivery of basic education and health, that are provincial responsibilities with local government also playing an important role.

Finally, local Government is at the heart of the development process in South Africa. Through its proximity to grassroots linkages, infrastructure investment programmes, local economic development strategies, partnerships with the private sector, and integrated development plans, local government is believed to be the public service agency best able to have a direct and enduring impact on the lives of its citizens. However, while the new Constitution and local government legislation give municipalities significant powers, capacity and resource constraints may limit the ability of some municipalities to meet these challenges.

46 NATIONAL GOVERNMENT

46.1 Departments
An evaluation of the performance of national government requires an evaluation of the different government departments. From an institutional perspective, three issues are relevant in assessing the actions of government departments: the initiation of projects and programmes, the design and planning of these and the process of resource allocation and coordination.

46.2 Initiation of Projects and Programmes
Theoretically, the identification of projects is the responsibility of communities and local authorities. This process occurs within parameters set by national or provincial policy. It is the prerogative of communities to make representations to their local authority for applications for services, which are then responded to by the appropriate government department. However, in many instances services are provided through a number of different
channels. For example, water delivery is carried out both by the Community Water Services and Sanitation (CWSS), and by NGOs such as the Mvula Trust. Increasingly, Water Boards are assuming responsibility for delivery of water to the end user as well. Communities are represented on Area Forums who, through this representation, compile lists of all areas in need of water, which are then submitted to the Provincial Planning Forums, who then prioritise the requests. The prioritised lists are then directed to Mvula Trust or a relevant NGO, largely in rural areas, or to CWSS or provincial departments. This process is shown in Figure 17. In many cases, the communities are not aware of who is involved in the water process and requests get made to several different actors. A far more effective means of service delivery would be to provide a single channel through which communities could direct their demands, despite the fact that there are so many different service providers.

Figure 18: Water Project Flow Diagram

In rural areas, the physical areas are often too large for effective community organisation, and this can impede the identification and initiation process. Identification of projects is also dependent on effective local government representation by TMCs and District Councils to the relevant supplier. For example, although communities can make application to Telkom for consideration, the viability of projects is Telkom’s decision.

46.3 Design and Planning.

The successful design and planning of service delivery is essential to the sustainability and effective provision of these services. Planning and design is currently the responsibility of a number of different agents within both the public and private sector, and at a number of different levels of authority. The involvement of different actors in this process contributes to the duplication of responsibilities and undermines sustainable delivery.

Planning is not integrated between the different sectors, and service delivery is co-ordinated as separate projects by a number of different utilities. For example, provincial governments, CWSS, Mvulo Trust, the Water Boards, and other NGO’s and engineering companies design water services. Energy delivery is the responsibility solely of Eskom, in terms of both generation and delivery. However, there are plans to introduce the private sector into the distribution component, and this is going to require close regulation with regards to planning and sustainability. While the National Electricity Regulator (NER) monitors targets and minimum standards of delivery, the planning and design of electricity is unmonitored. Where
the utility maintains a monopoly on the market such as Telkom, the entire process from initiation to delivery is the responsibility of that utility. While, like electricity, the meeting of targets may be monitored and regulated, the process leading up to delivery is left to the discretion of the agents involved.

46.4 Resource Allocation and Co-ordination

The process of resource allocation within the sectors is diverse. Authorities at national level and provincial level as well as the different utilities involved, are responsible for the control of finances and resources. However, the capacity to manage such allocation is not available at certain levels.

As has already been indicated, the basic resource policy for many services is governed by the Consolidated Municipal Infrastructure Programme (CMIP), which encompasses rural and urban areas. This lays down the framework for investment in water, sanitation, stormwater, energy and solid waste removal. Local government structures assume responsibility for resource allocation within and between different departments. Various capability criteria need to be met before local government departments can access funds made available through these programmes.

Water utilities make application through either the CWSS or through the Municipal Infrastructure programme, depending on the location of the community. Provincial spheres allocate funding devolved through CMIP to local authority level, whereas CWSS applications are the responsibility of the Department of Water and Forestry (DWAF). CMIP resources appear to be directed largely towards water and sanitation delivery, rather than distributed equitably between sectors. One reason for this is the lead that DWAF has taken in water delivery. Resources in energy and telecommunications are largely the responsibility of the utilities, Eskom and Telkom, and local government.

Where municipalities are responsible for energy delivery, they assume responsibility for resource collection, management and allocation. Funding is drawn from the utilities themselves, with a minimal amount contributed by government. Where the municipal authorities are responsible for delivery, they are responsible for resource management, allocation and co-ordination. Allocation is at their discretion. Where resources are the responsibility of the parastatals, such resource management operates centrally, often to the detriment of programmes at local level. Regulatory bodies such as the NER or South African Telecommunications Authority (SATA) have no power over resources. Actors in the transport sector have expressed concern that revenue generated by transport is not directed back into the sector, but rather into national coffers.

46.5 The Tender Board and the Public Services Commission

One of the key issues for public sector managers is the role of the national and provincial Tender Boards and Public Service legislation and regulations. These regulations have been major sources of delay in addressing infrastructural and human resources. The suggestion is not to remove the tendering process, but to improve it, and implement mechanisms to avoid problems of corruption. However, excessive delays in the tendering process have been singled out, along with the fact that those service departments feel that they have little input in deciding on successful bidder(s). For them, price is not always the only consideration from a service department’s perspective.
The issue of public service requires more discussion. It seems unfair to expect provinces to fully control their budgets if their main expenditures and salaries are being determined elsewhere. Furthermore, this also means that innovative and ‘transformative’ new projects may be ignored because all the money is allocated to current projects, traditional spending and salaries.

46.6 Assessment of National Departments
Two remedies for improving the performance of the state that are commonly considered are rightsizing and fiscal discipline, both of which have been proposed in South Africa. However, there are many other reasons why government departments might fail in their attempts to deliver. These include:

- Budgeting lines may be soft and overspending may be easily sanctioned;
- Civil servants may receive salaries that differ from private sector counterparts, thereby eroding motivation levels, allowing for easy recruitment of these staff by the private sector and providing incentives for corrupt behaviour;
- There may be inadequate measures to evaluate government performance as well as inadequate mechanisms to hold government to account;
- State managers may have goals other than ensuring development occurs, namely, they may be concerned with increasing the size of their office and staff, of improving their status and so on. Moreover, they may simply not be committed to the poor. All of these activities will facilitate rent-seeking activities, which diminish capacity to deliver.

Many of these problems are evident in South Africa. For example, an evaluation of financial management capacity at the health district level in the Eastern Cape identified the following:

- Long delays in appointing core personnel to financial management posts in regions and districts;
- Lack of job descriptions and lack of clarity about the roles and tasks of managers at all spheres of government;
- Lack of strategies to re-deploy staff to address urban-rural management disparities, exacerbated by the absence of incentive schemes to make rural placements more attractive than at present;
- Uncoordinated training programmes which have not always met the operational needs of districts and/or health facilities because the objectives and target audience for the training have been inappropriate;
- Lack of or limited transparency about resource allocation procedures;
- Lack of clearly specified and fixed time-frames for the budgeting process (often managers are requested to submit budgets at short notice, deadlines are unilaterally changed etc.);

108 Similar findings are reported in evaluation reports on the Community Based Public Works Programme. See Evarett et al (1996) and ILO (1996).
• Poor link between the planning and budgeting processes.

Additional weaknesses in the area of financial management capacity include:

• There is no consistent approach to the issue of lower sphere governance, particularly with respect to the role of local governments and communities in management structures;

• The audit function, which is not only important in ensuring the appropriate use of resources but is also essential for routine monitoring and evaluation, appears to have been ignored; and

• There is a complete lack of mechanisms for improving accountability, such as performance agreements.

The intended beneficiaries also identify these problems. In the SA-PPA, community delegates made the following expressions of dissatisfaction to a workshop on development:

• We keep hearing about monies that the government allocates for projects and nothing happens on the ground.

• The primary school feeding scheme turned out to be a disaster - the government wanted to control it from its offices far from the community.

• Government departments work in isolation - for instance, the Department of Works would construct a road where there is nothing else while Education establishes a school where there is no road.

• Government has tended to favour the views of amakhosi and farmers over those of communities.

• When a proposal is submitted to government, nobody acknowledges receipt, and nobody informs the community that the proposal was not successful and why it was unsuccessful (Galvin et al, 1995:7).

It would seem from this that many of the dynamics of the past extend into initiatives that are currently underway to reconstruct the public service. Roodt (1995:18) notes that the rationalisation process in the Eastern Cape has resulted in 100,000 public service bureaucrats continuing to draw their salaries while living in fear of losing their jobs, and coming from a tradition which did not encourage civil servants to act in a participative fashion. In Roodt’s words “the result is a demoralised staff, especially at field level, where uncertainty about the future has a profound effect on their functioning”. The result of this is that an uncoordinated and inexperienced state is balanced by divided communities. In addition, Roodt argues that the institutional constraints at local authority, district and provincial levels derive both from past systems and the present institutional ‘mayhem’. It is interesting to note that many of these problems were also identified by the Provincial Review Report in its detailed examination of the provinces (MPSA, 1997).

Finally, the behaviour and attitudes of front line staff were identified by respondents in the SA-PPA as an important issue and pose a significant barrier for the poor when trying to access supporting services. People may become unwilling to seek support, and may avoid asking for crucial service. Participants, particularly in relation to treatment of AIDS sufferers, mentioned poor staff attitudes, such as rudeness, with staff at clinics described as ‘rude and
moralistic’ (Hambridge, 1995). In addition, informants in the Black Sash study also felt that black and poor patients received uncivil service.

Such behaviour was not confined to women and in the case of farmers, it was felt that agricultural extension officers did not treat the farmer as an equal partner, and ignored their own knowledge (Nduli, 1995:33). Community representatives who dismissed government extension officials as simply not having any answers to their problems summed up the impact of this.

47 PROVINCES

47.1 Responsibilities and Powers

The 1994 Constitution established nine provinces in South Africa. Their boundaries and powers were decided on after a relatively short process of negotiations during the 1993-94 period, with the new Constitution further refining their powers. The Constitution grants extensive legislative powers to them ranging from key service delivery functions such as education, health and welfare, to more facilitative functions such as town, regional and development planning.

These powers are not absolute. The Constitution provides that these powers are in fact concurrent or shared powers between the provinces and the national government. The effect is that the national government is able to set a wide range of national norms and standards that affect service delivery, which the provinces are then obliged to implement. Only thereafter do the provinces have an important legislative role in their own right. However, the introduction of the National Council of Provinces (NCOP) will affect the entire nature of law-making in South Africa, the implication being that provincial legislatures will increasingly be drawn into national law-making processes, more so than conventional equivalents in other decentralised systems in the world.

The provincial auditor-general is also central to effective governance within the provinces. The role of the auditor-general is to ensure that the finances of the province are maintained in a sound condition and that proper procedures are followed in the disbursing of government expenditure. The auditor general reports (usually two years after the fact) to the legislature who, once they have received a report, must decide what action, if any, is required to correct any malpractice. Reports of the auditor general are always given wide publicity in the press.

47.2 Assessment of Provinces

The two major structures within each province that deal with governance issues are the legislatures and the executive. The legislatures are popularly elected and consist of full-time parliamentarians. Many provincial legislatures, being new institutions, have struggled to find their feet while ‘learning by doing’. Many suffer from severe capacity constraints that are exacerbated by conventional executive-legislature relations and dynamics (Rapoo, Humphries and Meheirhenrich 1997).

The recent ‘Ncholo’ provincial audits reveal that many provincial administrations are in a state of financial and administrative difficulty. Importantly, no legislation exists for provincial development planning. The provincial growth and development planning initiative that commenced in 1996 appears to have been abandoned. As a result, provinces are not
required to ensure that their development policies are coherent, compatible, effective or even in existence before they compile their budgets.

An ongoing issue has been the devolution of powers from the centre to the provinces and then to local government. Interest groupings at different levels of government have vested interests in trying to assume more power, and this varies even regionally. It is necessary to understand the comparative advantages the different spheres of government might hold, and then delegate responsibility accordingly.

For example, some aspects of education require national standards and regulation in order to ensure uniformity across regions. However, even though these issues are regulated nationally, the competency or implementation of the process falls to provincial government. In essence then, the implementation and administration of national competencies often takes place at a provincial level. While this delegation of power is relatively clear when it comes to relationships between the centre and the provinces, it becomes vague when considering the relationship between the province and local authorities. This could be because of administrative overlap and that both spheres are relatively close to the ground and so, feel able to carry out the task. Alternatively, it may be that the province feels threatened by the power of certain local authorities. This immediately gives rise to conflicts and ideological differences that will slow development, create mistrust, and may result in non-co-operation. Finally, local government structures currently find themselves in a state of flux and confusion, as their mandates are still being clarified and resources allocated.

Despite this, some provincial legislatures are grappling with innovative ways of increasing their role and importance in wider governance processes by creating processes and structures that will facilitate civil society interaction and involvement with the legislatures. For example, the Gauteng legislature has created a public participation and petitions committee whose goal is to interest civil society in participating and exchanging ideas with the legislature on key policy issues. The legislature’s standing committees regularly hold public forums where reactions from civil society structures to a proposed piece of legislation can be presented. In the case of KwaZulu-Natal, both civil society and the provincial cabinet have accepted a provincial Growth and Development Strategy with a strong poverty-reduction focus. This has led to the preparation of a provincial spatial framework and a medium-term expenditure framework for the province. Indeed, all provinces now have medium term expenditure frameworks (MTEF) and this in itself is an institutional improvement in the way in which budgets are conceived.

48 LOCAL GOVERNMENT

48.1 The Role of Local Government

The adoption of the final Constitution marks a significant new phase in the local government transition process. Municipalities now form a distinctive sphere, with a mandate to govern, to provide services and to promote social and economic development. In terms of section 156 of the Constitution a municipality has executive authority in respect of, and has the right to administer, the matters listed in parts B of schedules 4 and 5. Examples of the former are building regulations, electricity and gas reticulation, municipal planning, municipal health services, municipal public transport, and water and sanitation services. Examples of the latter
are local amenities, markets and abattoirs, municipal parks and roads, refuse removal, street lighting, traffic and parking.

In many respects, the White Paper on Local Government acts a mini-constitution for this sphere of government. Unfortunately, the White Paper was released after the research for the PIR had been completed, and can only be briefly commented on in this section which will focus on the Local Government Transition Act.

The White Paper concludes that national government will need to facilitate the establishment of mechanisms to support municipal transformation. These mechanisms should include:

- increasing local government’s voice through securing local governments’ constitutional rights as a sphere of government;
- supporting Salga as the representative voice of local government;
- coordinated decentralisation of powers and functions to local government through the avoidance of unfunded mandates, working through and with local government wherever possible, aligning sectoral service delivery boundaries with municipal boundaries, and the adoption of a coherent planning framework for integrated development planning.

Vertical integration with national and provincial policies programmes will need to be facilitated and municipal resources and capacity have to be built to meet the objectives identified.

It is recognised by the White Paper that the process of establishing the new local government system is likely to result in enormous costs and the White Paper proposes that a special transformation fund may be required to assist municipalities to manage the transformation process. This fund could include capacity-building funds and additional resources from aid agencies and in their approaches to meeting community needs.

The main revenue sources of the upper-tier municipalities (i.e. metropolitan councils and district, regional or service councils) are the levies on payroll, turnover and fuel of the former regional service councils (and joint services boards). In the case of the metropolitan councils, surcharges on their constituent metropolitan local councils’ revenues are also possible. The main revenue sources of the remaining (urban) municipalities are property rates; ‘surpluses’ made on trading in electricity, water, solid waste collection and sewerage; and other sources such as licences and fees. Rural municipalities are unlikely to have access to a similar wealth of revenue, and this will impact on their ability to deliver services effectively and efficiently.

Section 10(G)(1) of the Local Government Transition Act Second Amendment (Act 97) of 1996 determines the way in which a municipality should function. This section requires that municipalities:

- use resources in an effective, economical, accountable and transparent manner;
- structure and manage their administration, budgeting and planning processes to give priority to basic needs;
- set clear objectives that they will meet and sustain;
- regularly monitor and assess performance;
- prepare an integrated development and financial plan in respect of all their powers/duties and functions; and
• report annually to the community.

Subsections 10(G)(3)(a), (b) and (c) of the Act deal with the budget. A municipality is required to prepare a budget on an annual basis for approval by its council and is not entitled to budget for a year-end deficit.

Several pieces of legislation enhance the developmental role of local government. The Development Facilitation Act, or DFA (Act 67 of 1995) empowers municipalities to establish statutory land development objectives, or LDOs, which set out a clear approach to land development for each locality. Several provinces have passed regulations that require that these LDOs also cover economic development goals.

The establishment of bodies that represent the collective concerns of municipalities will enhance co-operation between spheres of government. For example, the South African Local Government Association (SALGA) represents local government in the National Council of Provinces (NCOP). Provinces also have local government associations. It is important that municipalities around the country participate in these bodies and use them to present to provincial and national policy makers the views and concerns of local government with respect to local economic development.

Integrated development planning (IDP) is promoted by DCD as a means through which municipalities can identify strengths and weaknesses, threats and opportunities. IDP is likely to shape the actions of local government in implementing policies that are intended to reduce poverty and inequality, and will give local government a tool for decision-making when dealing with a large number of competing demands for limited development resources (DCD, 1997). Moreover, by stressing meaningful community participation, IDP is seen to be an expression of the vision and the development priorities of municipalities and their residents.

The IDP process can be used to identify LDOs. These LDOs and associated development priorities will be structured into specific implementation action programmes, with due consideration of the budgetary aspects and the institutional resources required to achieve these objectives. KwaZulu-Natal has chosen to pursue Land Development Plans (LDP) rather than an approach based on LDOs. LDPs refer to the same process as LDOs, but include specific land use controls and the incorporation of structure plans.

48.2 Traditional Authorities

In the lives of the rural poor, traditional authorities have historically played a pivotal role. This is due to the functions performed by the traditional authority in terms of land allocation, the enforcement of many elements of civil law, and as community spokesperson. As with most institutions in South Africa, the traditional authorities have also been caught up in apartheid engineering, and the implementation of the ‘Bantu Authorities’ system in the 1950s transformed the traditional authorities into paid bureaucrats. The creation of the Homelands further distorted the roles played by the tribal authorities and facilitated the creation of a bureaucratic elite as many became an integral part of bantustan governance (Innes and O’Maera, 1976). The net effect of these changes was to remove traditional mechanisms that ensured accountability and allowed for the development of structures which were able to operate with a high degree of autonomy, referred to as ‘decentralised despotism’ by one analyst (Bernstein, 1997:19).
Beyond the obvious repressive role that such structures have been able to play in terms of denying access to land, in some of the areas included in the SA-PPA the traditional authority emerges as being mainly an expense with little benefit for the poor. Relative to the meagre incomes of rural people, the levies required are substantial, and the returns appear to be low. Indeed, women pointedly excluded the tribal authority as an institution that could assist them.

This experience is uneven and elsewhere, communities indicated that the tribal authority system, (headman through to paramount chief) was acting as their representative, and that non-delivery occurred at the level of government. Indeed this community felt that the RDP and civic structures were not performing (SA-PPA, 1997:100).

The implication seems to be that while there may be a role for Traditional Authorities, they have the potential to be a stumbling block to progress for the poor. To some extent this can be regulated to the extent that democratic processes and institutions are established in rural areas.

48.3 Assessment of Local Government

Local government has been described as the ‘hands and feet’ of reconstruction and development in South Africa. It is true that in the absence of effective local delivery bodies, government is powerless to implement its policies and provide services. In many cases, local governments are responsible for the price and quality of a region’s water, electricity and roads, and they control the use and development of land. In parts of the country they own substantial amounts of land. They purchase goods and services and pay salaries amounting to almost R50bn. They set the agenda for local politics, and the way they operate sends strong signals to their own residents and to prospective migrants or investors. In essence though, they implement policy and do not create it.

At the outset, local governments have encountered a number of problems, including:

- While local authorities in wealthier areas are often financially solvent and administratively competent, many local authorities in which the poor reside are neither sustainable nor economically viable. This is related to many issues including a rent boycott culture, inadequate private sector investment and insolvency of black authorities;
- the absence of local administrations in some areas, especially in rural communities;
- poor service provision in townships; and
- community suspicion of government due to past experience with apartheid structures.

Each of these problems forms part of the broader institutional context in which the development of local government structures is embedded, and have slowed the process of building local government and the delivery of development.

The implementation of the Local Government Transition Act (1993) has revealed additional problems with the system of local government including109:

- The number of municipalities, the size of councils and problems associated with the demarcation between areas;

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109 Similar problems have been identified in the Green Paper on Local Government.
• Confusion between the two spheres of local government itself, namely local authorities and municipalities;

• The cost of maintaining the present system;

• The relationship between the primary and secondary spheres of local government, especially fiscal relations, is not always clear. This is complicated by the complexities involved in the flow of funds between the three spheres of government;

• Capacity constraints remain a serious problem and there is a need for cross subsidisation across municipalities. Many local administrations also lack the skills required in a new and rapidly changing environment and the restructuring of local government training is still in its infancy;

• The relationship between municipalities and civil society is still marked by confusion and uncertainty. Moreover, the relationship between councillors and officials has also been less than satisfactory. This is largely a result of unclear and undefined lines of responsibility. The role of traditional authorities has also not been clarified; and

• Financial weaknesses are amongst the greatest obstacles to the development of effective local government and this poor financial management and control is widespread. Many municipalities, especially those that serve poor communities, are struggling financially because of inadequate budgets allocated by central government, unrealistic budgeting, poor budget discipline, inadequate financial management and weak credit control.

Finally, municipalities are expected to explore their new mandate and the latitude that it provides for innovative policies and programmes. With greater local autonomy, localities are required to find ways in which a balance between competition and co-operation can be achieved. This is problematic since a temptation will always exist to undermine other municipalities in the quest for investment. Whilst some competition will improve both efficiency and innovation, if the regions do not work together, it is likely that all communities will lose out. The amalgamation of smaller authorities may be one way in which these problems, as well as capacity constraints might be resolved. However, such amalgamation may lead to job loss and further political problems.

On the positive side, many local authority structures have responded in a credible fashion in the implementation of the MIP and EMIP projects. An estimated 6.5 million people have been reached by these programmes, and 242,000 people have been employed in the implementation of the various projects. In addition, some local governments have initiated innovative strategies for local economic development. At a more general level, it is also encouraging that most local authorities have recognised the need for change management. In other words, they have recognised the need to change existing mindsets and institutional arrangements in order that development goals might be met. Many of the suggestions put forward in terms of change management strategies have centred on the improvement of incentives and information.

49 INTERGOVERNMENTAL FISCAL RELATIONS

South Africa’s Constitution sets out the establishment of three levels of government (national, provincial and local) each with distinct powers and functions. In addition there are a range of powers and functions which are shared by national and provincial government.
The allocations of these powers and functions and the system of intergovernmental relations that emerges from them are crucial to how effectively the country is able to address poverty and inequality. South Africa is a system of government, in which poverty and inequality were systematically created in certain regions while others were advantaged. The uneven spatial distribution of poverty and inequality exists across and within provinces.

There is an ongoing debate on the merits of centralised versus decentralised forms of government and their relative advantages and disadvantages for addressing equity issues. The allocation of powers and functions as set out in the Constitution follows generally adhered to principles in decentralised forms of government. As an example, it is accepted that national government should be responsible for national public services, defence, security, international affairs, monetary policy, regulations, transfers to persons and businesses, fiscal policy co-ordination, regional equity, redistribution and preservation of internal common markets. Provincial governments should be responsible for education, health, social insurance, inter-municipal infrastructure, and issues concerning financial assistance and oversight to local governments. Local services should be as assigned to local governments.

Assignment of public services to local and regional governments can be based on such considerations as economies of scale, economies of scope, benefit spill-overs, proximity to beneficiaries, consumer preferences, and flexibility in budgetary choices over spending.

Apart from the allocation of powers and functions, an important aspect pertaining to the reduction of poverty and inequality is the objectives and design of intergovernmental grants. Figure 19 shows some guidelines with respect to the design of intergovernmental grants.

South Africa's system of intergovernmental relations is still in a state of evolution. Nonetheless, there are certain observations that need to be made with respect to its current state and its impact on the reduction of poverty and inequality. The prevailing practice with respect to intergovernmental transfers focuses on the fiscal imbalances that arise out of a mismatch between expenditure needs and revenue means of sub-national governments, as well as horizontal fiscal imbalances. The allocations are effected through a process of negotiation within line functions departments, in which national and provincial governments have shared responsibility for the delivery of services, (e.g., health and education), the National Department of Finance, and the Budget Council. In addition, the Department of Finance is required to consider the recommendations of the FFC in making its final allocations in the vertical and horizontal allocation of resources.

Recently, the latest Division of Revenue Bill has introduced a number of arrangements that are likely to have an important impact on poverty alleviation. The provisions regarding a more equitable share of revenue for local government are very important in this regard. The Departments of Constitutional Development and Finance have designed this transfer mechanism as a poverty targeted grant which is designed to subsidise the provision of essential municipal services to all households earning less than R800 per month. The equitable share will be phased in over a five-year period and has the potential to transform the currently fragmented share of intergovernmental grants into a formula driven, predictable and equitable allocation to each municipality. Each municipality in turn will be expected to establish its own mechanisms for identifying and targeting the poor with these grants.

The use of conditional grants to ensure minimum standards of services, and matching grants to direct expenditure toward areas of high national priority, requires further thought. As the Constitution currently stands, transfers to sub-national governments may be utilised by them
as they see fit, even though, for example, the formula used by the FFC is calculated on the basis of what they might need to carry out certain functions such as education and health. To effect the use of grants to ensure minimum standards requires that the relevant departments pass certain legislation. The absence of such legislation within a fluid and evolving system of intergovernmental transfers could lead to social functions which are important for the reduction of poverty and inequality, such as education and health, being very unevenly met across the nation. This danger is increased by the many challenges which provinces have in the face of establishing workable systems and reprioritising expenditure in order to stay within stated fiscal targets.

**Figure 19: Guidelines for the Design of Intergovernmental Grants**

<table>
<thead>
<tr>
<th>Situation</th>
<th>Requirement</th>
<th>South African application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal deficiencies caused by expenditure needs being greater than revenue means</td>
<td>Non-matching transfers, changes in taxing, spending responsibilities, or tax base or revenue sharing mechanisms</td>
<td>Provincial allocations from revenue raised nationally based on a revenue sharing formula</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FFC recommendation for own revenue powers for provinces</td>
</tr>
<tr>
<td>Differential net fiscal benefits across jurisdiction or horizontal fiscal imbalances</td>
<td>General non-matching equalisation transfers</td>
<td>All components of FFC formula other than the spill-over grant</td>
</tr>
<tr>
<td>Benefit spill-over</td>
<td>Compensation through open-ended matching transfers, with the matching rate determined by the benefit spill-over ratio</td>
<td>FFC spill-over grant for provinces with academic hospitals</td>
</tr>
<tr>
<td>Ensuring minimum standards of services across the nation</td>
<td>Conditional non-matching (block) transfers</td>
<td>FFC minimum national standards grant once appropriate national legislation has been passed to enforce component (or elements of it) as a conditional grant</td>
</tr>
<tr>
<td>Stimulating public expenditure on areas of high national but low local priority</td>
<td>Conditional open-ended matching transfers</td>
<td>Urban renewal grants to local governments for upgrading informal settlements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rapid rural development grants to diversify rural economies and support the land reform programme</td>
</tr>
</tbody>
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110 Provincial allocations are calculated by the FFC on the basis of a formula that has the following components: (i) a minimum standards grant to enable provinces to provide primary and secondary education and primary and district health-care to their residents, (ii) a spill-over grant to provide for the financing of services which have an inter-provincial spill-over effect, (iii) a fiscal capacity equalisation grant to ensure that provincial functions are financed from an equitable taxing capacity to encourage accountability and democratisation, (iv) an institutional grant to provide funds to finance the core functions of each provinces legislature as required in the Constitution, and (v) a basic grant to enable provinces to establish and maintain the necessary institutions to fulfil their constitutional obligations based on their own priorities.
The use of matching grants has also been widely used in other countries to achieve national objectives. Matching grants are used as an incentive for those sub-national governments (local or provincial) to provide a particular service (Shah, 1997; Fisher, 1988). The incentive occurs in two forms:

- Firstly, the subsidy provided to the locality gives it additional sources that can be used to acquire more of the service that is earmarked.
- Secondly, the subsidy reduces the cost of the services and hence benefits the locality.

Various studies indicate that matching grants benefit the community through the provision of a higher level of service in the targeted area as well as through more services being provided in other areas.

Matching grants can be open-ended or close-ended. Grants can be open-ended in which case there is no upper limit a sub-national government can receive. Such an approach benefits those governments which have significant fiscal capacity to match the grant and is often used in cases where, for example, a service provided by a particular locality also benefits people from another area. The extent of the subsidy is determined by the extent of the spill-over.

Another form of matching grant is the close-ended type where funds are provided up to a certain limit. Matching grants have been used effectively for programmes such as transportation and other forms of local infrastructure, to stimulate development such as urban renewal. They are also effective in situations where inter-provincial billing or cost recovery is difficult to achieve. An example of this is the provision of tertiary health care in South Africa. Provinces such as Gauteng, Western Cape and Natal which offer tertiary health services to other provinces are currently experiencing great difficulties in recovering their costs from neighbouring provinces. One way around this could be the use of matching grants to cover the spill-over effects.

The extent to which intergovernmental fiscal transfers contribute positively to the reduction of poverty, is not only a function of designing the system appropriately to meet the needs for which it is intended. Equally important, sub-national governments must have the necessary capacity to play their role effectively. This requires that national government must pay attention to strengthening the capacity of other levels of government. This can be done through the identification of training needs and the formulation of programmes to meet them, technical support with organisational development and management systems, staff deployment to areas of greatest need, and the development of a phased in approach of decentralisation of functions. Some of the tensions with respect to South Africa’s system of intergovernmental relations lies in the differential capacity (organisational and human resource) among the different levels of government and horizontally across sub-national government. Similarly, national government level of line functions with concurrent responsibilities with other levels of government are still in a state of flux regarding how to balance their own responsibilities with those of sub-national government. Close attention needs to be paid to these problems and a coherent plan to address them needs to be developed quickly.
50 NGOs and Civil Society

The role of government in any society is enhanced by a vibrant civil society, and civic organisations in South Africa have played an important role in the country’s history. Under apartheid, South Africa’s NGO sector fulfilled an important social service delivery function in the absence of adequate state provision to the disadvantaged majority. For example, NGOs set up and ran educare centres, rural clinics, feeding schemes, employment-creation projects, literacy schemes and many other projects and programmes (Kraak, 1996: iii). The thrust within government policy documents (such as the RDP and Operation Masakhane) has been the promotion of co-operation between government structures and civics.

50.1 The Size of the NGO Sector

The Welfare White Paper records approximately 4,800 organisations registered in terms of the Fund-raising Act (No 107 of 1978). However, there are widely differing estimates of the number of NGOs in the country and in 1993, the Director of Fundraising claimed there were an additional 4,000 who should have registered but had not done so (Smit, 1994a: 6). In 1994, the Katz Commission estimated that 50,000 NGOs were working in the fields of human rights, resource development, housing, trade unions and rural development (Katz, 1994:12,5,7).

The ‘voluntary sector’ which participates in development encompasses a wide variety of organisations including trade unions and academic institutions (Kraak, 1994:8). The 1996 National Review of the Community Chest talks of over 60,000 “registered charities, trust, foundations, churches and Community Based Organisations” (United Way Southern Africa:1). The NGO Coalition currently claims anywhere between 17,000 and 30,000 members (Budlender et al, 1996).

In 1994 the government subsidised over 2,000 posts in the NGO sector (Ministry of Welfare and Population Development, 1996:18, 38). These subsidies draw attention to the role that NGOs play in the provision of services not provided by government. However, most of these subsidies were paid to NGOs in the welfare sector, and hence their influence and aid is restricted to a limited sphere. Still, in some instances, significant resources were allocated to statutory functions that government would have no choice but to provide were the welfare organisations not to do so. Often these functions - such as law enforcement and child protection - require tight controls, and one would not ordinarily expect the state to delegate them. By providing only a partial subsidy, the state benefits from a hidden subsidy from the NGO sector.

50.2 Religious Organisations

A significant number of NGO organisations are religious, with the majority being churches or church-related welfare organisations. The 1993/4 South African Christian Handbook recorded 518 church organisations that provided welfare services and development programmes. This number was an undercount as, firstly, it excluded the charismatic and African Independent churches and, secondly, some of the 518 were co-ordinating bodies. Just under than four out of ten were unregistered and thus not eligible for state subsidies. These

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111 This section makes extensive use of Budlender (1997).
organisations make a substantial contribution to welfare. Conservative calculations by a Welfare Task Team estimated that unregistered Christian organisations were contributing financially around R106.5m per year to welfare services, Jewish organisations were contributing R10m and Islamic and Hindu a further, but unknown, amount (Dow, 1996c:43).

