



Economic Commission for Africa

## **Third Meeting of the African Learning Group on the Poverty Reduction Strategy Papers**

3-5 December 2003  
Addis Ababa, Ethiopia

## Lessons for PRSP from Poverty Reduction Strategies in South Africa



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**Nina Hunter, Julian May and Vishnu Padayachee<sup>1</sup>**

<sup>1</sup> Respectively Research Fellow, Associate Professor and Professor, School of Development Studies, University of Natal, South Africa. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Economic Commission for Africa or any of its officers.

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## **1. Introduction**

In September 1999 the World Bank and the International Monetary Fund (IMF) introduced a new approach designed to focus loan operations on poverty reduction. The revised framework for development assistance offers low-interest loans and debt relief to 42 of the poorest countries in the world through a new loan facility, as well as opportunities for concessional support to a further 38 countries. However, to gain access to these facilities, some national governments have to qualify for Highly Indebted Poor Country (HIPC) status and all are required to write a Poverty Reduction Strategy Paper.

In some countries, the PRSP has also been referred to as a Poverty Reduction Strategy Process. This occasional renaming of PRSP is significant in that the designers of the approach expect that PRSPs are to be country-driven, locally owned and based on broad participatory processes for their design, implementation and monitoring. The expectation is that governments will design and direct poverty reduction strategies for their countries in consultation with local government, civil society and communities.

South Africa offers an interesting counter-factual that may assist in the analysis and implementation of PRSP in other African countries. South Africa has introduced many of the reforms expected of a PRSP, but is neither a highly indebted country, nor has prepared a PRSP. Indeed, the South African Government has moved away from a broad strategic statement on poverty reduction, the Reconstruction and Development Program (RDP) towards sector specific programs governed by a macroeconomic strategy of structural adjustment (the Growth, Employment and Redistribution strategy, or GEAR). At the same time, despite its status as a middle income country, South Africa displays many of the socio-economic indicators of countries characterised as low income, and high inequality remains a intransigent problem.

This paper will first provide a brief overview of different interpretations of the PRSP process. The paper will then review the context of poverty in South Africa before presenting recent evidence on the extent, distribution and nature of poverty in South Africa since the transition to democracy in 1994. The paper will then describe the components of South Africa's approach to poverty reduction that resemble PRSP activities. The paper concludes by reflecting on this experience in terms of the objectives that PRSP claims to advance, namely a country-driven sustainable reduction in poverty.

## **2. Views on PRSP**

For some analysts, the PRSP process has the potential to open development planning and targeting to wider scrutiny and influence. These analysts believe that if the principles of the process are adhered to, PRSPs could provide opportunities for civil society organisations to sway national policy-making and development planning. Booth and Lucas (2001) for example, acknowledge that the PRSP processes do not signify the end of 'old-style conditionality and performance benchmarks' that were central to the structural adjustment programmes of the 1980s and 1990s, but suggest that PRSP does not

represent business as usual. This is attributed largely to the emergence of the new form of social conditionality that emphasises in-country processes, in particular the requirement for responsive and accountable institutions of governance. Thus Booth and Lucas (2001) argue that 'strong country demand at all levels' is a precondition for developing a national monitoring and evaluation system, and look for the creation of such demand in a participatory PRSP design process. Other analysts note that the emphasis placed by PRSP on local ownership should also ensure that attention is given to the legality of the strategies proposed in terms of national legislation or commitments to international agreements, and may promote a human rights approach to poverty reduction (UNHCHR, 2002). The emphasis placed on improved governance has also been widely supported.

Not surprisingly, PRSP has also attracted criticism and several concerns have been expressed. Perhaps the comment to be most expected is that the PRSP is simply a repackaging of previous approaches to development assistance, in which a new level of conditionality has been inserted. This 'old wine in new bottles' concern sees the contents of PRSP as a simple recycling of previous policies of structural adjustment. Thus macroeconomic policy and poverty reduction remain two unconnected goals, each with their own contradictory policies and targets (Cling et al, 2002). Furthermore, the understanding of the process of ownership and participation contained in PRSP is seen as inadequate, and therefore PRSP cannot represent a true process for enhancing national ownership and participation (Jubilee 2000). Finally, a more extreme view is represented by some analysts who see a sinister intent behind the PRSP and argue:

*How convenient to wed the rediscovery of poverty to mal governance! This blame-the-victim approach shifted attention away from the economic model which in fact produces poverty and facilitates corruption. What is more, assuming a hypocritical defence of civil society demands for participation, the Bretton Woods institutions devised the Poverty Reduction processes which in effect increased the power of the multilateral institutions over national governments and national economies. (Bendana, 2002)*

Despite these reservations, many countries that are not required to prepare a PRSP seem attracted to principles that have been outlined for the formulation of pro-poor policy. In terms of these general principles, the PRSP is expected to focus public sector priority on reducing poverty and sets out the main elements of the Government's poverty reduction strategy. More specifically, a comprehensive PRSP includes poverty diagnostics based on indicators of poverty, the poverty profile of the country (the incidence, severity and distribution of poverty) and the measures required for its reduction. The PRSP also asserts the Government's commitment to developing poverty reduction policies through a consultative process and should present a shared communal vision of desired poverty reduction goals, reached through a participatory process. Finally, it should lay out participatory processes to monitor policy implementation and progress in poverty reduction.

At best then, PRSP might offer a way of dealing with problems widely acknowledged as constraints on poverty reduction. These include asymmetric access to information, the difficulty of reconciling policies for macroeconomic stability with those of poverty reduction, and perhaps even overcoming the political difficulties associated with the introduction of redistributive policies that promote poverty reduction and economic mobility. In this context, a critical examination of South Africa's experience in upholding PRSP principles in the absence of direct involvement by the IMF or World Bank seems pertinent.

### **3. Context, Poverty Profile and Poverty Trends in South Africa**

The inability of many in South Africa to satisfy their essential needs while a minority enjoys extreme prosperity stems from diverse sources is common to many countries. However, the specificity of the South Africa situation is that four decades of apartheid legislation built on the earlier policies of the Colonial and Union Government directed at the extraction of cheap labour. This history has to be taken into account when analysing current policies for poverty reduction.

#### **3.1 Apartheid's Legacy of Inequality**

South Africa's history introduces a number of context specific causes of poverty. These include:

- The impact of apartheid which stripped people of their assets, especially land, distorted economic markets and social institutions through racial discrimination, and resulted in violence and destabilisation;
- The undermining of the asset base of individuals, households and communities through ill health, over-crowding, environmental degradation, the mis-match of resources and opportunities, race and gender discrimination and social isolation;
- The impact of a disabling state, which included the behaviour and attitudes of Government officials, the absence of information concerning rights, roles and responsibilities, and the lack of accountability by all levels of government.

These triggers have shaped the nature of South Africa's economy and society, and represent apartheid's legacy of inequality and poverty. Importantly, they have the potential to ensure the persistence of poverty even though many other aspects of the South African political economy are being transformed. The result of this institutionalised discrimination can be thought of as a process of state-driven underdevelopment that encompassed dispossession and exclusion for the majority of South Africans. In describing the impact of 'apartheid's assault on the poor', Wilson and Ramphela (1989:204, 230) conclude that such policies of deliberate impoverishment distinguished the experience and dynamics of poverty in South Africa. As such, apartheid, and the legislation and institutions through which this ideology was implemented, operated to produce persistent poverty and extreme inequality.

The concept that separate land areas should be set aside for Africans in South Africa predates the founding of a modern economy in South Africa, and evolved from the policies followed by early white settler governments who set aside land known as 'native reserves'. This was institutionally formalised by the Union Government in 1913 with the passing of the Land Act. At this time, it was never seriously envisaged that the African population should remain limited to the land that had been set aside for their use<sup>1</sup>. However, with the victory of the Nationalist Party in 1948, the segregationist views of this party were translated into the policy of apartheid and a wide range of legislation was introduced between 1949 and 1959 to balkanise South Africa into a number of ethnic based territories. These culminated with the Bantu Self-Government Act of 1959 that ushered in the homeland structures or 'bantustans'. Enforcing segregation meant that large numbers of people were forcibly removed from 'Black Spots' into these bantustans. This term referred to areas in which African households were living but were located in that part of South Africa designated for white residence. In some instances, these 'Spots' were found on commercial white owned farms, but in most cases, the 'Black Spots' were freehold land in which the residents had been issued certificates of occupation by the colonial governments. An estimated 475 000 people were removed from 'Black Spots' between 1960 and 1983<sup>2</sup>.

In addition to forced removals, the introduction of 'Betterment Planning' during the 1960's and 1970's led to many communities losing their access to land within the bantustans. Although 'Betterment Planning' was put forward as a way in which previous dispersed residential patterns would be consolidated into residential, arable and grazing land, in many areas land was never reallocated after the consolidation process, housing stock was lost, and restrictions were placed on livestock ownership (Yawitch, 1982).

In urban areas, restrictions on property ownership, mobility and the reservation of certain categories of employment for the white population severely limited economic opportunities for the African urban population. At the same time, the inadequate provision of housing, services and access to health and education facilities resulted in poor social conditions. Towards the end of the apartheid era, resistance and civil disobedience campaigns, and the efforts by the Government to contain these, resulted in further neglect and damage to physical infrastructure.

It is not surprising, therefore, that narrowing inequality, breaking down the barriers that hamper participation in the economy and reducing poverty have been a consistent theme of the democratic South African governments since 1994. Many of the policy statements prepared by different Government departments have stressed in the importance of reducing poverty, and considerable effort has focused upon the development of a land reform program, the provision of urban infrastructure and the delivery of essential services and programs for the delivery of social protection. Broadly, the central

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<sup>1</sup>/ As evidenced by the Native Land Commission of 1916, the Economics and Wages Commission of 1925 and the Native Economic Commission of 1932. (Nattrass, 1988).

<sup>2</sup>/ The comprehensive reports produced by the Surplus People's Project have documented this history, cf SPP, (1983).

thrust of recent Government rhetoric has been to increase the access of the poor to those assets that were previously denied them, or indeed, stripped from them in the past.

The risk that the perpetuation of extreme inequality will act as a brake on the achievement of the South African Government's ambitious growth targets is another important concern. Moreover, the sluggishness in employment creation throughout the 1990's and to the present, suggests that even if higher growth rates were achieved, a noticeable reduction in poverty or inequality may not follow. Conversely, using a social accounting matrix (SAM), Eckart and Mullins (1989:10) concluded that the effects of a redistribution of income would be a possible significant increase in the GDP multiplier. They do note that a reduction of personal savings may be a negative aspect of such policy, and argue that raising the propensity to save will require specific attention in the longer term. For these reasons, the South African Poverty and Inequality Report, commissioned by the Office of the Deputy President in 1998, concluded that a poverty reduction strategy for South Africa should include linking macroeconomic policies to promote growth to sectoral policies that enhance human development, asset redistribution, pro-poor market reforms, spatial development and institutional reforms (PIR, 1998).

