

Transformational lessons What works, why and how? The South African Experience

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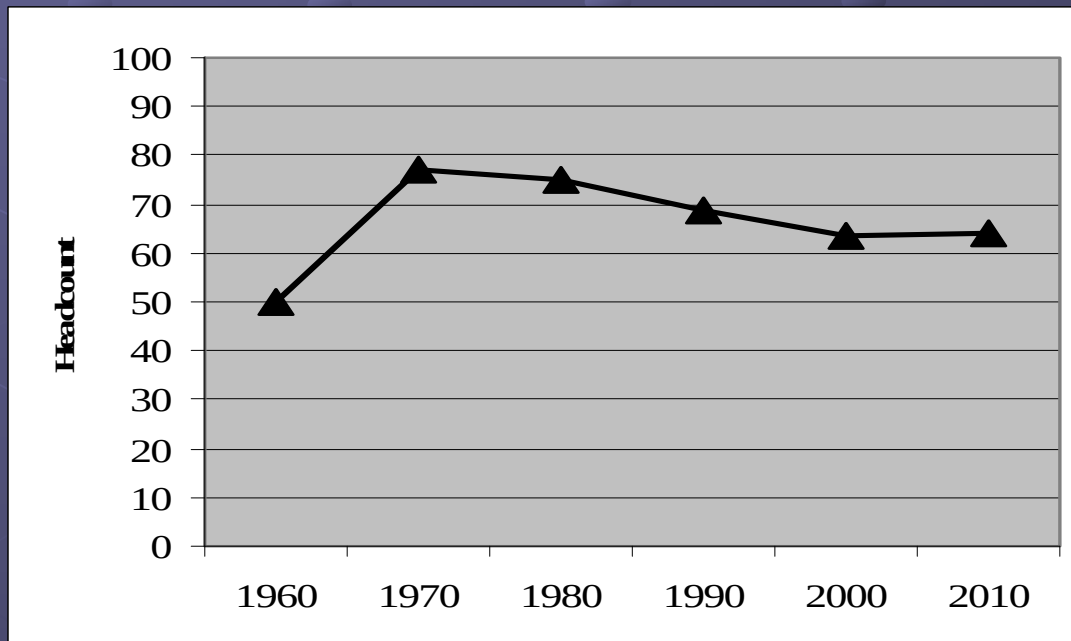
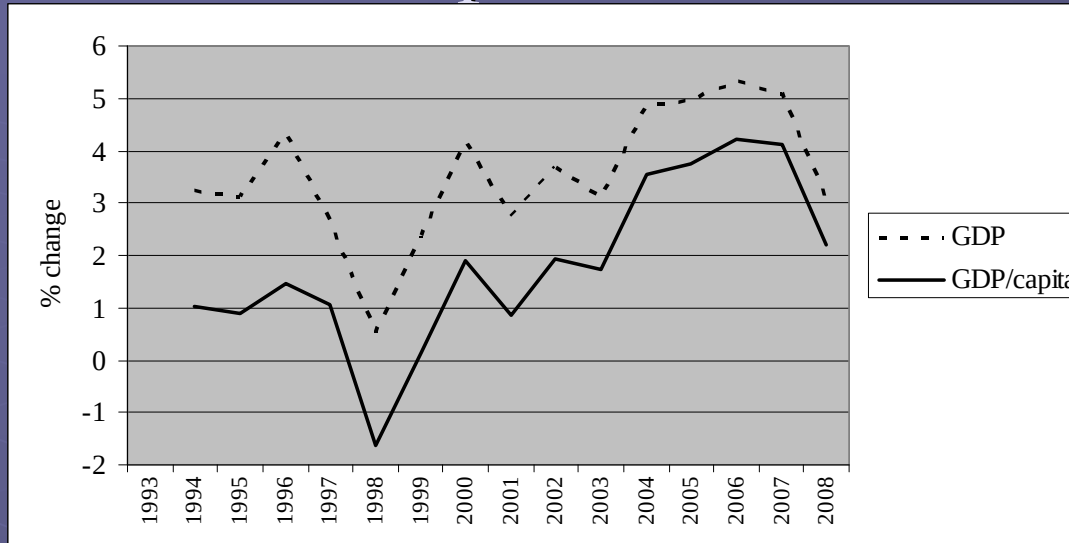
What was the transformation?

- From white hegemony to democracy
- From racism and patriarchy to constitutional rights
- From pariah state to 'rainbow nation'
- From 'apartheid's assault on the poor' to 'reconstruction & development'
- From cheap labour to 'Growth, Employment & Redistribution', 'Accelerated Shared Growth' or the 'New Growth Path'
- From 'separate development' to 'co-operative governance'
- From protected, highly regulated markets to an open economy
- From labour reserves to the 'social wage'
- From 'Total Onslaught' to NEPAD
- From racial socialism to non-racial capitalism?