50.3 Funding
Prior to the elections, most international donor funding was channelled through NGOs for development projects. However, with the election of a democratic government, international donors shifted their focus to government, and while international aid to South Africa increased, a significant amount was converted into bilateral funding with the new government. For example, the EU committed over half its aid to the new government. While it may have been anticipated that the new government would now play a major role in sustaining the voluntary sector, this has not in fact taken place (Kraak, 1996:3).

In the absence of funding, many NGO structures have been forced to close. Some have called this dearth of funding a “vicious circle of non-reconstruction” (Weekly Mail, Feb 1996. Break the circle of non-reconstruction), wherein NGOs with the expertise are unable to put it to use because of a lack of funding. Others argue that the consolidation of democratic rule has not brought an enabling environment for NGOs. (Turok, Nov 1996. Why are NGOs struggling? WM&G).

These sudden cuts have had a disastrous effect on NGOs. For example, in mid-1995 the IDT surveyed 128 organisations that it had funded. The organisations have indicated that they have looked to all possible local and foreign sources of funds but reported that, nevertheless, there was a shortfall of R116.5 million. This amounts to over a third of their budgets for 1995/6 and it was reported that they had not been able to obtain promises and saw no way of raising funds(Kagiso, 1995:10). This is important when one considers that these NGOs were likely to have been well connected.

The crisis was exacerbated by the suddenness with which donors shifted their funds. A few of the larger donors planned for a winding down period of several years so as to allow previous partners time to adjust. However, other large donors shifted their funds with little warning.

50.4 Independent Development Trust
The Independent Development Trust (IDT) was established in 1990 by the then apartheid government, with a brief to allocate funds and promote development for the ‘poorest of the poor’ in the areas of education, housing, job creation, health and rural development. Earnings from investments and some additional funds from non-government donors have since supplemented the government allocation. By the end of 1995, the IDT reported that the founding grant and interest earned from it had been “all but committed” and by the end of 1996, they reported that they had paid out R2,4 billion in project funding over the six years of existence, with a further R502m committed to projects (Nuttal, 1996:49).

The Trust’s continued existence suggests that it has retained access to funding. Carefully planned investment of what were large amounts of money have enabled the Trust to earn more than R1.5 billion in interest by the end of its sixth year - a return of 15.7% overall (Nuttall, 1996:49). The Trust’s future purpose will, however, not be that of a development-funding agency but rather a ‘development facilitation’ agency. In effect, the Trust will still be
providing some funds to those with whom it works but the number of projects that it funds will be greatly reduced.

50.5 Transitional National Development Trust

The Transitional National Development Trust (TNDT) was one of the 48 RDP Projects. It was described as a first and interim step on the way to finding an “appropriate vehicle for the co-ordination of funding to NGOs and CBOs” (OD Debate 3(4), August 1996:1). The focus was to include, but not be restricted to, funding from the international donor community. Government’s establishment of the Trust was seen as sending a message to international donors of the crucial role played by these organisations.

After fairly lengthy consultation, the TNDT finally ‘opened its doors’ in February 1996. The Board, managed by 17 trustees, is formally independent of government. Eight of these were nominated by NGOs, CBOs and the community constituency of Nedlac, four by Kagiso Trust, four by the IDT and one was nominated by the then RDP Office.

Kagiso Trust and the IDT agreed to cover overhead costs and seconded staff to establish the secretariat. Start-up money for funding purposes consisted of R125m, R50m of which was allocated by the RDP Ministry and R75m by the European Union. The TNDT designated priority sectors are education and training, health, rural development, urban development, and SMMEs.

The TNDT was not envisaged as the only conduit of funding for NGOs and CBOs as the funds available were insufficient to satisfy their needs of. The Trust was, however, seen as a lever for obtaining further funds. By providing seed money, it envisaged NGOs and CBOs accessing “larger tranches of money earmarked for development in different budget lines” (Molobi and Mehl, 1995:2). By the time it was established, the TNDT had already received applications amounting to over R200m - more than 60% in excess of the funds. The TNDT Development Vision of October 1995 estimated that the “immediate shortfall” in funding for NGOs and CBOs would be somewhere between R500m and R700m (Gulati et al, 1996:30).

By early December 1996 the TNDT had received 1,300 funding applications for a total of R1.5bn, more than eleven times the R130m received from government and the EU. At that stage it had committed about one-fifth (R21m) of the available funds to a total of 62 projects (Business Day, December 3, 1996).

50.6 National Development Agency (NDA)

The NDA is the envisaged “appropriate vehicle for the co-ordination of funding to NGOs and CBOs” (OD Debate 3(4), August 1996:1) for which the TNDT was conceived as a “testing ground”. By the time of the launch of the TNDT it was clear that government’s attention had shifted to the National Development Agency. The NGO Coalition therefore decided to concentrate on the process surrounding the establishment of this body. The government established an Advisory Committee on the NDA. In March 1997 Nedlac reported that its executive had approved the formation of the NDA (Business Day, March 3, 1997).

50.7 Assessment of NGO Structures

In South Africa NGO structures have been quite successful at delivering development goals. For example, the government allocated start-up funds of R2 billion grant to IDT in 1990.
Since then, funds have been disbursed to over 370 NGOs and 1,725 CBOs for use in development projects.

NGOs and CBOs may have many advantages over government as a delivery mechanism including:

- They usually have better information about conditions at a local level and have good contacts and have built reputations and relationships of trust over time;
- They are able to respond quickly to problems on the ground and adapt to changing needs; they have smaller bureaucracies and tend to be more accountable thereby minimising corruption;
- They are able to identify the poor and target assistance to them, especially those not reached by the private or public sector, and they play a watchdog role in society;
- They are usually versatile and able to provide creative solutions to problems, as well as provide basic services at relatively lower costs, having made use of voluntary or unpaid labour and local knowledge and resources; they foster community solidarity and ethos.

However, the weaknesses of NGOs tend to be that owing to their size, they may not be able to undertake large-scale or complex projects. Their administrative capacity may be weak, they may lack resources and they may not be able to scale their activities up to a regional or national level. They may also have an urban bias, and hence, neglect the rural poor.

Obviously, these strengths and weaknesses will vary across different NGO structures. Furthermore, given the impact of apartheid structures on the poor, NGO structures cannot hope to supply or meet all development needs on their own. As has been highlighted earlier, government stands to gain by drawing NGOs into the development process. Despite this, allocations made by Departments to NGOs and CBOs appear to have been limited. This has been attributed to complicated and unfriendly application requirements, such as complicated requirements in respect of business plans (Gulati et al, 1996:12).

In other cases lengthy delays in awarding tenders - some reportedly up to two years (Kraak, 1996: 4) - make it very difficult for organisations to plan their work schedules or cash flows. Organisations are seldom big enough to have adequate slack in personnel, cash or other resources to accommodate the uncertainty.

51 INTEGRATIVE AND REGULATORY STRUCTURES

Poverty and inequality are multi-dimensional phenomena and subsequently, remedial strategies, by implication, require effective co-ordination, integration and regulation of policies along sectoral and vertical lines. Careful sequencing of the various policies is also required.

Several types of co-ordination/integration are possible. One is horizontal co-ordination to ensure that there is synergy across the different sectors that will assist in the targeting of the policies spatially and to particular individuals/households. A second is vertical co-ordination among the different levels of government. It is important though, that the desire for synergy does not lead to the concentration of resources in one to the detriment of another. There is also a need to sequence policy implementation to ensure that the complementary services pertaining to each policy are available.
Currently South Africa does not have a dedicated mechanism for co-ordinating poverty related policies. Apart from the cabinet and parliamentary processes, including their sub-committees, there are few other mechanisms to ensure proper co-ordination of social sector policies or a sub-set thereof to improve synergy among them.

Current institutions for vertical communication include primarily the Intergovernmental Forum (IGF), the Ministerial-Member of the Executive Council fora (MINMECs), Technical Intergovernmental Council (TIC) and the Budget Council. These institutions are in a state of evolution and have varied in their effectiveness since 1994.

51.1 The RDP Programme

In many respects, the RDP programme sets the institutional framework for the reduction of poverty and inequality owing to the important role of the programme in integrating South Africa’s development policy. Assessing the programme is beyond the terms of reference of the PIR but it is useful to review the RDP effort comparing the pre-1996 and post-1996 periods.

The pre-1996 RDP had a centralised ministry and provincial structures. By placing the RDP initiative in the office of the president, it created the impression that there existed a super-ministry supervising all other ministries. The role of this super-ministry was seen as one of co-ordination rather than one of integrating the RDP into the line functions of other ministries.

Clearly, the RDP Programme played an initiating role and, despite the many problems encountered by the RDP office, it must be remembered that it was also engaged in a process of ‘learning by doing’. It raised the development literacy of South Africans and facilitated the building of a developmental culture. It also initiated projects and research throughout the country. The RDP office was also involved to some extent in the design and planning of projects. This caused confusion at different levels of government, and impacted on the issue of accountability. At a provincial level, officials felt that RDP ministry officials simply imposed their ideas for implementation without giving due consideration to the views of provincial members. The result was that the national ministry would channel funds directly to a province for specific projects without the province having any say in the matter. The province would then co-ordinate a second set of projects in consultation with local authorities. Hence, at a provincial level, two sets of programmes emerged – one run at a national level and co-ordinated at a provincial level, and the other run by the province and co-ordinated by the local authority. So, pre-1996, while the national office was involved in the design and planning of certain projects, implementation was at a local and provincial level. This made the question of accountability and responsibility for funds very difficult.

Donor aid, concessionary finance and technical aid were channelled into both the Department of Finance and the RDP Fund, hence allowing the RDP Fund to allocate funds to projects. However, implementation and delivery occurred at a provincial level, as did monitoring and evaluation. In a sense then, this central ministry was weak in these areas.

As has been stated, issues of accountability were blurred. In terms of facilitating beneficiary participation, processes may not have been cost-effective, although this is difficult to establish. One weakness though, was that emphasis was placed on specific projects as
opposed to the larger development picture. Hence, the same amount of attention and effort was given to a R100,000 project as to a R400 million project.

It is difficult to establish whether the central ministry was adaptable. Claims by provincial officials that RDP ministry officials imposed their own views would seem to indicate inflexibility. On the other hand, given that the RDP was trying to achieve some degree of transformation, a certain degree of inflexibility and central guidance may have been required.

Despite the closure of the RDP office in 1996, the RDP as a policy has not been done away with. In 1997, an RDP Fund still existed and RDP structures at a provincial level remain in place, albeit in a revised state. It is not funded by the exchequer but will continue to exist as long as international grant aid is made available to South Africa. The danger here is that many projects will not be integrated into main budgets and will fall away when foreign donors lose interest.

The RDP policy still plays an initiating role and continues to educate South Africans about development needs. A second aspect of the restructuring of the RDP programme has been the shifting of members of the programme management team into various departments where they work with the Director-General to prioritise, plan, budget and co-ordinate. This allows the developmental approach of the RDP to be reflected in the projects that have been brought into the line function of the department’s budget as a whole. Design and planning occur in a far more integrated manner.

However, this does not necessarily mean that development goals will always be prioritised. Departments have many other roles and objectives that they may concern themselves with, including governance, balancing budgets, improving their status and so on. To the extent that these kinds of activities dominate, development initiatives will be sidelined.

Whereas formerly donor aid, concessionary finance and technical aid were channelled into both the Department of Finance and the RDP Fund, these monies are now channelled to Finance alone. From the Finance ministry, the money is channelled to central ministries and the onus now rests with these departments to clearly state their requirements and to assume responsibility for the funds they are granted. This new arrangement also means that no funds will be channelled to a province without the province being aware of it. This allows the executive councils of the provinces to determine their own priorities, plan their own project and budgets, and remove any duplication of projects. Design and planning now occur largely at a provincial level112, rather than a central level.

Finances are allocated by the Department of Finance and implementation and delivery occur at a local level, as does monitoring and evaluation. In essence, not all that much has changed, other than making lines of authority clearer, removing the duplication of activities, and integrating development needs into the everyday business of government. Accountability is no longer blurred, and the Department of Finance, in line with the principles of transparency and accountability, has undertaken a complete audit of the RDP Fund. By making these changes, and removing duplication, cost-effectiveness should have improved, and given that provincial and local officials are now empowered to prioritise and set their own budgets, adaptability and equity may have been enhanced.

112 In most cases, this is in consultation with local government structures.
51.2 Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) was appointed in terms of the Interim Constitution on 25 August 1994 and is a part of a system of ‘checks and balances’ envisaged by the Constitution. The role of the FFC has arguably increased within the context of co-operative governance. In any federal or decentralised system, the allocation of expenditure revenues between the spheres of government is a highly contentious political issue. South Africa has always had a highly centralised system of revenue collection, with close to 90% of all forms of taxation revenue accruing to the national government. Moreover, the country suffers from highly skewed patterns of economic development, while the major spending agencies are the provinces, who collect only about 4% of their budgets from their own revenue sources, while having constitutional obligations to implement massive education, welfare and health spending budgets. These factors suggest that the potential for conflict on financial issues would appear to be especially high in the South African context.

Chapter 13 of the Constitution sets out that the FFC must make recommendations on fundamental principles of a system of intergovernmental fiscal relations, and associated provincial and national financial issues. This is to take into account the following:

(a) the national interest;
(b) any provision that must be made in respect of the national debt and other national obligations;
(c) the needs and interests of the national government, determined by objective criteria;
(d) the fiscal capacity and efficiency of the provinces and municipalities;
(e) developmental and other needs of provinces, local government and municipalities;
(f) economic disparities within and among the provinces;
(g) obligations of the provinces and municipalities in terms of national legislation;
(h) the desirability of stable and predictable allocations of revenue shares; and
(i) the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria.

What emerges from Chapter 13 of the Constitution is a framework to ensure that the allocation of resources follows the responsibility to carry out the powers and functions assigned to the different spheres of government, effectively and equitably. Furthermore, the underlying approach is that the financing and development of norms and standards pertaining to redistributive objectives is best carried out through national government because, in general, "the mobility of factors of production at the sub-national government reduces the ability of lower-tier governments to undertake redistributive measures”.

The FFC is required to recommend to Parliament what the local government share of national resources should be, and which grants national government should provide to the local government sphere. This it needs to do in conjunction with its recommendations concerning the other two spheres’ shares of revenues and national government grants to provinces. The vertical division and vertical balance aspects of intergovernmental fiscal relations shape the

113 The FFC has published a Discussion Document on this issue.
determination of these relative amounts. The FFC is also required to recommend to Parliament what the allocations to municipalities should be, and, as far as grants from national government to municipalities are concerned, the FFC is required to recommend which conditions should apply.

Perhaps the major challenge facing the FFC under co-operative governance will be to advise on ways in which efficient use can be made of scarce fiscal resources in the country. Financial management has already proved to be a key challenge to policy makers in all spheres of government, largely because financial capacity skills are not spread widely enough.

51.3 The Constitutional Court

The Constitutional Court, established for the first time in 1994 in South Africa, is a key institution operating at the national level. Although the Court is independent of the government, its impact on the ways in which co-operative governance unfolds will be through the decisions it makes about constitutional issues, including inter-governmental relations.

After only two years of operation the Constitutional Court is already playing a key role in shaping approaches to governance and government. Decisions on a variety of cases have carried far-reaching implications about how members of civil society must be treated by government agencies or by the law. This role will clearly continue in the future.

51.4 Department of Constitutional Development

The primary task of the Department of Constitutional Development (DCD) is to support the development and promotion of the new Constitution. However, it is also involved in the co-ordination of intergovernmental structures and relations, the provision of advice on a number of matters, including provincial boundary disputes, the establishment of NCOP, and the South African Local Government Association (SALGA), and the provision of funds for infrastructure programmes. Among other activities, the DCD is responsible for:

- Overall responsibility for managing local government transition;
- Administration of the “equitable share” process;
- Facilitating local economic development;
- Administration of the system of inter-governmental relations;
- Facilitating integrated development planning for local government.

DCD plays an important role in initiating research, workshops and meetings on important topics such as intergovernmental relations. It has also initiated and been involved in the design of a number of different projects, including:

- Provincial Capacity Building Programme – aimed at building capacity at the provincial level, assisting provinces in identifying problem areas and devising strategies to deal with these, and developing a system which effectively links and integrates provincial capacity building programmes to existing initiatives and RDP programmes.
• Rural Administrative Infrastructure Development (RAID) – aimed at the establishment of rural municipal offices, as well as capacity building activities and the purchase of office equipment.

• The Local Government Support Chief Directorate – responsible for ensuring the long-term provision of municipal infrastructure and basic services to all South Africans, initiated the Municipal Infrastructure Programme (MIP), the Extension of Municipal Infrastructure Programme (EMIP) and finally the Consolidated Municipal Infrastructure Programme (CMIP). CMIP aims at providing municipalities with base funding to enable them to provide all households with at least a basic level of service within 10 years.

While DCD holds overall responsibility for these projects, the management and actual implementation occurs at a provincial level. Hence, while DCD does play a role in implementation, this role is performed in tandem with provincial and local governments. DCD’s role in terms of resource allocation or generation is limited largely to the provision of funds for certain projects. DCA plays a small role in the monitoring and evaluation of projects but again, this is done with provincial assistance.

The DCD is promoting the establishment of public-private partnerships in the provision of municipal services. The aim is to improve the quality, cost and efficiency of basic services. In this case it is essential for local authorities to establish clear and specific criteria to evaluate any alternative options, and effective procedures to monitor and enforce agreements reached. Partnerships are not an end in themselves – improved services are the ultimate goal, but these should be linked to broader social and economic goals.

It is difficult to evaluate DCD in terms of all aspects of the criteria outlined above. Obviously, DCD is accountable to the electorate, and in some way, to other government departments. The adequacy of this indirect form of accountability is not clear and over time, it is possible that other mechanisms may be required. In terms of equity, to their credit, DCD has initiated projects targeting rural areas and has expressed its concern that of the 242 000 people employed by MIP and EMIP projects, many more men than women have been given jobs (DCD, 1997:9). Whether or not DCD’s programmes are cost-effective is not yet clear either although in terms of allocations, there is evidence of efficiency. Of the R1351.7 million allocated to the provinces by 1996/7, 97% had been committed to approved or pending projects (DCD, 1997:10) and 81% of the targeted 8 million beneficiaries are believed to have been reached. Finally, one might argue that DCD is fairly adaptable in the sense that many of its recent initiatives have been born out of needs on the ground. The MIP and EMIP projects appear to conform to the needs of the poor as expressed in the SA-PPA with water projects making up more than half of expenditure, with sanitation projects forming the next largest share of expenditure.

51.5 Nedlac

The National Economic Development and Labour Council (Nedlac) is primarily an accord-making body, that facilitates discussion and information exchange between government, organised labour, business and community groups. It reviews all labour legislation and social and economic policy, and is able to provide input before it is submitted to parliament. Hence, Nedlac is strong in terms of playing an initiating and planning role. Nedlac also wants to become involved in resource allocation (budget discussions etc). However, as a forum, it is largely divorced from the actual implementation and delivery of specific projects directed
towards the alleviation of poverty and inequality. It is not involved in resource allocation or
generation (other than directing funds towards certain causes), and plays no role in
monitoring and evaluating implementation. Its role is rather to monitor and evaluate policy.
The constituencies within Nedlac are accountable to their members, and all decision-making
processes are tabled and made public, allowing for greater transparency and accountability.
Nedlac constantly revises the manner in which negotiations are conducted and its *modus
operandi*, in an attempt to remain flexible to meet the changing needs of society. It meets the
criteria of equity in the sense that it is one of the few forums that allows community
representation, and many of the agreements and research that it is involved in have a poverty-
related theme. These include the establishment of a National Development Agency, research
on household savings, the development of a framework to deal with large-scale
retrenchments and involvement in the relaunch of the Masakhane campaign. Finally, the issue
of whether Nedlac is cost-effective is a difficult one to answer. Participatory consensus-
seeking processes are necessarily slow, especially when the views of constituencies are
diametrically opposed. However, Nedlac’s Executive Council conducts a bi-annual
clearinghouse activity, in which it prioritises issues for its agenda, thereby trying to improve
efficiency.

Nedlac’s strengths lie in its role as an initiator and the input it provides into the design of new
legislation and policy. However, this policy and agreement-making process occurs at a
national level, with selected representatives. While they may be accountable to their
constituencies, it’s not clear whether they are accountable at a provincial or local level, where
the impact of development initiatives (or lack thereof) is being felt. This points to the need
for these representative organisations to build strong links at all levels within their own
organisations if this process is to be successful. It also means that Nedlac is divorced from the
actual implementation and monitoring of the resulting projects. Hence, they are not
necessarily obtaining good information about the results of the implementation of an
agreement. Should vital feedback be missing, Nedlac cannot improve its own decision-
making skills, nor can it improve the quality of the agreements being reached by allowing
them to be informed by practical experience.

51.6 National Council of Provinces

The major element of co-operative governance at the national level is the newly instituted
National Council of Provinces (NCOP). The NCOP only began its work in February 1997
following the introduction of the final Constitution. It replaced the Senate, which functioned
between 1994 and 1996 as an orthodox second chamber of the national parliament. The
Senate was supposed to represent provincial interests at the national level, (for example, each
province was entitled to nominate 10 representatives), but for various reasons it failed in this
role. This soon led to dissatisfaction within the new provinces who argued for a much tighter
link between their representatives and provincial legislative and executive structures
(Humphries and De Villiers; 1997).

Consequently, the role and structure of the second chamber was totally re-conceptualised
against the background of the emerging notion of co-operative governance. Major changes to
its composition and powers were introduced by the final Constitution. In the first place, the
majority of the provincial representatives are now nominated by the provincial legislatures
(and not by political parties) to whom they are accountable and whose instructions they must follow when voting takes place within the NCOP.

Secondly, the NCOP has been given temporary veto powers over certain classes of legislation that directly affect provincial interests - that is legislation which overlaps with provincial competencies, such as roads, education, health etc. The NCOP does not have an absolute veto power. Should it amend any legislation affecting provincial interests already passed by the national assembly, a mediation committee consisting of representatives of the national assembly and the NCOP will then be established to arbitrate between the different versions of proposed legislation, unless the Assembly agrees with the amendments. This mediation committee will have 30 days within which to facilitate consensus between the national assembly and the NCOP.

Thus the NCOP will play a crucial role in the national law making process by presenting provincial views at the apex of the national legislative process. However, its powers over financial legislation and legislation that does not directly affect provincial interests is limited. Still, on important categories of legislation, the NCOP will be a crucial vehicle for pursuing co-operative governance between the provinces and central government.

The NCOP is also expected to play a role in allowing local government to state its interests in the national law making process. For the first time, organised local government interests will also be represented in the NCOP - not just provincial delegates as is normally the case with second chambers in orthodox federal systems.

These local government delegates will be expected to present the views of local government interests in the national process. Despite the fact that these part-time delegates may not vote, the fact that local government is represented is nonetheless an important innovation. Should these local government delegates signal dissatisfaction with proposed legislation, particularly that affecting local government interests, the spirit of co-operative governance will demand that their views be taken into account by the provinces and the national government. The NCOP is thus in many ways the fulcrum of co-operative governance.

### 51.7 NGO Coalition

The government’s call for the NGO sector to organise itself set off a long process which culminated in the official launch of the national NGO Coalition in August 1995 and the appointment of a national Chief Executive Officer in late 1996. The Coalition saw its primary purpose as the creation of an ‘enabling fiscal and legal environment’ for NGOs.

The NGO Coalition initiates research programmes and development projects. It has schemes for medical aid and discounts which are aimed at assisting NGOs financially and otherwise. It also becomes involved in the planning or design of national campaigns. However, implementation and delivery again take place at a local level, divorced from the national decision-making arena, which raises the problem again of accountability. Monitoring and evaluation of projects may occur indirectly in the sense that they rely on information received from the local level.

The Coalition is accountable to its members only, and to the extent that it aims to actively target the marginalised, it meets the criteria of equity. However, adaptability and efficiency are debatable. Again, given the belief in the need to facilitate beneficiary participation, processes are likely to be lengthy and not necessarily cost-effective.
The Coalition’s documents display what is almost certainly too much optimism as to what they can expect from the state. The first national newsletter, for example, carries a draft Covenant on South African Development for discussion at an Assembly planned for April 1996. In the section on Rights, Responsibilities and Obligations of Development NGOs, the document records NGO’s right “to assert their legitimate role as equal partners in development”, as well as the right “to equal access to funding and other resources, both local and foreign, without compromising their principles or their autonomy”.

It is not clear what the ‘equal’ means in either of these clauses - whether the NGOs are to be equal among themselves, equal to the government, or equal in some other way. It is also not clear who is responsible for ensuring this right. Providing funding at even a very low level for every organisation is certainly not feasible. If the government were to provide only R100 per month to each of the current 17,000 or 30,000 members the total would come to R20,4m or R36m, excluding administrative costs.

Clearly government and the Coalition itself will need to distinguish between different categories of members, at least in respect of state funding. The Coalition’s attempts to be inclusive and avoid internal strife could make this difficult. Vertically the Coalition includes large professional organisations, some of which may be able to raise or earn money elsewhere, as well as small grassroots organisations whose members have little to offer but sweat equity. Horizontally it means that some members are active in sectors such as education and health, traditionally funded by governments. Others are in sectors such as culture and media, more often seen as civil society.

51.8 Assessment of Integrative Structures

Probably the most important concern relating to the existing integrative structures in South Africa is the apparent lack of a strategic centre in national government. As a result, there is no institutional vantage point from which the coherence and consistency of anti-poverty policies can be examined. This means that there is no arena in which apparently divergent policies such as the pro-growth GEAR and the pro-redistributive MIP can be reconciled.

The same issue is also relevant among the various fori. As an example, the development chamber in Nedlac does not seem to have been effectively utilised to ensure the support and participation of NGOs, business and labour in municipal infrastructure. Instead, the concentration has been more on economic and labour issues. Poor progress with the National Development Agency reinforces this and runs the risk of suffocating South Africa’s previously vibrant NGO sector.

A potential concern relating to the DCD is its role as a national department, holding responsibility for projects, but removed from the actual site of implementation. While this arrangement facilitates a decentralised delivery process, care will have to be exercised to ensure that a gap does not emerge between in-principle policy, and actual implementation. Moreover, although DCD is expected to co-ordinate intergovernmental relations and policy, it may not intervene or be perceived to be intervening in areas of competency of other line function ministries. In other words, its role is restricted to creating enabling conditions and there is a risk that other departments or sphere of government can limit this role if it were felt that the department exceeds its mandate.
52 Corruption

52.1 Causes and effects of corruption

Whilst recognising that limiting corruption to government activities is a narrow focus, for the purposes of this section, corruption is defined as “the use of public office for private gains” (Bardhan, 1997). Three dimensions of institutional structures can be identified as being critical in creating opportunities for officials to engage in corruption:

- the monopoly power of officials
- the degree of discretion that officials are permitted to exercise
- the degree to which there are systems of accountability and transparency in an institution (Klitgard, 1995).

The process of economic reform in a transitional period may also provide significant new opportunities for corruption, for example risks associated with privatisation projects.

In general, corruption is agreed to threaten economic growth, social development, consolidation of democracy and the national morale. Corruption is argued to hinder economic efficiency, diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. It erodes the constituency for development programmes and humanitarian relief. Significantly, an electorate’s perceptions of widespread corruption may eat away at the popular legitimacy and trust of a government.

In South Africa the perception exists that “white-collar crimes” and corruption have become rife in private and public institutions. Various reasons, mostly related to the corrupting nature of the apartheid state are given for this status quo. South Africa during the apartheid era, provided an environment which was structurally conducive to corruption where a culture of secrecy resulted in lack of transparent and accountable systems, advantageous to criminality. The pervasive and almost obsessive secrecy that came to surround the way in which people operated in society was infectious, spreading from the public into the private sector. Official corruption at all levels was high, particularly in the “homelands” where it was more overt, and a mind-set of opportunism and not-so-legal enrichment spread far beyond government structures.

A number of victimisation and public opinion surveys provide some measure of the perception of the problem of corruption in South Africa:

- The International Crime Survey on criminal victimisation in the developing world, including sub-Saharan Africa, found that consumer fraud and corruption stand out as the commonest forms of citizen victimisation in all the regions of the developing world. (Zvekic and Del Frate, 1995)
- According to Transparency International’s 1995 Corruption Perception Index - an index compiled from several surveys to evaluate the perception of “improper practices” in 41 countries in the developed and developing world - on a scale of 1 to 10 - “10” denoting

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114 This section is based on Camerer (1997).
total absence of corruption and “0” a country where business transactions are entirely
penetrated by corruption involving immense sums of kickbacks, fraud and extortion -
South Africa scores a disquieting 5.62 (21 out of 41 countries). (Transparency
International, 1995)

The fact that so many South Africans think that corruption within public life not only exists,
but is on the increase, may be because authorities are making more vigorous attempts than
ever before to check corruption. Hence, a side effect of the more open style of government
means that there is more information on corruption than ever before. The argument is that
instances of corruption are more likely to be discovered and publicised in a democratic South
Africa, compared to the relative lack of scrutiny that the former government received.

52.2 National Crime Prevention Strategy
The government’s National Crime Prevention Strategy (NCPS), announced in May 1996,
places corruption as a priority crime concern on its agenda. Misappropriation of financial
resources, corruption and graft within government are seen to seriously undermine public
confidence in democratic government itself - this is particularly damaging in respect of
corruption and criminal complicity within the criminal justice system - and therefore deserve
urgent attention.

52.3 The Open Democracy Bill
Under consideration is the Open Democracy Bill. This legislation makes provision for inter
alia, transparency of government actions, access to government records and the protection of
whistle-blowers by law, making it a crime to retaliate in any way, with punitive damages paid
to victims. Should it come into law it is hoped that the Bill will become a real deterrent to
misconduct. It should serve to deter malpractice and encourage organisations across the
public, private and voluntary sectors to adopt more open and accountable cultures with codes
of ethics that encourage the effective internal reporting of malpractice.

52.4 The Office for Serious Economic Offences
The Office for Serious Economic Offences (OSEO), was established in 1991 (Act 117) to
effect speedy and effective investigation of serious economic offences using multi-
disciplinary investigation teams with far-reaching powers of investigation. Cases are
prioritised according to the amounts involved, complexity of the offence, public interest as
well as urgency. As of February 1996, OSEO was conducting 33 investigations amounting to
R8.5 billion. Although OSEO is one of the principal weapons in the fight against corruption,
this office is poorly equipped, and is continually plagued by staff shortages and lack of
skilled personnel.

52.5 Chapter 9 Institutions
Chapter 9 Institutions refer to state institutions supporting constitutional democracy which
are independent and impartial, able to exercise their powers and perform their functions
without fear or prejudice, and are subject only to the Constitution and the law. These include
inter alia, the Auditor General, the Public Protector and the Human Rights Commission. Of
particular relevance to the control of corruption are the offices of the Auditor General and Public Protector.

The duty of the Auditor General is to audit and report on the accounts of government at all levels and thus to provide the essential, independent link in the process of legislative control over the financial activities of the executive arm of government. The office of the Auditor General conducts forensic and performance auditing on large-scale corruption cases involving government departments.

In a recent report, the Auditor General noted serious problems being experienced with the amalgamation and rationalisation process of the administrations of the former TBVC countries. These included structural problems from an accountability point of view as well as serious financial mismanagement and maladministration exacerbated by a very serious lack of appropriate expertise.

The Public Protector, appointed in terms of the Public Protector Act (1994) and the South African Constitution Act (1993) has the power to investigate inter alia:

- maladministration in connection with the affairs of the state at any level;
- abuse or unjustifiable exercise of power or improper conduct or undue delay by a person performing a public function;
- improper or dishonest act, or omission, or corruption, with respect to public money; and
- improper or unlawful enrichment, or receipt of any improper advantage by a person as a result of an act or omission in the public administration or in connection with the affairs of government.

The Public Protector is concerned with maladministration in the broadest sense, rather than the investigation of crime, which plays a peripheral role. As such if it is felt there may be a criminal case at hand, referrals are made to the police.

Currently resources are inhibiting the establishment of a further nine regional satellites offices to make the office’s services more accessible. Because of staff shortages and the fact that cases have increased by about 400% from 69 cases in June 1996 to 289 cases in August 1996, the office, which has a backlog on cases averaging five months, is not able to handle cases effectively.

52.6 Commissions of Inquiry

A number of independent Commissions of Inquiry have been appointed to investigate corruption charges in specific instances. These include *inter alia*:

- The Skweyiya Commission of Inquiry into corrupt practices by various government officials and misuse of state funds in the erstwhile Bophuthatswana homeland;
- The Budlender Commission of Inquiry into irregularities in relation to assets in former homelands;
- The Heath Commission of Inquiry into matters relating to state property and other property in Eastern Cape Province;
• The Browde Commission to investigate irregularities in awarding contracts, appointments, promotions and improvement to service contracts;
• The subsequent White Commission on irregular salary increases awarded to civil servants; and,
• The Krugel Commission of Inquiry into allegations of unprofessional and/or dishonest conduct by attorneys practising under the jurisdiction of the Law Society of the Transvaal.