### **3.2 Extent, Distribution and Nature of Poverty in South Africa**

The social conditions in the former township and homeland areas of South Africa that resulted from the policies of apartheid already mentioned have been documented by numerous researchers (cf. Simkins, 1984; Wilson and Ramphela, 1989). These continue to ensure that South Africa has entrenched and chronic poverty well above its economic profile of a middle income country. At \$9401 per annum, South Africa's per capita GDP places it as one of the 50 wealthiest nations, while the strikingly poor social indicators of the country result in South Africa being ranked 107<sup>th</sup> of 173 countries in terms of its Human Development Index in 2001 (HDI) down on its ranking of 93<sup>rd</sup> in 1992 (UNDP, 2002). The country now has life expectancies among the 50 worst in the world and projections of mortality suggest that these will deteriorate further as deaths from the AIDS epidemic increase (Dorrington et al, 2001:25). At the time of the transition in 1993, South Africa was described by the World Bank as among the world's most unequal economies, with a Gini co-efficient measuring 0.58. More recent analysis using the 1996 Population Census data put the Gini co-efficient as high as 0.68, worse than that of Brazil and of 33 other developing countries (Marais, 1998: 106). Woolard and Leibbrandt et al (2001:22) show that 6 percent of South Africa's population captures over 40 percent of income. This experience of income inequality carries over to the social indicators as well, with the HDI reported by the UNDP revealing the significant spatial and racial differences within South Africa. In 1991, while white South Africans had an HDI similar to that of Canada or Israel, the HDI score for Africans was lower than that of Egypt and Swaziland, and a provincial comparison shows that the score for the Limpopo Province was lower than that of neighbouring Zimbabwe (May et al, 2000: 23). Although there were some improvements in the HDI among some groups by 2000, South Africa is one a handful of countries that has



experienced a decline in the HDI since 1995, and the racial aspect of the South African situation remains in place.

Looking at the poverty profile, in 1993 almost half of South Africa's population were categorised as poor using a national poverty line (Klasen, 1997). Using this threshold, over 60 percent of Africans were poor compared to just 1 percent of the white population. The World Development Report of 2000 uses the 1993 SALDRU study in a table providing data on poverty in the developing world. This report shows that 11.5 percent of the South African population live on less than purchasing parity price (PPP) adjusted \$1 per day, a measure referred to as the headcount ratio, while 35.8 percent of the population live on less than \$2 per day (World Bank, 2000:64). South Africa can thus be compared to countries such as Bolivia (11.3 percent), Colombia (11.0 percent) or Côte d'Ivoire (12.3 percent) in terms of the \$1 per day measure of poverty.

However, more recent South African measures of poverty based on a minimum acceptable standard of living suggest that poverty is more severe than the rather arbitrary international rules of thumb would imply. Woolard and Leibbrandt (2001) use a range of thresholds to provide a rigorous analysis of poverty in South Africa since the transition<sup>3</sup>. Using data from the 1995 Income and Expenditure survey, they conclude that, some 40-50 percent of South Africans can be categorised as poor, while 25 percent can be categorised as ultra-poor. They also find that the poverty rate is far higher in rural areas than in urban (65 percent of individuals compared to 22 percent) and 27 percent of rural dwellers are below half the poverty line, and thus are likely to also be chronically poor (Woolard and Leibbrandt, 2001:59-60). In line with other studies, a far greater proportion of Africans are poor, making up almost 80 percent of those who are poor. Households headed by women are also more likely to be poor than households headed by men, while the Eastern Cape consistently emerges as the poorest province in South Africa, containing 27 percent of those likely to be chronically poor. KwaZulu-Natal and Limpopo Province account for 19 and 17 percent of the chronically poor respectively. Finally, in 1995, the poverty gap, a measure of the depth of poverty calculated to show the amount that is needed annually to wipe out poverty through a perfectly targeted transfer to the poor, was about R15 billion, or about 4 percent of GDP. In the case of the two poorest provinces, Eastern Cape and Limpopo Province, the poverty gap amounts to 11 percent and 21 percent of the provincial Gross Geographic Product (GGP) respectively.

Turning from money-metric measures to other indicators of poverty, similar results are found using a nutritional poverty line based upon food intake thresholds with approximately half of the population consuming an inadequate diet in 1993. The National Food Consumption survey aimed to determine the nutrient intake of children younger than 9 years and identify a suitable vehicle for food fortification as well as key messages for nutrition education. The survey found that one out of three South African children younger than six years have a poor vitamin A status and stunting affected one out of four children (SAVACG,

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<sup>3</sup>/ For most of their analysis Woolard and Leibbrandt (2001:56) settle on the Household Subsistence Level and \$1 a day 'International' line (R3509.00 and R2200 per annum per adult equivalence in 1995 Rand). The latter may be thought of as the ultra-poverty line.

1995). One out of two children had an intake of less than half of the recommended for energy and a number of nutrients (calcium, iron, zinc, selenium, vitamin A, vitamin D, vitamin C, vitamin E, riboflavin, niacin and vitamin B<sub>6</sub>). A high proportion of respondents (70 percent) perceived their household to be food insecure and 30 percent of the households reported that their children went to bed hungry, a percentage that increases as incomes decline.

Aggregated statistics such as the headcount ratio used above, continue to conceal the highly differentiated experiences of South Africans in terms of human development. 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. As the next table shows, South Africa fares poorly when compared with other countries ranked as middle-income in terms of their per capita Gross National Product (World Bank, 1996).

**Table 1**  
**Comparison of Social Indicators from selected middle-income countries**

Index	South Africa	Chile	Mexico	Malaysia	Turkey	Algeria
HDI Rank	107	38	54	59	85	106
Life expectancy	52.1	75.3	72.6	72.5	69.8	69.6
Adult literacy	85.3	95.8	91.4	87.5	85.1	66.7
Combined enrolment	93	78	71	66	62	72
GDP per capita	9401	9417	9023	9068	6974	5308
HDI Value	0.695	0.76	0.796	0.782	0.742	0.697
Population (2000)	43.3	15.2	98.9	22.2	66.7	30.3
< \$2	35.8	8.7	37.7	na	18	15.1
Pop using improved water	86	94	86	na	83	94
1 yr old immunised against measles	82	96	95	88	80	83
Infant Mortality	55	10	25	8	38	50
Under 5 Mortality	70	12	30	9	45	65
Gini	59.3	56.6	53.1	49.2	41.5	35.3

The table shows the inadequacy of using *per capita* GNP as the sole indicator of development. All the countries to the left of South Africa in the table have lower *per capita* GNP than South Africa, yet generally they perform better on indicators such as life expectancy, infant mortality and adult illiteracy.

### 3.3 Trends and Chronic Poverty

Attempting to track trends in poverty and inequality, Budlender (2000:93) suggests that both poverty and inequality may have increased between 1994 and 1998, a finding supported by a recent official publication using the results of the 2000 income and expenditure survey (Stats SA, 2002). The average annual per capita income in 1995 was reported to be R12 135 adjusted to 2000 prices, higher than the per capita income of R11 755 per annum reported in the 2000 Income and Expenditure Survey (IES). Other national studies of living standards suggest that both poverty and inequality remain high and may have increased during the same period (Stats SA 2000a, Stats SA, 2001).

Using panel data, Roberts (2001) and Carter and May (2001) adopt different methodologies to distinguish those that move in and out of poverty from those that are structurally poor. Both analyses suggest that while some 40-50 percent of South Africa's population can be described as poor, around 20-25 percent of the sampled African and Indian population in KwaZulu-Natal can be thought of as being chronically poor in terms of either a 'time-spell' or 'trajectories' definition. Furthermore, despite a 50 percent chance of upward mobility from the poorest to the next expenditure class, Carter and May (2001,1998) calculate that some 75 percent of those measured as being ultra-poor in 1993 would still be below the poverty line in 1998.

The analysis presented suggests development problematic of South Africa described more than a decade ago by South African economist Jill Nattrass as being that of 'plenty amidst poverty' remains appropriate (Nattrass, 1983:12). The poverty reducing strategies of the post-apartheid governments of South Africa continue to confront a formidable task, and the principles of PRSP maybe a relevant framework to analyse the prospects for their success. The remainder of this paper will consider the capacity for poverty diagnostics, the macroeconomic framework, and the specific policies for social protection and asset distribution that make up South Africa's strategy for poverty reduction.

## **4. Elements of the Poverty Reduction Strategy in South Africa**

### **4.1 From Poverty Strategy to Macroeconomic Stability**

The economic thinking of the apartheid Government had already shifted during the late 1970s and early 1980's, from an inward-looking and interventionist strategy to one which became increasingly free market-oriented in character. The de Kock Commission on monetary policy (1978), the Kleu Commission on Industrial Strategy (1983), and the Reynders Commission on Export Trade (1972)<sup>4</sup> all raised doubts about an inward-looking strategy of development and espoused the virtues of a 'system in which freedom of enterprise, consumer freedom of choice and private ownership play a fundamental part' (Morris and Padayachee, 1988:5/6). The 1993 normative economic model (NEM) of the nationalist Government represented the most advanced form of this strategy (CEAS, 1993).

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<sup>4</sup> / For more discussions and references on these commissions see, Morris and Padayachee (1988).

The economic thinking of the African National Congress (ANC) also changed following the unbanning of the organisation in February 1990. The draft economic policy circulated for debate after the Harare conference in April 1990, made it clear that nationalisation remained an important plank of ANC policy. The role of the state in economic reconstruction was boldly asserted; the document had a decidedly inward-looking orientation based primarily on the needs and capacities of the domestic economy, with little reference to the dramatic economic developments which were unfolding globally at the time.

By the time the ANC's Ready to Govern policy document was released in 1992 some aspects of ANC economic policy had changed, with a relatively more market-oriented approach being espoused. Nevertheless, that document represented an attempt to formulate a strategy that balanced growth, redistribution and basic needs, with a growing imperative to become market-friendly and globally competitive.

The Reconstruction and Development Programme (RDP) served as the ANC's 1994 election manifesto, and subsequently provided the 'shared communal vision of desired poverty reduction goals' emphasised by the PRSP process. This document was informed by the research findings of the Macroeconomic Research Group (MERG) and the Industrial Strategy Project (ISP). Both were linked, albeit in different ways, to the ANC and COSATU. Both the MERG document and the ISP proposals represented attempts, albeit with significant differences, to chart frameworks that lay between old style ANC economic thinking and the dominant neo-liberal ideas of the Washington Consensus. In this loose sense they may be regarded as 'third way' models, although MERG placed its emphasis mainly on the demand-side, rather than the kind of supply-side measures the ISP favoured, more frequently associated with a 'third way' approach.

MERG took what might be characterised as a Post-Keynesian approach where effective demand failures and the possibility of under-full employment equilibrium are recognised as key problems. MERG envisioned a two-phase, 'crowding-in' approach to South Africa's development, a state-led social and physical infrastructural investment programme as the growth driver in the first phase, followed by a sustainable growth phase which would see private sector investment kick in as growth picked up (MERG, 1993; Padayachee, 1998). The MERG report emphasised the meeting of basic needs and the development of social and economic infrastructure designed to secure 'a rapid improvement in the quality of life of the poorest, most oppressed and disadvantaged people of South Africa' (1993: 2).

Although the MERG report was essentially cast in the form of a macroeconomic framework, attention was given to microeconomic issues. For example, the question of land and asset redistribution to poor rural households received not insignificant attention. The report supported the removal of apartheid constraints on black access to land, but went far beyond this. It spoke of the need for state intervention to support poor rural households and poor rural women. The initial aim of direct state intervention, MERG argued, '...should be to benefit adult female members of landless households in the rural homelands' (1993:191).

MERG contrasted this to the World Bank approach, which it argued, was a vision of state support to a 'class of male black rural capitalists' (1993:192).

The ANC's *Reconstruction and Development Programme* (RDP) was published in March 1994. At one level it could be argued that the RDP broke with the view that growth and development are processes that contradict one another. After an extensive consultative process undertaken for each chapter, the finalisation of the RDP document involved holding 4 to 5 workshops which were attended by over 100 members each from democratic movement structures, making it arguably the most democratic process by which an opposition economics document was formulated.