At least nine commissions of inquiry have investigated various aspects of government in the past two years, many concluding with recommendations to prosecute. The existing Commissions Act only allows for the right to investigate and make recommendations, few of which are ever acted upon. Frustration is mounting among officials investigating corruption in the civil service as it appears their recommendations are seldom, or never, acted upon and there has been little recourse to the courts. For various reasons, there appears a lack of political will or capability to do something about implementing commission recommendations and an unwillingness in the responsible departments and provincial administrations to get on with the job at hand.

53 CONCLUSION

Effective governance can only take place if state institutions function properly and are responsive to the needs of individuals in society, especially the poor and marginalised. These institutions range from legislatures, the courts, and the police and government departments. But other processes are equally important, such as a culture of human rights, the rule of law, gender equality and open electoral processes. In short, effective governance is a precondition for sustainable human development in all its manifestations.

Democratic reforms do not necessarily help the poor unless the institutions of government are improved in terms of party systems, mechanisms for popular participation, the administration of justice and bureaucracies stimulated by incentives linked with accountable measures of performance. Likewise, macroeconomic reforms do not necessarily help the poor unless market institutions are improved through better systems of quality measurement and standards, property rights, contract laws and so forth. Today’s challenge is to go beyond macro-policy reforms and the dichotomy of state and market to the improvement of the institutions (Klitgaard, 1991:8).

Many of the bodies discussed above can be viewed as ways in which transactions costs can be minimised by providing a forum for different constituencies to meet together simultaneously, rather than holding a number of different meetings at different levels. This also requires that ownership and responsibility for resources, decisions and projects need to be clear. Parties to such forums need to be on an equal footing in terms of status and bargaining power. Nedlac and NCOP both try to achieve this in the composition of their members. The restructured RDP Fund has tried to make lines of authority clear, thereby improving efficiency. By way of contrast, the real power of DCD to co-ordinate policy seems unclear. More critically, confusion over roles and responsibilities between the different spheres of government, and actually implementing a programme of co-operative governance still appear to be far from ideal.
The issue of collective action affects all bargaining forums and the success or failure of these processes will largely depend on the size of the forum, the objectives, the culture and ethos of group members and the extent of unity over objectives. Nedlac appears to have had some success in reaching agreements because its constituents are united in Nedlac’s objectives of facilitating and improving social and economic policy. A similar mechanism may be of help for policies directed at the reduction of poverty and inequality.

However, one area that has consistently proved problematic in this discussion has been that of asymmetric information, particularly where decision-making is divorced from implementation and delivery. National fora need to actively ensure that they received good information from local and provincial level concerning the success or failure of national programmes and campaigns and *vice versa*. Failing that, the policy making process cannot be improved.

Furthermore, the institutional linkages *between* the different spheres of government are weak and underdeveloped. While co-operative government underpins the Constitution, supporting legislation has not been put in place to facilitate this. Currently the sectoral MINMECS attempt to ensure national-provincial co-ordination of executive agencies and the Inter-Governmental Forum (IGF) of premiers meets to consider high level issues. However, there appears to be insufficient coherence to this system as a strategic agenda is not evident, and there seems to be inadequate communication between the various MINMECS.

There appears to be no need for a massive overhaul of a flawed system. Rather than develop perfect blueprints for change, a number of small-scale experiments aimed at facilitating a change in the institutional environment may be more appropriate. The success or failure of these experiments can be easily monitored and if found to be satisfactory, can be quickly changed at relatively low cost.

Information about the objectives of different institutions needs to be improved and disseminated so that everyone has a clear understanding of the organisation’s end aims. Not only will this foster a shared ethos and spirit, but it provides a means of evaluating the progress of the organisation. While considerable progress has been made in South Africa in terms of the use of informatics such as the Internet, without equipment on the ground, this effort may not be translated into tangible results.

Incentives for performance in accordance with development priorities need to be improved. This could be done through linking pay to performance, or somehow providing incentives to civil servants based upon measurable impact on poverty and inequality. Finally, all forms of corruption need to be dealt with effectively and quickly. The public needs to see commitment by government to dealing with corrupt officials. In this regard, institutions dealing with corruption need to be properly resourced.

Successful delivery of programmes and projects aimed at poverty alleviation and inequality largely depends on the extent to which existing institutions function effectively and equitably. Good policy is not enough – it will only be effective if supported by a flexible, effective and strong institutional environment.
CHAPTER EIGHT
THE SPATIAL CONTEXT

One of their frustrations is with the time that it takes to actually travel from the home area to a potential job site. In far away areas such as Klipfontein the time is so great that a potential job is lost. This gives people in areas with good transportation networks a comparative advantage when looking for work. (SAPP, 1997: 96)

54 INTRODUCTION

An analysis that proposes that the South African poverty challenge can be spatially demarcated into rural and urban components would be unacceptably crude. While apartheid legislation sought to separate the largely African rural population from the urban, the impact of the migrant labour system has been to link both the rural and urban economies through the movement of people. For the poorest section of the urban and rural populations unaddressed basic needs cover all or most facets of living and working. Typically, this means that not only are jobs and incomes absent, but also housing, services, education and health facilities are unavailable or inaccessible.

Spatially targeted policies therefore need to be coupled to wider policy frameworks in order to address this totality of needs if the poor are to move out of their existing circumstances. What is required in South Africa is an integrated set of programmes which are designed both to strengthen the assets of the urban and rural poor and to enhance their geographically marginal access to existing livelihood opportunities, and thus to overcome the inherited apartheid legacies. In this chapter attention is on the implementation of government programmes that have important spatial implications.

55 THE SPATIAL CONTEXT OF POVERTY AND INEQUALITY

In many respects, apartheid planning served to displace geographically the problem of poverty and thereby to reduce its visibility. The poor were shifted to the margins, both of urban areas and more importantly to the margins of the country as a whole placing the bulk of South Africa’s poverty in the rural areas. Indeed, during the 1970s apartheid planners had managed, albeit at considerable economic, political and human costs, to maintain a pattern of ‘dynamic equilibrium’ between urban and rural areas, which was based on migrant labour and influx control (McCarthy and Hindson, 1997:4). Historically, the system of migratory labour provided the basis for a system of exploitation and asset stripping in which the wealth of whites, particularly in towns and cites, grew at the expense of the mass of Africans living in rural bantustans.

As a result, notions of urban and rural are extremely tenuous in the South African context, with complex economic and social linkages existing between cities, towns and the countryside. Although this appears to be recognised in many of the policies developed over the past few years, an urban or rural framework is usually implied. This convention is followed in the PIR although it is modified to draw attention to the diversified nature of each.
55.1 Towns and Cities

With the march of urbanisation, the impact of violence, and the breakdown and subsequent collapse of formal discriminatory controls on access to the cities, the question of urban poverty and of the associated inequalities of South Africa’s cities becomes of rising policy significance. In common with trends of poverty observed in the rest of sub-Saharan Africa, the growing importance of urbanisation is linked to a rapidly increasing proportion of the poor being situated in urban rather than rural areas (World Bank, 1996:38). With the preliminary results of the 1996 census suggesting that more than half (55.4%) of the estimated population of South Africa now lives in urban areas (CSS, 1997:11), both from a short- and long-term policy perspective, the urban policy context must be of vital significance for addressing poverty and inequality.115

At the broadest level of analysis, it is evident across a range of poverty lines that the incidence, depth and severity of poverty are unambiguously highest in South Africa’s rural areas and small towns, followed by secondary cities, and are lowest in the country’s four metropolitan areas, viz. the Pretoria-Witwatersrand-Vaal region, Metropolitan Cape Town, Durban and Port Elizabeth-Uitenhage. Looking at urban settlements only, the poverty rate (i.e. percentage of households classified as poor) for all urban households is 24.4% for metropolitan areas, secondary cities and small towns in the countryside; respectively the rates are 15.4, 26.7 and 35.1% (Woolard, 1997).

Calculation of the poverty share for the different types of urban settlement further sharpens the picture of where the urban poor are. It is evident that in absolute numbers the greatest burden of urban poverty occurs in the metropolitan areas, followed by small towns, and secondary cities. However, while the four metropolitan areas contain 70.5% of South Africa’s urban population they account for 54.5% of the urban poor. Small towns contain only 14.1% of the country’s urbanised population but have a poverty share of 24.8%. Secondary cities contain 15.4% of the urban population but 20.6% of the urban poor. Overall, therefore, these findings show that whilst the absolute numbers of the urban poor are greatest in the metropolitan areas, in relative terms the poverty burden is most severe in South Africa’s small towns and secondary cities.

The situation in secondary cities is more variable in terms of economic and population growth, both because of their different economic bases and regional contexts for growth. Nevertheless, as a whole, their recent population growth has been almost twice that recorded for metropolitan areas (4.6% annual growth versus 2.8%). Although in some secondary cities (such as Nelspruit or Witbank-Middelburg), there clearly exists considerable economic growth potential, in the future many secondary cities will face challenges of urban poverty which “in proportional terms, could put the metropolitan areas in the shade” (McCarthy and Hindson, 1997:12). Examples of such places are in the Free State Goldfields, Pietermaritzburg and a variety of Eastern Cape centres where “downwards pressure in a single economic sector can often bring rapid and unanticipated increases in unemployment and poverty” (McCarthy and Hindson, 1997:12). For example, the downturn in mining has...

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115 This is largely due to lower fertility rates rather than migration.
116 The OHS data has been used for this calculation due to its large sample size (CSS, 1995). These conclusions are supported by the findings from a recent analysis on population and incomes by the Centre for Development and Enterprise (CDE, 1995).
precipitated major local employment crises in centres such as Welkom in the Free State or Dunnhauser in KwaZulu-Natal.

A comparison of poverty lines between the four metropolitan areas reveals that poverty rates are somewhat similar in the PWV, Cape Town and Durban, with the Durban region showing the worst indicators among this group. The poverty index for Port Elizabeth-Uitenhage is considerably higher, pointing to a severe poverty problem in the Eastern Cape metropolitan area, which is a legacy of the low levels of economic growth and job creation achieved in the closing years of apartheid. Disaggregating the poverty share between the four metropolitan areas discloses that both the Port Elizabeth and Durban metropolitan areas have a higher poverty than population share; by contrast, both the PWV and metropolitan Cape Town areas show a poverty share below that of their population shares. Overall, these findings suggest that whilst the largest absolute concentration of the urban poor occurs in the PWV region, the metropolitan Durban and particularly the Port Elizabeth metropolitan area carry a weighty poverty share relative to their population size as a whole.

Finally, at the intra-metropolitan level, the data from the 1995 OHS identifies the areas of informal or shack settlements as major local concentrations of urban poverty. Certain significant differences are evident in terms of the different levels of urban settlement. The findings point to an alarming poverty problem located in the shack settlements of South Africa’s secondary cities and small towns. Disaggregating the picture of poverty rates in the shacklands of the four metropolitan areas, it is clear that considerable differences exist with the severest poverty rates recorded in the shackland settlements of and around Port Elizabeth.

55.2 The ‘Countryside’

The rural areas of South Africa carry a legacy of squandered assets and inappropriate production and investment strategies. These refer to both decisions made by previous governments, as well as those adopted by the rural population. For many rural people in the former bantustan areas, economic and social decisions remain conditioned by their unequal and distorted access to markets, services and opportunities. Unequal access to assets is further complicated by the differential rights of women to many assets, of which land is probably the most important. In contrast, the non-bantustan ‘platteland’ rural areas are characterised by the existence of an over-capitalised, over-mechanised, job-shedding commercial agriculture sector.117 Finally, for some bantustan areas bordering the commercial farming areas, opportunities have been created in contractor farming activities, while simultaneously, displaced farmworkers have sought residential sites on which to live. Despite the changes in many other aspects of life, asset ownership and asset distribution patterns of rural South Africa remain largely those constructed by apartheid. In particular, landlessness and over-crowding persists in the former bantustan areas. Concerns over assets go beyond questions of access, and also include the use, improvement and protection of assets.

In addition, a huge backlog in rural infrastructure persists, and urbanisation runs the risk of simply relocating rural poverty into urban slums. The high cost of delivering services to rural communities results in a fundamental tension between goals of fiscal discipline and those of

117 Giving rise to what Lipton (1982) referred to as South Africa’s “two agricultures”. Bernstein (1997:23) correctly points out that these different types of countryside generate different social and political dynamics around land and its uses.
decreasing poverty and inequality. However, it is not apparent that urban-based solutions are appropriate and, indeed, urban bias in policy may well increase the movement of rural people into shackland areas in search of better living conditions. Providing services and employment opportunities may be more costly to the state, since people living in these dense urban settlements have limited access to assets and place considerable strain upon the existing urban infrastructure as well as upon the environment.

It is not surprising that the role of the rural economy in the future economic and social development of South Africa remains uncertain. The unresolved issues are substantive, and it is to be expected that views on the role of rural areas in the current transition of South Africa diverge. Indeed, as already noted in the introduction, the very notion of a spatial divide between rural and urban has to be questioned in South Africa where many households straddle the divide, and where the urban and rural economies are strongly linked.\textsuperscript{118}

The preliminary results of the 1996 Census have suggested that the non-urban areas of South Africa have a population of some 16.9 million people or 45% of the county’s total population.\textsuperscript{119} The results of the 1996 census imply that the proportion of South Africa’s poor residing in the non-urban areas is smaller than had been previously thought. Nonetheless, it seems that the rural population is not likely to shrink over the next decade and the overall trend remains a growth in the number of black rural households of about 1% per year.

As an additional complication, since 1980 the populations of small rural towns have been growing at a slightly higher rate than the national average and at a rate of growth 60% above that applicable in rural areas. Currently, many small towns are often the first port-of-call for displaced farm workers, affected by conditions of general agricultural decline, the introduction of capital-intensive farming technologies and the push of harsh working conditions on the land (Nel, 1997). Other small towns were created as reception points for those thousands of people resettled under apartheid’s inhumane population relocation policies. This demographic growth in small towns has not been linked, however, to improved economic conditions. Indeed, the economic plight of most small towns is generally very problematic with more than two-thirds recording real economic declines during the early 1990s (CDE, 1996).

Two countervailing forces affect the underlying population dynamics of rural settlements: natural increase and migration to larger towns and cities. In explaining the Census results, CSS have argued that the fertility rates have declined more rapidly than had been estimated although they remain higher in rural than in urban areas.\textsuperscript{120} At the same time, migration between rural and urban areas also appears to be slower than expected. There are several reasons that might account for this, including a decrease in urban-rural income differentials,\textsuperscript{120}

\textsuperscript{118} In the current policy debate, rural areas are defined as “the sparsely populated areas in which people farm or depend on natural resources, including the villages and small towns that are dispersed through these areas. In addition they include the large settlements in the former bantustans created by the apartheid removals, which depend for their survival on migratory labour and remittances”. (RLA, 1997:I).

\textsuperscript{119} Debate continues over the definition of urban and rural in South Africa. For this reason, when referring to official statistics the term non-urban is used to distinguish formal definition from functional definitions.

\textsuperscript{120} This had already been anticipated by the HSRC (Mostert, 1990) and the CDE (1995). Total fertility rates are currently estimated for the 1990-1995 period to be 3.6 for the population as a whole, 4.2 for Africans, 3.7 for coloureds, 2.2 for Indians and 1.7 for whites.
increasing urban unemployment and the decline of mining as a source of employment for miners (McCarthy and Hindson, 1997). In addition, it appears that the nature of migration has also changed away from the pattern of oscillating migration that allowed households to sustain options in both the rural and the urban areas. Despite this, households are likely to continue to engage in multiple income-generating strategies, although these will be differently composed with more frequent commuting between rural and urban areas. A significant migration trend that appears to be emerging is from the areas of dispersed settlement, and from the commercial farms to the peri-urban fringes, to smaller centres, and to places along transport routes which have a relative spatial advantage (Cross et al, 1996).

The smaller rural population, and the closer links between urban and rural areas, lends support to the notion that poverty is not simply a rural issue. Nonetheless, the risk of being poor, and of remaining poor, remains significantly higher in rural than in urban areas. According to the now dated PSLSD study, approximately half of the households in rural areas and two thirds of the people can be classified as poor, using income-based, or calorie-based poverty lines. The implication of this is that just over 70% of poor households in South Africa live in rural areas.

Moving away from purely consumption-based measures of well-being, it has been estimated that over 70% of rural African households exist in conditions which could be described as inadequate or intolerable in terms of their access to shelter, energy, water and sanitation (May et al, 1995). Households with poor access to basic services have also been found to have low incomes and to spend a large portion of their income on food. These results are supported by the views of the rural poor in the SA-PPA where poverty was perceived to be multi-dimensional in nature, manifested by too little food, a large number of children, inadequate and crowded shelter, and finally, exclusion from community support structures. In addition, both in terms of a range of quantitative measures, and from the perspective of the poor, rural women have been identified as being a particularly vulnerable group in South Africa and proportionally more women live in rural areas than men.

56 RETHINKING SPATIAL POLICY AND SPATIAL POVERTY

Over the last decade, a considerable re-thinking has taken place of spatial policy in general. During the 1980s, within the NGO sector, and in the early 1990s, in ANC policy documents, the spatial context of poverty enjoyed a degree of policy prominence. By the time the new government gazetted its Urban Development Strategy in 1995, the emphasis in the urban policy component of government thinking had begun to shift. From seeing housing and basic services as the leading policy instrument for a country faced with pronounced socio-economic disparities, emphasis had moved towards job creation as the key priority (Republic of South Africa, 1995). Outside of government, the Centre for Development and Enterprise (CDE) and the National Business Initiative (NBI) also tended to portray South African cities as centres deserving of economic policy emphases in a context of global competitiveness (CDE, 1996).

The April 1997 draft Urban Development Framework (DOH, 1997) seeks a balanced approach through its association with the parallel efforts to formulate a Rural Development Framework. Significantly, the new Urban Development Framework seeks to accommodate the growth and job creation orientation of GEAR with the more redistributive and ‘people development’ association of the RDP. It does so through incorporation of the need to
stimulate local economic development and enhanced global competitiveness of South African cities, arguing that there is no necessary contradiction between the emphasis on growth in current national macroeconomic policy and the earlier emphasis on redistribution (DOH, 1997: 11). Indeed, unless South Africa’s urban areas are investor friendly, and unless they lead the expansion of employment opportunities, it will be almost impossible to achieve any of the other socially worthy objectives of the democratically-elected government (McCarthy and Hindson, 1997:32). This is not, however, to gainsay the crucial importance of policies to address poverty alleviation in both urban and rural areas.

Overall, this shift in policy focus towards jobs, employment and economic priorities can be explained, to a large extent, by the imperatives of a new and emerging understanding of a changed demographic situation in South Africa. What is evident from a range of demographic analyses and the preliminary findings of the 1996 census is that South Africa’s population is not growing as rapidly as previously thought (CSS, 1997). Combined with evidence of more moderate shifts of the population towards large metropolitan areas (CDE, 1995), this means that expectations of the anticipated size of South African cities are significantly lower than was envisaged during the 1980s. Correspondingly the scale of anticipated urban poverty is lower than some projections had suggested. In policy terms, there is a temptation to return to First World concepts of ‘mopping up’ urban poverty, rather than a more Third World ‘active assimilation of the poor’ model. But, when population and economic projections of the 1990s are compared, it is evident that the ‘mopping up’ model is unrealistic, and the ‘active assimilation of the poor’ model still highly relevant in South Africa, suggesting that a combination of the two may prove optimal (McCarthy and Hindson, 1997:29).

It should be emphasised that the greatest share of South Africa’s population increase is still expected to occur in the metropolitan areas (CDE, 1995). Such projections underscore the need to keep the national developmental focus on the economic prospects offered by the metropolitan areas, as is reflected in the government’s 1995 Urban Development Strategy and the 1997 Urban Development Framework. However, it also serves as a warning signal not to neglect the current realities and future prospects of urban poverty. In many respects, the recent downwards estimates of both existing urban populations and the scale of urban poverty are fortunate because, despite considerable recent efforts, the rates of delivery of urban housing, jobs and services have not kept pace with previous projections of population growth. This constraint upon the capacity of post-apartheid society to deliver has caused a degree of pessimism in several quarters. Nevertheless, current demographic data and projections make the urban poverty and development challenge appear more manageable (CDE, 1995). Seen from a metropolitan perspective, therefore, these centres appear to benefit from a new ‘dynamic equilibrium’ in national demographic and income trends (McCarthy and Hindson, 1997). Overall, it is recommended that within the metropolitan areas the policy focus is most appropriately centred upon the expansion of income earning opportunities coupled with housing and service provision. Poverty alleviation focus can be targeted for particularly vulnerable areas.

The opposite side of this new ‘equilibrium’, however, is that rural areas, small towns and secondary cities appear to deserve a special focus in policy formulation for poverty alleviation. It is clear from the analysis presented earlier that these areas carry a weighty burden of urban poverty in South Africa. The problematic of rural and small town development is inextricably interwoven. To a large degree, the majority of small towns only exist to service rural populations and agricultural needs (CDE, 1996; Nel, 1997). Where these
populations and needs decline, so too do the towns in the longer term. At the same time, successful rural and agricultural development cannot materialise unless integrated with the type of services and opportunities that can be found in or near small towns. Accordingly, to the extent that spatial policy is concerned with the reduction of poverty, one adjustment to policy would be to prioritise the cases of (most) small towns and their rural hinterlands, and (many) secondary cities as deserving of the greatest emphasis. In extreme cases whole rural communities and small towns or secondary cities may have to be considered in poverty alleviation terms. Overall, however, within rural areas different policies will be required for platteland towns and settlements situated in the former Bantustans. While the former are linked to the fortunes of commercial agriculture (often in decline) and thereby the impact of agricultural policy, the latter contain “apartheid’s hidden urbanites” and will be impacted by policies concerned with broadening access to municipal services (CDE, 1996).

The spatial policy framework that deals with these issues may be thought of as comprising two linked thrusts. Firstly, the restructuring of the apartheid space economy which has determined where the fruits of economic growth are distributed, and secondly, the spatial redistribution of infrastructure whereby the quality and level of services is allocated.

57 RESTRUCTURING THE APARTHEID SPACE ECONOMY

The apartheid space economy has been an important factor leading to the marginalisation of the poor. The restructuring of the apartheid space economy must aim at reducing the geographic dislocation between livelihoods, assets and infrastructure of the poor, providing a set of policy mechanisms to encourage people, jobs and infrastructure to be closer together.

Effective programmes for asset strengthening need to be linked to complementary interventions that are designed to overcome the apartheid legacy of the geographical marginality of the poor. This marginality occurs within both urban and rural areas and also in the context of the national spatial system as a whole.

Key intervention points for restructuring the apartheid space economy are the Manufacturing Development Programme (MDP), the Spatial Development Initiatives (SDIs), Local Economic Development (LED) Initiatives, and the National Spatial Development Framework (NSDF). From a poverty and inequality perspective an evaluation of these interventions designed to effect a new post-apartheid spatial order was undertaken (Rogerson, 1997b).

57.1 The Manufacturing Development Programme

The core objective of the new MDP is in line with GEAR, namely to promote or jump-start new investment in the South African manufacturing sector, and secondly, to replace the former discredited Regional Industrial Development Programmes (RIDP). Despite the shortcomings of the RIDP during the period 1982-1991, it must be recognised that the spatial targeting of low-wage areas for incentives was highly beneficial to local communities, in particular to poor women, and to overall economic development in these small town and surrounding rural areas (Platzky, 1995; Bell, 1997). The MDP tax holiday programme is not directly associated with goals of poverty alleviation and removes assistance and incentives from certain apartheid-created spaces. It represents a step towards a position of encouraging the poor to migrate away from areas of cumulative disadvantage (Platzky, 1995: 280) towards those other areas where job creation and livelihood opportunities are being created. For those non-viable industrial spaces and communities, which enjoyed a measure of support under the
1982 apartheid RIDP programmes, it is essential that new programmes concerning safety-nets, developmental social welfare and the support of survivalist SMMEs be put in place. In addition, another issue will be to ensure the improvement of educational levels through education in order that future out-migrants may have a better chance of securing livelihood opportunities. Undoubtedly, for those locations which are targeted under the MDP tax holiday scheme, several positive benefits, including poverty reduction as a result of the spin-offs of job creation, will accrue to the local population, notwithstanding that the incentive packages are more modest than in the RIDP 1982-1991 era.

57.2 Spatial Development Initiatives
The Spatial Development Initiatives (SDIs) aim at unlocking the inherent and under utilised economic development potential of certain specific spatial locations. Again, the SDIs are not primarily geared to poverty alleviation; instead within the priorities of GEAR, they are targeted to fast-track and to boost new investment, growth and employment opportunities (Rogerson, 1997b). Nevertheless, the SDIs can be a useful vehicle in poverty alleviation and redressing apartheid inequalities if these programmes are successful in their goals of enhancing sustainable job creation, SMME development and the upgrading of business opportunities in historically disadvantaged communities. The location of several proposed SDIs cross-cuts geographical zones of major poverty, particularly in the Eastern Cape, KwaZulu-Natal and Western Cape, which highlights the potential contribution of SDIs to poverty alleviation, particularly if they can be harnessed to boost both urban and rural local economic development initiatives.

57.3 Local Economic Development Planning
It is evident from the significance attached in several government policy statements to promoting local economic development (LED) planning that the successful LED initiatives are seen to be important in restructuring the unequal apartheid space economy and in addressing poverty. The essence of LED is that it charges local government with new responsibilities for LED planning, which often occurs in the form of partnerships with other local stakeholders, including the private sector, communities, unions, or NGOs. In line with trends in the global economy, it is evident that local authorities must become ‘more entrepreneurial’ in their development planning activities. But, although the need for ‘entrepreneurialism’ is acknowledged, currently there is a lack of process in promoting LED and a lack of support to local authorities in terms of building up their capacities to undertake LED initiatives. At present, existing capacity to undertake and implement LED is markedly uneven across metropolitan areas, secondary cities, small towns and rural communities. Although there are undoubtedly weaknesses in LED capacity in certain of the large urban centres, the capacity problem for pursuing LED is generally most severe in small towns and rural areas. This creates the potential danger of LED creating a divide between potential winners and losers in terms of South Africa’s large cities, secondary cities, small towns and rural areas. Given the capacity problem in small towns and rural areas, these are most likely to be the losers in the LED game in South Africa.

As a result of the isolation experienced in the apartheid period, South African cities and towns are relatively late entrants to the business of LED. At present, the picture is of a confusing and uneven range of different initiatives being attempted by local actors in South Africa’s major cities, secondary cities and some small towns (Rogerson, 1997b). The success
or failure of all these various forms of LED initiatives will be crucial in terms of determining where, in terms of municipal or local level interventions, poverty eradication is being addressed. The lack of capacity of many smaller (and some larger) local governments to co-ordinate such LEDs will be an important limitation in this regard.

Although the critical importance of developing LED strategies to assist post-apartheid reconstruction is stressed in several government documents a coherent set of guidelines and a framework for LED have yet to emerge although the Department of Constitutional Development has taken important steps towards this. It is essential that such a framework be followed is the impact of LED initiatives for poverty eradication is to be maximised. This would also improve inter-sectoral co-ordination of LED planning with other government programmes, both national and provincial. In addition, it is recommended that a strengthening in the planning and implementation capacities of local governments be undertaken in order that LED strategies might fulfil their potential for contributing towards poverty alleviation.

57.4 The National Spatial Development Framework

The key issues in the NDSF were to define where growth and decline would occur in the space economy, to consider how government should respond particularly as regards investments in infrastructure and shelter programmes, and to align provincial with national and local development strategies. Overall, the NSDF process was driven primarily by the need for evolving guidelines for the efficient allocation of public expenditures. The NSDF was not tasked to produce a rigid masterplan with concrete directives for spatial allocations of government finances. Instead, it sought to produce a realignment of spending to avoid a ‘shotgun’ approach to government spending which might result in financial waste and a lack of concentration of development and growth efforts. The objective of a more rational and co-ordinated geographical allocation of government expenditures will assist in poverty eradication and inequality reduction if it averts a spatial divorce between jobs growing in one area and houses and infrastructure commitments built in other areas.

The NSDF assumes a particular significance in the light of the absence of an urbanisation policy concerned with identifying where new houses and infrastructure should be built. Answering such questions so far has been given a low priority in the urban context, which creates the danger that apartheid patterns of settlement may not be transformed, rather they may be literally cast in stone. This danger is particularly evident as aspects of existing policies threaten to entrench the spatially distorted patterns of African urbanisation created by apartheid (Crankshaw and Parnell, 1996). Many areas of apartheid created settlement (such as Botshabelo, Winterveld or areas of KwaNdebele) are situated at great distances from centres of job opportunities and represent dormitory settlements where residents are either long-distance commuters or labour migrants. Although poor residents of these displaced settlements qualify for subsidies in order to improve their shelter and infrastructure, the problem is that in the absence of any economic base, they lack prospects of long term viability other than dormitories. Therefore, it seems likely that the residents of these displaced settlements will continue to follow the commuting and migratory regimes created by apartheid (Crankshaw and Parnell, 1996: 234).

Overall, it is recommended that the work of the NSDF process be built upon as a core base for developing and defining a national post-apartheid spatial policy. This policy would seek
to confront directly the legacies of apartheid spatial inequalities and the severe existing
disjunctures between livelihoods, assets and infrastructure of the poor. In so doing, it would
contribute directly toward achieving goals of establishing viable, socially and economically
integrated communities which would be situated close to areas with economic opportunities
as well as health, educational and social amenities (DOH, 1997).

58 THE SPATIAL REDISTRIBUTION OF INFRASTRUCTURE

As already discussed in Chapter Six, the provision of social and economic infrastructure
makes a crucial difference to the ability of the poor to overcome poverty, by addressing
dimensions of poverty such as access, opportunity and workload (May et al., 1997: 17, Moser,
1995, Vogel and Morgan 1997). The focus of this section is to examine the spatial aspects of
providing productive economic infrastructure. At the outset, it must be acknowledged that
providing water, toilets or transport for the poor will not eradicate poverty. Nonetheless, the
more effective delivery of infrastructure services, such as water, sanitation and roads, stands
out as a particularly important set of policy interventions that government can use both to
directly meet the basic needs of the poor and to redress apartheid inherited inequalities in
service provision (Abrahams and Goldblatt, 1997).

Figure 20: Water supply: paying a premium for being poor

Access to water is determined not only by access to infrastructure but also by
the price paid for it by the poor. In the absence of a public supply there is,
nevertheless, always some system established for the supply of water. This
tends to rely on informal access arrangements for water, either from
neighbours, from nearby commercial areas, or from natural water sources.
There are also some areas where informal sector supply networks in the form
of water vending have also developed.

Though indications are that water vending is not as important in South
Africa as in other developing countries, where it does exist it demonstrates
that the poor have tended to pay substantially more for water than the
prevailing price in wealthier areas. For example, in the informal settlement of
Phola Park in Gauteng people were paying vendors R1.00 for the delivery of
20-25 litres of water in 1991. The same amount could purchase about 600
litres of water in an area with reticulated water supply. A more recent case-
study of two low-income peri-urban townships outside Cape Town shows
similar results. In these areas water is supplied by a community-run kiosk
system to residents at a price three times that of water supplied to people with
a private connection and private water vendors in the area charge three to
seven times more than the kiosks (i.e. up to 20 times the price a person with a
private connection will pay) Abrahams and Goldblatt, 1997.

58.1 The Urban Development Framework

As a consequence of apartheid, urban settlements in South Africa are extremely dysfunctional
and do not serve the needs of the majority of the poor. The design of South African urban
areas is wasteful, inefficient, inequitable and costly to manage and maintain. Metropolitan
areas, secondary cities and even small towns are characterised by their separation of
residential areas by race and income levels, peripheral development and urban sprawl, with corresponding unequal access to amenities, infrastructure and livelihood opportunities.

Key policy elements for undoing the ‘spatial fix’ of apartheid city are identified in the Urban Development Framework (DOH, 1997). Other useful policy interventions, such as planning public spaces for the development of urban periodic markets or the facilitation of urban agriculture, are emerging out of the practical experience of initiatives seeking to breathe new life into the old apartheid-created townships (Market Society, 1997; Padayachee, 1997; Rogerson, 1997a). The implementation of successful programmes designed to integrate cities through “sound urban planning, land, transport and environmental management is critical to enhance the generative capacity and ease of access to socio-economic opportunities” (DOH, 1997: 12) and correspondingly to contribute towards poverty alleviation and the reduction of urban inequalities.

Several of the major programmes set down in the Urban Development Framework for restructuring the apartheid city must be endorsed as potentially effective long-term recommendations for contributing towards poverty alleviation and inequality reduction in the urban context (DOH, 1997: 12-18). Briefly stated these are:

- The necessity for achieving integrated planning between local economic development and urban planning that targets the poor through, *inter alia*, less rigid zoning, more flexible planning mechanisms, and the promotion of mixed land use.