Its powerful statement of principles sets out a development strategy which:

*...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... This programme will both meet basic needs and open up previously suppressed economic and human potential in urban and rural areas. In turn this will lead to an increased output in all sectors of the economy, and by modernising our infrastructure and human resource development we will also enhance export capacity (ANC, 1994:6).*

But in the detail, the RDP proposed sometimes contradictory ideas. For what it did was attempt to marry the ANC's old social democratic and socialist values (redistribution, basic needs) with new neo-liberal ones (trade and financial liberalisation, the independence of the central bank), ostensibly held together through (centrist) institutions and accords at which all the 'social partners' would be represented. As Bond and others have noted, it was, in the course of its formulation, impacted upon by 'status quo' forces, both South African and international who had made great efforts since 1990 at influencing the political leadership of the ANC. In the end, the RDP reflected an uneasy compromise between 'the feasibility of combining a social welfare state in the developmental sphere with neo-liberalism in the economic sphere' (Bond, 2000:54).

In power, the ANC rapidly brought the dissident constituencies of COSATU, the SACP, and left ANC factions into line and consolidated its economic ideas around an essentially neo-liberal programme. The RDP White Paper published in November 1994 and the Growth, Employment and Redistribution Strategy (GEAR) published in June 1996 are the two most important macroeconomic policy documents of the post-apartheid ANC-led Government. Their production, in many ways reflected the very different political context of the new era, which Adelzadeh and Padayachee (1995) described at the time as representing 'a very significant compromise to the neo-liberal, 'trickle-down' economic policy preferences of the old regime'. This was despite assurances from ANC Ministers that only the language of the old RDP had been changed to suit the new demands of governance (ANC, 1994:2).

The Government of National Unity (GNU), not unnaturally, turned to economists within its own institutions and departments to develop the RDP Green and White Papers, supplemented with some members of the civil society movements. The drafters of these documents operated under the political direction of ex-trade

union leaders, by then ministers or senior bureaucrats in the GNU, and significantly, and again reflecting the new era, businessmen too were part of the re-drafting team. The team did most of its work in late 1994, and although eighteen different drafts were circulated within the state, social and labour movements only saw versions of it towards the end of the process.

Sometime late in 1995, it became known that the GNU had assembled a high-powered team to draw up a new, modelled, macroeconomic framework. The publication in February 1996 of the business-led South African Foundation's 'Growth for All' document, followed shortly thereafter, by the Labour Movement's 'Growth and Equity' document, together with the dramatic collapse in the value of the Rand in the first quarter of 1996, appears to have forced the GNU, to accelerate the production of its macroeconomic framework document, in part to reassure jittery international financial and currency markets of its fiscal prudence. And so on June 14 1996, Finance Minister Trevor Manuel, unveiled the Growth, Employment and Redistribution Strategy with the announcement that it was 'non-negotiable'.

Orthodox economic ideas were given full, unqualified reign, in GEAR.<sup>5</sup> Central to GEAR, as even senior state bureaucrats now admit was an orthodox macroeconomic policy. Thus for example the DTI's Alan Hirsch, a key figure in the making of economic policy since the late 1980s, has argued that faced with new global realities, the ANC took the view that it had to 'play the globalisation game, but try to play it our way... So we adopted a fairly orthodox set of policies', especially in respect of monetary, fiscal and trade policy (Hirsch, nd, 1/2). A key feature of the 'our way' (according to Hirsch) were a 'slew of supply-side measures' (nd: 1/2), in respect of trade, industrial policy and support for new investment, innovation, small business, and black economic empowerment.

GEAR acknowledges the contribution of a 'technical team' which assisted with the document. That team consists of 17 technical experts, of whom 16 were white, and 16 were men. Six were economists drawn from South African universities. Three worked at the Development Bank of South Africa, two at the World Bank, and two at the South African Reserve Bank. There was one representative each from the departments of Finance, Labour, Trade and Industry, and the Deputy-President's office. It was this team that drove the GEAR research process.

The GEAR process poses many more questions than can be answered by this paper. Why is there still so much secrecy about GEAR's formation and research methods, and specifically about the kind of model that was used? Was the announcement of 'non-negotiability' just the normal way in which policy documents will now be produced by the GNU? Is the current Governor of the Reserve Bank, Tito Mboweni, correct, when he claims that better consultation and discussion within the movement would have taken care of many of the

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<sup>5/</sup> For a discussion of GEAR in the context of the alternative policy proposals being put forward at the time, by business and labour, see Michie and Padayachee, 1998, pp. 626-629. For an analysis of the effects of having pursued the GEAR strategy, see Weeks, 1999.

tensions and conflicts that surrounded GEAR? And what should one make of President Mandela's statement to the 1997 Cosatu conference that even the ANC did not discuss GEAR until it was 'too late'?

The underlying premise of GEAR, which aimed to attain a growth rate of 6 percent per annum and job creation of 400 000 by the year 2000, is that growth would best be promoted by freeing the private sector from the fetters of the distorted racist logic and constraints of the apartheid era. The essential need to remove all vestiges of a state-imposed, racially-based economic order has been extended to argue for a much more sweeping 'rolling back of the state'. These include the abandonment of arguably important policies such as a discrete and effective public investment programme, tariff protection for vulnerable industries, essential reform of the heavily conglomerate-controlled domestic financial system, and the tightening of controls to prevent capital flight, amongst others (Michie and Padayachee, 1998:627).

The South African Government has been internationally lauded for the rapid progress that has been made in terms of the adoption of this suite of conventional macroeconomic policies<sup>6</sup>. However, many local analysts suggest that the neo-liberal prescriptions that GEAR outlines effectively curtailed some of the poverty alleviation objectives enshrined in the RDP. A 1998 study shows that while GEAR advocated reduced and more efficient state expenditure this was in conflict with the need to enhance poverty expenditure (<http://www.hsrb.ac.za/sarpn>). Certainly, when examining GEAR's projections and outcomes against actual performance, it is patently clear that, apart from complying rather well with Washington Consensus-type targets for macroeconomic stability, the real economy is performing nowhere near the levels that are needed to address the problems that South Africa inherited from apartheid.

Government policy appears to have been remarkably successful in the areas of fiscal restraint, tariff reductions, and inflation control (all typical favourites of neo-liberal advice) and substantially off the mark on the real economy (growth and employment). Significantly, real interest rates remained higher and private sector investment lower, than that projected on average for the period.

**Table 2**  
**GEAR projections and actual achievements, 1996-2003**

<b>FISCAL &amp; MONETARY VARIABLES</b>	<i>Projected in GEAR</i>	<i>Actual 1996-1999</i>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Fiscal Deficit (% GDP)	3.7	3.1	2.2	2.0	1.5	1.1#
Real govt consumption (% GDP)	19.0	19.6				
Inflation (CPI/CPIX)	8.2	6.6	7.8	6.6	9.3	5.4§
Real bank rate	4.4	12.3				
<b>REAL VARIABLES</b>						
Real priv. sector investment growth	11.7	1.2				

<sup>6</sup>/ All three ratings agencies have given South Africa upgrades over the past 12 months. However, it is noteworthy that Standard and Poor recently warned that poverty and unemployment could undermine the chances of their awarding a further upgrade to South Africa (Business Report, 7 March, 2003).

Real non-export growth	8.4	6.7				
GDP growth	4.2	2.4	3.0	2.0	3.0	1.5*
Average tariff as % of imports	7.6	4.4				
Annual change formal non agric emp	270 000	-125 200				
Official Unemployment Rate			25.8	29.5	29.4	

**Source:** Neva Seidman-Magketla (2001), SARB, Quarterly Bulletin (various), Stats SA, Labour Force Survey, 2001, 2002, Altman, (2003). #, estimate; §, Sept, 2003; \*, 1<sup>st</sup> half, 2003.

With the exception of 1996, growth rates were low and on a declining path between 1994 and 1998. Growth rose marginally again in 1999 and more robustly in 2000, but even in 2003, these rates do not come near the estimated sustained rates of 7-8 percent per annum that is required to absorb new entrants into the labour market and made inroads into the growing pool of unemployed people (Michie and Padayachee, 1997, 17). Unemployment has grown, with net job losses recorded each year. 'The available data indicate that the number of people employed in the non-agricultural sectors of the economy declined by about 80 000 in the first nine months of 1999' (SARB/QB, 2000:2/3). Decreases were recorded in both the private and public sector, and in all major industries including mining, manufacturing and construction. Over the period 1996-99, Statistics SA revealed that there was a net job loss of 365 000 non-farm jobs (NBI *Quarterly Bulletin*, April 2000). By September, 2001, total unemployment in person-days in South Africa was 2.03bn or 1.19bn depending on whether the official or expanded unemployment statistics are used.

A declining exchange rate has underpinned an improvement in exports, including in manufactured exports. The IMF backed-decision to abolish exchange controls only gradually has proved to be wise. The currency was badly buffeted by the Asian contagion and more recently by a rampant US dollar, and perceptions of political instability in the region, following the Zimbabwean land invasions. In November 2001 the exchange rate slipped below R10 to the dollar for the very first time, reaching R16 to the dollar by December 2002 before returning to its current level of R7 to the dollar in late 2003. One impact of this was a rapid increase in food prices during 2002, estimated at almost 20 percent between 2001 and 2002. This hit disproportionately on the poor since the poor spent 57 percent of their total annual budget on food in 2000 compared to the wealthiest that spent 12 percent (Stats SA, 2002). However, a strict monetary policy regime has kept overall inflation in single figures, and inflation has recently hit a 40 year low.

Ironically, despite its commitment to austere macroeconomic policies, South Africa has not been the preferred destination of direct foreign investment, and the granting of an investment grade credit rating first by Moody's, and then in early 2000 by Standard and Poor's. The 1998 World Investment Report showed that South Africa attracted a mere \$380 million in direct foreign investment compared to Brazil's \$29 billion and Australia's \$6 billion (Sowetan, 22 May 2000). Moreover, most donor assistance has focused on specific projects and on capacity building exercises rather than on budget support.



## 4.2 Poverty Diagnostics

Comprehensive and reliable poverty data for South Africa only began to emerge from 1993 onwards, and a variety of data gathered during the post-apartheid period are now available. Key studies include the October Household Survey (OHS) of 1994 to 1999, the Income and Expenditure Survey (IES) of 1995 and 2000, and data from the 1993 Project for Statistics on Living Standards and Development undertaken by the South African Labour and Development Research Unit (SALDRU) at the University of Cape Town which was the first representative survey on poverty. South Africa has also collected census data in 1996 and 2001, and Labour Force Surveys (LFS) have collected data on employment and unemployment every 6 months since 1999.

In terms of analytical capacity, South Africa is relatively well placed to undertake poverty diagnostics. With a population of 44 million, the country has an official statistics agency that undertook its first data collection in 1904, 36 institutions of higher education with more than 35 000 post graduate students in 2000, numerous research and think tank organisations, and a long tradition of academic and civil society comment on socio-economic conditions (DoE, 2002). However, owing to the unique history discussed above, the analysis of poverty and inequality is particularly complex, while the collection of official statistics were severely disrupted during the dying years of the apartheid Government. As an example, South Africa has yet to develop its own national poverty line despite the proliferation of poverty studies during the 1990's, and census data collected in the 1980's and early 1990's is regarded as being of doubtful quality. The most recent analysis of poverty by Statistics South Africa, the official data collection agency of the South African Government, uses a poverty measure of R800 per household per month that is based upon a legal minimum income required to qualify for certain subsidies such as housing or services grants. This approach takes into account neither the food intake possible with this amount, nor the definition, composition and size of the household.