- The planning of higher density land-use and development through processes of densification and enhancing the effectiveness of public transportation. Densification can be supported through linking component parts of an urban area together through high-density activity corridors.

- Reform of the urban land and planning system, an objective that is met in the first step by the Development Facilitation Act and introduction of the concept of local integrated development plans.

- The development of coherent strategies for inner city redevelopment; township upgrading; urban infill; the re-integration of apartheid created buffer zones; and, the provision of adequate open space for recreation.

- The development of effective urban transportation and restructuring of associated commuter transport subsidies in a manner that counters the spatially fragmented and inefficient character of South African urban areas (see Khosa, 1997).

- The establishment of sound environmental management programmes, as well as disaster management procedures, particularly concerning the dangers posed for residential settlements of the urban poor by fire and flood hazards (Vogel, 1997; Vogel and Morgan, 1997).

Overall, the major required condition for the enactment and successful implementation of these core measures to undo the apartheid city is the effective functioning and building of capacity within local government. This institution has been described as being “at the coal face of managing the urbanisation process and initiating and facilitating urban development” (DOH, 1997: 6). At the same time, there is recognition of the need to forge better urban governance through building new relationships between local government and civil society.
58.2 The Rural Development Framework

The Rural Development Framework (RDF) has recently been released and flows from the earlier National Rural Development Strategy of 1995. This document was grounded on what were perceived as five aspects of ‘rural reality’: poverty, agricultural dualism, new local government, poor support services, and spatial chaos.

The 1995 document was sharply criticised by CDE (1996) which argued that the RDF constituted little more than a ‘wish list’ and did not identify opportunities and constraints. A more damaging criticism was that the document was said to have not adequately captured conditions and trends in rural areas, especially those concerning economic potential. Finally, key policy issues that were ignored or poorly dealt with were the role of small towns, South Africa’s ‘hidden urbanites’, land hunger, small farmers, regional differences, land tenure, local government, and traditional leaders. Moreover, key debates around urbanisation and rates of migration were ignored. Nearly two years on, a redrafted Rural Development Framework (RDF) has emerged.

The RDF asserts a powerful poverty focus. Key questions of concern to the Framework are:

- How to involve rural people in decisions which affect their lives through participation in local government;
- How to increase employment and economic growth;
- How to provide affordable infrastructure and improve services (with crowded, remote, low potential areas a particular problem);
- How to ensure institutional sustainability, and how to create and enhance the capacity of rural local government to plan and implement.

The RDF takes as its starting point an assumption that rural development is the business of everyone in the rural areas. The RDF does not prescribe a specific strategy. It attempts to show where inter-sectoral planning and co-ordination are needed but requires that rural people set the agenda. The role of government is to support them in their development efforts.

The RDP and GEAR are taken as the base line policies that set the national parameters for poverty eradication and for the maintenance of a sound fiscal and macroeconomic framework. It is asserted that the RDF will contribute to GEAR through: creating jobs, redistributing government expenditure, expanding infrastructure, facilitating social development, and integrating marginal areas into the national economy.

The vision for rural development has two key elements - first, a focus on governance and the provision of infrastructure and services, and second, a focus on an enabling framework for rural livelihoods to expand, mainly by restoring economic rights to people in marginalised areas.

The need to reduce the budget deficit is emphasised. Funding for infrastructure and development will be scarce. Beyond essential expenditure for meeting basic needs, investment must be rational in terms of raising productivity, and generating an ability to pay for services. The RDF notes high rates of unemployment, and accepts the view that government is forced to pursue economic growth and export orientation as a major strategy for increasing employment. By implication, low wages for urban and rural workers in the
foreseeable future are also accepted. Despite this, the RDF argues for policies to raise effective household incomes and therefore domestic demand for goods. In the absence of real wages being increased, this would require that a social wage be negotiated and a social security net would have to be applied throughout the country. The RDF argues that rural development can contribute to raising this social wage.

The co-ordination of rural development is perceived as a serious problem. Until 1996, the Inter-Departmental Rural Development Task Team carried out national level co-ordination. At provincial level, inter-departmental committees guide policy and implementation. This process does not seem to have been entirely successful. Although local government is well placed to co-ordinate sectoral initiatives, it is not yet in a position to do this, and the role of traditional authorities remains ambiguous. The capacity of local government needs to be increased as quickly as possible. Government departments must be held accountable for the impact of their policies on rural people.

The RDF suggests that a case can be made for locating the responsibility for rural development within the Office of the President, or with a cross-sectoral department such as Finance or Constitutional Development. The RDF notes that whilst government departments are anxious to assist rural people, often their efforts are poorly co-ordinated. Government departments and local people are frequently unaware of recent policy developments and do not know about the incentives offered by various government agencies.

According to the RDF, rural development is seen to require a number of key elements:

- institutional development;
- investment in basic infrastructure and social services;
- the restoration of basic economic rights to marginalised rural people;
- building local capacity.

While the RDF provides a more satisfactory analysis of the rural context than the previous strategy, it generally does not face up to the trade-offs that are implied by the policy stance that it accepts. As an example, the tension between reducing the deficit and sustaining the levels of public spending required to meet basic needs in remote places with low potential is not adequately dealt with. The RDF stresses the importance of building local government to fulfil the functions assigned to it by the Constitution. However, on several occasions the document either proposes or praises structures that may well undermine the building of capacity and competence within local government. The suggested district land offices and district planning units are cases in point. How these structures are meant to operate in relation to local government is unclear. As already noted, the Department of Water Affairs and Forestry’s Local Government Support Programme is heralded as building capacity through the establishment of Area-based Planning Fora. How such fora will build the capacity of local government is not clear and the present practice of many national and provincial line function departments may actually undermine the development of local government. Departments are creating their own community-based structures at a local level.

Indeed, while a radical restructuring of rural developmental institutions is widely accepted as being necessary, little appears to be actually taking place. For examples:

- A lack of clarity remains between the role of the national Department of Agriculture and the provincial departments, between the Department of Land Affairs and the Department
of Agriculture, and between the Department of Land Affairs and the provincial departments of Economic Affairs and Tourism, and Finance.

- At this stage, the national responsibility for the promotion of rural development has not been assigned. It seems desirable that, as with urban development, a decision be taken to assign this responsibility to an appropriate department that has the capacity to implement.

- The DBSA provided support services (especially finance and project planning) to some 55,000 people in the former bantustans. With the restructuring of their activities, it is not clear to whom responsibility for this support will now fall.

- Implementation of rural development is likely to fall to provincial and local levels of government. Nevertheless, the capacity of these spheres of government to engage in rural development is a serious concern.

- The only provinces that appear to be in the process of formulating rural development policies are KwaZulu-Natal and Gauteng, although the Free State has prepared a statement of rural investment. The provinces that have embarked on the process have widely disparate proportions of their populations classified as non-urban in the Preliminary Results of the 1996 Census; 56% in the case of KwaZulu-Natal and 3% in the case of Gauteng. It is disturbing that whilst the province with the lowest proportion of its population classified as non-urban has undertaken a rural development policy formulation process, several provinces which have the highest proportions of their populations classified as non-urban have not initiated such a process.

The RDF has tried to identify constraints to rural development. It has provided a definition of the rural areas (even though it does not take sufficient account of the changing urban-rural linkages discussed earlier). It has said something about how public resources should be channelled, and it has talked about policies that should (theoretically) assist people equally. It has talked about the role of small towns and it has highlighted the importance of small farmers.

However, the RDF falls short on a number of critical dimensions relating to the rural space-economy. Migration patterns are not discussed. The significance of multi-faceted income generating strategies for policy is not mentioned. The significance of provincial and regional spatial planning in structuring the way development is articulated and services delivered is not fully recognised. As an example, the concept of periodic markets, which is central to the chapter on building economic development, is posed in a way that is essentially aspatial. There is no comment on the question of the role of traditional authorities in the development process and the potential that they have to hamper rural development through the range of controls that they are able to exercise.

However, although a mix of advocacy and description, the RDF has more modest aspirations than the Rural Development Policy, and it does meet some of these aspirations. It provides useful detail about the policies that presently impinge on, or shape rural development. The problem is that it is unlikely to be accessible to the rural councillors who should logically be its readership. A more fundamental problem is that it is seems unclear how implementation will flow from the RDF in terms of the allocation of roles and responsibilities.
58.3 Municipal Infrastructure Investment Framework

The provision of municipal infrastructure is a local government function. Although the provision of infrastructure services occurs at local government level there is a complex set of institutions responsible for funding service provision. The financing of national programmes is usually channelled to local government via provinces. The Municipal Infrastructure Investment Framework (MIIF) provides the national policy framework for investment in infrastructure, bringing together the various programmes and financing approaches that are to address service backlogs. The MIIF is not a delivery programme but rather an outline of how infrastructure delivery should occur. It furnishes proposals as to financing with the primary focus on the role of national government in supporting service delivery at local level (Abrahams and Goldblatt, 1997).

The preparation of the MIIF, now under the auspices of the Department of Constitutional Development (DCD), represents recognition of the need for a national policy approach to infrastructure provision. Overall, the MIIF itself, and other service provision policies of the government, fall within a broader policy approach made up of a set of fairly (though not totally) consistent policy principles. This policy approach reflects the national government’s commitment to ensuring the supply of an adequate, albeit basic, level of services to all citizens in the medium-term. At the same time, infrastructure investment is to be based on cost recovery pricing principles where this “can practically and fairly be effected”, an approach which fits in with GEAR’s tight fiscal stance. The principle that services should be paid for by consumers is included in the MIIF. Whilst accepted by other government departments, it is strongly mediated by the MIIF’s financial provisions which suggest that a set of national subsidies will be available (largely through the re-directing of current inter-governmental monetary flows) to ensure that the typical household bills will be affordable to even the poorest households.

The policy approach thus rests on:

- a commitment to a basic minimum level of services for all in the medium term;
- the principle that consumers should pay for services; and
- a welfare role for national government to support those consumers who cannot afford the basic level of services.

A tension is inherent in these principles which are based on both cost-recovery and a commitment to a universal access to services and government support for the indigent. One of the MIIF’s responses to this contradiction is that a minimum level of services will be provided to all but that levels of delivery higher than the national minimum will be demand-led, i.e. upgrading will be predicated upon the ability of the consumers to pay for the increased costs. This, however, does not entirely remove the contradictory thrusts in government infrastructure policy which means that financial and service arrangements and the balance between subsidies and cost recovery will continue to be determined largely on a case-by-case basis, influenced largely by local conditions. Overall, the effective handling of the tension between cost-recovery and subsidies will strongly influence the economic and social sustainability of infrastructure policy and programmes (Abrahams and Goldblatt, 1997).

Although some municipal authorities have been able to address the cost recovery problem through cross-subsidisation, this is being done in the context of a relative absence of
consistent national policy for either tariffs or cross-subsidisation. Currently there is no uniform national policy on tariffs for basic services across the service sectors. For example, although for water and sanitation the National Water Supply regulations do outline a tariff system, there is no national policy on cross-subsidisation in the water sector. Moreover, there is contradictory policy with respect to water on whether operating and maintenance costs are to be subsidised or recovered.

In the absence of consistent national policy guidelines, issues like cross subsidisation have been taken up in the courts, with the case of Sandton’s white rate-payers being the most prominent. As a result of such cases, particular characteristics of cross-subsidisation are now enshrined in common law. Effectively the courts have begun to influence government policy on this area with two judgements already having taken different approaches to tariff policy. Accordingly, there is an urgent need for a uniform tariff policy to be developed and implemented to fill the current vacuum, particularly in a climate of dissatisfaction with levels of rates and services in municipalities and problems with levels of payment (Abrahams and Goldblatt, 1997).

Essentially the issue is that government has committed itself to both universal delivery and to fiscal restraint and thus cost-recovery. The contradictions between these two commitments are best resolved by establishing a consistent national policy approach to service delivery and pricing. The MIIF has attempted to do this in a broad sense, by determining a minimum service level and by demonstrating how national government can subsidise the poor to meet the costs of this service level. However, it is apparent that other national departments have not necessarily taken the same approach towards service delivery, and that local governments similarly do not have a consistent approach. Moreover, there are strong indications that many local governments do not have the human resource and institutional capacity to deliver infrastructure at the rate and scale needed to eradicate backlogs. In KwaZulu-Natal, for example, only 5.07% (R32.8 million out of a total of R636.4 million) of funds allocated for infrastructure projects in 1996 have been spent. In addition, funds from the BCIG, the MIP, EMIP and the SIPPs have been allocated to local authorities in the province but likewise have not been spent (Abrahams and Goldblatt, 1997: 36).

Another problem area for infrastructure surrounds its linkage with the housing subsidy system and thus to the problems of laggard housing delivery. This means that formal access to land and/or housing, and the tenure status of residents, will determine access to infrastructural services. In turn, this may mean that the most marginalised of the poor, living in informal settlements without formal housing subsidies or similar subsidies, will continue to have inadequate access to services. As the disbursement of housing subsidies is proceeding slowly, infrastructure expenditure tied to this subsidy scheme is similarly delayed. The reliance on the housing subsidy as a finance mechanism for infrastructure therefore, may be questioned, as it will see the poor improving their circumstances only at the rate of delivery of that subsidy. An added issue associated with linking infrastructure and service delivery to the housing subsidy is the spatial planning of infrastructure delivery and urban planning. The disbursement of funds linked to the housing subsidy scheme means that any spatial planning problems of that scheme will be replicated in other infrastructure programmes (as, of course, will successes).

One of the possible ‘spatial’ problems of the housing subsidy scheme is that it is primarily demand-led, and within this, led largely by developers. Thus, the disbursement of subsidies is
not necessarily directed under the control of an urban planning strategy. Amongst other forces, access to land and pre-existing settlement patterns are driving location decisions and infrastructure provision is forced to follow. It would be preferable if infrastructure provision could be used to guide both urban and rural development more strongly than is the case at present. The current housing subsidies programme and approach would have to be re-examined to permit this.

58.4 The Consolidated Municipal Infrastructure Programme

There are several key delivery programmes that directly affect the delivery of infrastructure. The Municipal Infrastructure Programme (MIP) was a once-off capital grant funding programme and the prime vehicle for disbursement of funds from the national level, for the construction of municipal infrastructure. The Extension of the Municipal Infrastructure Programme (EMIP) extended the life of the MIP with a similar type of capital grant support but directed in emphasis towards internal bulk and connector infrastructure. To ensure continued provision and to guarantee that housing development is supported in terms of backward linkages into external bulk and connector infrastructure, the Consolidated Municipal Infrastructure Programme (CMIP) was launched in June 1997 as a single funding process to integrate all existing grant funding programmes. Significantly, all projects approved in terms of these programmes need to comply with certain criteria such as leveraging their own funding sources, addressing unemployment, ability to finance, skills enhancement and labour-based construction. Labour based construction is seen by DCD as important in contributing towards improving conditions for the poor. Through this approach, the unemployed in poor communities where projects are being implemented are to enjoy preferential access to income opportunities and skills training, in addition to being recipients of the infrastructure. Other programmes that assist in infrastructure delivery are the Bulk and Connector Infrastructure Grants (BCIG), the National Housing Subsidy; the Special Integrated Presidential Projects (SIPPs) and, in the specific case of electricity, Eskom’s Electrification Grant to local authorities.

Assessments of MIP and EMIP are largely positive on the basis of (1) allocation of funds to projects; (2) an over-subscription in terms of applications and (3) the ability of projects to secure counter-funding (Abrahams and Goldblatt, 1997: 28). The caveat must be noted, however, that progress in the delivery of infrastructure is difficult to assess accurately due to inadequate data gathering and monitoring systems. It must be acknowledged that the rate of onward disbursement of funds from a provincial level appears as a bottleneck in the delivery process. Of the funds committed to approved projects by the DCD by the beginning of 1997, about R413 million had been disbursed to provinces, but only R300 million (73%) had been disbursed to implementing agencies (Abrahams and Goldblatt, 1997: 29). An important criterion in the approval of MIP projects is labour-based construction, preferably using local labour and imparting skills training. Overall, about 79,000 people have been employed in infrastructure provision, of whom 30,000 have received accredited vocational training. By end-1997 it is projected that a total of 242,000 people will have been employed and 94,000 trained. Although most of the employment opportunities created have been temporary in nature, the ongoing maintenance of infrastructure and services will create permanent job opportunities.
58.5 Rural Administrative Infrastructure Development Programme

In many places, the new rural District Councils do not have the administrative infrastructure to provide a day-to-day service. The Rural Administrative Infrastructure Development Programme (RAID) is a national programme for rural municipalities established by the Department of Constitutional Affairs to fund physical infrastructure for rural local government administrations, and capacity building for officials and support staff. The RAID Programme aims to assist rural local government to have a well-defined physical presence. RAID will provide a known point of contact between the communities and elected representatives, a secure place for receipt of payments for services, and a fixed venue for municipal meetings.

The sum available for this national programme is R170 million. Funding is in the form of once off grants. The distribution of the funds among provinces has been determined by taking into account three indicators - the size of the rural population, the number of rural local government structures, and surface area. On the basis of calculations using these indicators, the provinces which receive the larger sums are the Eastern Cape (R36.5 million), KwaZulu-Natal (R25.5 million), Northern Cape (R25.5 million) and Northern Province (R 25.3 million). Some provinces, such as Mpumalanga and North West, receive much less (R13 million and R15 million respectively) although a large proportion of their population have been categorised as rural. The disbursement of the funds is through Provincial Programme Managers (PPMs) appointed by Provincial Administrations. The PPMs receive applications from rural municipalities. The facilities to be erected, purchased or renovated must be an asset of a rural municipality, or a combined asset with a proposed community safety centre. The land on which facilities are erected must belong to a rural local authority, to a provincial government, or to a district/regional council. Only democratically elected rural municipal bodies can apply for grants.

To qualify for a grant, municipalities must motivate their financial capability to operate, maintain, and control the infrastructure and the office equipment included in the business plan. Rural municipalities must make budgetary provision for the operation of the infrastructure and the equipment. Although communities will benefit from the programme, they should not necessarily directly participate in the process of identifying the need for the infrastructure. Rural municipalities themselves will apply. The Department of Public Works prepared the design for the new infrastructure. The design is based on the Affirmable Procurement Policy (APP) on RDP projects developed by the Department of Public Works.

Although it would be desirable for all new municipal facilities to be grouped in the same area, it may well be the case that these facilities are not sufficiently advanced to tie in with the RAID Programme. The development of RAID facilities should not be held up or delayed by lack of information or decisions about other facilities.

The RAID Programme is intended primarily for rural structures, and not for structures at regional or district level. Any province that has opted for structures other than primary local government bodies will benefit less from the grant, even though the provincial allocation may be relatively generous.
59 CONCLUSION

Several problems were identified in evaluating programmes for infrastructure provision and represent a threat to these programmes contributing towards the objectives of long-run poverty eradication and inequality reduction. Most important are the inter-linked issues of low levels of service payments, subsidies and tariffs. The problem of low service payments confounds local government’s capacity to deliver service that will be sustainable. Low payment levels for services compound a difficult financial situation for municipalities. A combination of factors including the costs of incorporating former townships into municipal jurisdictions, low capacity for financial management in some areas, and inappropriate tariff and inter-governmental grant mechanisms have resulted in an unsustainable financial situation.

The solutions to overcoming these financial difficulties lie in improved financial management by municipalities, tougher measures for non-payers (including service cut-offs), closer monitoring of municipal finances by central and provincial government and the development of a culture of payment. As the effectiveness of the metering and billing system and the trust people place in it is a major factor in payment, this also needs to be a major priority if more costs are to be recovered through payment for services (Abrahams and Goldblatt, 1997).

Turning to the RDF, an important concern that is raised relates to the institutional context of rural development. A range of institutions currently shares responsibility for the implementation of any rural development policy. As might be expected, these institutions cut across all three spheres of government, with little clarity as to the roles and responsibilities at each sphere.

Lastly, while important steps have been taken in new policy initiatives for infrastructure provision, it must be re-iterated that restructuring the apartheid space economy has not yet been fully addressed. It is important that well-intentioned government programmes that seek to reduce poverty through strengthening the assets of the poor do not have the unintended consequence of ‘freezing’ the inherited apartheid spatial structures. This would leave the poor with little real choice other than to continue under the harsh commuter and migrancy systems that were established over the previous four decades. Accordingly, it is recommended that the development and definition of a national spatial policy for South Africa be undertaken as an essential step for confronting apartheid’s spatial inequalities and to ensure that the existing disjunctures between the livelihoods, assets and infrastructures of the country’s poor are overcome.
CHAPTER NINE
LIVELIHOODS AND ASSETS

“Give a man a fish and he’ll eat for a day. But teach a man to fish and he’ll eat for a lifetime” ... is the greatest half-truth ever spoken, for if the man has no tools to fish with nor a place to fish, all the knowledge in the world will not produce the next day’s catch (anon).

“I do not have a house. I do not have strength, I do not have a husband at home. I like to farm but I do not have power to plough with a tractor or buy fertiliser, because I do not work” (SA-PPA, 1997:104).

INTRODUCTION

International experience of poverty alleviation programmes suggests that poverty is not a static condition among individuals, households or communities. Rather, it is recognised that while some individuals or households are permanently poor, others may become impoverished due to life-cycle changes, shocks such as the death of a main income earner, or a deterioration in external economic conditions. (Rakodi, 1995:42). Because people move into and out of poverty, the dynamic concept of vulnerability is increasingly applied to understand these processes of change. The asset base of the poor counters vulnerability to poverty and the management of their complex asset portfolio represents a way in which sustainable livelihoods can be generated (Lawrence and Singh, 1997). As highlighted in Chapter One, poverty is therefore characterised by, not only an overall lack of assets and the inability to accumulate assets, but also an inability to devise an appropriate coping or management strategy.

In Chapters Four, Five and Six, key national policy issues regarding the strengthening of human capabilities, improving access to social and institutional entitlements and aspects of human made capital have been dealt with in some detail and thus will not be repeated here. The focus in this section narrows to evaluate several sets of specific kinds of policy interventions that are concerned with the promotion or strengthening of sustainable livelihoods. Overall, these are policies that potentially serve either to directly increase the assets of South Africa’s poor or to improve their range of choice with respect to alternative coping strategies.121

In total, eight sets of policy intervention concerning assets and livelihoods will be discussed in this chapter. First, the array of government initiatives that have been introduced to promote non-farm livelihoods in the small, medium and micro-enterprise economy (SMMEs) will be investigated. Second, attention turns to small-scale agriculture in both rural and urban areas. In the third and fourth sections, critical issues surrounding programmes for the redistribution of assets in the form of housing provision and land reform are detailed. Fifth, policies concerned with market reforms in micro-finance are discussed. In the next section, the focus shifts to examine issues relating to sustainable development in both urban and rural areas.

121 As will be recalled from Chapter One, this asset portfolio has been shown to include human capabilities, social and institutional entitlements, natural resources and human made capital.
The role of disaster management is explored in terms of ensuring that livelihoods are protected during periods of crisis. The seventh section turns to examine issues of social entitlements as embodied in social assets, with emphasis placed within the context of the threat posed to these assets of the poor by escalating levels of crime and violence.

61 SMME DEVELOPMENT

61.1 The Policy Framework for SMME’s

The set of programmes for assisting small, medium and micro non-farm enterprises (SMME’s), potentially offer a basis for addressing poverty. This would be achieved if such programmes strengthen existing coping strategies or offer alternative livelihoods for those individuals and households engaged in the survival informal economy. In addition, the programmes have the potential for redressing apartheid inequalities through broadening access to small and medium enterprises.

At the outset, however, it is acknowledged that the SMME economy is not a homogeneous entity; rather it is segmented into three sets of enterprises:

- survivalist enterprises of the informal economy;
- growth-oriented micro-enterprise; and,
- the formal SMME economy presently dominated by established white-owned enterprise.

It is misleading to conceive all participants in the SMME economy as potentially successful entrepreneurs. The majority of the population working in the SMME economy are unable or unlikely ever to make a transition away from struggles for meagre survival, “constrained by a number of factors which constantly reinforce their position at the bottom of the pile” (Horn, 1995:35). Worst affected are women, shackled by patriarchy and the responsibilities of childcare which limit both their choice of activities and their skills or capacity to pursue further training. Although some participants may grow towards micro-enterprise and formal SMMEs, most will stay behind and remain poor, becoming entrapped in a range of casual work relationships within the structures of the dominant formal economy (Rogerson, 1997a).

This situation points to a need for introducing a set of supportive programmes aimed at transcending the particular environmental constraints that relegate women to the poorest niches of the SMME economy (Horn, 1995). An integrated policy framework is required to take account of the set of specific factors that ghettoise women’s participation in the SMME economy largely to the area of survivalist enterprise. Suggested intervention programmes concern the organisation and regulation of informal workers, the redesign of social security systems, extension of child care provision and a monitoring system on SMME programmes that would allow a clear assessment of their impact on survivalist enterprise.

61.2 Assessing the Policy Framework

Existing government policy intervention for SMMEs represents a complex package of programmes. An important concern relating to the national SMME policy surrounds

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122 This section is based on Rogerson, 1996.
problems that arise from the internal contradictions and diverse objectives that underpin the current policy framework (Manning, 1996). The national government views SMMEs as key instruments for attaining several different objectives, *viz.* black empowerment, employment generation, income redistribution and the enhancement of competitiveness, particularly of small-scale manufacturing operations. These are very divergent policy objectives and the policy instruments required to effect them are also divergent (ranging from technology support, R&D support, to literacy and numeracy training, and access to basic information (Manning, 1996:68). Whilst it must be acknowledged that each of the policy objectives are both valid and critical in relation to issues of poverty eradication and inequality reduction, in the face of limited resources, these objectives require prioritisation.

The total budgetary cut for SMME programmes needs to be re-assessed and may need to be adjusted upwards from its current level of 2.9% of the DTI budget. However, before this takes place government will need to re-assess the directions and emphases in the SMME programme.

Research suggests that the conventional wisdom surrounding the equation of SMME promotion necessarily with employment creation must be queried. The broad evidence in support of the perception of SMMEs as important quantitative sources of employment is somewhat weak. Equally important is the question of the quality of the jobs that are generated through the SMME economy. Increasingly, it is suggested that the quality of employment in the SMME economy is poor with especially poor wage and work conditions among groups of primarily women home-based workers and the most severe work conditions occurring in survivalist enterprises.

It must also be cautioned that whilst SMMEs do represent one vehicle for redressing racial income inequalities, it would be dangerous for policy-makers to rely on SMMEs as the main agent for economic redistribution (Manning, 1996:65). First, reliance on SMMEs to redistribute wealth is unlikely to impact upon the concentration of economic power in formal medium and large enterprises. Second, the majority of African-owned businesses presently are very small, yield only limited incomes to their owners, and offer limited employment opportunities.

Finally, even if SMMEs are a successful channel of wealth to African entrepreneurs, this will not necessarily translate into reduced income inequality; instead, one unintended outcome may be the enrichment of a limited number of African entrepreneurs at the expense of the majority. The analysis of income inequality in Chapter Two suggests that this might already be occurring.

The issue of enhanced competitiveness generates considerable controversy that has already been touched on in Chapter One. Some observers see the introduction of flexible production into the South African economy as offering considerable promise for small-scale industry through subcontracting, which will increase competitiveness as producers integrate into the mainstream of the industrial economy. Others caution of the dangers of widespread “informalisation of formal enterprise” leading to highly exploitative labour conditions and work relationships under subcontracting (Rogerson, 1997a).
61.3 Assessing the SMME programmes

At the core of SMME programmes are the policy interventions introduced by the new institutions and structures set up to implement the national SMME strategy; the key actors are Ntsika Enterprise Promotion Agency (Ntsika) and Khula Enterprise Finance. In launching the implementation of programmes proposed in the White Paper on Small Business, national government severely under-estimated several vital institutional factors. These include:

- the problems of establishing the set of new support institutions;
- the capacity of these new support institutions to establish and implement a wide range of new policy initiatives; and,
- the capacity of the existing NGO network in South Africa to become involved in the highly ambitious set of programmes that were implemented both as regards financing and non-financial support for SMMEs in South Africa (Patel et al, 1995).

Overall, in the light of institutional constraints, the continual proliferation of new programmes for SMME development is itself a cause for concern.

These institutional problems provide important background to assessing the workings of the SMME programmes launched by Ntsika and Khula. At the heart of Ntsika’s interventions is the establishment and accreditation of a network of local business service centres (LBSCs) which are to deliver a package of non-financial business support and ‘real services’ to SMMEs. The first assessments of functioning LBSCs reveal a diverse range of experiences. But the broad conclusion must be that the activities of LBSCs should be further supported as they make a real contribution towards poverty eradication as well as the reduction of racial economic inequalities. Although the prime target of some LBSCs is the more established SMMEs, a focus on poverty eradication and economic empowerment of historically disadvantaged communities is a feature of most accredited LBSCs. Certain blockages exist in the network and operations of LBSCs. These demand policy attention as regards fine-tuning the programme. As one important example, the training programmes of several LBSCs perpetuate a concentration of women in certain traditional activities such as sewing, dressmaking and knitting. In addition, the outreach of small town LBSCs into surrounding rural areas is often weak and few linkages of LBSCs occur to local government and more widely to Local Economic Development planning initiatives. The existing network is too sparse to have an impact in these areas and would have to be extended geographically, particularly in the context of rural SMME development. Finally, there is a need to co-ordinate the LBSCs and their non-financing support services and the extension of financial support for SMMEs. This is especially important in cases of LBSCs situated outside of metropolitan areas where the demand for LBSC services is often restricted by the absence of NGOs operating in the financial sphere (Rogerson, 1997a:19).

A range of other yet newer SMME initiatives introduced by Ntsika can, potentially, impact on poverty or redressing inequality. The proposed Manufacturing Advice Centres will largely serve growth objectives through seeking to strengthen the competitiveness of more established SMMEs. But of real significance on a long-term basis, for affecting inequality and reducing poverty, is the enactment of initiatives to enhance access of SMMEs to both government and large private sector procurement/linkage programmes. Important suggestions are contained in the Green Paper on Procurement Reform (Department of Public Works, 1997) which can greatly contribute to urban poverty eradication as well as inequality.
reduction, *inter alia*, for improving the access of SMMEs to public sector procurement and especially for an affirmative SMME participation programme.\(^{123}\) Public procurement policy has been found to be a powerful instrument with the potential to stimulate “inter-firm collaboration” (Manning, 1996:240). Once again, for survivalist enterprises, the domain of the very poor, the impact of expanding the role of SMMEs through subcontracting and government tenders will be limited, as the greatest positive effects will potentially accrue to the more established SMMEs; for example, those who have the capacity to deliver goods and services of the required quality and quantity (Rogerson, 1997a).

It must be recognised that national programmes for SMME development hitherto have focused primarily upon the needs of urban-based SMMEs. There is a pressing need for a set of targeted interventions to address the special challenges of rural SMME development. International evidence points to the importance of non-farm income in the alleviation of rural poverty.

The existing National Small Business Strategy is a useful first step but does not go far enough in meeting the specific needs and constraints that face communities of disadvantaged rural SMMEs daily. Small-scale fishing is another possibility for some communities, and the Ministry of Environmental Affairs and Tourism is undertaking important steps in this regard. Broadly, quotas will be allocated to small and medium sized fishing enterprises, while the existing fishing industry is to be encouraged to uplift the position of their workforce.

Without the development of a rural SMME strategy for South Africa, rural SMME development is unlikely to happen. Detailed suggestions and recommendations for a strategic framework for rural SMME policies and programmes have recently been put forward by Ntsika in a policy document (Rogerson and Reid, 1997).

A twin-track strategy is proposed to address short-term poverty alleviation in terms of increasing levels of rural incomes and wealth and for long-term poverty alleviation by developing viable, sustainable rural SMMEs, which create long term jobs. Key areas for proposed policy intervention surround expanding the demand for the goods and services in the rural SMME economy and enhancement of the capacity of rural SMMEs to exploit opportunities. These suggestions provide a starting point for beginning a national process for rural SMME improvement.

Outside of national programmes, local government intervention is important for assisting SMME development. In particular, for groups of survivalist enterprise engaged in street hawking or the running of spazas, the activities of local government can exert a profound impact upon the economic health of these kinds of enterprise and of the coping strategies of poor households (Rogerson, 1997a). The establishment of formal markets, land use zoning and infrastructure provision (including storage facilities, toilets and rudimentary shelter), among others, are key areas of local government intervention which can impact positively upon the workings of, particularly, survivalist informal enterprise. In addition, the local planning and support of periodic markets is an attractive and inexpensive poverty-redressing policy intervention for SMME upgrading, not only in small towns and rural areas, but also as components in integrated projects for urban reconstruction.

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\(^{123}\) APP has been discussed in Chapter Seven
Only 3% (4 million ha) of South Africa’s land surface is considered to be high potential agricultural land. As a result of the lack of high potential land and various other factors, farmers often farm in marginal lands. This land is often of poor quality with limited water supplies. Estimates of land degradation in the rural poor areas of the country, for example, although not that reliable, indicate that at least 20% is severely degraded (3.9 million ha) and a further 40% moderately degraded (5.2 ha) (McKenzie, 1994).

Just over a quarter of African rural households (26%) currently have access to a plot of land for the cultivation of crops (PLSDS, 1993). Average land size for these households is 2.2 ha with poorer households having smaller amounts of land. A similar pattern is repeated concerning the ownership of livestock, with some 24% of African households in rural South Africa owning livestock with an average holding of 5.4 Mature Livestock Units (MLU) valued at approximately R4,300 in 1996. Ownership of agricultural and other productive equipment is also limited to 18% and 8% of rural African households respectively. Access to water for irrigation is an important constraint with more than 70% of irrigated land being controlled by white or corporate sector farmers.

Although agricultural production makes a small contribution to household income, over one third of rural households continue to engage in agricultural production, making it the third most important livelihood tactic used in rural areas after remittances and wages from low-skilled jobs. Many poor women value subsistence agriculture even though they recognise that this is a high risk activity and uses a great deal of time. Multiple cropping farming systems are thus important for the food security of many poor South African households. As an example, the SA-PPA reports that gardening is undertaken as a hedge against the lean season and serves a critical supportive function at particular times of the year. Importantly, the collapse of agriculture (whether permanent or seasonal) has an indirect negative effect on non-rural household members who may be called upon to assist those directly put at risk by the loss of this income source.

62.1 The Vision and Principles for Agricultural Development

The White Paper on Agriculture sets a clear vision for the future of the countryside, which has far reaching implications for poverty and inequality in rural South Africa. Further, as the Preamble to the Paper notes, agriculture is often the major factor in rural economic growth and contributes towards higher national growth rates.

Although agriculture is a provincial function according to the new Constitution, the national White Paper on Agriculture (1995:1) “reflects the fact that although agricultural functions are provincialised, agriculture has a national character as an integrated sector”. It also recognises that the role of departments of agriculture in the rural community must be co-ordinated with the roles of other government departments, NGOs and private enterprise “involved in and willing to rebuild and strengthen South Africa’s rural communities”. The Preamble also notes that in many areas the rural infrastructure needed for agricultural development (access roads, telephone services, electricity, and so forth) is lacking. Without this infrastructural support, the opportunities created in agriculture through land reform, and by bringing small-scale farmers into the mainstream of the government’s technical and financial assistance
programmes will be limited. Finally, the Preamble recognises that, in contrast to the past where the development of small-scale farming was seen as detrimental to the goal of ensuring national food self-sufficiency, the potential of smallholder farming is central to household food security.

The White Paper stresses that its intention is to provide a set of broad principles for the restructuring and future development of the sector. It provides an overall vision for South African agriculture that is based upon an “efficient and economically viable market-directed farming sector”.

The key recommendations that are proposed are:

- The development of comparative advantages: It is recommended that the various production areas should capitalise on their comparative advantages, seen to act as a guide to the production systems and practices that are appropriate locally. Government’s role is thus to focus on assisting farmers in identifying and using their comparative advantage, thus increasing their income and food security.

- Managed deregulation of markets: The White Paper argues that government intervention in agricultural marketing should be limited to the correction of market imperfections and socially unacceptable effects. To achieve this, the process of deregulation would have to be managed so that a marketing environment that reduces costs and increases demand is created. Special attention can be given to the needs of small-scale farmers to ensure equitable access to the market for all participants. However, government is urged not to intervene in the market to rectify socially unacceptable conditions if ‘non-market’ mechanisms are more appropriate.

- Sustainable utilisation of natural agricultural resources: The White Paper recommends *inter alia* that South Africa’s productive agricultural land should be retained for agricultural use, and that land users’ responsibilities towards the land should include the rehabilitation of mismanaged natural agricultural resources.

- Broadening access to agricultural financing: The White Paper points to the specific problems of previously disadvantaged and beginner farmers. Specifically, access to financial institutions is to be broadened in order to encompass the whole of the agricultural sector.

- Broadening access to institutional infrastructure: The White Paper advises that the existing co-operative structure should remain in place. Government policy on, and physical involvement in, the provision of goods and services to agriculture should promote the development of the private sector. In ‘developing’ areas, the role of government is expanded somewhat to render more extensive services during the initial stages of development, on condition that they are based on community involvement and demand.

- Improving access to information, agricultural technology, research, extension and training: It is proposed that appropriate information, research, extension and training should be made accessible and readily available and should be developed in collaboration with the end-users.

The details of the framework and strategies whereby this vision is to be implemented are still under debate in a new policy document on agricultural issues that was scheduled for
completion in October 1996. The process has stressed that the provinces will be closely involved in the policy formulation process and ten thematic working groups have been identified and are finalising their inputs.

62.2 Assessing the Vision
Broadly speaking, the White Paper for Agriculture is in line with the approach outlined in the GEAR. This is evident from the emphasis on comparative advantage, and that placed upon market forces. The role of the state to intervene in the market is permitted only in so far as this is necessary to correct imperfections. However, the manner or extent of this intervention is not specified and neither are the expected imperfections. A more proactive role for the state for the historically neglected ‘developing’ areas is implied, but again, little is said as to how this might be achieved.

These are important shortcomings of the proposed vision. Research suggests that rural populations face a situation of highly distorted, thin or missing markets (Carter and May, forthcoming; SA-PPA, 1997; Vaughan, 1996). In the absence of a clearer role for government intervention, there seems little reason to expect this situation will change. As such, the vision for the rural economy runs the risk of not providing meaningful direction for the bulk of the rural population for whom deregulation offers little, and who have few comparative advantages.

The emphases which will emerge through the new initiative to operationalise a White Paper are not yet clear, either from the terms of reference, or from the task team work in progress. The work that is being done to develop what are largely supply-side measures, will set the parameters and conditions for access to many resources and services in the rural economy and will have large implications for the reduction of poverty and inequality in the rural areas. For this reason, it is important that greater emphasis be placed on understanding the real conditions faced by the majority of rural households, and on identifying the leverage that government is able to bring to bear on markets. An immediate starting point is the recognition that agriculture is not the central activity for many rural households, although it does represent an important safety net for the most poor, and a means of accumulation for wealthier households.

62.3 Departmental Initiatives for Agriculture
The Broadening Access to Agriculture Thrust (BATAT) was envisaged to be one of the most important supply-side initiatives of the Department of Agriculture. The objective of BATAT was aimed at widening access to agriculture for those who previously lacked access. In this way, BATAT represented an important component of policies intending to redress the marginalisation of rural communities.

Many aspects of the BATAT programme are reminiscent of the apparently now defunct Farmer Support Programmes initiated by the DBSA in 1986. Indeed, the Farmer Support Programme was effectively transferred to the Agricultural Credit Board under the auspices of BATAT. The BATAT Programme differs from the Farmer Support Programme in that it is

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124 It should be noted that the old loans of the Farmer Support Programme were not transferred to the Agricultural Credit Board. These remain on the books of the Development Bank of Southern Africa.
directed to institutional reform and re-orientation, and to human resource development, rather than to the provision of credit for inputs and services.

Under BATAT, a new programme of farmer support and production loans was initiated. The new Agricultural Financial Assistance Programme (AFAP) was characterised by a broadening of the spectrum of financial intermediaries that were used to extend production loans to farmers. Financial assistance was divided into credit and non-credit components. Support measures in the credit component were classified under the Financial Intermediary Support Programme (FISP). The non-credit support measures fell under the Farmer Support Programme (FSP). A considerable sum has been disbursed through AFAP. Loan recovery seems to have been poor. The current status of AFAP is unclear, although it may well be the case that the programme is to continue until new programmes come on stream through the Land and Agricultural Bank.

It is not evident that the BATAT Programme is more appropriately targeted than the Farmer Support Programme. The small farmer group which it targets is extremely limited and it does not seem certain that such small farmers will emerge from the Land Reform Pilot Project as currently conceived and implemented. Nor is it clear that such a group would emerge as a result of the state and private sector large and medium scale settlement programmes. The needs and aspirations of people benefiting from these programmes are likely to be consonant with the needs and aspirations of commercial farmers who have been well-served by existing credit, support, and research systems.

As a result, the BATAT Programme has run the risk of falling between two stools. It does not mesh with the land reform programme, neither does it mesh with the Farmer Settlement Policy. To some extent, the constituency it is meant to serve does exist within the contract farming schemes of the sugar and timber industries. Moreover, as a specific programme BATAT has apparently failed to materialise. Although the programme is mentioned in the Rural Development Framework (1997), it appears to lack institutional form. However, these producers have long had access to broadly based credit schemes, and are now beginning to have access to well-targeted training programmes, all orchestrated by the private sector.

62.4 Peri-urban Agriculture

The development of peri-urban agriculture has been suggested as an option for livelihoods opportunities for the urban poor. Especially in the peri-urban areas of secondary cities and small towns, the potential for promoting greater access of the poor to natural resources, and of establishing an active peri-urban agricultural sector, requires serious investigation and support measures designed to improve access of the poor to cultivable land (Task Team et al, 1997). The White Paper on South African Land Policy (1997) makes provision for a delinked grant to local authorities for the acquisition or extension of commonage for allotments, community gardens or grazing. Gardens and allotments will need to be irrigated if production is to be sustainable. Support and grant financing for irrigation development can be provided through the provincial Departments of Agriculture. Often the constraints to the development of urban and peri-urban agriculture do not derive from the national land and agriculture policy frameworks. Instead, they derive from traditional land use planning and urban management practices that have not accommodated urban and peri-urban agricultural production. Land has not been set aside for agricultural purposes. Policy parameters to facilitate the development of irrigated urban and peri-urban agriculture need to be formulated.
Policy formulation should be based on clear identification of legal, institutional and economic constraints, and should make recommendations about how such constraints could be addressed.

62.5 Community Gardens

In rural areas, the role of micro-scale agriculture on community gardens offers similar opportunities. Although the community garden experience in former Bantustan areas has been somewhat ambiguous, partly due to poor support and impossible logistics, there is every reason to continue to implement garden projects in these contexts. Respondents in the SA-PPA repeatedly stressed the importance of such gardening as a coping strategy, and women emphasised that these activities ensured that they retained control over an income source.

There is a wealth of community experience and knowledge that can be drawn on; Brooks and Friedman (1991) document a thirty-year history of community gardens in the former KwaZulu areas. In general, this experience is difficult to assess. There have undoubtedly been serious problems. An investigation of irrigated community gardens in the Transkei conducted in 1993 (McIntosh, Quinlan and Vaughan, 1993) revealed some characteristic problems. Unavailability of inputs and lack of transport were critical constraints. Transkei garden members also often did not have the means to purchase inputs, even if these were available, and competing pressures on household labour was a difficulty. Organisation was difficult to create and sustain, and organisational incoherence impacted particularly negatively when technological problems developed in the irrigation systems. Nonetheless, community gardens have offered production opportunities to poor rural people, and have enhanced household food security.

63 Housing

Housing is a critical asset for the poor and a situation of insecure housing increases their vulnerability. In contrast, secure housing is a productive asset that can serve to cushion the poor against the long-term impacts of poverty. Not only does it provide shelter and space for human development but also its security encourages households to invest further in it. Homeowners may rent out rooms, sell part of their plot or, as a last resort, sell all of their property. A secure house is an important source of credit, providing recognised collateral for loans. Even in those rural areas where communal tenure prevails, households are able to use their housing as a base for home enterprises, providing women in particular with opportunities for economic activity (Moser, 1996).

Overall, policies and programmes that focus on housing as an asset can assist households to become less vulnerable, offering them a greater number of choices and opportunities for development. For housing to impact positively on the poor, it needs to specifically target them by asserting their rights and ensuring their achievement. In terms of detailed strategies for housing as an asset, there is a need to provide security of tenure and, if possible, the provision of essential services (water, sanitation, and electricity) to promote the productive use of the home. In addition, the manner of housing delivery should reinforce and promote the social relationships of trust and reciprocity within the community. It should afford the

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125 This section is based on Smit and Williamson (1997).
poor choices and opportunities that best suit their particular circumstances. Lastly, given that they represent the majority of the poor, women should not be discriminated against in their access to housing through their rights of tenure or ability to apply for loans and instead, should be specifically supported (Smit and Williamson, 1997: 8).

63.1 The Policy Framework and Key Programmes

The housing sector in South Africa has not been operating well. The under-performance of the housing sector has major implications for performance of the economy, the efficiency of cities, as well as the welfare of the poor.

The problems of the housing sector lie, in part, on the supply-side and others on the demand side. Supply side constraints include under-investment in terms of share of the national budget, the limited capacity of the construction sector, institutional bottlenecks and the fear of risk among financial institutions. In addition, another key factor is that the design of South Africa’s cities is wasteful, inefficient, inequitable and costly to manage. On the demand side, apartheid policies had significant effects in terms of African housing demand. Affordability constraints due to low incomes, high unemployment, circular migration, a history of prohibition on African home ownership, spatial inefficiencies of high transport costs and limited access to credit from the formal finance sector are some of the factors constraining effective housing demand among the majority of South Africans.

Major inequality characterises South Africa’s under-performing housing sector. For whites the average floor area per person is about 33 square metres whereas for Africans it is 9 square metres in formal housing and a meagre 4-5 square metres in informal housing. Currently, the poor reside in a diverse range of shelter conditions, including self-built traditional structures, hostels, backyard shacks, garages and out-buildings, spontaneous informal settlements, planned site-and-service schemes and upgrading projects, state-owned rental housing, inner-city flats and employer-owned housing. Informal housing is the most prevalent means by which the poor access shelter. In urban areas about one-third of existing stock is informal and in the PWV an estimated 80% of newly built housing is informal, manifest either as unplanned informal settlements or backyard shacks (Smit and Williamson, 1997:10). Importantly, many of these forms of accommodation are regarded as illegal, have insecure tenure and are characterised by limited services, overcrowding and inadequate or deteriorating physical conditions. Socially, the housing situation contributes to considerable dissatisfaction and dysfunctional behaviour, including criminality and violence. Overall, it is clear that the current housing situation in South Africa does not offer the poor an asset that can reduce their vulnerability and promote their socio-economic development (Smit and Williamson, 1997:11). In order to address circumstances of poverty and inequality in housing, it is important to have a framework that is robust and flexible enough to accommodate variety and to provide a set of programmes that address specific concerns.

The Department of Housing (DOH) views housing as a variety of processes through which stable and sustainable public and private residential environments are created for viable households and communities. Accordingly, it recognises that the environment within which a house is situated is as important as the house itself in satisfying the needs and requirements of occupants. The essence of current national housing policy is represented in a 1994 White Paper, a Record of Understanding between government and the Association of Mortgage Lenders, several implementation manuals, reports by the DOH's Task Team and finally, a
proposed Housing Bill. The national housing vision is sketched in the White Paper as follows: “Government strives for the establishment of viable, socially and economically integrated communities situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities. Within these all South Africa’s people will have access on a progressive basis to: a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; and potable water, adequate sanitary facilities, including waste disposal and domestic electricity supply”. Moreover, the White Paper specifies a two part national housing goal, namely to increase the housing sector’s share of government budget from its current 1% to 5%, to increase delivery incrementally to 350,000 units per annum within 5 years and to produce at least 1 million units over those 5 years.

The policy framework is articulated around several substantive areas or programmes. The most far-reaching and important is the national subsidy scheme, which is administered through Provincial Housing Boards and provides a once-off capital subsidy for land, housing and infrastructure to those beneficiaries earning less than R3,500 per month. The subsidy scheme represents a compromise between popular demands for the state to deliver complete houses for all and a concern to spread housing benefits widely (i.e. a compromise between width and depth). The maximum lump sum subsidy (which is available for the very poor) is R15,000, which in most contexts is insufficient to cover the costs of a serviced site and a 40 square metres top structure. Thus households must augment the subsidy with a loan (or from own savings) or embark on an incremental housing process where only a rudimentary shelter can be provided at outset. Another feature of the subsidy system is its concern with ensuring that private sector delivery agents are not squeezed out by ‘unfair competition’ from the public sector. The housing subsidies can be accessed through a variety of approved routes, namely: individual subsidy, a project-linked route and an institutional (such as housing association) route. Subsidies are targeted at new housing starts, although top-up subsidies can be accessed where state investments in prior projects are below the amount of subsidy on offer (Smit and Williamson, 1997). In addition, there are also funds available through the Discount Benefit Scheme to allow beneficiaries to purchase their government-owned houses, as well as a hostels redevelopment programme.

A second area of intervention concerns an expansion of housing credit to the poor through making the enormous resources in the finance sector available to the majority of the populace. This is discussed in the section below on micro-finance.

Finally, the housing policy framework seeks to rationalise the institutional environment in order both to achieve delivery and to circumvent political conflicts. The Constitution defines housing affairs as the concurrent responsibility of both central and provincial governments. In principle, central government is empowered to set parameters for provincial housing policy formulation and beyond the observance of such parameters, provinces are constitutionally empowered to either adopt policy developed by central government or to formulate new policy. In practice, few provinces have attempted to formulate distinct provincial policies. Nonetheless, in certain instances some significant departures from central government policy have been implemented. In the Free State, the provincial government rejected the notion of incremental housing and has set a 40 square metres minimum standard for top structures as a pre-requisite for subsidy approval. The net effect has been that the very poor simply cannot access housing subsidies. In another departure, the Free State and certain other provinces allow local authorities to subsidise the provision of serviced sites and to use housing
subsidies for top structures only. In addition, the Free State permits local authorities to use subsidy money as bridging finance (at zero interest), a situation not allowed for the private sector unless they are working through a local authority, effectively as contractor not developer (Smit and Williamson, 1997).

The result of these departures has been to make it very difficult for the private sector to operate as packagers and initiators of projects in some provinces. This places an additional burden on already overstretched local authorities who lack the capacity to take the leading role and on the poor, who remain without adequate housing. At root, the problem arises because of central government’s failure to distinguish those parameters of housing policy that are in the national interest from those that are open to provincial interpretation. It is recommended, in line with the Ministerial Task Team that apart from specifying what the national level parameters are, steps be taken to operationalise housing policy making and accountability at provincial level (Smit and Williamson, 1997:26).

63.2 Assessing the Policy Framework and Housing Programmes

The fact that housing has been a very public barometer of government performance has resulted in a range of criticisms and assessments of the workings of housing policy which have emanated from different ideological stances (Smit and Williamson, 1997). For some critics, within two and a half years after its adoption, the whole policy framework and associated set of programmes is asserted to be an embarrassment and a complete failure with the entire thrust of policy described as ‘market-centred’ (Bond and Tait 1997). By contrast, from the lobbyists of ‘make-the-market-work’ a different set of criticisms are offered, particularly concerning the inappropriate design of housing subsidies and linkages to financial markets.

In this assessment the impact of current housing policy and practice is evaluated insofar as it addresses the inter-related challenges of poverty and inequality. In general, the new policy must be acknowledged as marking a significant break with the apartheid past and placing at centre stage, the poor and issues of low-income housing (Smit and Williamson, 1997:33). First, a pro-poor housing policy framework has been set in place which demonstrates a strong commitment to addressing the housing needs and aspirations of the poor and to confronting apartheid legacies and imbalances, particularly as manifest in increased allocations to housing in the national budget. Second, the poor are specifically targeted through the housing subsidy system. Indeed, despite its faults and teething problems, the new subsidy system is a considerable departure from and improvement upon that established during the apartheid era. The DOH has unequivocally shifted away from the form of housing support of the apartheid period and committed itself to a non-discriminatory housing programme that is primarily directed towards assisting the poor in accessing housing opportunities. It is clear, however, that non-discriminatory practices and gender equality are still goals to be attained with respect to poor women’s access to housing (Parnell, 1996). Evidence exists that women still suffer discrimination under the workings of the new subsidy scheme and that gaps exist in the current housing subsidy that must be filled to ensure that gender equality becomes a reality rather than simply a statement of intent (Smit and Williamson, 1997:35).

Overall, the implementation of policy has demonstrated both achievements and failures that will need to be addressed in order to optimise the government’s impact in future on reducing poverty and inequality in the housing sector. At the centre of the controversy is the provincial
target for the One Million Houses Programme and the very slow delivery of housing opportunities. As of end-June 1997 more than 590,000 subsidies have been approved and 248,100 sites built or currently under construction.

The bulk of subsidies have been allocated to households earning under R800 per month and if present trends continue, most of the funds allocated to the subsidy scheme will eventually reach a significant proportion of South Africa’s poor (Smit and Williamson, 1997:37).

The most common subsidy is the project-linked subsidy which delivers a very basic shelter, a plot of approximately 250 square metres with secure tenure and a combination of infrastructure services (Abrahams and Goldblatt, 1997). Project based subsidies are allocated to developers that undertake new construction or in situ upgrade projects with the amount of subsidy determined by the number of qualifying beneficiaries in each of four subsidy income bands (Swamy and Ketley, 1997:33). The subsidy is paid directly to the developer in stages and the developer reduces the end-cost of the provided dwelling by an amount that is equivalent to the subsidy allocated to the beneficiary. By end-June 1997 525,000 project linked subsidies were approved as opposed to only 42,000 individual subsidies, which are paid directly to individuals who then deal directly with a builder or seller. Little interest was attracted to institutional subsidies; however, recently government has promoted this form of subsidy in terms of developing social housing. Making use of this form of subsidy, potentially between 15,000 – 30,000 new rental units will become available. Geographically, most housing projects occur in and around urban areas; significantly the rate of subsidy approvals has varied between provinces with Eastern Cape and KwaZulu-Natal the worst performers in relative terms. Delays in subsidy approval in these regions result in the erosion of the subsidy by inflation, reducing its impact on assisting the poor (Smit and Williamson, 1997:38).

However, the performance of the sector in terms of delivery has been disappointing. Less than 21% of the funds available for low cost housing for the 1995/6 financial year had been spent by the end of January 1996. A rollover of funds took place in the March 1996 budget and the proportion of the national budget allocated to housing was cut back because of inability to spend the money. This has resulted in the housing budget decreasing by R2,1-billion from a 1995/6 overall total of R3,6-billion to R1,5-billion in 1996/7.

A positive feature of evolving policy and housing programmes is that they allow for a considerable variety of housing delivery systems, which if carefully selected and well-managed, can assist in addressing the diverse needs and aspirations of the poor. The DOH has recognised the presence of the diversity of processes by poor individuals and communities in addressing their housing needs. Within the current context, the most favoured are upgraded and serviced sites, which ensure basic health and safety of residents, deliver secure tenure and facilitate access to end-user finance, which are significant for reducing the vulnerability of the poor. In addition, these delivery systems are accompanied by support-oriented mechanisms, most importantly the housing support centres, designed to facilitate the self-help process. Although surveys of housing project beneficiaries disclose dissatisfaction with aspects of the housing process, particularly of lack of amenities, costs and inadequacies of information, many comment on the positive improvements in their lives that the subsidy has provided. These include the provision of taps, sanitation and, most importantly, a feeling of ownership and security (Smit and Williamson, 1997:41).
64 Land Reform and Redistribution

Land reform has the potential to address the situation of the rural poor directly. This is critical, because as has been shown, rural people, and particularly rural women, are disproportionately poor, and there are a limited number of interventions that seem well suited to assist them. Land reform also has the potential to restructure profoundly the agrarian economy of South Africa, and thereby, to change existing patterns of inequality in rural areas.

64.1 The Context for Land Hunger

About 68% of South African’s black rural households desire farmland (Marcus et al., 1997). Although figures are not available for non-agricultural land, it can be assumed that some of the 32% who do not desire farmland do indeed want land for residential or other purposes. The demand for farmland is uneven from province to province. This finding most likely reflects the fact that farming is perceived to be more viable in some areas and so the demand for land is greater. Most people want small amounts of land with 48% of those wanting farmland wanting 1 hectare or less. Although the overall mean demand for land is 13 ha, this is skewed by the demand of a few people for very large amounts of land. Finally, men want far more land than women by a factor of 5.

The demand for land is related to how much land one already has: those with a small amount (less that 1 ha) want less than those with none or those with more than 1 ha. This may suggest different motivations for wanting farmland. Those with none to begin with want it in order to meet welfare needs, while those with relatively large amounts seek it for more commercial purposes.

64.2 The National Land Reform Programme

The South African land reform programme has evolved with attention being placed on issues of equality. In the formulation of policy, particular attention has been paid to the interests of the rural poor and the interests of rural women. In being operationalised, the land reform programme has been broken into three elements: redistribution; restitution; and tenure reform.

- Redistribution aims to provide the disadvantaged and poor with land for residential and productive purposes and will benefit the urban and rural poor, labour tenants, farm workers and new entrants to agriculture.
- Restitution cases are dealt with through the Land Claims Court and Commission, established under the Restitution of Land Rights Act of 1994. Eligible cases are largely the victims of forced removals since 1913.
- Tenure reform seeks to improve tenure security of all South Africans. This programme includes a review of current land policy, administration and legislation with a view to accommodating more diverse forms of land tenure.

In terms of the number of households to be affected and the amount of government money to be spent on land reform, the redistribution and tenure sub-programmes are likely to far exceed restitution.

As a whole, the land reform programme is designed to:
• Address the injustices of the past;
• Provide for a more equitable distribution of land ownership;
• Reduce poverty and contribute to economic growth;
• Ensure security of tenure for all; and,
• Support sustainable land-use patterns and facilitate rapid land release for development.

Most beneficiary households will apply for and be settled as members of groups. This reflects two things: a) a common - though by no means universal - preference for communal settlement; and b) proportionally greater buying power when beneficiary resources are pooled, e.g. for the buying of land and infrastructure. Most beneficiary households in rural areas will acquire some agricultural land, but not enough to become self-sufficient, full-time farmers. That is, the programme will enable people to become part-time farmers, by which they can supplement their diets and cash incomes.

The benefits of land acquisition and resettlement will be felt most in times of acute economic hardship - that is, land reform serves the function of a safety net which has implications for both direct beneficiaries, and their family members still living elsewhere.

To date, the majority of beneficiaries have fallen into three categories:

• Tenure reform programme: This process is proceeding by way of pilots or test cases.
• Restitution: The vast majority of restitution claims are still pending, either with the Commission on the Restitution of Land Rights, or with the Land Claims Court.
• Land Reform Pilot Programme (LRPP): The LRPP was launched in 1994 and serves more or less as the prototype for the ‘mainstream’ land redistribution sub-programme that is soon to come into effect. The LRPP was subsumed within the mainstream land redistribution as of March 1996.

Of the three branches of the Department of Land Affairs’ land reform programme, tenure reform is arguably the one that will have the most far-reaching consequences, in large part because of the masses of people involved. Although no reliable figures exist as to how many people have insecure tenure, it can be surmised that the majority of those living in the former bantustan and former South African Development Trust (SADT) areas can be characterised as having insecure tenure of one variety or another. This amounts to some 3,9 million black rural households. In addition, there are presently around 1.3 million households living in informal and squatter housing in and around urban areas, and roughly 800,000 permanent farmworkers and their on-farm households whose lodging is only as secure as their jobs. This yields a rough sum of around 6 million households.

By contrast, land redistribution is unlikely to affect more than 1,5 million households over the next ten years. Thus, although land redistribution will be important numerically, if the tenure reform programme were to develop fast and efficient mechanisms to deal with tenure issues, it could become by far the most important of the land reform sub-programmes. Indeed, many redistribution transfers are likely to occur as part of the tenure upgrade process, i.e. so as to resolve over-lapping claims. Land restitution, which is mandated by the Constitution, is unlikely to affect more than 500,000 households, both urban and rural, over the same amount of time.
In attempting to forecast the future rate of delivery, at least three factors must be considered: administrative capacity, the adequacy of current budget levels, and the availability of state land. At present, the most pressing constraint is administrative and not financial. There are also concerns about the role of local government and the lack of capacity at this level, more work is required to develop policy links between this sphere of government and both national and provincial land reform offices. If and when provincial land reform offices develop ‘district-based’ offices, this link can possibly be made very strong and mutually beneficial.

However, once the delivery problems are ironed out in terms of administration and procedures, there will then be an inadequate budget with which to make substantial progress, unless the present budget share going to land reform is increased. The total budget for land reform for 1997/98 is (exclusive of roll-overs) R583 million, of which R64 million is for the restitution programme and R322 million for the redistribution. This will accommodate only about 1,4% of the African rural households who are demanding farmland.

The role of state land is important, particularly given the perception that state land is abundant, and in any event should be used for land reform before private land. To some extent, state land will defray the costs of land reform, but its abundance is not so great, and its disposal is not uncomplicated. In terms of availability, the problem is that much state land is not suitable, is necessary for other purposes, or is already occupied by people who themselves would qualify as beneficiaries of the land reform programme, e.g. tenure reform. The principal source of state land is ex-SADT land, of which, nationally, there are 1,15 million hectares. Of this, at most 400,000 is available and appropriate for settlement, at a total value of around R370,000. As such, it is enough to settle around 35,000 households, i.e. less than 1,4% of the demand.

While access to land may be an important condition for supplementing the livelihoods of the rural poor and providing a welfare safety net, it has also been argued that the success of the programme will depend a great deal on complementary measures. These measures include extension support; improvement of marketing infrastructure; access to credit and other financial services; and the creation of rural off-farm income opportunities. Thus, a general reform of institutions and markets in the agricultural sector is necessary to increase the benefits of land reform to poor households. Post-settlement support, in terms of training, finance and advice, will be crucial. One of the weaknesses of the present land reform programme is the lack of co-ordination between the Department of Land Affairs and both national and provincial Departments of Agriculture. However, attempts are presently being made to rectify this through the recent policy process being instituted by the Department of Agriculture.

64.3 Assessment of the Land Reform Programme

The general progress of the land reform programme to date is unimpressive in terms of households resettled or gaining secure tenure, but more impressive in terms of setting up institutional structures, establishing planning procedures, and learning to identify and overcome the delivery bottlenecks at different levels.

As of April 1997, a little more than 136,000 households were involved in 372 formally-approved projects in the country as a whole. As of March 1997, the Department of Land Affairs has recorded 35 approved tenure reform projects, meaning that the projects have been approved by the relevant Provincial Steering Committee or the national Screening and
Priorities Committee. Most of these 35 are applications of the Upgrading of Land Tenure Right Act, but some are re-titling of former state land for long-time informal tenants.

Presently the DLA is addressing itself to areas where acute problems have been identified, but ultimately the ‘demand’ for tenure reform covers, at minimum, virtually all of the former bantustan and ex-SADT areas. The Department is therefore likely to adopt a targeting approach, where a certain share of the former bantustan population or communities across the country will be treated in a given year, perhaps with priority given to especially urgent cases. Recently established targets are around 6-7% for each province over the next 5 years, that is, from 1997/98 to 2001/02, giving a total number of households of around 350,000 rural and 330,000 urban households.

Because of the scale of the issue to be addressed, it is generally accepted that DLA staff cannot be the sole drivers of land reform. Moreover, it is very expensive to rely extensively on contract employees, given the time-consuming nature of the facilitation for rights inquiries and tenure upgrade. The model currently favoured for possible adaptation is that of Botswana’s Land Boards. If applied to South Africa, there would probably be one Board associated with each District Council area, or more for districts that are either very large or very populous.

The tenure reform programme of the DLA is notable in the complexity of the issues it seeks to tackle, and in the relative uncertainty about how it will manage to do so. In contrast to redistribution, which operates according to relatively straightforward processes of market land purchase and development, tenure upgrade often involves an exhaustive investigation into a given area’s pattern of rights, however informal, overlapping, or contradictory. Restitution shares some of this aspect, in that the restitution claims are also occasion for meticulous investigation (i.e. into claims, competing claims, counter claims, etc.). The well-known difficulty and slowness of the restitution process is probably indicative of what confronts tenure reform as well - only tenure reform concerns a far larger number of people and communities.

It appears that the developers of South Africa’s land reform policies have recognised that, internationally, the imposition of tenure reforms have not been successful. Indeed, such impositions have generally supported the position of local bureaucrats and other members of the rural elite. Thus, South Africa’s tenure policies are intended to be demand-led and are aimed at recognising existing patterns of tenure rights. There is also a strong bias towards equity in the programme, with equality of treatment for all types of land rights. While this approach has a number of procedural advantages to recommend it, it is also likely to be highly time-consuming and draws heavily on human resources. As a result, the capacity of the DLA is likely to be an important barrier to implementation.

Overall, the progress of land reform in South Africa has been undeniably slow, due in part to the need to develop appropriate delivery mechanisms, as well as the complexity of existing and proposed tenure arrangements. Indeed, it could be concluded that given present delivery capacity and current national budget allocations, the DLA reform programme will never catch up with demand, because it will be outstripped by natural population growth in rural areas. This ‘worst case scenario’, however, is not very likely, since delivery capacity has already shown strong evidence of improving, not least because of the commitment of provincial and local government to play an expanded role. The fiscal resources comprised 0,3% of the non-interest national government budget for 1996/96. This could be multiplied
several fold without having a significant impact on the overall government budget, while placing delivery on a much more satisfactory trajectory.