The extent to which policy debate in South Africa is informed by the results of research based on these new data, and even of official data collection, does not match the progress made for governance and policy-making structures. Indeed, given the levels of poverty, the size of its economy, and the relative sophistication of the public financial management, it is surprising that the link between the analysis of poverty and the budget process is not better developed in South Africa. The extent to which policy debate in South Africa is informed by the results of research, and even of official data collection, does not match the progress made for governance and policy-making structures. The recent debate over social policy in South Africa, and the proposed introduction of an universal Basic Income Grant (BIG) demonstrate both the importance and paucity of policy-orientated poverty analysis. In fact, despite a substantial increase in data collected on different aspects of well-being in South Africa, the extent, distribution and trends of poverty still remains the subject of debate and much of these data are under-utilised. The findings of most recent official Income and Expenditure Survey (2000) for South Africa have been disputed by the Office of

the President who prefer the more positive findings of the All-Media and Products Survey (AMPS) of the South African Advertising Research Foundation (*Financial Mail*, 31 January, 2003). Indeed, the Government Communication and Information System sees the need to correct 'mistaken views' about increases in poverty and calls for research on the 'social wage' (*Business Day*, 26 March, 2003). Part of the explanation for this lies in differing interpretations of the most appropriate measure of well-being, as well as in different survey and analytical methodologies (Stats SA, 2002)<sup>7</sup>. However, some analysts argue that may also reflect a reluctance by some sectors in Government to recognise the deeply entrenched nature of poverty in South Africa now being amplified by the AIDS epidemic (Bond, 2000).

In part this arises from the difficulties involved in transforming previous structures of governance based on 'separate development', and in part from the impact of isolation during the apartheid years. Admittedly, in terms of governance structures, the situation has improved. The statutory Budget Council, the Budget Forum and several supporting technical committees oversee budgetary and financial co-operation between the national, provincial and local spheres. The Financial and Fiscal Commission (FFC) plays an important independent role in reviewing and advising on intergovernmental financial relations. In October 2002, the National Assembly of Parliament resolved to establish a Joint Budget Committee. This committee includes 15 members from the National Assembly, of which nine are from the majority party and six from the opposition, and eight members of the National Council of Provinces (NCOP), five of which must be from the majority party and three from the opposition (IDASA, 2003). Within the Ministry of Finance, the South African Treasury determines the macro limit on expenditure, which is then matched with requests from departments in line with affordability and sustainability of services. Based on this limit, all national departments submit budget proposals for the following financial year to the National Treasury by using the detailed budget manual.

### **4.3 Budget Reform and Reprioritisation**

Significant changes that have occurred include the introduction of an objective formula-based approach and the introduction of the Medium Term Expenditure Framework (MTEF) whereby priorities and longer-term policy options are explicitly brought into the budget process. The 1998 Budget was the first to include spending projections for the next three fiscal years. The key features of the MTEF in South Africa are:

- Publication of three-year forward estimates when the budget is tabled in Parliament;
- A focus on outputs and outcomes of Government spending programmes as part of the budget review process;
- A cooperative approach to expenditure analysis and planning, involving national and provincial treasuries and spending departments;

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<sup>7</sup> In fact, the Stats SA finding from the 2000 IES that mean incomes have declined since 1995 is misleading since there is no statistical difference between the means.

- More detailed budget information to promote understanding and debate in Parliament and civil society; and
- A budget process aimed at informed political responsibility for budget priorities and spending plans.

The three-year projections of expenditure introduced in the 1998 budget provided the baseline estimates for planning subsequent budgets. This should allow better assessment of spending implications when policy options come under consideration. Reviews of expenditure during the course of the budget process or shifts in priorities can lead political office-bearers to consider changes in the forward estimates. Policy changes will thus lead to specific adjustments to the baseline spending plan.

This three-year rolling budget framework means that departments can plan and reprioritise with greater certainty about future resource allocations than in the past. It also provides Parliament and civil society with clear signals of Government's spending intentions.

The introduction of the MTEF was the first of three broad reforms to the budget process. The second component of the budget reform process was the Treasury Control Bill. This gave effect to the Constitutional requirement for national legislation to:

- Establish a National Treasury;
- Introduce generally recognised accounting practices;
- Introduce uniform norms and standards;
- Prescribe expenditure control in all spheres of government; and
- Set the operational procedures for borrowing, procurement and oversight over the various National and Provincial Revenue Funds.

The Treasury Control Bill has allowed for the introduction of further budget reforms by introducing an approach to the management of public finances that focuses on outputs and responsibilities. The shift in emphasis toward outputs rather than expenditure regulations has been taken further in the Budget Reform White Paper published in 2000.

Finally, post-1993 the nine Provinces of South Africa were given enhanced political autonomy with certain expenditure responsibilities that are either exclusive or concurrent. Examples of exclusive functions include provincial planning, roads and transport, and economic affairs. Concurrent functions are shared with national Government: for instance, the three social services of health, welfare and education. With concurrent functions national departments are responsible for policy formulation and for monitoring and evaluating implementation, while provincial departments are responsible for service delivery.

The equitable shares are divided between the different spheres of government according to formulae that have a strong equity component, recognizing the special needs of poorer areas. The provincial revenue-sharing formula is based on the demographic and economic profiles of the provinces and includes the

following components<sup>8</sup>: an education share based on the average size of the school-age population (ages 6 to 17) and the number of learners enrolled in public ordinary schools (40 percent); a health share based on the differential use of the public health system by people with and without medical aid or health insurance (18 percent); a social security component based on the population eligible for social security grants and adjusted to target the poor (17 percent). Provincial governments also receive conditional or unconditional allocations from the national sphere. Conditional grants were first introduced in 1998 and are most notable in the health sector (National Treasury, 1999). Of the total expenditure allocated to the national, provincial and local spheres between 1999/2000 and 2001/2002, approximately 40 percent has been spent at the national level, while provincial expenditure makes up between 56.2 and 58.4 percent of the total over time. Local government only spends around three percent of the total, as the bulk of revenue at this level is raised by local government itself. At the provincial level the equitable share makes up approximately 90 percent of spending, and conditional grants make up the other 10 percent (own estimations from National Treasury, 2003a).

The most recent budget to be based on this process has been heralded as being both pro-poor and pro-growth. The total value of income tax cuts proposed by budget 2003 is R15 billion in 2003/04, of which R13.4 billion takes the form of personal income tax reductions. Most of these benefits accrue to people earning low wages in the formal sector. In the distribution of its allocations, Government has prioritised sectors and programmes offering services to the poor. At the sector level, expenditure on social development and water schemes and related projects will experience substantial growth over the next four years. Significant new investments have also been made in health, housing, community development and education. In per capita terms, real social service expenditure is set to increase by 5 percent in 2003/04 and at an annual average real rate of 4 percent between 2002/03 and 2005/06. Of particular significance is the fivefold increase in the budget for HIV/AIDS and TB prevention and treatment amounting to R1.952 billion for HIV/AIDS in 2003/4. These measures have resulted in a modest increase in the budget deficit to GDP ratio compared to the forecast in November 2002, and the expansionary fiscal policy thus said not to have come at the expense of fiscal discipline<sup>9</sup>. Critics of the budget note that spending on the old age pension and child support grant combined will increase by less than R2 billion in the coming financial year which should be set against a tax break of R15 billion for comparatively affluent South Africans. In fact, the South African Council of Churches notes that ‘...even those taxpayers who benefit least – those earning between R27 000 and R35 000 a year – will see R720 more next year, or R100 more than the additional support given to pensioners’ (SACC, 2003).

The 2003 budget review points to education, health, welfare and other social services as taking up 58.3 percent of non-interest allocations in 2003/04, having risen from 52.9 percent a decade ago (National Treasury, 2003a: 16). Total expenditure on social services at the national and provincial level as a

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<sup>8</sup>/ The weight given to each component is shown in parentheses.

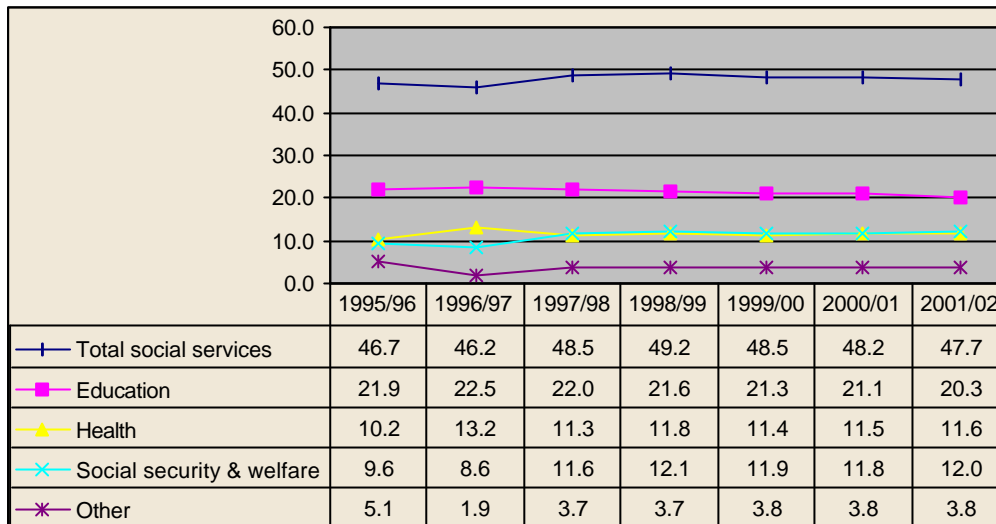
<sup>9</sup>/ The budget deficit to GDP projections have increased from -2.2 to -2.4 percent in 2003/04 and -2.1 to -2.4 percent in 2004/05.

percentage of general government expenditure rose by 6.4 percent between 1990 and 2001, to almost constitute half of general government expenditure in 2001 (National Treasury, 2000a: 145).

The Department of Finance initiated an incidence analysis in 1999 to measure Government's effectiveness in redistributing income and evaluate the appropriateness of spending patterns. This study focussed on approximately 60 percent of expenditure, namely education, health, the social grants, water provision and housing, between 1993 and 1997. The study concluded that the first years after the political transition saw a substantial shift of social spending from the affluent to the more disadvantaged in society. Most social spending has become relatively well targeted to poor people as a result of, amongst others, changes in the composition of social spending, housing programmes and infrastructure, including water provision. In addition, shifts between programmes has occurred, such as the increasing emphasis on primary health care, and more appropriate targeting, such as the shift in educator resources to the poor. It is these factors that resulted in the share of expenditure on the poorest quintile of households increasing from 27.4 to 30.7 percent, while the share of the richest quintile declined from 12.7 to 8.7 percent (National Treasury, 2000a: 145).

It is necessary to look specifically at provincial expenditure on social services, as most social service spending occurs at the provincial level. The 2003 provincial budgets show strong real growth in spending of 7.5 percent in 2003/04. This growth is mainly to consolidate and expand current programmes, and to improve the outreach of social programmes, specifically those that target the poor (National Treasury, 2003b).

**Figure 1: Expenditure on social services as a percentage of Government expenditure, 1995/96-2001/02**



**Source:** National Treasury, 1994, 1995, 1997, 2000, 2001, 2002, 2003

The figure above gives some idea of Government spending on social services as percentage of general Government expenditure. Spending on education has remained relatively constant at between 20 and 22 percent of general Government spending, while spending on health has also remained constant after an initial spurt in expenditure in the 1996/97 financial year. Welfare spending has grown inconsistently but markedly over the period. On the whole, expenditure on all social services takes up the vast bulk of provincial expenditure. From 1996 until 1998 this amount grew by about 10 percent, and fell slightly thereafter. In sum, expenditure on social services makes up just under half of general Government expenditure, and this percentage has increased over time, but declined slightly in 2001/02. Social service spending has made up just over 85 percent of provincial expenditure from 1999 to 2001. Currently, although increasing in real terms, the shares of education and health in total provincial spending are expected to decline steadily, while the share of social development is expected to increase by 4.2 percent over the period 2002/03 to 2005/06 (National Treasury, 2003b).