Finally, now that many administrative and technical issues have been resolved, it is important that the Department of Land Affairs continues to expand capacity, both in terms of departmental staff and in terms of local support personnel. If capacity is expanded, however, it is expected that the land reform programme will come up against fiscal constraints at the present tiny level of funding. It is therefore important that future budgets allocate a greater share of government resources to this activity. This must go hand in hand with developing provincial and local government capacity, e.g. for land administration and provision of support services.

65 Micro Finance

Improving access to financial markets is an important market reform that can assist in the reduction of poverty and inequality. Four spheres of financing are particularly relevant in the reduction of poverty. These are:

- Financing of land;
- Financing of housing
- Financing of farm and non-farm production.

65.1 Financing Land Reform and Land Development


- The Settlement/Land Acquisition Grant: This grant is set at R15,000 per household and can be used for the purchase of land, for on-farm capital items, for investment in internal infrastructure and top structure, or for enhancing tenure rights.
- The Grant for the Acquisition of Land for Municipal Commonage: This grant is for local authorities to acquire land to extend or create a commonage for establishing schemes for the productive use of land - food gardens, grazing, or woodlots - for the benefit of poor and disadvantaged residents.
- The Settlement Planning Grant: This grant is to pay for professional assistance in preparing projects and settlement plans.
- The Grant for Determining Land Development Objectives: This grant is for resource-poor local authorities to access planning services where land reform planning is an element in preparing Land Development Objectives in terms of the Development Facilitation Act of 1995.

The initial grant structure for land reform set out in the Green Paper on South African Land Policy (1996) is considerably modified and refined in the White Paper. There are two essential differences. The first is the inclusion in the White Paper of a specific (delinked)

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126 This section is based on Vaughan (1997).
127 The financing of non-farm activities occurs as part of initiatives for SMME development in rural areas.
grant for the acquisition of land by primary local authorities for accessing or extending municipal commonage. The second is the replacement of a District Planning Grant (the purpose of which was to provide an integrated framework for decision-making and resource allocation) with the Grant for Determining Land Development Objectives. These modifications to, and refinements of, the grant structure provide for a degree of decentralisation of land reform and they imply an enhanced role for local government in initiating and implementing land reform programmes. However, as is pointed out in the White Paper (1997: 28), although municipalities have legislative competence over land allocation and management, many are not aware of these powers or do not know how to exercise them, or they are not prepared to make commonage available to ‘outsiders’.

The shifts in policy and the changes to the grant structure set out in the White Paper may provide a basis for a degree of re-orientation and decentralisation of the land reform programme. Such re-orientation is urgently needed, given some of the negative (and unintended) outcomes which policy, as articulated in the Green Paper, has had. Thus far, the state’s land reform programme has tended to generate non-economic rural settlements which are difficult to service, and which offer very little in terms of generating livelihoods. The White Paper has partially responded to the concerns that have been expressed about the character and the sustainability of current land reform projects through the policy amendments outlined. The provision for extending or creating municipal commonage in the White Paper, and the Department of Land Affairs’ commitment to ensuring that existing commonage is used for land reform may lead to some diversification of land reform programmes and projects. Programmes and projects that open or extend livelihood chances may come on stream. The provisions in the White Paper for diversifying projects, and for drawing local government into the land reform process, are, however, partial and unsatisfactory. There is a strong argument for decentralising land reform to a district/regional level (as proposed in the Rural Development Framework, 1997) so that land reform can be integrated into regional planning processes. In the absence of such decentralisation it will be difficult to incorporate land reform into local development planning.

65.2 Housing Finance

The issue of financial services for housing is addressed by attempting to gain the co-operation of private sector finance institutions by assuming some of the risks usually taken by the private sector. The most significant risk interventions are the creation of:

- a Mortgage Indemnity Scheme; the formation of Servcon, which endeavours to ‘normalise’ the existing lending environment by offering special arrangements to those who have defaulted on loan repayments;
- the Product Defect Warranty Scheme in which housing developers must provide guarantees against defects; and
- the National Urban Reconstruction and Housing Agency which uses guarantee funds to mobilise bridging and end-user finance for purposes of low-income housing.

128 The Green Paper did not contain a specific commonage programme although there was provision for local governments to apply for the Land Acquisition Grant.
In addition, a National Housing Finance Corporation was launched in 1996 to mobilise wholesale finance for the housing sector with a special focus on facilitating the activities of the non-traditional lending sector (such as stokvels) (Smit and Williamson, 1997).

65.3 Farm and Non-farm Production Finance

Financial assistance to small-scale farm and non-farm enterprises needs to be restructured to improve the income earning potential of people involved in this sector. Currently, only the manufacturing companies in the informal sector have any hope of receiving financial help. Yet the main bulk of the informal sector lies in consumer services and in agricultural activities. This implies that the current emphasis on small, micro and medium-sized companies (SMMEs) in the manufacturing sector falls short of addressing the most vulnerable groups that are found in services. It needs to be recognised that the development of these programmes is aimed at economic growth and not at addressing poverty. In future, programmes need to be investigated which contribute to growth and develop potential in the services sector, keeping in mind the living and working conditions of those within the sector.

Policies to help those wanting to be self-employed or to own small business through the creation of a favourable regulatory and licensing environment and access to complementary inputs such as credit and new technology are needed (Figueiredo and Shaheed, 1995). Banking facilities for people without ordinary access to banks and therefore to loans and credit have been developed in Asia for self-employed women in crafts and services, and should be investigated more closely in South Africa. The Grameen Bank in Bangladesh is an example of a development oriented attempt to help the poor through credit. It has linked savings and credit and targets those who are not able to access formal finance. This type of banking gives access to the poor and simultaneously makes productive use of loans. India’s Integrated Rural Development Programme is another example of a large-scale country-wide intervention designed to create assets for the poor so as to generate incomes via self-employment.  

Government policy in South Africa has investigated the provision of finance to both farm and non-farm activities through grant funding in the case of the former and lending schemes for the latter.

The purpose of the grant fund for small farming development is to assist ‘emerging farmers’ and small food producers to develop and/or to improve their production efficiency. An ‘own capital’ contribution is required to access the grant. Two main types of project are identified. Firstly, there are projects which are oriented to economic growth, and which aim for higher efficiency. Secondly, there are projects aimed at empowering the poorest of the poor. The latter have a food security orientation, they usually involve low input low output production systems, and they do not generate much surplus.

Three categories of grant funding are available. The grant for off-farm infrastructure should allow a group of people to develop or improve production efficiency. Infrastructure such as pumping stations, main water canals, and access roads can be provided through this category.

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129 In operation since 1978, this scheme finances a variety of investments through a combination of loans and subsidies for households whose incomes fall under the stipulated poverty line. Currently, 3 to 4 million rural households are targeted annually for benefits under the programme.
of grant. The grant for on-farm infrastructure for emerging farmers provides once-off assistance for acquisition of infrastructure such as irrigation main lines, holding dams, minimum stock watering facilities, boundary fencing, and conservation works. The grant for on-farm infrastructure for household food security represents public financial support for infrastructure where there is no cost recovery prospect. The capital grant is made available where the project is a community asset, and where individuals have a cultivation right that is not necessarily tradable. The grant can cover boundary fences, water supply to field edge, and connection points for water, but not irrigation equipment. Grant funding is also available for process and transaction costs for access to farm land. These grants can be accessed to enable new buyers of land to acquire negotiation skills, to access project planning skills, or to cover transaction costs.

The logic behind the typology of projects for which grant funding is available does not seem clear. In practice, grants seem to target small-scale irrigation schemes and community gardens that have been implemented with greater or lesser degrees of success in the former bantustans. The importance of this grant funding can hardly be over-emphasised. This is one of the very few programmes that attempts to improve the asset base of the poor. The business plan requirement should mean that projects will be better planned than in the past, and there should be better extension support through the integrated provincial departments of agriculture. A concern is the discretion that exists for government officials in apportioning funds between economic projects, and ‘poorest of the poor’ projects and the level of the agricultural bureaucracy at which it occurs.

Improvements also need to be effected in the important activity of expanding access to financing for non-farm SMMEs through on-lending. The Khula lending programme has only been in operation since January 1997; none the less, Khula officials concede that the volume of loans that have been made to NGOs is currently insufficient to meet the needs of the SMME community. Moreover, the present reach of the programme is geographically uneven and must be broadened. Another bias inherent in the present programme is towards funding the more established SMMEs rather than survivalist enterprises. The major problems appear to be the lack of suitable NGOs or other Retail Financial Intermediaries operating as lenders and that the existing distribution of financing to NGOs introduces considerable spatial biases into accessing finance. Khula’s establishment of a credit guarantee facility potentially will be of greatest assistance to more established formal SMEs or larger micro-enterprise rather than for survivalist enterprise. Nevertheless, the impact of this programme so far has been limited by the reluctance of commercial banks to participate in the programme, an issue which may require government intervention (Rogerson, 1997a).

65.4 Assessing Finance Programmes

How effective the different grants will be at a provincial and local level will depend on a number of factors including:

- The capacity of Local Government to access the grant and manage the grant budget and, in some cases, manage and maintain the facility. Many new local government structures may be too weak and inexperienced to engage in the necessary processes.

- The capacity of provincial government for policy formulation and planning. In the case of some provinces, the policy and planning framework can contribute towards ensuring that the maximum benefits are derived from the programme. Generally, these strategies...
propose focusing investment in areas where optimum returns might be expected and thus imply a focused spatial development strategy. This would involve investment in existing urban areas, and the reinforcement of existing nodes and development corridors. It is generally argued that a ‘differential levels of services’ approach is required to focus investment where settlement is to be encouraged, and minimise investment where it is to be discouraged. In provinces where capacity is lacking and/or where policy and planning frameworks remain undeveloped or incoherent, less impact will be achieved. Indeed, it may be the case that the least impact will be achieved in areas where it is most needed to bolster a physical presence for local government.

- The capacity of the intended beneficiaries to take up opportunities. Improving access to financial markets can only be successful if there are latent productive opportunities that can be taken up, or if such opportunities are simultaneously opened up. Without this, the capacity of people to take up debt is seriously constrained. In this sense, they might be thought of as having low financial capability. Previous policies have tended not to take this into account, and there is the risk that current initiative may follow the same route.

66 SUSTAINABLE LIVELIHOODS

The concept of sustainable development received attention in the IUCN Conservation Strategy and was later refined in 1987 in the World Commission on Environment and Development report entitled Our Common Future (WCED, 1987). Sustainable development is, however, a slippery concept with several interpretations. Sustainable development should also include social and economic dimensions of development. This term should, therefore, be used with caution and should be contextualised when reading environmental policy documents. For the poor, sustainable development may thus take on several realities, some of which are indicated below. Several factors threaten the success of sustainable development in poor areas of South Africa.

66.1 The Context for Sustainable Livelihoods

The poorest sector of the population is mainly resident in the most fragile areas in South Africa. The poor usually exist in environments that are degraded and marginal. Previous land policies (most importantly the 1913 Land Act) and the creation of the former bantustans has meant that landlessness, overpopulation, overgrazing and increased land degradation occur in many rural areas of South Africa (Ramphele and McDowell, 1991).

The poor also often reside in poor, degraded urban environments and have inhabited areas classified as unsuitable for residential settlement. The issue in cases such as these is often not so much the lack of land but rather the lack of access to land not prone to hazards. A number of barriers to sustainable development therefore exist that are specific to South Africa’s history and are shown in Table 27.
Table 27: Barriers to Sustainable Development

<table>
<thead>
<tr>
<th>Sector</th>
<th>Barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>History of the country is one of alienation of people from the land. Resettlement policies, complicated land tenure, landlessness, overcrowding and overgrazing and unsustainable agricultural practices have contributed to land degradation.</td>
</tr>
<tr>
<td>Water</td>
<td>South Africa a country of water scarcity. Water provision has been skewed in the past to white commercial, agricultural and residential use. Approximately 4 million black urban people lack access to clean water. Irrigation is the largest user of water.</td>
</tr>
<tr>
<td>Air</td>
<td>Air pollution in the country is enhanced by the atmospheric controls over the country (particularly in winter) and also by large polluting industries and residential coal burning. Health implications include respiratory problems, visual problems, indoor and outdoor pollution, particularly for the poor. In the domestic sector, evidence from rural households revealed that exposure of children to total suspended particles exceeds safety limits. Average maximum hourly levels of gaseous pollutants were found to be above health guidelines during cooking periods, sulphur dioxide was more than ten times the DoH’s guidelines and carbon dioxide concentrations averaged more than double the WHO standard. An important reason for this is the structure of housing designed for maximum heat retention, with few windows and no chimneys.</td>
</tr>
<tr>
<td>Energy</td>
<td>South Africa exhibits great inequities with regards to energy. The developed sectors of the economy and society have enjoyed cheap commercial energy. Poor rural and urban households generally have lacked access to convenient and affordable energy. Approximately 24 million South Africans live in homes without electricity and an estimated 17 million rely exclusively on fuelwood for cooking and heating. If demand were to remain at constant levels natural woodland would be entirely denuded by 2020.</td>
</tr>
<tr>
<td>Waste</td>
<td>Hazardous wastes estimated to be about 1.9 million tonnes per year. Emissions to the atmosphere comprise about 147 million tonnes annually. Over 1.2 million tonnes of effluent discharged to estuarine, fresh water and marine environments annually. Many of the poor live close to waste sites thus suffer the greatest health consequences.</td>
</tr>
<tr>
<td>Mining</td>
<td>Mining impacts on land and water quality. Dewatering of the mines over 40 years has brought about 5,000 tonnes of sodium chloride to the surface. Asbestos mining, although localised, if not mined in safe way is an extremely hazardous substance and can cause asbestosis and lung cancer.</td>
</tr>
</tbody>
</table>

66.2 Livelihoods and Disasters

Disasters are serious disruptions of the functioning of society, causing widespread human, material, or environmental losses that exceed the ability of the affected society to cope. Disasters can be either natural (eg. floods) or human-made (eg. losses of life and/or property through war, civil strife). Disasters are furthermore classified as being those that are ‘slow-

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131 Source: adapted form the IDRC, 1995 and various official sources e.g. CSIR, 1991, 1992; Department of Water Affairs, 1986, Department of Water Affairs and Forestry, 1994.
onset’ or ‘creeping-disasters’ such as droughts (a situation brought on by ecological, social, economic or political conditions) or ‘sudden disasters’ (e.g. floods, fires and earthquakes).

Disasters are very costly both in terms of the losses incurred (lives and property) but also in terms of the recovery and rehabilitation of the livelihoods affected by the disaster. It is estimated, for example, that average flood damage in South Africa is about R200 million per annum (Alexander, 1994).

Disasters have a profound impact on the poor and the vulnerable both in urban and rural areas, by reducing their assets and entitlements and, in some cases, causing a collapse in livelihoods (Sen, 1981; Eele, 1996). The poor usually exist on the margin of subsistence and lack reserves to adequately cope (or cope at all) with the serious disruption that a disaster brings (AFRA, 1992; Vogel, 1994). Other more advantaged groups such as commercial white farmers have also been negatively impacted by disasters in South Africa but have usually been heavily subsidised and assisted (particularly during drought disasters).

Drought is probably the most common form of disaster for rural communities and usually occurs with varying magnitude almost every year in some part of the country. Drought impacts on the rural poor in several ways. Some of the more general impacts include loss of jobs (particularly for those dependent on employment on farms), food price inflation, and a general loss of entitlements.

During the recent severe drought of the early 1990s, for example, it was estimated that 50,000 jobs would be lost in the agricultural sector (with a further 20,000 in related sectors) and about 250,000 in total would be affected (AFRA, 1992; Van Zyl, 1993). Other impacts, such as migration, are difficult to quantify but indications are that permanent urban migration during droughts (both in South Africa and elsewhere in Africa) is an option that is only considered once a range of other coping strategies have been employed (Jallow, 1996).

Other kinds of disaster, such as fire, are often overlooked relative to the wider-scale disasters such as floods and droughts. Fire disasters are, however, an increasing problem in poor urban areas where shack settlements are densely located. As an example, a 9 year study in Duncan Village in the Eastern Province revealed that over 10% of dwellings were destroyed by fire (Bank, 1995).

Despite the paucity of detailed investigations of disasters on the poor a number of convergent themes nonetheless emerge. These include:

- Disasters, such as droughts, usually exacerbate and unveil underlying underdevelopment and poverty;
- Disasters have, in the past, also highlighted a lack of data related to drought impacts, such as information on the vulnerable in terms of nutrition, and being able to identify and target the rural poor for relief purposes;
- Disasters have also drawn attention to the lack of maintenance of basic infrastructure, such as water supply systems, particularly in rural poor areas;

At national level, previous disasters have pointed to the lack of a proactive disaster policy and strategy. Usually government’s response to disasters has been crisis management. Previous policies have been skewed towards certain sectors and have been burdened by a bureaucracy that has made relief interventions (particularly to the poor) an almost impossible task (AFRA, 1992; Abrams et al., 1992).
66.2.1 Programmes for disaster management

Despite the fact that regions and communities in South Africa regularly experience disaster, until recently there has been no official national disaster plan or strategy. Reactions to disasters have largely been crisis-management responses. Although certain structures such as civil protection and others have played an important role in reducing the impact of disasters, these have often been undertaken independently of a national disaster management body.

Civil Protection, also known as Emergency and Disaster Management, has played a role in assisting with disasters, particularly flood disasters, in the country. Discussions as to the future role of Civil Protection in disaster management have occurred (e.g. with the South African Disaster Relief Agency). Although little consensus from these discussions was reached, a number of important principles were agreed to. Civil Protection is seen to address the needs of all communities in South Africa and should be managed by all spheres of government. It should also involve communities in a meaningful way and should be affordable (for others see South African IDNDR Committee, 1994).

Drought policies from as early as 1923 have had an exclusively agricultural bias, particularly towards the needs of white commercial farmers. Much of previous drought policy focused on agricultural impacts associated with drought such as crop and livestock losses. Drought relief measures were largely countermeasures and were not very pro-active. The 1990s have, however, witnessed a change in official thinking around disasters such as droughts. The SARCCUS meeting in 1989, together with the severe droughts of the early 1990s, began a transformation process that resulted in the commitment by government to some of the following principles:

- Drought is endemic and should be viewed as a normal constraint on production;
- Excessive impacts of drought are often induced by people e.g. overstocking that degrades the land and so forth;
- Allocations of aid that often encourage unsustainable farming should be seriously investigated;
- The state should assist communities during periods of extreme disaster drought.

With the formation of the Consultative Forum on Drought during the 1990s drought (Hobson and Short, 1993) the relief focus shifted to include those who had been previously largely excluded, namely the rural poor.

The official thinking on impacts of drought and the management of drought has thus broadened to encompass, not only agricultural aspects of drought and national food security issues, but also on enhancing household food security and maintaining or protecting livelihoods of the poor. Notions of reducing vulnerability to hazards and effectively mitigating them have thus become part of policy discussion (Fuchs, 1995).

66.2.2 NGOs and the private sector

NGOs and the private sector have often played an important relief-role in disasters. Operation Hunger, the various churches, and NGOs such as the Independent Development Trust and Mvula Trust are some of the non-government groups that have assisted in the past. Examples of such interventions include the following case studies taken from the period of the operation of the National Consultative Forum on Drought during the 1990s drought.
In the former northern Transvaal the National Nutrition and Social Development Programme (NNSDP) was regionalised and operated through district committees made up of at least 60% NGO representation. Operation Hunger was also actively involved in feeding during the drought: in Gazankulu, for example, Operation Hunger was feeding up to 18,000 people at one time.

An evaluation of the IDT Relief and Development Programme, which largely funded the activities of the non-governmental drought relief, revealed that operating through communities was generally a successful way of helping to manage drought relief and subsequent development initiatives. This is not to say that all community committees worked well. Some were more successful than others. In the former Northern Transvaal, for example, committees operated fairly successfully but in other areas, such as the former Ciskei, relief was allocated with no NGO or community involvement. Conflicts between government and NGOs did arise during the drought relief programmes of the 1990s. Officials of former bantustan areas complained that NGOs represented on district committees did not want government people on the committees (Drought Update, 1992:8) and in some cases (Ciskei) civics complained that only communities with government-aligned traditional leaders received relief (Adams, 1993). Notwithstanding these problems, in most cases local committees did encourage broad participation and were also generally successful in capacity building (Loots and Roux, 1993).

The role of the private sector during disasters such as droughts and floods is not well documented. Some local private sector involvement has occurred. The role of food distribution, however, as a disaster relief measure, is of questionable value; the role of vouchers or food stamps and cash for work are alternatives that have been proposed.

### 66.3 Government Response to Sustainable Development

Policies and policy makers ultimately play a major role in ensuring that the livelihoods of all citizens are sustainable. The history of South African policy has largely been skewed towards the protection of natural resources for the privileged few in South Africa. Environmental policy in the past has also been dogged by other failings including fragmentation, lack of political commitment, and lack of institutional support (Meintjies, 1995). As a result there has been little integrated and holistic management of a number of issues that impact on the poor including health, pollution, or land issues.

Several current policy initiatives will impact upon the sustainability of livelihoods in South African environments, some of which have already been discussed. These include, inter alia, the White Paper on Water Supply and Sanitation Policy, the discussion papers on forestry and biodiversity and the White Papers on Housing, the Rural and Urban Development Framework documents and the White Paper on the Environment.

The discussion paper on biodiversity looks specifically at the sustainable development of resources but also notes that all people, particularly women and those who have a long relationship with the environment, should have a say in how resources are being utilised. Another similar call is found in the discussion paper on forestry with mention made of social forestry as a way of contributing to rural livelihoods. Again, the need for participatory planning, appropriate and sustainable extension and accelerated training are identified as key areas.
The White Paper on the Environment appears to have undergone a wide and comprehensive process of consultation in its compilation, through the Consultative National Environmental Policy Process (CONNEP) (van der Merwe, 1997). People in remote areas and from the poor have been able to make input. The principles of inclusion, integrated environmental management, environmental education and partnerships are upheld and the overall goal of sustainability appears to be foremost. The commitment to such goals should result in positive spin-offs for the poor.

In terms of disaster management, the details of a national disaster management strategy are still being fine-tuned by relevant government departments; the following elements are under consideration:

- A National Disaster Management Committee at national level with similar structures on a provincial and local government level;
- The Department of Constitutional Development be responsible overall for the disaster management function (Fuchs, 1995).

The establishment and work of the Task Team on Drought and Agricultural Disasters, currently making inputs into the redrafting of the White Paper on Agriculture, should also ensure that the profile of disaster management is maintained in the government arena.

There are, however, several constraints (limitations) to the effective management of disasters in South Africa. Such constraints will thus directly impact and probably heighten the impact of such events on the poor. Some of the more pressing constraints dogging the establishment of a national disaster management strategy include:

- Lack of capacity: there is a lack of trained personnel and staff in the various departments at national, regional and local level, to implement and manage current disaster management initiatives.
- Lack of clarity of lines of responsibility: There is a lack of clarity at present as to who has responsibility for disaster management at national through to local levels and who in the various departments is to be tasked with these responsibilities in the various line function departments.
- Lack of co-ordination: Closely related to the above is the current lack of co-ordination between the national Department of Agriculture’s process of re-drafting the White Paper on Agriculture where Disaster Management features and that of the Executive Committee of the National Disaster Management Committee in terms of policy formulation regarding disaster management (Fuchs, pers. comm., 1997).
- The need for an effective and appropriate Early Warning System: Attention needs to be paid to the development of an Early Warning System which provides information about both the occurrence of disaster or impending disaster and the appropriate responses to specific types of disaster.

Despite these current constraints to disaster management there does appear to be political will for a proactive management of disasters in South Africa. Notwithstanding this, successful disaster management will require attention and endorsement at the highest levels. Management of disasters should be increasingly devolved to the communities who will need assistance if they are to become equipped to play this role.

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66.4 Assessment of Policy for Sustainable Development

In the current period of transition and new developments, hurried delivery of services, homes and infrastructure may mean poor environments in the future. The challenge will thus be to deliver a better quality of life but in a sustainable way. One of the key problems that faces government is to distinguish between those issues that require a national focus and those that will be more efficiently handled at regional or local level and to distinguish between those issues requiring immediate action and those that can be delayed. Care will also be needed to try and understand more fully how and why certain resources are used and how these actions improve or negatively impact on livelihoods, particularly those of the poor. Effective development management must consider the livelihood strategies of the poor and enable equitable access to resources. This will act to prevent situations where the poor are forced by their circumstances to adopt unsustainable survival tactics. In trying to understand and research these issues, the repeated call in most policy documents that touch on the management of environments of the poor, has been that the voices of all should be heard.

Community based natural resource management (CBNRM) is one of the ways in which the poor can manage their environment and their livelihoods that are grounded upon the use of this environment. Some constraints to community based natural resource management include ownership problems such as the role of traditional leaders. Here this issue centres around conflict over who is in control and who decides land-use issues etc. (Fakir, 1996). Linked to this is the lack of clarity as to who is in charge. Sustainable development policies and natural resource management requires the development of appropriate local government institutions and tenure structures (Meintjes, 1995).

67 SOCIAL ASSETS

The notion of social assets (also referred to as social capital) as an important asset of the poor noted in Chapter One, challenges conventional definitions of what institutions are relevant for development (Evans, 1996). Moreover, it challenges policy interventions that caricature the poor as having ‘nothing’ and being merely ‘in need’ of external resources and inputs (Pieterse, 1997:15). Growing international evidence that social assets may be as critical as human capital in development processes has prompted its increased recognition in poverty reduction programmes in general and for urban poverty alleviation in particular (Moser, 1996, 1997; Moser and Holland, 1997).

66.1 The Significance of Social Assets

Social assets refer to features of social organisation, such as networks, norms and trust relations, that make people collectively productive and which facilitate mutually beneficial co-operation. Essentially, social assets centre on patterns of “social trust within and amongst communities which enable them to co-operate and support reciprocally without any tangible or formalised contractual guarantees about future reciprocity” (Pieterse, 1997:2). These networks and social forces have been termed social capital by a number of analysts. This form of capital is seen to be critical in building and maintaining social cohesion, particularly in changing contexts. It provides the foundation for community participation and is especially important in consolidation processes in housing. Overall, the significance of social capital are as an important defence against increased vulnerability and as a base for action to overcome conditions of extreme poverty and to respond positively to opportunities (Moser, 1996).
The debates surrounding the role of social assets are both complex and highly significant for poverty alleviation strategies in South Africa (Pieterse, 1997). Although it is clear that informal community and inter-personal networks do not necessarily promote improvement in well-being, “if people can’t trust each other and work together, then improving the material conditions of life is an uphill battle” (Evans, 1996:1034). The stocks of this social capital within a community can vitally affect an individual household’s ability either to cope with economic or environmental shocks or to increase its opportunities (Moser, 1996, 1997). Generally speaking, the stocks of social capital that are available to poor households are related to the quality, density and time framework of household relations within communities. Accordingly, relatively young communities that have been thrown together due to circumstances of removals, migrations or environmental disaster are likely to have lesser stocks of “social capital” than more stable and established urban communities (Pieterse, 1997:5).

In sum, therefore, social assets are best considered, at minimum, as a crucial (and often missing) ingredient in any poverty alleviation programming, for without it productive assets and human capital can be readily squandered (Evans, 1996). An integrated approach to poverty alleviation must, at the very least, “recognise the importance of social capital in any strategic framework” (Pieterse, 1997:15). It is conceivable that “interventions that aim to ‘build’ social capital may be as important - if not a greater priority - than those designed to increase human capital” (Moser, 1997:28).

67.2 Violence and Social Assets

In South Africa there exists a vicious cycle that links poverty and violence as a legacy of apartheid (Moser, 1997). The struggle against apartheid was linked to repeated cycles of violence and repression that set in motion certain contradictory processes that both consolidated and yet simultaneously destroyed stocks of social capital. On the one hand, support networks critical for sustaining households in poor communities through decades of poverty, persecution and suppression associated with apartheid policy, contributed to consolidating or nurturing stocks of social capital. On the other hand, the legacy of apartheid policies and their associated violence, particularly the forced uprooting and displacement of communities, systematically destroyed the fabric of many poor communities, thereby eroding stocks of social capital. Important to understanding the successful contribution towards ending apartheid made by community organisations was the extensive levels of trust and collaboration (or social assets/capital) that were embedded in such poor communities. But at the same time, the violent protest and resistance associated with the liberation struggle in many communities, itself sowed the seeds for an erosion of stocks of social capital (Moser, 1997).

One key factor that directly affects the stocks of social capital in poor communities is the apartheid inherited legacy of cycles of violence and high levels of crime. Indeed, crime and violence massively erode and threaten the ability of the poor to utilise all their assets in an efficient and productive manner (Moser, 1997). For example, in the specific context of labour as an asset, violence contributes to an outflow of productive SMME activities from crime-ridden townships to the relative safety of the country’s inner cities (Rogerson and Rogerson, 1997). Furthermore, crime and violence are a pervasive threat that militates against extended use of the house as an asset in the establishment and operation of successful home-based enterprises. It is in relation to stocks of social capital, however, that the impact of violence
and crime is perhaps most dramatically felt. High levels of violence and escalating crime create, at community level, a society that is permeated by fear and distrust. In turn, as communities lack or reduce basic forms or networks of co-operation, violence in all its manifestations - drug, gang, political, inter-personal and domestic - results in communities which are left bereft of stocks of social capital (Moser and Holland, 1997:41). Consequently, one impact of post-apartheid South Africa enjoying the dubious distinction of recording some of the highest rates of violence and crime anywhere in the world (Louw and Shaw, 1997) is a devastating reduction in stocks of social capital, especially in the country’s urban areas (Moser, 1997).

67.3 Facilitating Social Assets

It is clear on one level that an important contribution to the facilitation of social assets in South African communities will be made by those co-ordinated national policy interventions that successfully address crime prevention, policing and the effectiveness of the judicial system (Louw and Shaw, 1997). These issues have been dealt with in detail elsewhere in this Report. The reduction of all forms of violence and crime would provide a solid foundation for reconstructing stocks of social capital.

An alternative entry point might be designed that contributes both to rebuilding levels of social capital and towards breaking the cycle of violence and poverty in urban South Africa. Several complementary options present themselves in this regard.

Social funds are one option that has been tried in some violence torn societies. While social funds have been used in many countries to merely mitigate the social consequences of programmes of structural adjustment, more recently such funds have been geared to facilitate infrastructure that, it is argued, ‘repair’ social and human capital (Moser, 1996). The international record of social funds has been mixed and an important concern is that such funds bypass the activities and policies of conventional government departments. Indeed, in many instances, such funds have not been fully or effectively utilised. Given South Africa’s track record with special funding programmes, and the limitations placed on existing government departments through the requirements of fiscal discipline, the creation of an additional fund is not recommended.

A second option is the recognition of social assets as an important factor influencing the success of government interventions in areas affected by violence. Care should be taken to avoid processes and procedures that further undermine the cohesion of these areas and ways in which different spheres of government intervention could potentially play a catalytic role should be explored. Potential areas for such intervention would include programmes for the education and training of development professionals in community participation and provision for the training of facilitators in grassroots community participation (Abbott, 1996). To some extent, this approach is already implicit in the original RDP document and in many of the government programmes that emphasise the empowerment of communities.

132 Social funds are delivery mechanisms that incorporate employment and income generation programmes, as well as social expenditures without work requirements. They were conceived in Latin America in the mid-1980s as a response or companion to structural adjustment policies, and have since spread to Africa.
A third option is to use existing projects and institutions more strategically in a way that facilitates the rebuilding of social capital. The list of projects eligible would include many of those that already relate to SIPPSS or Presidential Lead Projects, in terms of refurbishing schools and repair of health clinics and residential properties destroyed by violence; upgrading sewerage and water reticulation systems; the provision of day care centres; and, road rehabilitation or upgrading (Padayachee, 1997). The TNDT and NDA are potentially institutions that could be involved in this.

68 CONCLUSION
This chapter has argued that the over-riding priority for a pro-poor strategy is to set in place a series of coherent policies and co-ordinated programmes which are designed to strengthen the asset base of the poor in respect of labour, human capital, productive capital, and social assets. The critical foundation for poverty reduction relies upon the policy framework for sustained labour-intensive macroeconomic expansion. In addition, this policy would need to provide resources for government-led interventions that enhance the assets of the poor.

Programmes that augment their assets or facilitate new coping or household management strategies will assist the poor. To a large extent, the foundation for successful initiatives to redress poverty in South Africa has already been laid in present government policies and programmes concerning SMME development, housing, infrastructure provision, the promotion of agriculture and possibly crime prevention. Nevertheless, throughout this Chapter a number of recommendations have been offered that either clarify contradictions within existing policies or seek to fine-tune and enhance the operations of certain programmes, thereby allowing them to function more effectively.