#### 4.4 Social Security for Poverty Reduction

Despite the sluggish economic performance of the South African economy, much has been made of the comparatively well established social security system and the potential of this system to provide a social wage that is sufficient to reduce poverty. In the South African social security system social insurance is used to protect those in formal employment while social assistance aims to protect those left unprotected by social insurance (van der Berg, 1999). Social security benefits in South Africa that are regulated to some extent by Government comprise both social assistance grants and social security funds. While social security grants are financed out of main budget revenue and appropriated in provincial social development votes, social security funds (the UIF, the RAF and the Compensation Fund) are maintained through mandatory levies and taxes, and accounted for separately from the main budget, within the consolidated national Government framework (National Treasury, 2003a). The

latter programmes cover certain contingencies, and are in response to particular events, and could be argued to constitute poverty prevention programmes.<sup>10</sup> In addition to these programmes with which the state 'intervenes' to some extent, a large private insurance industry, comprising mainly retirement insurance, health insurance and life insurance, is also in place and covers for the most part the formally employed.

The foremost of the state-driven poverty reduction programmes is the system of social grants that are in place for certain categories of vulnerable people. Inherited and continued from the apartheid Government's set of programmes, this is the present Government's largest poverty reduction programme and is overseen by the national Department of Social Development (DSD), and administered by DSD at the provincial level. Applications are taken and payments made at the local level. As of September 2003, 5.6 million South Africans were due to receive social assistance through some form of income grant.<sup>11</sup> Calculations by the Committee of Inquiry into a Comprehensive Social Security System<sup>12</sup> indicate that in the absence of social assistance transfers, 58 percent of South African households would fall below the subsistence level of R401 per adult equivalent. Moreover, the Taylor Committee notes that existing social security programmes reduce the average poverty gap by 23 percent (CICSSS, 2002:59). The grants are means tested and are targeted: the old age pension is available for the elderly; disabled adults and children may receive disability grants; relatively small child support grants are targeted at poor children; foster care grants may be received by those legally fostering the child of other parents.<sup>13</sup> While the old age pension is almost universal in its coverage – some analysts calculate that nearly 88 percent of the eligible are in fact receiving the grant (Financial and Fiscal Commission, 1999, as cited in Chernick and Reschovsky, 2000:28), it seems that the uptake of some of the grants is hampered by complicated administrative processes that may prevent many of the eligible from accessing the grants. In order to access the grants identity documents and birth certificates in the case of children are amongst the documents required by district level welfare offices. However, many of those living in rural areas do not have these documents, which are obtainable from another Government department that is experiencing efficiency and capacity problems, the Department of Home Affairs. Unlike the welfare offices, the Department of Home Affairs is not decentralized, although more recently efforts are being made to reach rural areas through the use of mobile units.

There is much that is known about what the grants do, mostly from research on the old age pension, which shows that the grants, shared by the pension

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<sup>10</sup>/ The Unemployment Insurance Fund addresses the contingency of unemployment; the Road Accident Fund was established to address death and injury on South African roads; and the Compensation Fund was set in place to provide survivors benefits for workers who are killed and benefits for those who are injured.

<sup>11</sup>/ Voucher Generation Report August 2003, Department of Social Development. With regard to the Child Support Grant this figure denotes the number of applicants some of whom may receive more than one grant for a child in their care.

<sup>12</sup>/ Hereafter referred to as the Taylor Committee, as it was chaired by Professor Vivienne Taylor.

<sup>13</sup>/ Other grants – the War Veteran's Pension and the Grant-in-Aid – are also available for much fewer beneficiaries.

recipient with the rest of the household, contribute to the reduction of income poverty. Haddad and Zeller (1997) point to the fact that the old age pension in South Africa has become a safety net for non-target groups, particularly that it has become important for the well-being of children in the pension-receiving households. However, there is much that is not yet fully understood about the role played by the other grants, particularly the more recently introduced child support grant which constitutes just over a fifth of the amount of the pension. In 2003/04 a new provincial transfer will be introduced to meet the costs of the phased-in extension of the child support grant to children up to their 14<sup>th</sup> birthday (National Treasury, 2003a). It can be seen from table 4 that social security grants account for the vast majority of social development expenditure at the provincial level<sup>14</sup>.

**Table 3**  
**Percentage expenditure on social security grants, 1997/98-2001/02**

Provincial social development expenditure	1997/98	1998/99	1999/00	2000/01	2001/02
Transfer payments	16383	17015	17700	18970	21554
Of which social security grants	15521	16167	16120	18039	20510
% on social security grants	88.4	87.7	83.2	86.3	86.0

**Source:** National Treasury 2003b, 2001b.

The number of grant beneficiaries has increased substantially and steadily over time, from 2.9 million in September 1998 to the current 5.6 million.<sup>15</sup> However, the grants do not provide comprehensive coverage for those in need. Unless they are able to access the disability grant, adults are largely excluded from this framework of assistance.<sup>16</sup> It is only possible for the UIF to be received by the unemployed for a maximum of six months and then only by those who were registered with the Fund, for the most part the formally employed. In fact, some of the poorest households are those containing adults and children in which no one receives a grant. The Taylor Committee describes South Africa's social security system as neither adequate nor comprehensive. At present, there is no income support programme for children between the ages of nine and 18<sup>17</sup>, adults between 18 and 59 and no general assistance for households where no one is employed. In addition, the Taylor Committee found that much of what is referred to as social security derives from the European concept which has as its fundamental assumption that social security would develop around formal sector employment. Instead, the Taylor Committee has noted that the development paths of African economies and third world countries more

<sup>14</sup>/ In South Africa, social security grant expenditure takes place at the level of provincial budgets.

<sup>15</sup>/ Voucher Generation Report, August 1998; August 2003, Department of Social Development.

<sup>16</sup>/ It is therefore not surprising that according to the head of the Durban branch of the Black Sash there is highest demand for the Disability Grant over all other grants (personal communication, Marie-Therese Naidoo, Durban Black Sash Advice Office, 17 September 2003).

<sup>17</sup>/ Eligibility for the Child Support Grant was extended from children aged under seven years to those under nine years on 1 April 2003. From 1 April 2004 the grant will be eligible for those aged under 11, and from 1 April 2005 children under the age of 14 will be eligible to apply.



generally may require a new look at social protection systems that are more appropriate to the needs of these countries (CICSSS, 2002).

In addition to the social assistance grants, there are also a number of short-term poverty relief programmes which provide cash or in-kind benefits for the destitute – these include social relief of distress and disaster relief administered by DSD, and a more recent food relief programme administered collaboratively across the departments of Social Development, Agriculture and Health. These should probably be referred to as poverty prevention rather than poverty reduction programmes, although in the case of many of these programmes those who obtain these benefits are already poor. Social relief of distress is a temporary provision of assistance intended for persons in such dire material need that they are unable to meet their or their families most basic needs.<sup>18</sup> Social relief of distress is issued monthly or for any other period for a maximum period of three months. In exceptional circumstances the extension of the period by a further three months may be granted (Department of Social Development, 2003b). Little is known about social relief of distress, and until recently information on the number of beneficiaries in South Africa was not available at the national level.<sup>19</sup> A problem with social relief of distress is that it is administered in a relatively *ad hoc* fashion at the provincial level, as there is no clear policy around its administration. Some provinces grant cash benefits, others provide in-kind benefits such as food vouchers, and all provinces tend to apply different criteria for receiving the benefit. Government is attempting to develop a policy in order to make this short-term programme more coherent, and to facilitate the interface of all short-term programmes for the destitute.<sup>20</sup>

Disaster relief provides direct income or in-kind support to victims of declared natural disasters. The bureaucratic process that is involved from the time a natural disaster occurs, to the time a disaster is declared, and then to the eventual approval of the application, and finally pay-out can be extremely long – up to two years in some instances.<sup>21</sup> This is partly attributable to the large backlog in cases that has to be worked through. During these large stretches of time between application for assistance and payment there is much ‘movement’ in the lives of applicants, and in some instances applicants die, although beneficiaries are eligible for receipt of the payment. This programme too is relatively *ad hoc* in terms of implementation at the provincial level. Sometimes cash is paid to victims, sometimes assistance comes in the form of food/blankets, and it is at this level that NPOs are brought in to provide additional assistance. An identity document is required in order to receive

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<sup>18</sup>/ In order to qualify for the Social Relief of Distress the applicant must comply with one or more of the following conditions: the applicant is awaiting permanent aid; the applicant has been found medically unfit to undertake remunerative work for a period of less than six months; the breadwinner is deceased and insufficient means are available; the applicant has been affected by a disaster, and the specific area has not yet been declared a disaster area; and the applicant has appealed against the suspension of his or her grant; the person is not a member of a household that is already receiving social assistance; the person is not receiving assistance from any other organization (Department of Social Development, 2003).

<sup>19</sup>/ Personal communication, Jane Jooste, Department of Social Development, 20 June 2003.

<sup>20</sup>/ Personal communication, John Kruger, National Treasury, 8 September 2003.

<sup>21</sup>/ Personal communication, Hester Wagenaar, Department of Social Development, 28 May 2003.

assistance once applications have been approved, and this is a problem if the identity document was lost as a result of the disaster, which is highly likely. The table below shows that expenditure on disaster relief has increased substantially over time. Although it constitutes only a very small part of general Government expenditure, the increase over time, particularly in recent years is noteworthy.

**Table 4**  
**Expenditure of Disaster Relief Fund as percentage of general Government expenditure**

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Expenditure (R million)	9	3	3	4	31	77
Expenditure as % of general Government expenditure	0.006	0.002	0.002	0.002	0.014	0.032

**Source:** Department of Social Development and South African Reserve Bank, time series KBP6016J and KBP4184F.

The Special Programme for Food Security was a preparatory or pilot programme which aimed to inform a larger joint initiative, and had the objectives of improving household food security of the resource poor in rural and peri-urban areas through the demonstration of technologies to increase food production and the income of small-scale farmers (CICSSS, 2001). To mitigate the food crisis experienced in 2002, and to counter rising food prices in the latter part of that year, through conditional grants provincial social development departments, in collaboration with development agencies and relief organizations implemented a food relief programme that focused on social facilitation and food parcels to the most vulnerable. This direct provision of food will be complemented by the support of food production in poor households through production starter packs and community production centres. The direct provision of food provides short-term support to households, and processes are activated to then link them to other mechanisms for poverty relief such as food production, social grants and income-generating projects (National Treasury, 2003b).