It is argued that poor households operate in highly distorted markets where the ownership of assets does not necessarily translate into an improved level of living. In the case of many markets, segmentation occurs both within the market, as well as in terms of gaining access to the market itself. This discriminates against poor people as a whole, and rural African women in particular. In the case of agricultural production, additional land does not necessarily translate into higher production levels or agricultural income. Opportunities are severely constrained as a result, adding to the persistence of rural poverty. Strengthening the asset base of the poor requires both the transfer of assets, as well as the reform of markets to the benefit of the poor. A wide range of assets should be considered, together with reforms in a number of markets. Specific targeted policy interventions may be considered necessary in order to address particular social or geographical segments of poverty in South Africa. Targeted interventions may be also required to deal effectively with the needs of many communities (particularly in many rural areas, certain secondary cities and small towns) which are threatened with a declining or collapsed economic base. The environments of the poor require urgent policy attention with especial regard to disasters and appropriate disaster management procedures. The importance of social assets points to the need for introducing special programmes to address the apartheid legacy of violence-torn settlements.
CHAPTER TEN
A STRATEGY FOR THE REDUCTION OF POVERTY AND INEQUALITY

‘South Africa exhibits that most bitter of social outcomes: destitution amid plenty’.133

‘The patience of the economically squeezed is a fragile asset’.134

69 INTRODUCTION

The eradication of poverty and inequality and the meeting of basic needs are primary goals of the government, but are not the only ones that the government is trying to attain. Nonetheless, achieving a reduction in poverty and inequality is a fundamental challenge in South Africa without which, international experience suggests, the human development, economic and employment goals of the government may be hindered. Achieving this will mean substantial changes in the distribution of incomes, wealth and economic power between men and women, between urban and rural areas, between white and black and between capital and labour.

The plethora of programmes identified by the PIR show that Government is undeniably committed to poverty reduction and a more egalitarian distribution of income and wealth. However, the question of how best to achieve this remains unresolved. Clearly, a dramatic restructuring of the economy is required and the past few years have seen considerable debate over how to achieve the joint goals of growth and redistribution. Government, labour, business and researchers are still grappling with solutions to the problems of low investment, low employment and low growth. The progress that has been achieved in implementing change does not appear to have met the expectations of either the poor or policy makers.

Nonetheless, the PIR has indicated some important areas of success. Amongst others, significant progress has been made in the provision of affordable health care, clean water, urban infrastructure and the electrification drive. Moreover, the progress that has been made in the formulation of policies that contribute towards the dismantling of apartheid has also been important. Here policies concerning tenure reform, the restructuring of governance structures and remedial measures to reduce spatial inefficiencies deserve mention.

To fulfil its objectives, the PIR was required to undertake four tasks. The first was to conduct a detailed analysis of poverty and inequality in South Africa based on existing research. This was the focus of Chapters One and Two which examined the link between growth, poverty and inequality, provided an analytical framework of the causes of poverty, and examined the extent and nature of poverty and inequality in South Africa. The second task involved an analysis of current policy in an integrative manner, drawing out the cross-cutting issues affecting the implementation of the government’s policy as spelled out in the RDP base document, and the reduction of poverty and inequality. This was the focus of Chapters Three to Six, which reviewed policy in a sectoral fashion, and Chapter Eight, which provided a spatial analysis. Thirdly, the adequacy of current plans to reduce poverty and inequality and

133 World Bank (1994).
possible barriers to their implementation was to be reviewed. Part of this task was completed in the assessment sections of each chapter, while Chapter Seven looked at the institutional context in more detail. Chapter Nine focused on the link between government programmes, and the promotion of sustainable livelihoods. The remainder of this chapter will provide an assessment of the overall policy framework based on the strategy and assessment criteria proposed in Chapter One. The chapter will conclude by proposing ongoing monitoring mechanisms to measure the impact of policies and programmes in the reduction of poverty.

70 THE ELEMENTS OF A STRATEGY FOR THE REDUCTION OF POVERTY AND INEQUALITY

70.1 The Legacy of Apartheid: Poverty Traps

The findings of a considerable body of research undertaken in South Africa since the early 1980s provides a sound understanding of the causes of poverty and inequality. Although this analysis has not been reproduced in this report, it has been extensively cited. In general, the majority of studies provide a convincing case that many of the distortions and dynamics introduced by apartheid have the potential to become self-perpetuating. As a result, they continue to reproduce poverty and perpetuate inequality. The impact of purposeful discrimination and oppression, a disabling state, the absence of information concerning rights, roles and responsibilities, and the lack of accountability by all levels of government resulted in the erosion of the asset base of individuals, households and communities. The result has been ill health, over-crowding, environmental degradation, the long-term inefficient management of resources and opportunities, spatial inefficiencies, gender discrimination and social isolation.

The poverty traps set by apartheid remain an important explanation for the persistence of poverty in South Africa. These refer to the absence of complementary assets and services and a poverty of opportunity whereby people are unable to take full advantage of the few assets that they do have. With the contraction of the South African economy, households previously dependent upon wage incomes, now find themselves with neither the wage, nor the assets from which to generate an income.

70.2 Breaking Out of the Trap

The approach to the reduction of poverty and inequality in South Africa recommended by the PIR is based on recognition of the specific history of the country, as well as the particular conjuncture at which South Africa’s reintegration with the global economy has occurred. However, it is still possible to divide the policy measures that are being adopted into three general categories:

- Promotional activities that aim for an improvement of endowments, exchange entitlements, real incomes and social consumption;
- Preventative measures that try to avert deprivation; and,
- Protective activities which are essentially safety net and disaster management measures that provide relief from deprivation (ILO 1995:2).
All three categories can assist in breaking the forces that perpetuate a vicious circle of poverty at one extreme, while encouraging income, wealth and opportunity to be amassed at the other. In terms of the three assessment criteria identified in Chapter One, polices and programmes will achieve this to the extent that they:

- Strengthen the complex asset base of the poorest section of the population, the use to which these assets can be put, and the returns that are achieved;
- Promote human development by improving the well-being of the population in terms of their health, nutrition, education, safety and choice;
- Are sustainable in terms of financial, institutional and human capacity, as well as in terms of their environmental and macroeconomic impact.

Although government has not yet put forward an integrated strategy for the reduction of poverty and inequality, the elements of such a strategy can be discerned from both the RDP document and many policies, strategies and programmes that have been initiated by the government. The principle components of this strategy appear to be based on:

- Linking growth to human development;
- Asset redistribution;
- Market reforms;
- Spatial development; and,
- Institutional reform.

71 LINKING GROWTH AND HUMAN DEVELOPMENT

Creating the link between economic growth and human development is probably the most challenging task facing the South African government in terms of achieving a reduction in poverty and inequality. Central to this is the relationship between the macroeconomic framework and the monetary and fiscal policies implied by this framework and the implementation of sectoral policies. Growth has to be translated into human development if it is to benefit the population of South Africa and this link determines the structure and quality of growth that is achieved. Where markets function efficiently, this will occur without the intervention of the state. The main purpose of government sectoral expenditure is to provide where the market fails and, more particularly, to provide for those who cannot provide for themselves.

Sectoral policies necessary for human development range from those designed to increase the access of poor people to productive assets to those which encourage growth in the economic sectors in which poor people are most likely to benefit. This means that government has an important role to play in ensuring that the benefits of economic growth translate into developing the capabilities of all people in South Africa in a sustainable manner. At the same time, departments need to find ways in which their expenditure can be employed to complement and ‘crowd-in’ private sector investment.
71.1 Fiscal and Monetary Policy
Certain aspects of monetary policy clearly have the potential to impact positively on poverty and inequality through employment creation. Fiscal policy through appropriate public investment expenditure can ensure that poor and unemployed people can take advantage of emerging job and income creating opportunities. Through supply-side incentives it can also direct investment toward more labour intensive industries.

From the perspective of poverty reduction, government expenditure has correctly emphasised social spending; high and middle income groups still benefit significantly more from this expenditure than do the poorest groups. More targeted measures are required if the benefits accruing to the poor are to be increased.

However, in short and medium term, all sectors in the area of human development are affected by the financial constraints and are unlikely to have their budgets increased. With no extra money reallocation those who are currently serviced will need to give up something. The ongoing challenge for government as a whole then, is to strengthen the voice of those who have been disadvantaged and to stand fast against the strong voices of those who are advantaged. This is needed at both the inter-provincial and intra-provincial level, where the national departments will need to play a strong leadership and monitoring role.

- It is recommended that government emphasis on social spending should form a key component of its strategy for the reduction of poverty and inequality. In the longer term, increases in the public sector capacity absorb and effectively utilise additional resources should be anticipated and accommodated within the MTEF.

- It is recommended that government reassess the use of monetary policy to contain consumption and inflation due to the negative impact that this appears to have had on growth, employment creation and access to home ownership.

71.2 Sectoral Policies
In general, most government departments recognise past and ongoing disparities and all have developed both general sectoral policies and more specific policies and programmes. In some cases, such as free health care, and the building of schools and clinics, there has already been substantial progress in implementation.

However, most departments have been more successful in their work on existing initiatives than in introducing new ones. Where new initiatives have been introduced, departments have often had to struggle with organisational and structural blockages as staff are trained and inducted into a new approach to social delivery. Several different approaches have been employed and it seems that the more integrated the new programmes are into the ‘normal’ workings of the departments, the greater the degree of success.

71.2.1 Education and training
Four areas of education funding are likely to have an important impact for poor households and should be prioriterised:

- Early childhood development;
- The childhood years of free and compulsory schooling;
• Adult basic education and training;
• Further vocational training for previously disadvantaged adults.

Education, if not training, is relatively well-resourced. However, there are severe deficiencies in terms of both the quality and distribution of educators, facilities and equipment. As an example, despite increasing enrolments by African children, uneven quality of teaching has resulted in ongoing marked racial differences in basic literacy and numeracy, even where there is similar attainment in terms of standard passed. Moreover, certain ‘development-related’ areas are under-funded, under-resourced, and lack capacity and ‘clout’. Where new projects exist, there is often little clarity as to how and if pilots will be ‘mainstreamed’ after the pilot period or ‘first round’. Further, throughout the education and training system, equity demands significant decreases in the resources allocated to the more advantaged.

A range of measures could facilitate improving access to quality education, including:

• It is recommended that measures be adopted that increase the capacity within provinces to target resources more effectively and accurately towards needy schools which should be provided with adequate infrastructure, including teachers salaries, materials, and textbooks. This should form a key component of government’s strategy to reduce poverty and inequality;
• It is recommended that monitoring and control systems be established which, while not detracting from provincial autonomy, provide the DoE with a mechanism to ensure that nationally determined policy objectives are been met;
• It is recommended that effective ways in which more educators in well-endowed provinces can be persuaded to accept jobs in under-resourced provinces be investigated;
• It is recommended that initiatives to increase the current low levels of INSET (in-service training) be prioritised;
• It is recommended that the resources allocated to Adult Basic Education and Early Childhood Development be increased;
• It is recommended that an education and information programme should be embarked upon to improve the capacity of potential beneficiaries to take up new opportunities. This should be targeted particularly to poorer communities, informing them which institutions (public, private and parastatal) are responsible for service provision, and what type. This programme should also provide information indicating the application procedure, the process followed by institutions in delivery, and the potential costs. It should also indicate the potential benefits and costs of service provision.

71.2.2 Health

Practical steps have been taken to redress health sector inequities and to address poverty. Free care for certain health services and categories of patients is the policy that has probably made the most significant impact on improving access to health services for the poor. The success of some policies was marred by inadequate implementation strategies, which may be attributable to eagerness to make rapid changes. There is also great variability between provinces. There have been some difficulties in moving from policy and programme development to implementation. This is partly due to inadequate management capacity, but
also to structural obstacles and constraints. Financial constraints are of particular importance. A major remaining gap is a coherent policy on the private sector.

However, within the constraints of the current macroeconomic policy, the pace of redistribution of health care resources both between and within provinces is likely to be slowed, with adverse effects on attempts to redress inequities and to alleviate poverty. The anticipated cuts, or very small real increases, in the health budget will constrain the health sector’s ability to deliver services to meet the health needs of South Africans.

- It is recommended that remaining hidden and unhidden subsidies to the private health sector be identified and removed;
- It is recommended that the coverage of health insurance needs be expanded. A starting point would be in the SMME sector where large number of workers do not have any form of health cover;
- It is recommended that in planning for District Health Authorities (DHAs) provincial health departments retain certain decision-making powers in relation to inter-district resource allocation to ensure that decentralisation is not accompanied by increasing geographic inequities;
- It is recommended that the establishment of integrated, comprehensive primary care service centres be investigated, which permit a ‘one stop shop’. Longer hours of opening should be considered, the routine availability of essential medicines must be ensured, and training provided that stresses empathetic staff attitudes, especially when concerning HIV/AIDS and reproductive health;
- It is recommended that exemptions from outpatient fees should be considered for residents in rural areas who live closer to a hospital than a clinic.

71.2.3 HIV/AIDS

Recent plans for responding to the HIV/AIDS epidemic are more detailed and explicit than previous policy, but are probably still over ambitious. Some progress in implementation of strategies has been made including life skills programmes, programmes for the improved management of patients seeking treatment for STDs, and the distribution of barrier methods including femidoms. However, the recruitment of all government departments into developing their own response to the HIV/AIDS epidemic has been hesitant and slow. Human rights and legal issues have dominated with a limited response to preventive care or support programmes.

- It is recommended that greater political, bureaucratic and financial commitment be given to the National AIDS Plan and that the principles identified within the Plan be adhered to;
- It is recommended that an institutional mechanism be put in place that ensures greater co-ordination by the various departments involved implementing the plan;

71.2.4 Pensions and welfare

Welfare and safety nets form an integral part of the government’s strategy for responding to poverty and inequality. The primary focus of the Department of Welfare (DoW) is poverty. Nevertheless, welfare provision still bears the marks of apartheid inequalities, with people in
many rural areas having very limited access, or no access at all, to the services of either government or welfare NGOs.

The welfare system appears to be vital to combating poverty and must be strengthened and sustained. The growth in resources required to support this need not be prohibitive as other options exist to make the system more efficient, and the resources that the system dispenses more effectively used.

Rather than allowing welfare support to erode, a range of interventions could be introduced to achieve the above. These include: integrating the pension system with other financial systems so as to allow the pension money to be expended over the month, and to allow savings to accumulate; eliminating corruption within the service. Even where corruption is not present, measures need to be adopted which improve the efficiency of delivery; addressing barriers to accessing pensions needs to be speeded up, in particular, those measures which make systems accountable and accessible; exploring new options for improving efficiency, flexibility and sustainability.

There are, however, some obstacles that may interfere with the realisation of the goals of social welfare. At the level of implementation, there is as yet no general agreement or understanding on the definition of development social welfare. Yet social workers, in particular, are expected to utilise the approach in their daily activities. Once they understand it, they will need training and practice before they can implement.

- It is recommended that the social welfare system should form a key component of government’s strategy for the reduction of poverty and inequality and that current real levels of social welfare expenditure be at least maintained as a central element of this strategy;
- It is recommended that agreement be reached on the concept and role of developmental social welfare, and appropriate training be introduced to ensure its proper implementation.

71.2.5 Nutrition

Available information suggests that malnutrition in South Africa is as much related to poor people’s living conditions and the social and psychological consequences of poverty, as to the economic dimension of poverty. The relative importance of different causes in particular groups or geographical areas is less well understood. There is an urgent need for research on causality. Such work should be closely linked to policy and programme interventions, in order to provide information required for decision making by policy makers and programme planners.

- It is recommended that resources be allocated to the nutrition units within the DoH so that these are empowered to support other sectors as they develop and implement nutrition-relevant activities;
- It is recommended that appropriate structures for co-ordinating implementation be put in place at the national, provincial and local level. The Inter-ministerial ‘cluster’ addressing social issues, chaired by the Minister of Health, would be an appropriate focal point, if supported by an inter-ministerial policy or technical unit;
• It is recommended that a prominent role in nutrition-related activities be allocated to service and community based organisations and these should receive appropriate support from government for their services.

71.2.6 Safety
The National Crime Prevention Strategy (NCPS) of 1996 aims to co-ordinate the activities of the departments involved in crime control and prevention, as well as to build partnerships with civil society. At present, poorer areas and, in particular, the former bantustan regions, are severely under-resourced, requiring policy responses quite different from those in the urban centres which currently enjoy the attention of planners. Poorer communities are seldom seen as the predominant victims of crime. Yet, not only do the poor form the majority of victims, but they also have fewer resources with which to cushion themselves against the costs of crime.

• It is recommended that specific crime prevention strategies be developed for the poor, who are largely dependent on the public provision of security and risk management services;
• It is recommended that a component of police training should provide the skills and attitudes necessary to meet the security needs of the poor.

72 REDISTRIBUTION OF ASSETS AND OPPORTUNITIES
Reducing poverty and inequality in South Africa will require substantial changes in the distribution of incomes, wealth and economic power between men and women, between rural and urban areas, between white and black and between capital and labour. The elements of such redistribution revolve around access to land, housing, water, infrastructure and livelihoods.

72.1 Land Reform
The South African land reform programme has evolved, with attention being placed on issues of equality. In the formulation of policy, particular attention has been paid to the interests of the rural poor and rural women. To some extent, policy has recognised the multiple uses to which land is put, although in practice, much greater emphasis seems to have been placed on agriculture than is perhaps warranted.

Despite the original intensive investigation, actual land redistribution has been modest, although some important steps have been taken to deal with issues of restitution and tenure reform. At present, the most pressing constraint is administrative and not financial. There are also concerns about the role of local government and the lack of capacity at this level to shoulder part of the responsibility of the land reform process.

• It is recommended that consideration be given to increasing the present budget share going to land reform in the long term, and that land reform be seen as one approach towards the redistribution of wealth in South Africa, but not necessarily as a central component of the strategy for the reduction of poverty.
• It is recommended that stronger policy links be developed between the Department of Land Affairs and both national and provincial land reform offices. If and when provincial
land reform offices develop ‘district-based’ offices, this link can possibly be made very strong and mutually beneficial.

72.2 Housing and Shelter

A positive feature of evolving policy and housing programmes is that they allow for a considerable variety of housing delivery systems which, if carefully selected and well-managed, can assist in addressing the diverse needs and aspirations of the poor. However, many poorest of the poor still fall outside the parameters of qualification for these subsidies. In addition, women still suffer discrimination under the workings of the new subsidy scheme. As such, informal housing is the most prevalent means by which the poor access shelter. Many of these forms of accommodation are still regarded as illegal, have insecure tenure and are characterised by limited services, overcrowding and inadequate or deteriorating physical conditions. Socially, the housing situation contributes to considerable dissatisfaction and dysfunctional behaviour, including criminality and violence.

- *It is recommended that the provision of housing and secure residential rights form a key component of government’s strategy for the reduction of poverty and inequality. National, provincial and local government housing strategies broaden the conventional notion of housing to include a diversity of alternative shelter options and adapt their procedures for implementation accordingly.*

- *It is recommended that the subsidy scheme be reviewed and implicit discriminatory requirements for women be eliminated.*

- *It is recommended that minimum standards of thermal performance be required in all new low-cost housing to ensure that such housing is more energy efficient.*

72.3 Infrastructure and Services

Service level decisions often have a major impact on the bulk and connector infrastructure requirements. For example, the lack of spare capacity in a water or sewage treatment works or a main electricity sub-station could be a major cost factor. The impact of such capital expenditure requirements are not dealt with here, but the need to raise finance through a mix of grants and loans could be a serious constraint for some municipalities.

An important flaw in the focus on electrification is the fact that in South Africa, most of the poor continue to meet their energy needs through multiple-fuel use or fuel-switching (combination of biomass and hydrocarbon fuels and electricity). Consequently, at the household level, electricity is not necessarily a solution to energy poverty. Moreover, there is a mismatch between consumer demand and agent supply strategies and, not surprisingly, the Accelerated Electrification Programme is running into a crisis around cost.

- *It is recommended that CMIP form an integral part of government’ strategy for the reduction of poverty and inequality, and that this programme be adequately resourced.*

- *It is recommended that national departments delivering the same services adopt consistent policies concerning the design of systems for cost recovery.*

- *It is recommended that consideration be given to the fair allocation of subsidies to all households, not just new connections such as is the case for energy at present.*
• It is recommended that delays that are being experienced in implementing the REDs model be resolved quickly.

• It is recommended that in the short-term, the subsidisation of the cost of paraffin be investigated and in the long-term, that alternative energy sources be given greater attention by existing programmes.

• It is recommended that the current urban and rural target ratios of telephones per 1,000 households be prioritised. In particular, resources should focus on ensuring that there is at least one public telephone within every settlement of 100 or more households and that no school, library, hospital, clinic, place of worship and local authority office is without a telephone by the year 2000.

• It is recommended that the unit charge on all telephones throughout South Africa should be adjusted to ensure that they are equitable, regardless of where the telephone is located and by whom it is supplied.

• It is recommended that making calls from public phones to emergency numbers such as ambulance and support lines such as rape crisis be made free of charge.

• It is recommended that the development and maintenance of local roads in rural areas be seen as an important component of South Africa’s strategy for the reduction of poverty and inequality and that adequate funds be made available for this purpose. One option would be to dedicate a portion of the fuel levy for this purpose.

72.4 Water

Between the DCD and the DWAF a substantial number of people are being connected to water supply and sanitation services. The programmes of both departments are designed for disadvantaged areas. Although water supply makes a massive difference to the lives of people, even more aspects of poverty are addressed when good sanitation systems are in place. Until people have both, there are still significant risks to health. Sanitation delivery has not yet taken off, although there has been an important process of getting different departments on board and formulating policy recommendations.

The question of primary importance is how to better target water supply and sanitation programmes to reach the poor. The DWAF programme has tended to produce a wide geographical spread of interventions in an attempt to achieve regional equity. This may have negative implications for the efficiency of delivery. The DWAF ‘vision’ is to achieve a situation where there is equitable access to water, on a permanent basis, at a minimum level. This highlights the twin goals of equitable access and sustainability. By virtue of the fact that the department has targeted primarily rural areas, and the fact that organisations such as the Mvula Trust (financed largely by the department) work in particularly isolated areas, the department is delivering to more poor people that previously served.

• It is recommended that the current activities of DWAF in meeting the needs of the poor form a central component of the strategy to reduce poverty in South Africa. In this regard, water should be provided for productive as well as consumptive uses.

• It is recommended that where appropriate and possible, training and employment opportunities should ensure that members of the community are involved to maximise the
local benefit. It should be policy for training agents to train all those capable of utilising the skills.

72.5 Livelihoods
Some of the activities that would be required for the effective preparation of strategies for the promotion of sustainable livelihoods are: vulnerability assessment, planning, information systems, institutional framework development, warning systems, public education and training, development of a short-term and longer-term mitigation strategy and improved forecasts.

Access to diversified forms of income and assets may also strengthen the distribution of income within the household. Consequently, measures such as public works employment which improve women’s access to income, may also shift intra-household income distribution in favour of women. In addition, gaining a secure access to a pension is a crucial survival strategy for women and measures that protect this source of income should form an important part of any rural development programme.

- It is recommended that labour intensive approached to the delivery of infrastructure and services form a key component of government’s strategy for the reduction of poverty and inequality;
- It is recommended that a coherent approach to disaster management be agreed upon as a matter of urgency, and that appropriate institutional structures be established in all spheres of government.
- It is recommended that the approach adopted should focus on the preservation of livelihoods, should cover all aspects of the disaster management cycle, and needs to include such aspects as prevention, mitigation, preparedness, response, recovery and disaster-related development.

72.5.1 Agriculture
Where there is adequate rainfall, agriculture appears to remain an important source of livelihood for at least two groups, the poorest who have no source of cash income, and those for whom self-employment is an important income source and who are the most well-off in terms of income and assets. Current policy appears to meet the needs of the latter group, but does not seem to recognise the constraints and needs of the former. Many of these cultivators are women working on small plots and adopting multi-cropping strategies. For this group, agriculture is one of several livelihood activities that are being undertaken and government assistance has to take cognisance of this in terms of the information and assistance given.

- It is recommended that the provision of advice and support by the Departments of Agriculture includes micro-scale activities such as community gardens, peri-urban agriculture and small-scale livestock;
- It is recommended that the agricultural R&D system be evaluated from the perspective of its ability to meet the needs of small-scale cultivators. Specifically, including local cultivators doing joint research with agriculturists and other disciplines, including sociologists, economists, and networks of professionals and project based people in the agricultural R&D system, would be of assistance. Systems-oriented and participatory
vocational training which takes into account the realities under which the poor practise agriculture is likely to have the greatest impact.

72.5.2 Non-farm SMMEs

The national government views SMMEs as key instruments for attaining several different objectives, viz. employment generation, income redistribution and the enhancement of competitiveness, particularly of small-scale manufacturing operations. Suggested intervention programmes concern the organisation and regulation of informal workers, the redesign of social security systems, extension of child care provision and a monitoring system on SMME programmes that would allow a clear assessment of their impact on survivalist enterprise. Although the SMME strategy undoubtedly will contribute to redressing severe racial inequalities inherited from the apartheid period, it must be cautioned that whilst SMMEs do represent one vehicle for redressing racial income inequalities, it would be dangerous for policy-makers to rely on SMMEs as the main agent for economic redistribution.

Outside national programmes, sight must not be lost of the potentially significant role of local government intervention for assisting SMME development. Indeed, the activities of local government, rather than national SMME programmes, may be the most critical interventions for local level poverty reduction and for addressing inequality.

- It is recommended that the developmental responsibilities of local government include reviewing the potential for local interventions that support SMME development, especially in the survivalist enterprise sub-sector.

- It is recommended that the role of land use zoning and infrastructure provision such as storage facilities, toilets and rudimentary shelter be investigated in terms of their impact upon the micro-enterprise sector. Rural-urban trading linkages should also be explored;

- It is recommended that integrated development planning take account of the set of specific factors that confine participation in the SMME economy to survivalist enterprise for specific groups.

- It is recommended that existing Ntsika and Khula initiatives merit further financial support, extension and fine-tuning in order to boost micro-enterprise development and to expand the ranks of emerging entrepreneurs and integrate them into the mainstream economy.

72.5.3 Public works programmes

Public works programmes are an important component of the strategy for the reduction of poverty. Besides their direct impact on poverty through employment creation, public works programmes can also make a broader contribution. This would require projects that are integrated into other delivery processes such as:

- The provision or augmentation of water reservoirs and mains to identified community nodes, tarred collector roads linking nodes to the core urban centres, electrical transmission lines, and telecommunication links between these nodes;

- Upgrading of community halls into resource centres while at the same providing electrical connections. This will permit enterprise training in the future. The provision of
telecommunication links will allow for the flow of information between community and service organisations, local enterprises and a central resource centre; and

- The specific provision of infrastructure for agricultural development in peri-urban and rural areas e.g. livestock and irrigation dams, irrigation channels and anti-erosion measures.

Seasonal stress in terms of income, expenditure and nutrition forms a significant aspect of poverty in South Africa. The significance of seasonal patterns in labour demands needs to be recognised, as this often occurs at a time when income needs are greatest, and resources least available. By scheduling public works programmes at those times of the year in which such stress occurs, the greatest impact can be achieved, although care should be taken that this does not coincide with labour requirements for agricultural production. However, it should be noted that seasonal stress varies by region and climatic zone. As a result, the implementation of programmes will need to be determined at a provincial or sub-regional level.

- It is recommended that the Community Based Public Works Programmes be continued, and form an important element of the strategy for the reduction of poverty in South Africa in the short-term, pending the anticipated increase in the pace of job creation in other sectors. Such public works programmes should be carefully targeted towards areas of high vulnerability, as well as areas in which existing livelihoods are being undermined (e.g. areas in which jobs are being lost).

- It is recommended that departments in all spheres of government be encouraged to continue using labour-intensive programmes as a means of providing local employment. Local government should address employment creation in their Integrated Development Planning process. Rural local authorities may require assistance in this regard.

- It is recommended that greater co-ordination take place between the different spheres of government in order to implement a broad programme of employment creation through public works.

72.5.4 Broadening the benefits of privatisation

One option for wealth redistribution that Government could consider, is using the restructuring process as an opportunity to redistribute assets to poor households through mass privatisation. This involves the distribution of shares of state enterprises to the public for free, or for a minimal charge, usually allocated in the form of a voucher. The vouchers are convertible into shares in a state enterprise through an auction process. Although mass privatisation per se is not what is necessarily being proposed in this report, the option of distributing the state’s shares in public enterprises to low income households is something that should be considered. This would provide households with access to an asset that could be used as collateral (e.g., for housing and higher education loans) or a long-term investment from which an income stream can be obtained.

- It is recommended that ways in which the benefits of privatisation can reach the poor be investigated as a means of redistributing wealth.
73 Market Reforms

73.1 Labour Market
Poverty inside the labour market emerges as an important social problem leading to tensions and cleavages between groups along gender, regional or racial lines. In particular, the labour markets that are open to the poor in South Africa seem to be highly restrictive in terms of the possibility of improving social and economic conditions. This is particularly true in the case of agricultural and domestic work and mining. In both instances, low wages, insecure working conditions and poor access to services seem to have resulted in little, if any, occupational or social mobility.

Government will need to re-examine the issue as to the degree of funding of labour market policy and initiatives. Clearly, the financial responsibility for carrying out labour market policy lies first and foremost in the labour market itself. However, the role of the state should not be underestimated when it comes to improving the distributional effects of the labour market. Systems based upon contributions from employers and employees are inherently ill-suited for redistributive policy functions. It is hard to imagine that real eradication of poverty will occur in the short term without cash benefits or protective safety-net measures for the most vulnerable groups. In the longer term, the restructuring of the labour market, building skills and educational qualifications will be required, but this will take at least a generation to succeed. It will be important to tie such cash benefits to either restructuring of labour markets, building infrastructure and RDP deliveries and/or cash benefits targeting, for example, school attendance and/or skills promotion.

- It is recommended that government, labour and business co-operate to identify measures to reinforce those sectors of the economy which can provide labour intensive employment. However, government should not be expected to act as the financier of such measures;

- It is recommended that government policies concerning the quality of labour force through improved access to basic service, education and training be incorporated as key elements of the strategy for the reduction of poverty and inequality;

- It is recommended that government ensures that internal labour market practices, including regulations, employment standards and the labour relations framework are implemented in a way that protects vulnerable groups within the work-force;

- It is recommended that consideration be given to extending protective legislation to the Small and Micro enterprise sector, at least in terms of protection against injury or disablement; and,

- It is recommended that specific policies be investigated that would foster more vibrant labour markets in the countryside.

73.2 Financial Markets
Although access to financial services has been shown to be of critical importance in the reduction of poverty and inequality, policy for micro-finance in South Africa appears to be both under-developed and lacking in coherence. Encouraging the widening of access for potential investors to formal sector credit institutions is a neglected area for government
intervention. Increases in the number of savers as well as the rate of savings should become a priority for government and the private financial sector. The widespread use of stokvels as a mechanism for saving could be a starting point in this regard.

In addition, although the decision to save is often seen as separate from the decision to invest, this is not always the case. The amount saved by an enterprise, household or individual depends upon the specific investment opportunities available to them. An environment in which there are large numbers of profitable investment opportunities is required, rather than simply focusing on inducing people to consume less.

- It is recommended that the expansion of micro-finance facilities form a key component of government’s strategy for the reduction of poverty and inequality. The feasibility of micro-finance organisations should be investigated and, if possible, that policy be adapted to encourage the entry of the private sector into this sphere.

- It is recommended that government policies that are already assisting the establishment of micro-finance facilities, such as those of the Departments of Housing and Trade and Industry, be encouraged as an important component of government’s strategy to reduce poverty and inequality.

74 Spatial Development

74.1 Urban Restructuring

Urban poverty in South Africa is a policy problem that is currently growing, both in scale and visibility. Moreover, following the experience of the rest of sub-Saharan Africa, the problem of the urban poor is likely to be of growing importance over the next two decades, particularly as urbanisation levels expand. Overall, the urban poor will be assisted by programmes in human development and infrastructural service delivery that augment their assets, expand their existing coping or household management strategies, or facilitate new opportunities. New government policies and programmes concerning SMME development, housing, urban service provision and crime prevention initiatives, can provide a solid foundation for beginning to address the eradication of urban poverty and inequality in South Africa. Nevertheless, in several key areas of policy tensions exist that must be addressed in order to ensure that the poor are the core beneficiaries of these interventions.

Specific targeted interventions may be required to deal with particular social or geographical dimensions of urban poverty in South Africa. At the city-scale, important steps and useful policy proposals have been put forward to deal with the restructuring of the apartheid city. Missing, is a coherent set of parallel policies and programmes to address the inequalities produced by the apartheid space economy. It is critical that planning interventions be undertaken in order to restructure the apartheid space economy. Without such interventions, there is a danger that well-intentioned programmes to strengthen the asset base of the poor may have the unintended consequence of ‘freezing’ the inherited apartheid spatial structures and thus perpetuating elements of the migrancy and commuter systems of the previous 40 years.