**Table 5**  
**Number of poverty alleviation projects and amounts paid**

Poverty alleviation projects	1998/99	1999/00	2000/01	2001/02
No. of provincial projects	1933	-	713	365
No. of national projects	16	-	-	-

Amount paid (R million)	110	133	130	50
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**Source:** Department of Social Development (2002)

Other specific grants that fund poverty reduction are poverty relief administered by DSD, infrastructure investment and Job Summit allocations. The majority of programmes funded combine income generation – especially for poor rural people – with some additional objective such as waste management and training, erecting useful community infrastructure or protection of water resources. Over time the focus of these programmes has changed from having a particular employment programme focus to the provision of short-term poverty relief (CICSSS, 2001). Poverty relief programmes are intended to promote self-reliance and poverty eradication. Most of the participants in these community-based programmes are women and projects are for the most part rural.<sup>22</sup> An evaluation to determine the impact of these programmes is currently taking place, with a view to refocusing and reinforcing Government’s poverty reduction efforts (National Treasury, 2003b). The table above shows that the amount spent over time on poverty alleviation projects has decreased, as has the number of projects at the provincial level. However, it is clear that there are a number of problems with poverty relief funds, most notably underspending. This can be attributed to the late finalization of allocations to departments and a lack of realism among departments about the length of the necessary planning cycles. Further problems include overlapping projects, and in some cases duplication of projects by different departments; the funding of projects which are marginally related to core functions and skills; leakage of substantial proportions of funding to the non-poor; lack of programme management capacity at all levels; inadequate integration and co-ordination amongst departments. In order to prevent underspending departments need to plan processes before the beginning of the financial year (CICSSS, 2001).

#### **4.5 Services and Facilities**

Van der Berg (1999) commenting on social assistance grants notes that improving access of the poor to other social services – through improved sanitation, access to health services, nutrition and housing – while not necessarily improving the income of the poor, may improve other aspects of their life and is therefore also important in this context. A number of such programmes are run at the provincial level. The Constitution guarantees basic education to all South Africans.<sup>23</sup> Expanding and improving the educational system to reduce earnings differentials and in turn improve the earnings potential of the poor, improve access of the poor to available job opportunities and accelerate growth is described as fundamental to this author (van der Berg, 1999). The Taylor Committee (CICSSS, 2002) notes that 46 percent of the total education budget is spent on basic education. A report for the Financial and Fiscal Commission (FFC) shows that the share of basic education in the budget compares favourably with many developing countries, however expenditure on

<sup>22</sup>/ Personal communication with a member of the team working on the Poverty Relief programme, Department of Social Development, 28 May 2003.

<sup>23</sup>/ Basic education is defined as pre-primary and primary education in FFC (1998).

pre-primary education is low, constituting less than one percent in 1995/96 and 1996/97. At the primary level, current expenditure is approximately 94 to 95 percent of the total budget, which is of some concern: unless some mechanism can be found to reduce the proportion of funds being allocated to current expenditure, fewer resources will be available for the provision of buildings, equipment and learning materials to increase access to better quality education for those who have historically been deprived of these opportunities. In addition, it is argued in this analysis that the proportion of teacher salaries in education expenditure need to be reduced over the medium term. Moreover, public education expenditure is shown to not be pro-poor, since the share going to the poor and the ultra-poor is substantially smaller than their share of the population (De Bruyn et al, 1998).

In South Africa education should be free, but in practice schools require school fees and other costs (such as uniforms, school books and stationery, transport to school) are making it increasingly more difficult for the poorest to access basic education. A clear strategy from Government is required in this regard, as it is increasingly evident from the delivery of other services, particularly health care, that user fees and transport costs are hampering the access to these services of those most in need. Further specific programmes that focus on education include the Early Childhood Development Programme which was run on a pilot basis for some years through a conditional grant. It will now be incorporated into the core provincial education function funded within normal budgets, indicating the priority placed by Government on learning for those at very young ages (National Treasury, 2003b). DSD subsidises a number of 'special schools' for children with disabilities, and this forms part of a larger programme concerned with learners who experience barriers to learning and development. For 2000/01 less than three percent of the total education budget was allocated to special schools. However, there is a mismatch between needs and provision that has as its root the apartheid policies that allocated facilities on the basis of race, and centralized provision within certain provinces so that the majority of learners now attend residential special schools in a province that is not their own. A large number of learners who should be receiving educational support in special schools are not receiving this support (CICSSS, 2001).

**Table 6**  
**Budgeted expenditure on health as a percentage of general Government expenditure, by central and provincial governments, 1993/94-1998/99**<sup>24</sup>

1993/4	1994/95	1995/96	1996/97	1997/98	1998/99
10.6	10.2	10.2	10.4	10.8	11.2

**Source:** Statistics South Africa (2000b:39), as cited in Hunter, Hyman, Krige and Olivier with Dekker, Khandlhela and May, 2003

The Department of Health administers a primary health care (PHC) programme, which provides free health care for certain vulnerable groups, including

<sup>24</sup> Again there is a discrepancy with Table 1.4 but it should be noted that this figure excludes local government financing, and indirect expenditure such as from the Department of Works who are involved in capital expenditure.

pregnant women and children under six. The table above shows that expenditure on health as a percentage of general Government expenditure, at the level of both central and provincial government was relatively consistent over time, but increased slightly in later years. Currently 20 percent of the total health budget is spent on basic health care (CICSSS, 2002). The same analysis for the FFC quoted above shows that the budget for 'basic health services' of which PHC is the central component, had increased to 20 percent of the total health budget by 1995/96, from 1992, largely achieved through a budgetary shift away from hospitals. However, a key problem is the slow movement of personnel to primary health care facilities. A step towards improved management of basic health services could include the decentralization of control to hospitals and health districts. Moreover, these analysts argue that the co-ordination of health care with water and sanitation, welfare services, nutrition and family planning should result in improved health outcomes. Further problems noted include the fact that budgets do not reflect actual spending, and are not co-ordinated with plans or national policy priorities. In addition, health personnel account for two-thirds of recurrent public sector health care expenditure, and it is stressed that existing health care workers be reoriented to basic health services, and that primary health care personnel receive priority in future training programmes. It is also recommended that poverty pockets are targeted as key priority areas in order to improve the impact of basic health services and to ensure that these services are effectively delivered in these areas (De Bruyn et al, 1998). Considering health, those services which are preventative in nature (such as the water and sanitation and nutrition programmes) have benefits which outweigh their costs and should therefore be expanded. More generally the FFC recommends that the development of systems for financial management, human resource management, monitoring and capacity building within the health and education sectors and within communities receive urgent priority (De Bruyn et al, 1998).

The Department of Health also runs various nutrition programmes, most notably the Integrated Nutrition Programme and the Primary School Nutrition Programme. The INP targets nutritionally vulnerable communities, groups and individuals for nutrition interventions and provides nutrition promotion and education (CICSSS, 2001). The INP combines direct nutrition interventions such as nutrition education, micronutrient supplementation, food fortification and indirect interventions such as health care, provision of safe and clean water, agricultural production and parasite control (Oliver & Dekker, 2001). Priority target groups for nutrition interventions are: children 0 and 24 months; children 25 and 60 months; at-risk pregnant women; at-risk lactating women; persons suffering from chronic diseases of lifestyle or communicable diseases; the at-risk elderly, and primary school children from poor households (CICSSS, 2001).

**Table 7**  
**Expenditure of PSNP and learners and schools reached**

PSNP	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02
Expenditure as % of gen. gov. exp.	0.10	0.23	0.20	0.22	0.21	-	-	-

No. of schools reached	13,167	15,894	13,061	14,549	15,776	15,428	15,428	14,667
Schools reached as % of targeted	82.8	79.0	76.7	81.1	90.1	-	-	-
No. of learners reached (million)	5.6	5.6	4.9	5.0	4.8	4.7	4.7	4.7
Learners reached as % of targeted	89.4	81.0	80.3	83.3	86.6	-	-	-

**Source:** Department of Health and CICSSS (2002, which cites Department of Health).

The PSNP was one of the presidential lead projects of the RDP. The focus areas of the PSNP are school feeding, nutrition education and health promotion through interventions such as parasite control and micronutrient supplementation. Nutrition interventions in primary schools aim to contribute to the improvement of education quality and general health. Limited progress has been made with regards to the implementation of the PSNP, which has suffered from administrative and management problems. Although school feeding still absorbs most of the resources, some progress has been made with the implementation of the other interventions, namely parasite control and nutrition education. The effective and efficient implementation of school feeding is hampered by a number of issues including the misappropriation of funds and managerial problems. Targeting of the poorest communities was found to be hampered because of scarcity of objective data and lack of a functioning national nutrition surveillance system (CICSSS, 2001; De Bruyn et al, 1998). Over time the amount spent on the PSNP has grown slightly, and this can be seen in the table above where expenditure as a percentage of general Government expenditure is reflected. The number of learners that are reached by the programme had by 2001 declined by almost a million since the start of the programme. The number of schools targeted has never been reached, and those reached have remained at about 80 percent of those targeted, while the percentage of learners reached as a percentage of those targeted has also declined over time and initial coverage levels have not been reached (Hunter, Hyman, Krige & Olivier with Dekker, Khandhlela & May, 2003). This means that not all of those who should be benefiting from the programme are in fact doing so. Despite these difficulties, a notable increase in provision for the PSNP and the INP will take place in the future (National Treasury, 2003b).

Other provincial level programmes that are run by DSD are of a social service nature having as their key target groups the elderly, the disabled and children. A key theme that pervades the work of DSD and sets it apart from the previous Government's focus on institutionally based 'welfare' is developmental social welfare, in which the emphasis is on keeping the vulnerable in their communities and households, and regarding the family as the core of the support systems. With regard to the elderly the state sees its role as providing for the needs of disadvantaged, destitute and frail older persons who require 24 hour care and who do not have the financial resources to meet their own needs through state-run homes and state-subsidised homes (Olivier & Dekker, 2001). Some old age homes have had to close as a result of this relatively new policy,

while others have adapted to the policy: some now function as frail care homes irrespective of age.<sup>25</sup> Further problems include the fact that services to white older persons are more sophisticated than services to Africans, and rural provinces where the majority of older persons live have very little resources to meet the needs of older persons. Backlogs regarding services and facilities can be found in rural areas and informal settlements in urban areas. The current method of funding does not seem to allow CBOs and NGOs in rural communities to render effective services. In addition, DSD subsidises a large number of NGOs, CBOs and FBOs for the rendering of services to people with disabilities, and these services include protective workshops, parent empowerment programmes, homes for people with disabilities, transport services and counselling. With regard to programmes for children and families, the Flagship Programme for Unemployed Women and Children has received a large amount of public attention. These programmes provide economic and developmental opportunities and services to unemployed women and their young children as part of the strategy to alleviate poverty and to pilot developmental social welfare services (CICSSS, 2001). Further interventions for children include subsidised (and unsubsidised) shelters for abused women and children, and secure care centres and places of safety.

Provinces have established pilots for the Home-Based Care/Community Care Programme for children and families infected and affected by HIV/AIDS, which are funded by conditional grants. The programme aims to implement effective and affordable home/community based care and support models that are integrated with poverty alleviation programmes, in order that the basic needs of families and children living with HIV/AIDS are met. Further allocations for the enhanced response to HIV/AIDS are to take place (National Treasury, 2003b). The programme provides food parcels, clothing, counselling, support, provision of day care and after school centres for children. In all, the programme supports 314 centres/sites for home/community-based care and support (Department of Social Development, 2003a). In a country that is experiencing some of the highest HIV/AIDS prevalence rates this would seem to be too little to cover the expected need.

Some programmes are largely administered at the local level. The Constitution of South Africa describes local government as a totally separate sphere of government, in terms of its systems and procedures, human resources, powers, functions, revenue sources and its allocation of expenditure. Urban municipalities tend to bear the responsibility for a wider range of functions and services than in some rural areas. The primary responsibilities of local government include water provision, sanitation services, roads and infrastructure, storm water drainage, refuse removal and electricity reticulation. The financial situation of many rural municipalities is problematic and warrants effective planning, with the lack of an adequate revenue base in most rural municipalities being the fundamental problem (National Treasury, 2000b). A concern expressed by some (De Bruyn & Budlender, 1998:65) is that national Government has insufficient capacity to monitor expenditure and enforce provision of these services or implementation of these programmes.