- It is recommended that a coherent national framework be developed urgently as a component of a strategy to restructure the apartheid space economy. This is an essential step to confront apartheid’s spatial inequalities and thereby ensure that the existing
disjunctures between the livelihoods, assets and infrastructures of South Africa’s urban and rural poor are overcome.

74.2 Rural Development
There is an urgent need to establish a co-ordinating function for rural development. This is recognised by the RDF but no recommendation is made in this regard. Given the role that has been played by the Department of Constitutional Development in the urban context, it is suggested that this department be allocated this function and that an appropriately resourced unit be established. This unit should investigate extending the current work of the DCD in assisting local government and local service providers, ensuring that this assistance takes into account the capacity constraints specific to rural areas.

- It is recommended that a properly funded and resourced unit be established within government that will assume responsibility for the Rural Development Framework.

74.3 Transportation
Improving the current system of transportation is one way in which spatial inefficiencies can be reduced. Measures include ensuring accessible and affordable transport for pensioners, school children and people with disabilities, with the modification of public vehicles to accommodate the specific needs of the disabled and pensioners.

- It is recommended that a targeting mechanism to subsidise the transport costs of the working poor within a specified maximum radius be investigated.
- It is recommended that trust funds established by commercial transport concerns be investigated as one way in which the transportation of the poor can be subsidised. Capital and funding could be sourced from both the private sector and public sector, through cross subsidisation and multi-sectoral subsidisation.

74.4 Spatial Development Initiatives
The long-term success of the SDI programme and, by implication, its contribution to poverty alleviation and inequality reduction goals in South Africa, is far from assured. It should be recognised that the SDI concept cannot be employed everywhere in South Africa and that long-term success depends to a significant degree on proven, inherent, un/under-utilised economic potential. Indeed, there is a risk that the SDI programmes might divert resources, including managerial and technical capacity, to focus on a limited number of areas. Second, their successful planning, design and implementation necessitates a commitment to the process by all spheres of government to ensure that SDIs fulfil their role as a fast-track development initiative. Third, SDIs must not be seen as a panacea for regional poverty alleviation and an excuse for the non-development or implementation of poverty alleviation programmes in areas where they occur. Fourth, the impact of SDIs on poverty alleviation will be enhanced by inter-sectoral linkage with, for example, programmes of land reform and SMME development.

- It is recommended that a set of performance indices be developed to assess and monitor the implications of SDIs for poverty-reduction in South Africa.
• It is recommended that the impact of the SDIs on livelihoods and household assets be carefully monitored.

75 INSTITUTIONAL REFORMS

75.1 Devolution of Power

The constitutional devolution of power makes progress in many of the areas of human development and coherent implementation of policy, reliant on the capacity, policy and commitment of the provinces. This brings with it many challenges. Firstly, to date, most of the focus has been on inter-provincial reallocation. Secondly, much energy and time to date has gone on restructuring and creating the necessary structures at provincial level and agreeing on relationships between the national and provincial levels. This restructuring has often delayed implementation.

Furthermore, movement towards equity has been retarded by, on the one hand, the incapacity of some of the poorer provinces to spend their full allocation and, on the other hand, the ability of the better-off provinces to lobby successfully for additional funds.

Finally, the system of local government faces extreme challenges. Newly elected representatives in democratic bodies often lack training and skills. In particular, the poor do not know where power is to be found, nor what power has on offer. This is because institutional structures are opaque and disempowering. Moreover, communities are fractured and cannot be assumed to be homogenous and unified for purposes of planning.

• It is recommended that priority be given to finding a long-term strategy that will ensure that every province has both the commitment and capacity to address the huge intra-provincial disparities that remain. Once in place, this mechanism should form a key component of the government’s strategy for the reduction of poverty and inequality.

• It is recommended that widespread dissemination of information on the roles, responsibilities and procedures of different spheres of government be undertaken.

• It is recommended that the development of RAID facilities should not be held up or delayed by lack of information or decisions about other facilities, and that this programme should be allocated the funds required for its implementation.

75.2 Integrative Structures

Structural issues are particularly pertinent in the many areas relevant to the reduction of poverty and inequality. The creation of clusters of ministries and, in particular, the social cluster, has laid the basis for such inter-sectoral work. The recent establishment of a Co-ordination and Implementation Unit (CIU) in the Office of the Deputy President will also strengthen such inter-sectoral co-operation.

There are also important and valuable institutions functioning among the poor that are controlled and operated by the poor themselves. Capacity might exist in local groups to be brought in as development resources. However, releasing this capacity will require the provision of appropriate training. There are important roles for NGOs to play. These include reaching those who are most vulnerable. NGOs can also play a brokering role in establishing partnerships between CBOs and can play a useful function in transcending capacity
constraints in local government structures. At a broader level, there is a need to closely co-
ordinate fiscal and monetary policy, specifically to ensure that they contribute synergistically
to the reduction of poverty and inequality.

- It is recommended that, at a ministerial level, consideration be given to establishing the
  Inter-Ministerial Committee on poverty and inequality as a standing committee.
- It is recommended that the role of NGOs in assisting government to reach the most
  vulnerable be explored and, where possible, act as one delivery mechanism in
government’s strategy for the reduction of poverty and inequality.

75.3 Development Planning

No legislation exists in any legislation or regulations for provincial development planning.
The provincial growth and development planning initiative that commenced in 1996 appears
to have been abandoned. As a result, provinces are not required to ensure that their
development policies are coherent, compatible, effective or even in existence before they
compile their budgets.

Incentives for performance in accordance with development priorities need to be improved.
This could be done through linking pay to performance, or somehow providing incentives to
civil servants based upon measurable impact on poverty and inequality. Finally, all forms of
corruption need to be dealt with effectively and quickly. The public needs to see commitment
by government to dealing with corrupt officials.

- It is recommended that preparation of provincial medium-term expenditure frameworks
  be grounded in provincial growth and development strategies.
- It is recommended that institutions concerned with eliminating corruption in government
  be adequately resourced.

75.4 Information and Technology

Development information flowing down to communities, and flowing up from communities
to civil servants, needs to be made user-friendly. It is critical that the capacity to ensure that
information flows take place is built up as a priority. Routine functioning and information
transfer built into the activities of departments would assist this. It is also important that an
effective government information system is established which translates and disseminates
information and retains a specific focus on the poor. Existing services may need to be
fundamentally restructured to ensure that this is achieved.

Two important questions are: who takes responsibility for the implementation and how will it
be financed. A large part of this responsibility rests on the shoulders of the government.
However, the private sector also has a responsibility to implement information policy and
must, therefore, contribute in financial terms.

- It is recommended that consideration be given to multi-purpose community centres with
  the equipment and the resources to empower historically disadvantaged communities in
  collecting, analysing and sharing information related to their development needs.
- It is recommended that local authorities become a source for information, and be
  equipped with the technology necessary to access certain types of information.
It is recommended that the SABC be used, particularly through the medium of radio, to inform people in all areas of the country. The SABC has already recognised its obligations to the development of the country in its policies regarding provincial split time on radio stations, the increased use of African languages and local content television programming, and increased educational broadcasting.

76 Monitoring and Evaluation

At this stage there is no effective form of monitoring and evaluation of delivery programmes in South Africa that brings these two elements together. As the strategic management of policies intended to reduce poverty and inequality in South Africa would require that such a system be established, this section recommends principles, criteria and considerations that need to be taken into account.

It is recommended that a system and procedures for monitoring the impact of government policy on poverty and inequality be established as a priority, and that this system should form a key component of government’s strategy for the reduction of poverty and inequality.

The section outlines the elements of a long-term strategy for monitoring progress, and a short-term strategy for managing disaster or the short-term impact of policy change.

76.1 Principles, Criteria and Considerations

76.1.1 Characteristics of indicators

The desired properties of the indicators used for monitoring are unambiguity, consistency, specificity, sensitivity and ease of collection (Carvalho and White, 1994:13). In terms of unambiguity, it is essential that indicators be precisely defined so that their measurement and interpretation is unambiguous. In terms of consistency, indicators should give objective rather than subjective data. In terms of specificity, the indicators should reflect those things that are intended to be changed by policy intervention and correspondingly avoid an array of measures that are largely subject to external influences. In terms of sensitivity, it is important that indicators be sensitive to policy-induced changes. Finally, it is important that indicators can be collected feasibly and relatively inexpensively, within a reasonable time frame.

Government needs to be careful that it does not allocate undue resources to this activity so that more is spent on monitoring than on delivery.

The indicators that are used for monitoring need to fulfil certain criteria in order to effectively measure progress in reducing poverty and inequality. These criteria are:

- The data collected should be limited in scope, but should reflect the outcome of a wide range of issues. Indicators must be up-to-date and there must be an efficient ongoing method of capturing indicator data. It is important that the indicators are kept consistent over time for specific areas, so that poverty comparisons over time can be made.

- The data must be able to be collected with a high degree of accuracy. While the scope of a particular indicator might be limited, it is important that the level of precision of this indicator is known. As such, more detailed checks need to be carried out which monitor the accuracy of the selected indicators.
• The monitoring system must be incorporated in routine systems of data collection to allow for ongoing cost effective monitoring.

• In order to monitor growth and development the collection of data must be sustainable over long periods of time. Further, the system must be capable of being upgraded over time. As requirements become more sophisticated, higher order needs can be monitored, more resources can be made available to the system, and greater use can be made of this type of data when planning.

• The data must assess the adequacy of development and target development needs by race and by area. Some indicators can also act as an early warning system to planners, such as where health problems are likely to increase. Such indicators should also allow for ‘risk mapping’ which indicates who are the most deprived in a society and which quality of life indicators they have the least access to, such as health, education or employment opportunities.

• Indicators must not be so complicated that they cannot be compared across areas, or adequately collected. Monitoring systems must be simple enough to be implemented by the least sophisticated collection agent and understood by the least sophisticated ‘unit’ (person, household, etc) about whom the information is collected. Without adequate training as to method and reasons for collecting the information, any system, however simple, will fail.

• The data should be compiled and disseminated as quickly as possible. Monitoring is of little use unless the information is available soon after it is collected. In particular, those who are charged with collecting data will be more inclined to do so accurately and timeously if the burden of collection is not too heavy, and if they understand why they are collecting it.

76.1.2 Determining the level of disaggregation

In devising indicators and methods of monitoring, the unit of analysis is an important consideration. For example, one programme might be best monitored at the individual level, another at the household level and a third at the ‘community’ level. Incorrect identification of the unit could result, for example, in intra-household inequality not being captured. Different levels and parts of government need different levels of detail. Each level should be provided with information aggregated to the appropriate level so as to avoid data overload for decision-makers (and consequent disregard of the information). It is important that monitoring penetrates below the provincial level.

Monitoring data should be disaggregated by race, gender, and location (province/gender) at the least. These characteristics must be collected in a way that allows concurrent analysis and reporting. Race should be collected in the standard categories of African, coloured, Indian and white to enable how individuals from groups subject to different legislation, regulations, etc during apartheid are faring in the new South Africa.

An agreement is required on a consistent definition of ‘urban’ versus ‘rural’. International experience points to the fact that a national urban system is composed of three basic tiers of settlements: metropolitan centres, secondary centres and small towns. In categorisation, the issue of small towns is the most problematic of all, as some observers argue that these should be incorporated as part of the ‘rural’ rather than the ‘urban’ category of settlements. It is
suggested that in South Africa the international conventions be accepted and that indicators be collected on the basis of metropolitan/secondary/small town and rural poverty but that sufficient information be provided to permit alternative classifications.

A second consideration in data collection concerning poverty in urban areas relates to definition of formal versus informal income categories. Although conceptually useful, the problems of empirical definition are so immense that it might be best to abandon such categories entirely and instead shift to adopt alternative classifications of income opportunities (e.g. by size, occupation type, position in labour market and so forth).

76.1.3 Standardised definitions and concepts

All bodies collecting data should be encouraged to use the same concepts and definitions to allow for meaningful analysis of the different data sources. CSS could play a role in establishing some of these standard definitions. In other cases, where the concepts relate quite clearly to a particular sector, the relevant department could assume responsibility.

Policy relevance should be an important consideration in devising definitions and concepts. For example, the current widespread usage of ‘household head’ has little utility in policy formulation, in that the concept is understood in many different ways, and covers a wide range of very different situations that would require very different policy approaches.

76.2 Institutions And Mechanisms

76.2.1 The current situation

In a workshop presentation by the DRC in July 1997 attended by all the major government departments, an exercise was undertaken to gauge the type of indicators presently used to measure the impact of government programmes. From the responses provided by the government officials, three main observations are evident:

- There is no uniform measure or standard use to determine both whether development is taking place at local and provincial levels, and what the impact of government projects is. A national co-ordination process is necessary to address this fragmented and irregular approach to the question;
- Objective measures of development and project-impact dominate, with an unclear relationship to the subjective measures also reflected. Income and expenditure data recur most amongst the objective measures, and a broader definition or measure of either poverty or inequality is generally not observable;
- No reference was made to participation of communities in any stage of government projects implementation and impact assessments. Empowerment as an issue was almost entirely excluded in the responses, with women’s involvement in development raised as the sole input.

Although a thorough national survey of provincial and national departments was not conducted, the ‘focus group’ of government departmental officials provides much insight into

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135 This section is based upon Hercules, (1997).
the existing development and impact indicators used within the South African government. This has implications for the process that should be followed in the setting up of a national monitoring system, as well as the specific indicators that need to be developed within government.

76.2.2 Role of CSS and other institutions

The departments responsible for a particular programme or policy should bear primary responsibility for developing appropriate indicators. Administrative records and vital registration systems are the simplest and cheapest sources of indicator data that are provided as by-products of the administrative process (FAO, 1989:45). Monitoring and evaluation should make use of this information to the greatest extent possible so as to avoid extra burdens on staff and other resources. Such record-keeping may need to be adapted and strengthened in terms of the coverage and accuracy of the data that is collected to suit monitoring needs.

Government agencies need to be clear as to the target of their activities. These might, for example in the case of the CBPWP, be expressed in terms of location and gender. Monitoring should look at both the explicit target characteristics, as well as others (e.g. income, dwelling type, previous employment status) which are alternative indicators of need. Monitoring needs to address both exclusion and inclusion effects. Those who perform services on behalf of government (e.g. those with contracts, in public-private partnerships, who receive subsidies, etc.) should be subject to the same reporting and monitoring obligations as government agencies. Monitoring will promote accountable and effective use of these resources.

Qualitative and participatory investigations provide both a useful supplement to quantitative data, and yield useful insights in their own right. Such qualitative investigations are probably best contracted out to agencies (e.g. NGOs in the field) such as was the case in the SA-PPA. These organisations are like to be seen as more ‘independent’ and have the potential to explore the use of participatory methodologies.

A central monitoring advisory service such as CSS could be considered to provide support, to ensure conformity with national standards and definitions, and so ensure comparability. CSS could also be responsible for monitoring at the broader, outcome, level as well as cross-cutting issues. Departments should, however, also work with CSS in establishing how regular CSS instruments (e.g. October Household Survey, labour studies) might incorporate some of their concerns. Finally, it is critical that the important role of CSS be recognised in providing the information that is required for the strategic monitoring of government policies. Compared to international standards, South Africa’s statistical services are poorly funded. Right-sizing in this context may require that additional resources be directed to this service and duplication of its statistics gathering function prevented.

76.2.3 Designing the instruments

A general monitoring mechanism is potentially an expanded October Household Survey, which would need to be revised in order to be sensitive to the issues raised above. It is unlikely, however, that all the required indicators could be secured in this survey and specific monitoring mechanisms would be necessary in the context of the effects on small enterprise development, housing or infrastructural provision. Specific procedures would be required for such policy programme evaluations and these could be the responsibility of the respective
departments which could be required to prepare an annual report on their impacts on poverty. In the case of small enterprises, this could be published as a regular report in NEPA's annual publication on the state of small business in South Africa.

Pilot projects can be subjected to more in-depth monitoring than ordinary programmes and policies in order to ensure that their effectiveness, etc., can be measured before decisions are taken as to whether they should be extended and regularised. The monitoring system must be devised at the same time as the design of the project itself. In the evaluation of these pilots there must, however, be due consideration of the delays, hitches and other problems that arise in any new and developmental situation.

Generally, one-off instruments and measures should be avoided, even if the possibility of outside funding is available. There are always other money and non-money cost factors. Where large-scale exercises are undertaken (e.g. School Register of Needs) a primary consideration at the planning stage must be how such data will be updated on a regular basis.

South Africa should not follow international standards slavishly in designing its instruments, definitions, etc. Where other measures are found to be more appropriate to the local situation, international definitions should be adapted. Gross enrolment rates, for example, make little sense in South Africa because of the wide range of ages of students in a particular standard.

76.3 Establishing a Monitoring System

76.3.1 Monitoring for the medium and long term

Macroeconomic policy has a significant impact on a country’s capacity to address poverty and inequality. It determines the level and rate of growth of output, how that output gets produced and how it is distributed. In this regard the creation of a stable macroeconomic environment is important. Equally important is fiscal policy as reflected by both tax policy, the level and nature of expenditure, monetary policy, and exchange rate policy.

The key issue with respect to monitoring the impact of macroeconomic policy is the assessment of the impact of the policy instruments. Macroeconomic policy instruments impact differently on different groups within society, as well as on the different sectors and aspects of the space economy. Consequently, understanding the key markers of poverty and inequality and the causes behind them, one can begin to prioritise the key areas of intervention which are required and, on the basis of that, develop the appropriate inputs, outputs and outcomes.

There is a constant tension in some instances between the need to have the desired economic impact and the desired poverty and inequality impact. There are also issues of trade-offs and timing to be considered in the implementation of policy. The monitoring and evaluation of macroeconomic policy on poverty and inequality must include an assessment of these trade-offs and timing dimensions.

Budgetary information should also be considered as one way of providing information about the key input measures for all activities. Budgetary analysis should not be confined to intra-provincial allocations. It should look at different functions within each sector (e.g. how much allocated to adult basic education and training compared to other areas of education, and how much to primary health care). Budgetary analysis and monitoring must consider all sources of funding of government activities, whether from the government budget, donor funds, or
elsewhere, if we are to get a better understanding as to how we are allocating all available resources. Exercises such as the current pilot in-government gender budget exercise, and Elson’s (1996) six ‘tools’ for ensuring gender-sensitive budget analysis can be further developed and adapted to assist in such ongoing monitoring. These are:

- gender-disaggregated beneficiary assessment, where one asks women and men how well government is addressing their needs;
- gender-disaggregated public expenditure, where one calculates the cost of providing different services to an individual, finds out how many women and men and girls and boys access these services, and so calculates the total amount which government is spending on the different groups;
- gender-aware policy evaluations of public expenditure, where one analyses government policy for its gender sensitivity, and then sees whether allocations are adequate to implement these policies (The South African Women’s Budget Initiative is an example of the use of this technique);
- gender-aware budget statement, where one includes gender breakdowns or remarks in the actual listing of programme allocations and line items;
- gender-disaggregated analysis of interactions between financial and time budgets, where one looks not only at money expenditures, but also at the time women and men spend on various activities as a result of government provision or non-provision of services;
- gender-aware medium term economic policy scenarios, where one looks beyond annual allocations to see the gender implications of shifting patterns of expenditure.

A parallel system of collecting information relating to outcome variables will be required. To implement this, a phased programme will probably be most appropriate, in which census, surveys, administrative records and sentinel monitoring are introduced in a mutually reinforcing process. Further to this, a formal plan is required that is based upon the review of existing services, and linked into national data gathering programmes. One approach that could be considered is the use of ‘transition matrices’, whereby social indicators are collected according to the age and status cohorts of study population. This approach has the advantage of measuring both stock variables (Literacy rate, life expectancy) and flow variables (rate of successful graduation, hospital treatment) (United Nations, 1975, Wolfson (1991:82-3). Figure 21 provides some guidelines from which such a matrix could be developed.
<table>
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<th>Poverty Impact</th>
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<td>Level and nature of private investment</td>
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<td>Improved income redistribution</td>
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<td>Lower tax burden for poor households/progressive income tax system</td>
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<tr>
<td><strong>Public Expenditure</strong></td>
<td>Functional allocation of expenditure</td>
<td>Improving the quality of human and physical resources for increased productivity</td>
<td>Basic needs provision</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increasing economic efficiency</td>
<td>Increased opportunities for poor households to participate in the economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Enhancing human capabilities</td>
</tr>
<tr>
<td><strong>Monetary Policy</strong></td>
<td>Interest rate levels</td>
<td>Level of private investment</td>
<td>Impact on SMME sector</td>
</tr>
<tr>
<td><strong>Exchange Rate Policy</strong></td>
<td>Exchange rate level</td>
<td>Export growth</td>
<td>Increase in labour intensive export sectors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prices of goods &amp; services</td>
<td>Low and stable prices of basic goods and services</td>
</tr>
<tr>
<td><strong>Labour Market Policy</strong></td>
<td>Collective bargaining</td>
<td>Increased productivity</td>
<td>Increase in employment opportunities</td>
</tr>
<tr>
<td></td>
<td>Wage rates</td>
<td></td>
<td>Improvement in the quality of employment</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td></td>
<td>Better wages</td>
</tr>
<tr>
<td><strong>Industrial Policy</strong></td>
<td>Structure of production (i.e., range of firms, competitiveness, sectoral distribution of output)</td>
<td>Increased productivity</td>
<td>Increase in the quantity and quality of jobs</td>
</tr>
<tr>
<td></td>
<td>Location of production</td>
<td>“Balanced” spatial distribution of production</td>
<td>Increase in opportunities for SMME sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improvement in rural development</td>
</tr>
<tr>
<td><strong>Trade Policy</strong></td>
<td>Tariff regime</td>
<td>Prices of goods and services</td>
<td>Increase labour intensive exports</td>
</tr>
<tr>
<td></td>
<td>Import quotas</td>
<td>Export growth</td>
<td>Low stable prices for basic goods</td>
</tr>
</tbody>
</table>
In the matrix, macroeconomic policy instruments could be considered the inputs and expected outcomes. Appropriate indicators could be developed for each outcome and could capture the specific outcomes listed below, but may also cover other areas. For example indicators pertaining to meeting basic needs and enhancing human capabilities would be captured by those pertaining to the monitoring of the social sectors. However, simultaneously they may inform us about how well public expenditures are impacting on poverty and inequality. Similarly, indicators on restructuring the apartheid city, could point to the spatial impact of macroeconomic policy. This serves to emphasise the notion of having fewer, well-prioritised indicators, and understanding the key interlinkages among the different sectoral policies and their linkage with macroeconomic policy.

A number of steps can be identified in the phasing of this programme. These are listed below, although the ordering of the phases does not imply a prioritisation:

- **A critical starting point** appears to be a process whereby key individuals and organisations are brought together to form a multi-disciplinary task team concerned with improving the collection and use of social indicators in South Africa. The Indicator project, sponsored by the UNDP and co-ordinated by the Department of Welfare, could fulfil this function.

- **Data feeder systems** will have to be put in place channelling the data that is currently being collected to an office charged with the collation of data into social indicators and an overall index. This could be the CSS. Data capture and computer processing procedures will have to be set up to ensure that information can be efficiently and effectively retrieved.

- **A formal plan** should be prepared which phases the start-up steps as well as a longer-term vision of improving the collection and monitoring of social indicators. This will have to identify measures to improve the core social indicators.

The process of developing indicators will be an important first step. Indicators for the measurement of poverty and inequality need to be developed (especially at provincial level within government), utilising a government-defined definition of poverty and inequality. Indicators at Community level need to be developed alongside government-level indicators. The DRC has recommended that the following steps be taken (Hercules, 1997).

- **The development of community indicators:** Pilot communities in all provinces will develop their own indicators of progress and develop measures of successful anti-poverty programmes wherever they live. Representatives of structures within these communities, for example, the church, will take responsibility and ownership of the ongoing regular monitoring of poverty utilising their own indicators to measure progress. NGOs and CBOs will facilitate community indicator development.

- **Central data management and co-ordination:** Once the indicators have been made sufficiently clear and explicit, data for these indicators should be collected as necessary. The CSS acts as the national clearing house for the national accounts, and special surveys like the OHS. It seems most appropriate that CSS should be responsible for the data collection process for Government-level indicators of poverty.
and inequality in South Africa as they have the necessary infrastructure and capacity to do this very effectively.

- In recognition of the multiple dimensions of poverty, data on non-income or non-expenditure issues will have to be collected and analysed. A special mechanism, therefore, needs to be developed to link and feed in government departments’ surveys and other critical information sets to the CSS system to enable CSS to include broader poverty data for analysis and reporting. This implies a linkage between CSS and the CSOs involved in community-level measurement of the process and impact of anti-poverty programmes.

- **Identifying data sources:** Utilising a purely income-based or expenditure-based data set such as the OHS, precludes the use of broader indicators of poverty and inequality in South Africa. In order to overcome this, new data sets have to be included alongside the OHS in the data-analysis process, in order to arrive at a more detailed picture of objective data trends. A special survey of government information tools to determine community development and project impact should be conducted as a matter of urgency, to determine which instruments are presently in use, and how they are constructed. A new data instrument format should be developed as a broad framework for the different government departments to utilise for their information needs, to enable data instrument integration with CSS systems. The relevant government department surveys and other data instruments in use, then need to be restructured in line with the new instrument format. These institutional changes will enable a more detailed picture of poverty and inequality to be put together, utilising a number of data sources.

- **Providing data analysis and data releases:** The efficiency and sophistication of the monitoring of economic trends and changes by CSS is very impressive. What is required now, is a poverty monitoring system which acts as a mirror to economic trends. Data systems used for poverty monitoring must be realigned and restructured to enable a speedy regular release of analysis and indicators on a quarterly and six-monthly release cycle. This would provide a government management tool to assist key officials and departments in the day-to-day decision-making processes that determine budget allocations, expenditure, and so forth. A special Poverty Indicators Report could, for example, be released, containing both impact and stock indicators of poverty, and integrating quantitative and qualitative information in a single report.

- **Integration of objective and subjective indicators:** Beside the idea of a Poverty Indicators Report, community-level and government-level indicators need to be integrated and linked to combine objective and subjective information. This will provide an excellent source of information on how economic trends combine with the perceptions and views of masses of poor people across South Africa on their experience of development and poverty eradication at local level. Government-level indicators would be compared with community-level indicators. One option would be the preparation of a concise update to the Poverty and Inequality Report for South Africa to be tabled at a biannual national Poverty Conference.
76.3.2 Monitoring for the short-term through food security

Food security is an extremely responsive indicator that identifies groups that are on, or below, the poverty line. This measures, not only whether people have adequate food, but whether they have access to regular supplies of food. In some cases, this indicator is more appropriate than income measures of the poor as it focuses on the capacity of the individual to stay alive, avoid malnutrition and the availability of basic foods. This indicator also shows who is at most risk as regards health and can act as an early warning system that certain groups or areas will not be able to sustain a minimum nutrition intake. Food security is difficult to measure, but may be a more accurate measure of quality of life in the long term. Calorie intake, subsistence agriculture (backyard gardening) and the price of food are ways of identifying food security in other countries. These may be applied to the South African situation to monitor access to staple foods and consumption. Food security should also provide information for agricultural policy to ensure sustainable food production and its distribution to specific areas that are most deprived in terms of adequate food supply. Monitoring the incidence of poverty in South Africa should move towards the incorporation of a food security index. This is probably best gathered by means of surveys conducted in sentinel sites, that is, in areas and households that are representative of generic categories from which trends can be monitored (Callear, 1993).

Davies (1996:6) provides a useful typology of Early Warning Systems, which stresses the importance of moving towards systems that map vulnerability though providing detailed information concerning food availability. This is shown in Figure 22.

**Figure 22: Typology of Early Warning Systems**

<table>
<thead>
<tr>
<th></th>
<th>Conventional Famine Early Warning Systems</th>
<th>Alternative Food Information Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Famine orientated</td>
<td>Food security orientated</td>
</tr>
<tr>
<td>Determinants of food security</td>
<td>Food production</td>
<td>Access to food</td>
</tr>
<tr>
<td>Level of operation</td>
<td>Macro-centralised</td>
<td>Micro-decentralised</td>
</tr>
<tr>
<td>Unit of analysis</td>
<td>Geographic e.g. nation/districts</td>
<td>Socio-economic, e.g. vulnerable groups</td>
</tr>
<tr>
<td>Approach</td>
<td>Top down, data centred</td>
<td>Bottom up, people centred</td>
</tr>
<tr>
<td>Response</td>
<td>Food aid orientated</td>
<td>Sustainable improvement in access to food.</td>
</tr>
</tbody>
</table>

It is recommended that the food information approach be adopted in South Africa to provide short-term monitoring information that assists in disaster management. This system should be characterised by a number of features. These include:

- a concern with what people do rather than with how food systems influence abstract notions of production, exchange and consumption;
medium to longer-term time frames, with attention paid to how livelihood systems change over time as people adapt to changing socio-economic and climatic conditions;

• an emphasis on diversity not standardisation, between livelihood systems, seasons and years;

• flexibility, both in monitoring methods and in the interpretation of data;

• mobility, between livelihood systems and geographically.

The method proposed will require four stages:

• **The development of the monitoring instrument**: This will require an information matrix which identifies the different components of livelihood generation (the production process, the exchange process, the asset base, coping/adaptation processes and claims on the outputs) and measures which are relevant to each of these components. This task will probably require input from specialists in research methodology and poverty analysis. Care should be taken to adopt a multi-disciplinary approach.

• **The identification of ‘listening sites’**: Existing surveys and Geographic Information Systems can be used to identify the poorest regions of South Africa. For example, as this paper has shown, poverty is concentrated in KwaZulu-Natal, the Eastern Cape and the Northern Provinces, and provincial level data exists which identifies the poorest districts within these provinces. This data can be used to draw up a roster of potential surveillance or listening sites. A minimum of 24 posts is proposed, 6 in the non-poor provinces and 6 in each of the 3 poorest provinces. These sites should be rotated on an annual basis to avoid respondent fatigue and to control for endogenous factors.

• **The implementation of the EWS**: Several options exist for the actual implementation of the EWS. One possibility is to use conventional research methods and ‘professional’ researchers. An alternative approach is the use of rapid appraisal techniques (Frankenburger, 1991). Finally, a less conventional approach which should be considered is the use of participatory processes such as Participatory Rapid Appraisal. These methods draw on various traditions of research including applied anthropology, Participatory Action Research, Rapid Rural Appraisal and agro-ecosystems analysis. Whatever method for data collection is adopted, it is recommended that the management of this task be undertaken by the provincial office of the Central Statistical Services (CSS). Partnerships between CSS and NGOs operating in the site area should be encouraged to ensure that follow through occurs. Information should be collected three times a year from the same site before rotating the sites. The times for information collection may well vary between provinces, but should be undertaken during the lean season (usually early spring when cultivation occurs and food stocks become exhausted), the harvesting of ‘green’ crops (usually January/February when maize is harvested) and the harvesting season (usually autumn when the bulk of the maize harvest is collected). Care should also be taken to include information relevant to urban areas.
• **The analysis of the data**: To be meaningful and responsive, the results have to be interpreted within provinces and fed through an appropriate department for action. Where feasible, it is suggested that this be done by CSS and fed directly to the Office of the Premier for action, as well as to a national inter-ministerial committee concerned with poverty alleviation. The Inter-ministerial Committee on Poverty and Inequality could be used for this purpose. This will ensure both the autonomy of the process (CSS retains a degree of autonomy by virtue of the Statistics Council and the Statistics Act) as well as ensuring provincial and national political support. Universities could be drawn into the process to develop future capacity.

Successfully implementing the proposed EWS will require flexibility at a local level so as to permit appropriate implementation. Support would be required to strengthen or establish institutions that can facilitate implementation of this nature. However, once established, the proposed system would provide information that takes account of the complex realities of the poor. The approach is grounded on recognition of the integration of food security into the broader system of household survival and subsistence. Finally, the system has the potential to contribute towards uplifting poor communities in South Africa by facilitating an information generation and planning process.

77 **CONCLUSION**

The challenge facing the new South African government is immense and from the perspective of policy formulation the government has responded in a credible fashion. From the perspective of implementation, however, current progress does not appear to have met either the expectations of policy makers or the poor. There are many reasons for this, the most important of which relate to the underlying distortions in economic markets and social institutions introduced by apartheid, that continue to produce and reproduce poverty and inequality in South Africa.

The purpose of the PIR has been to offer a critical insight into the coherence and effectiveness of this policy response, and in this manner, contribute towards the monitoring and evaluation of government’s actions. Viewing poverty and inequality as consisting of both the current access of households to income and services, as well as the ability of households to generate income, allows for a more strategic and dynamic position on poverty alleviation policy. Broadly, two groups of policy can be distinguished: short term redistributive policies for income and asset transfers and medium term growth policies that foster the optimal use of household assets. In the long term, policies that result in sustainable development and economic growth are seen as the key factors influencing the ability of households to break out of a cycle of poverty.
78 REFERENCES


DWAF and DoA (1996): Towards an Irrigation Policy for South Africa. Department of Water Affairs and Forestry and the Department of Agriculture, Pretoria.