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<sup>25</sup>/ Personal communication, Thuli Mahlangu, Department of Social Development, 29 May 2003.

The Consolidated Municipal Infrastructure Programme (CMIP) is one of the largest programmes undertaken by Government, and aims at enabling municipalities to provide at least basic levels of services to low income households. It aims to support municipalities, particularly those in urban areas, through a grant fund to provide municipal infrastructure in order to improve quality of life and build sustainable communities. The CMIP also makes available capital grants to municipalities to provide services and facilities such as water, roads, stormwater, solid waste disposal, community lighting, clinics, cemeteries, and multi-purpose community and sports facilities to the needy (CICSS input doc, 2001). It funds low-income households up to a certain ceiling amount per household. Funding is provided to municipalities on an application basis (National Treasury, 2000b).

The bulk of the burden of inadequate water supply in South Africa is carried by the rural poor, particularly women, who due to a lack of access to running water have to walk long distances to fetch water. A policy for the provision of a free basic level of services was established, and in February 2001 it was announced that Government would ensure that poor households are provided with a basic supply of water free of charge. The primary aim of the Community Water Supply and Sanitation (CWSS) scheme is to provide basic water and sanitation services to those that have not benefited from them in the past, particularly those in rural areas, and in so doing alleviate poverty. However, CWSS has not been without problems. A lack of institutional capacity and integration has resulted in a fragmented approach with responsibilities for sanitation spread across different Government departments, with no one department taking complete responsibility. Moreover, a lack of forward planning that should take future trends in population density into account has been noted (CICSSS, 2001). The budget available to local government for the CMIP is on the decline, while the operating budget for the CWSS is on a steady increase, and the capital budget for the same programme is on the decline (Hunter, Hyman, Krige & Olivier with Dekker, Khandhlela & May, 2003).

Budlender (1999:33) has noted that the CMIP has 'elements which work against the poor'. These include the fact that a large proportion of grants such as these are based on housing subsidies, that the application procedure and financial criteria may create barriers, and that the programme is targeted to areas that already have some sort of infrastructure. For the most part, it is rural areas and the 'poorer' municipalities that are disadvantaged. The intention was for these weaknesses to be partly addressed by the CWSS scheme. A review or evaluation of programmes is needed in order to determine the effectiveness of these programmes and whether or not they are reaching the target groups (Hunter, Hyman, Krige & Olivier with Dekker, Khandhlela & May, 2003).

**Table 8**  
**National transfers to local government for conditional grant programmes, 1995-2000 (R million)**

Programme	1995/96	1996/97	1997/9	1998/9	1999/0
			8	9	0



Consolidated Infrastructure Programme	Municipal	126	540	1382	703	696
Community Water Supply & Sanitation (Operating)		0	497	493	599	710
Community Water Supply & Sanitation (Capital)		496	321	1429	520	429

**Source:** National Treasury (2000b:135), as cited in Hunter, Hyman, Krige and Olivier with Dekker, Khandhela and May, 2003

From the above table it is clear that the budget available to local government for the CMIP is on the decline. In 1997/1998 the transfers peaked at R1382 million. The operating budget for the CWSS is on a steady increase while the capital budget for the same programme is on the decline (Hunter, Hyman, Krige and Olivier, with Dekker, Khandhela and May, 2003).

Government has also made a commitment to a free electricity basic support services policy, and has provisionally approved a certain allocation of electricity to grid electrified households that will be subsidised. The Electricity Basic Support Services Tariff Strategy (EBSST) is administered at the local level, but most municipalities will require external capacity to implement the EBSST system in their jurisdictions, as a lack of organisational capacity is seen as a key constraint in this regard (CICSSS, 2001). The National Electrification Fund funds grid electrification for households and is aimed primarily at electrifying schools, clinics and households in previously marginalised communities. A levy on electricity funds this off-budget transfer (National Treasury, 2000b).

The Integrated Sustainable Rural Development Strategy was introduced in 2000, with the promising objective for the rural areas to attain the internal capacity for integrated and sustainable development. However, until recently local economic development (LED) initiatives have been unsuccessful in integrating their plans with poverty reduction programmes, and this is largely attributable to the lack of appropriate experience and capacity at the local government level, which has had an effect on the roll-out of these programmes. An attempt has been made more recently to address these problems and to design improved frameworks for the productive integration of poverty reduction programmes into broader LED initiatives (SARPN, 2003).

Finally, access to transport plays a crucial role in determining whether those who are eligible for some Government services such as PHC can receive them. The Government provides transport for people with special needs, those who have certain impairments or disabilities, as well as for 'life cycle passengers' who have special needs by virtue of the fact that they fall in certain stages of the human life-cycle – children between five and 14, pregnant women and elderly persons. The Rural Infrastructure Strategy aims to provide transport infrastructure and transport services in rural areas (CICSSS, 2001). However, the extent to which those eligible are able in practice to access these services is debatable, given the fact that particularly in rural parts of the country adequate transport and transport infrastructure simply does not exist, and the need of potentially eligible groups far outstrips capacity to provide these services.

## 4.6 The Constitution and Governance

The introduction of democratic Government in South Africa brought about noteworthy political, economic and social transformation. The system of Government prior to this was highly centralised and fragmented along racial lines. In all, there were 17 systems of Government and administration, which included three separate administrations covering whites, Indians and coloureds; four provincial administrations; four 'independent states'; six 'self-governing' territories.

The liberal Constitution that was put in place in 1996 guarantees a number of rights to its citizens which are of social policy relevance. Section 27 of the Constitution states that everyone has the right to have access to health care services, including reproductive health care; sufficient food and water; and social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. Moreover, section 27 continues: 'The State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights'. In Section 26 it is stated that everyone has the right to have access to adequate housing. Finally, in section 29 it is stated that everyone has the right to a basic education. The progressive realisation clause applies to these sections as well. Government has attempted to provide for these rights through an array of state-funded and state-run programmes, which shall be outlined in the following pages. In the 2003 intergovernmental fiscal review (National Treasury, 2003b), Government point to the fact that budgets for 2003/04 reaffirm the commitment of provinces to deliver more and better quality services that will ensure the progressive realization of improved quality of life for all South Africans.<sup>26</sup>

The basic framework legislation for the new public service was promulgated and 35 national departments, offices and services, and nine provincial departments established. The Constitution formalised the boundaries of the newly created provinces, assigning them distinct functions and powers. The Constitution establishes three spheres of government – national, provincial and local – that are distinctive, interdependent and interrelated. Functions formerly carried out at a national Government level were devolved to these governments. In general, national Government provides policy frameworks within a function (particularly norms and standards), overall planning and essential co-ordination. Provinces are responsible for the actual delivery of public services. The provinces have different demographic and economic profiles and differing capacity to fulfil their Constitutional responsibilities, and provinces that incorporate former apartheid structures have faced additional problems that have arisen from the consolidation of various administrations (National Treasury, 1999).

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<sup>26</sup>/ In South Africa the financial year runs from 1 April of a particular year to 31 March of the following year, and this is the time-frame for all government budgets.

## 4.7 Asset Redistribution

As already noted, the redistribution of assets has been an important component of South Africa's poverty reduction strategy. Key elements of redistributive policies in South Africa are:

- Land reform;
- The delivery of housing;
- The reform of water rights;
- Infrastructural development;
- Meeting energy requirements.

Land reform might be considered to be one of the most contentious issues given South Africa's history. Just over a quarter of African rural households (26 percent) had access to a plot of land for the cultivation of crops prior to the transition in 1994 (PLSDS, 1993). Average land size for these households was just 2.2 ha with poorer households having smaller amounts of land. A similar pattern was repeated concerning the ownership of livestock, with some 24 percent of African households in rural South Africa owning livestock with an average holding of 5.4 mature livestock units (MLU) valued at approximately R4300 in 1996 Rand. Ownership of agricultural and other productive equipment was also limited to 18 and 8 percent of rural African households respectively (May and Rogerson, 2000).

Just over 40 percent of the 'landless' were found in households who have vulnerable livelihoods strategies including irregular remittances, no cash income or relying upon the pension of an elderly household member. This suggests that landlessness when combined with joblessness results in a group of African rural households who have limited potential for income generation.

Although agricultural production makes a small contribution to household income for those who do have access to land, 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. 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.

The demand for secure access to land is a central issue for rural development. Research undertaken in 1995 showed that seven in every ten of South African's African rural households desired farmland. No such figures are available for non-agricultural land, but it can be assumed that some of those who do not desire farmland do indeed desire land for residential or other purposes.

The South African land reform programme evolved with attention being placed

on issues of equality. In the formulation of policy, particular attention was 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 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. The Land Reform Pilot Programme (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.
- 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. In 1995, the Commission on Restitution of Land Rights was established and the Land Claims Court became operational.
- 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. The Land Rights Act, 1996, makes provision for legally enforceable tenure rights under a diversity of forms of tenure. In addition, State Land disposal and administration is dealt with through the implementation of the Development Facilitation Act, 67 of 1995.

However the land reform in South Africa has been criticised for its slow pace, and for institutional problems that delay complimentary support for agricultural production and the provision of services. Moreover, 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, 1999; May et al, 1997; Vaughan and Xaba, 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.

Major inequality also characterises South Africa's under-performing housing sector. Before 1993, the average floor area per person for whites was about 33 square metres whereas for Africans it was 9 square metres in formal housing and a 4-5 square metres in informal housing. Currently, the poor reside in a diverse range of shelter conditions although 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 percent of newly built housing is informal, manifest either as unplanned informal settlements or backyard shacks (May and Rogerson, 2000).

Secure housing is a productive asset that can serve to cushion the poor against the crushing 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. Households also use their housing as a base for home enterprises, which provide women in particular with opportunities for economic activity.

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 Department of Housing's Task team and finally, a proposed Housing Bill. 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. The maximum lump sum subsidy is probably 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.

For this reason, a second key 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 issue 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 problems of the housing sector lie in part on the supply-side and partly on the demand side. Under-investment in terms of the share of national budget, the limited capacity of the construction sectors, institutional bottlenecks and the fear of risk among financial institutions have contributed to supply inefficiencies. 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 formal finance sector are some of the factors constraining effective housing demand among the majority of South Africans.

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 of these subsidies. In addition to this 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.

The Government also has in place a housing programme, which assists vulnerable and previously disadvantaged groups with housing subsidies through the National Housing Subsidy Scheme. Housing subsidies, allocated through a means test, have constituted a growing share of housing spending over time (van der Berg, 2001). The underlying motivation for this programme is the understanding that the provision of physical assets is an important measure in poverty eradication. A once-off capital subsidy to households whose income is below a certain level is made, and there are four different types of subsidies allocated by provincial housing boards (CICSSS, 2001). The subsidy scheme has mainly covered the urban poor, particularly those living in informal settlements, but recently there has been a shift in emphasis from urban to rural provinces to support the Integrated Sustainable Rural Development Strategy (SARPN, 2003). The number of subsidies approved has grown year by year since 1998/99, but dropped markedly in 2001/02, and the number of houses completed or under construction has also declined in recent years, indicating a slowing in delivery (Department of Housing, 2003). While the programme provides additional subsidies to certain vulnerable groups such as the disabled and the elderly, it is not as progressive in gender terms. Men in the lowest income category appear to be the largest beneficiary group, but it is female headed households that suffer higher and deeper levels of poverty. Another point of concern is that at projected levels of delivery Government will not meet the needs of new entrants or be able to reduce the backlogs – instead one projection is that the backlog will continue growing. The quality of houses being built is also of concern, as well as evidence that housing is reinforcing apartheid spatial patterns and contributing towards ‘urban sprawl’ (Hassen, 2000, as cited in CICSSS, 2001). The Department of Housing was also challenged not long ago by a Constitutional Court ruling, in which it was found to have fallen short of complying with its statutory obligations. The ruling instructed that it is not enough to devise reasonable policy and legislative measures aimed at realising socio-economic rights, but that these must also be reasonably implemented.

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. In April 1997 the White Paper on National Water Policy for South Africa was released by the Department for Water Affairs and Forestry (DWAFF). 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

also met.

Between the Department Constitutional Department (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. By virtue of the fact that DWAF works with communities in rural areas, and that other agents to whom it provides funds, such as Mvula Trust, work in particularly isolated areas, the Department is delivering to more poor people than previously served. The Community Water Supply and Sanitation Programme (CWSS) aims to provide water supplies to 90 percent of the currently non-serviced population by 2004. The CWSS has primarily been financed out of the RDP Fund and provides community managed grants to set up water supply systems.

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.

In addition to this, 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.

Infrastructure services such as communications, power, transportation, provision of water and sanitation are central to both human development and 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. 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.

The provision of infrastructure is largely 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 services. The financing of national programmes is usually channelled to local government via provinces.

The national policy framework for investment in infrastructure is provided by the Municipal Infrastructure Investment Framework (MIIF) that brings 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 and furnishes proposals as to financing with the primary focus on the role of national Government in supporting service delivery at local level. 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. Nonetheless, the MIIF's financial provisions 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. 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.

In order to meet the service needs of communities in their area as quickly and effectively as possible, municipalities can select a service package by choosing from a number of options. The choice of service level is dictated by affordability and community needs. Issues of convenience may be as important to a particular community as health, environmental and economic factors. The selection of a service package is something that takes place through a process of negotiation between the customer, who will receive the services, and the municipality who provides them.

It is important to note that 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.

The Reconstruction and Development Programme (1994) set the target of electrifying 2,5 million households, or 72 percent of all households, by the year 2000. 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). In 1995/96 the electricity supply authority (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.

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 using 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 the energy poverty.

In addition, 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. Not surprisingly, the Accelerated Electrification Programme is running into a crisis around cost.

#### **4.8 Employment Creation**

As a part of its poverty reduction strategy, the South African Government has



attempted to directly stimulate employment. The Community Based Public Works Programme (CBPWP) is a short-term programme and aims at poverty alleviation, skills training, delivery of needed assets and capacity building. The CBPWP was launched as a presidential lead project within the National Public Works Program. A grant of R250 million was allocated from the RDP fund to finance the CBPWP until the end of the 1996 fiscal year. The programme aims to contribute to infrastructural development through labour-based construction, especially targeting women. It creates temporary jobs while providing assets that add to income-generating capacity and improve accessibility of remote communities. By the end of 1997, the programme had created 1112 projects, mostly situated and providing employment opportunities to communities in the most impoverished areas. According to the 1997 evaluation, the programme created 1,43 million days of work with women and women-headed households filling over 41 percent of those jobs

Specific objectives include the generation of temporary employment on a large scale during the construction of community assets which should improve the living standards and quality of life of the poorest. In addition, the CBPWP aims to create permanent income-generating activities through the operation and maintenance of community productive assets, and to build capacity of local development organizations and local Government structures to manage community development ventures. An evaluation completed on the programme highlights room for improvement on the implementation of the programme. Concerns include an unequitable geographic spread of projects; a lack of proper administrative co-ordination between ministries that have jurisdiction over public works; a lack of capacity for implementation; and lack of monitoring and evaluation. The Department of Public Works has taken into account the findings of the evaluation, and has realigned the CBPWP. The changes include targeting at the district level rather than at the provincial level; the use of District Councils and NGOs as programme implementing agents; placing emphasis on assets capable of providing continued benefits such as directly productive, labour-saving and road access infrastructure; project appraisal and approval and monitoring (CICSSS, 2001).

The Working for Water Programme clears invading alien plants, such as wattles, pines and gums, from water catchment areas. Labour-intensive methods are used and as these projects are mainly located in areas of extreme poverty this is a valuable poverty relief initiative. Some 38 000 jobs have been created, mainly benefiting women. This is an investment in protecting water resources and the natural environment, while providing jobs and incomes to poor communities.

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 a significant impact on employment and was largely well targeted. For example, 79 percent of workers employed were African, and 41 percent were women. Furthermore, 61 percent of the CEP projects were located in the three poorest provinces, KwaZulu-Natal, Eastern Cape and the Northern Province and 88

percent 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 percent of the CEP workers were unemployed before the programme, 22 percent were in full-time employment away from home, 11 percent in part-time work and 5 percent in domestic work.

## **5. Lessons from South Africa for PRSP in Africa**

There a number of different ways to class the poverty reduction strategies that have been recorded above, and Haddad and Zeller (1997) lend some ideas on this score. Some of the programmes have as their root citizenship, which forms the basis for entitlement: for instance, provision of basic services such as health care, water and sanitation, and education, to name a few. Other programmes have clear safety net objectives: the social assistance grant programme and the various poverty relief programmes help the vulnerable in times of trouble. There is also overlap between the two types of programmes – some have as their root citizenship but also have safety net objectives – for instance the old age pension.

A distinction can also be made among the programmes between those that are temporary (poverty relief programmes, disaster relief, for example) and those that are permanent in nature (for instance old age pensions, supply of basic services such as water and sanitation). Some programmes provide in-kind benefits such as the food relief programmes, while others provide cash benefits, most notably the system of social grants, but both should be recognized as essential components of an adequate social services programme (De Bruyn et al, 1998). Moreover, some programmes have poverty reduction as their objective (public works programmes, for instance), while others have poverty prevention as their aim (the disability grant for example). With some programmes the distinction is less easy to make, and many of the programmes that aim for poverty prevention are in fact targeted at those who are already poor (for instance, food relief programmes).

Broadly, certain vulnerable groups are highlighted in policies and programmes across various Government departments, and it could be argued that some groups receive undue favour in the number of programmes from which they are able to benefit. For instance, the disabled obtain additional subsidies should they apply for a state-funded house; a certain proportion of positions have to be held for disabled people on public works programmes; and disabled people may obtain a disability grant should they pass the means test. When this group is compared with other vulnerable groups, such as the unemployed, and the types and number of programmes that they can access, this bias is evident.

Common to nearly all the programmes is the increased spending that is evident,

whether it be the social assistance grants or nutrition programmes (National Treasury, 2003b). This is a trend which has been evidenced over time since the new Government came to power. However, it is disturbing to note the increase in the proportion of under-expenditure by departments such as DSD that has been occurring over a number of years (SARPN, 2003). At the same time, there seems little risk that these programs will be cut back over time, although they may be eroded by limiting expenditure increases to less than an inflation rate adjustment.

Van der Berg (2001) notes that the first years after the political transition saw a large and significant shift of social spending away from the more affluent to the formerly disadvantaged members of the population, and that most social spending is redistributive and relatively well targeted to reach those most in need of it. The Taylor Committee (CICSSS, 2002) concurs, noting that Government has launched new programmes and expanded and revised existing programmes to deal with asset and capability poverty, and that these have in many cases been innovative, responsive, well conceived and potentially well targeted. However, both commentators point to the fact that Government is still battling with the issue of efficiency in the delivery of services, and that the barriers to access remain administrative and institutional. A further problem that is identified, more generally with regard to poverty alleviation programmes, is a lack of technical knowledge and experience at different government levels. It is important for technical capacity to be built at different levels of Government, and for greater co-ordination between different levels of government in the implementation of programmes. There is no effective monitoring and evaluation of poverty alleviation programmes in South Africa, and it is imperative that such a system be established to monitor progress. Finally, any duplication that exists among programmes needs to be eliminated in order for savings to be obtained.

Taking a step back to consider the implications of the South African case study for PRSP, Ferguson's (1990) seminal work on Lesotho provides an interesting point of departure. Ferguson documents the traditional mode of development planning applicable to many countries. His analogy seems to have some relevance when trying to make sense of the experience of South Africa in the attempt to move from diagnostic analysis to policy formulation and implementation. Ferguson describes the operation of development aid as a technocratic 'anti-politics machine', stating that:

*...by uncompromisingly reducing poverty to a technical problem, and by promising technical solutions to the sufferings of the powerless, and oppressed people, the hegemonic problematic of 'development' is the principal means through which the question of poverty is depoliticised (Ferguson, 1990:256).*

Through the tendency of Governments and international aid agencies to emphasise the technical issues over political ones, development and poverty reduction programmes are said to provide a convenient vehicle for state development and strengthening bureaucratic power rather than improving the well-being of the poor (Bond and Ngwane, 2001). This raises the question whether the PRSP process can provide an new opportunity for dismantling this

anti-politics machine by opening up processes of budget allocation undertaken by finance ministries, and thus provide them with the capacity and willingness to engage with pro-poor development planning.

PRSP or generic approaches have offered the promise of national ownership, increased transparency and public participation in policy planning, and an explicit focus on making economic growth 'pro-poor'. Diagnostic analysis has also begun to tackle the problem of persistent or chronic poverty. However, the PRSP modality has tended to reinforce the perception of poverty as an essentially technical problem rather than a political one. Rather than tackling fundamental policy and reform issues, the PRSP process initially served to render the poverty debate apolitical. In South Africa, the highly publicised impasse over the findings of HIV/AIDS researchers and the Government is an extreme case of the rejection of research findings to suit a political agenda. To effectively deal with the problem of inadequate evidence-based policy formulation, a PRSP cannot not simply become a technical task of identifying pro-poor policies and a bundle of indicators with which to monitor progress. It would need to include process for building national confidence in information usage, public debate and participation in the process of determining the winners and losers of Government policy. Poverty and wealth will also need to be understood as a lifetime experience, extending from -9 months through to the legacy left to the next generation. This is not only about the notion of chronic poverty, but also about the relationship of individuals to the state and to markets that will continuously change as individual and political circumstance changes. To achieve this, PRSP will need to incorporate rigorous microeconomic and political economic analysis that identifies interventions that are tailored to the country context, and that are then related to the macroeconomic goals being pursued by the country. These would need to involve measures that improve the access of the poor to productive assets such as land reform, infrastructure and financial services, as well as measures that reduce the costs of production, including transaction and information costs. Increased social spending may be inevitable, especially in countries having to manage the impact of AIDS. To some extent, policies such as these are being considered in South Africa. However, in the case of some, political will has been lacking (HIV/AIDS), implementation has been slow (land tenure reform) and for others, the non-poor have largely captured the benefits (privatisation, tourism). For such policies to work effectively and to the benefit of the poor, they have to be located within the context of an enabling, supportive and complementary macroeconomic and institutional framework.

PRSP has meant that new pathways have been opened up for policy development, and the prospect of dismantling the anti-politics machine is at least on the agenda. The preparation of poverty reduction strategies is now seen by many as part of the activities of civil society, some of which are calling for campaigns of action in response the PRSP process. Of concern is whether the political will of governments and donors is sufficient to see this through, and whether the enabling environment for such a dramatic departure from past practices is present in poor countries. If not, PRSP may serve as little more than grease under the wheels of Ferguson's anti-politics machine, and development planning will remain divorced from political realities and debate. As a final

thought, PRSP continues to place the burden of poverty reduction on poor countries even though the persistence of poverty in these countries has been significantly determined by the policies pursued by wealthy countries. Perhaps it might be appropriate if wealthy countries were also required to prepare PRSPs that outline their long-term contribution towards the global reduction of poverty. By taking on the same tasks required of poor countries, a better understanding might emerge of the policy making process, and ways in which this can be influenced to better assist the poor.

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