Poverty amidst Plenty

- South Africa's GNI p/capita means that it one of the 50 wealthiest nations and among the 35 largest economies in the world
- With 16 million people living on less than PPP\$2, South Africa is the 16th largest out of 67 countries and the 5th largest in sub-Saharan Africa
- Experienced a decline in its HDI and ranked 125th of 175 countries in 2008, down from 93rd in 1992, with life expectancies among the 30 worst
- Structural (chronic) poverty is wide-spread and up to 12 million people caught in poverty traps and unable to escape poverty
- Nutritional status of children declined until 2005: national prevalence of stunting, underweight, and wasting is 18%, 9.3% and 4.5% respectively
- Among 10 of 68 countries that have made least progress towards the attainment of MDG Four (reduce child mortality)
- Maternal Mortality Rate (MMR) increased from 80.7/100,000 live births in 1997 to 165.5/100,000 in 2003
- The income of the wealthiest group is 88 times greater than that of the poorest decile

Post-apartheid trends



The macro-economic response

- GEAR: a fiscally conservative approach until 2006
- AssGSI: a more expansionary approach since 2006
- NGP: an employment focused expansionary approach since 2010
- Public-sector borrowing requirement declined from 9% of GDP in 1993/4 to 0.3% in 2005/6
- Revenue available for the total budget has grown fifteen fold since 1994/5
- Expenditure on social services has grown strongly at 7% p/a in real terms since 2002/3
- Monetary policy focuses on inflation targeting and interest rates are relatively high

Services and the social wage

- 15 million previously un-serviced people have been connected to a formal water supply since 1994
- Access to all basic services increased between 1993 and 2004. eg. access to electricity for lighting increased from 52% of households to 80%
- Free clinic-based primary health care for all, compulsory education for all those aged 7 to 13 years, and subsidies on housing, electricity, water, sanitation, refuse removal, transportation for those who qualify
- The value of the social wage was estimated to be \$12 billion p/a in 2003

Social protection

- Number of beneficiaries in receipt of grants increased from 3 million in 1994 to 13 million people by 2009
- Coverage of a child grant now reaches 9 million children.
- Grant payments have risen from 3% of GDP in 1994 and currently amount to 4%
- 80% of elderly and 64% of children receive grants
- Steady increase in the uptake of disability and foster care grants
- Public Works provided more than 1 million work opportunities with a wage bill of just less than \$0.1 billion in 2008
- Community Works Programme provided 1.7 million days of work to unemployed people in 2009/2010

Education

- Educational attendance compulsory for all children aged 7 to 15
- A School Fee Exemption policy based on a means test while a no-fee policy establishes schools without fees.
- The Primary School Feeding Scheme Program provides one meal a day to some 6 million primary school children
- 95% of children aged 7 to 13 years were in school. Enrolment increasing for secondary schooling and functional literacy is improving
- 87.6% of adults are literate
- System marred by poor performance of children once enrolled in school

Health

- Free health-care for pregnant women and children aged less than 6 years,
- Improvements in the provision of health services and facilities
- 2006: 5.4 million people estimated to be living with HIV, the largest number in the world
- Prevalence among women attending ante-natal care increased from 7.6% in 1994 to 30.2% in 2005, while that for the population as a whole has increased from 8.5% in 2001 to 11.1% by 2007
- 2006: Premature adult mortality continues to increase with an estimated 345,000 South Africans dying of AIDS
- The incidence of TB cases has increased by over 250% since 1996 and at 720/100,000, is one of the highest in the world

Asset redistribution

- The land reform target was to transfer 30% of South Africa's farmland between 1994 and 1999, 2% had been transferred by 2010
- Impact evaluations conclude that South Africa's land reform was initially well targeted towards less resourced beneficiaries and that once received, land does make a significant impact in terms of income
- Subsequent evaluations report wide spread failure casting doubt over sustainability
- BEE has become B-BBEE

Lessons

- Despite its relative wealth and its adherence to much of the mantra of the ‘Washington Consensus, South Africa’s experience does not offer simple solutions to the problem of poverty eradication
- Instead its economy has proven to be inefficient in terms of its ability to translate what economic growth has taken place into the prosperity of its population
- High and growing inequality may be a constraint on poverty eradication
- Elite capture, rent seeking and a return to populism including calls for nationalisation are areas of concern
- Macro-economic stability alone does not guarantee poverty reduction

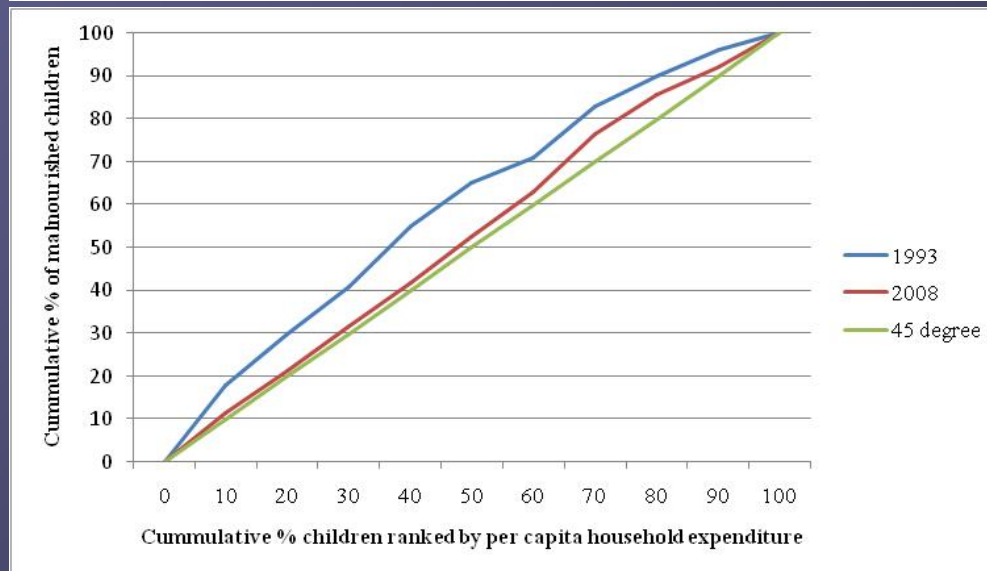
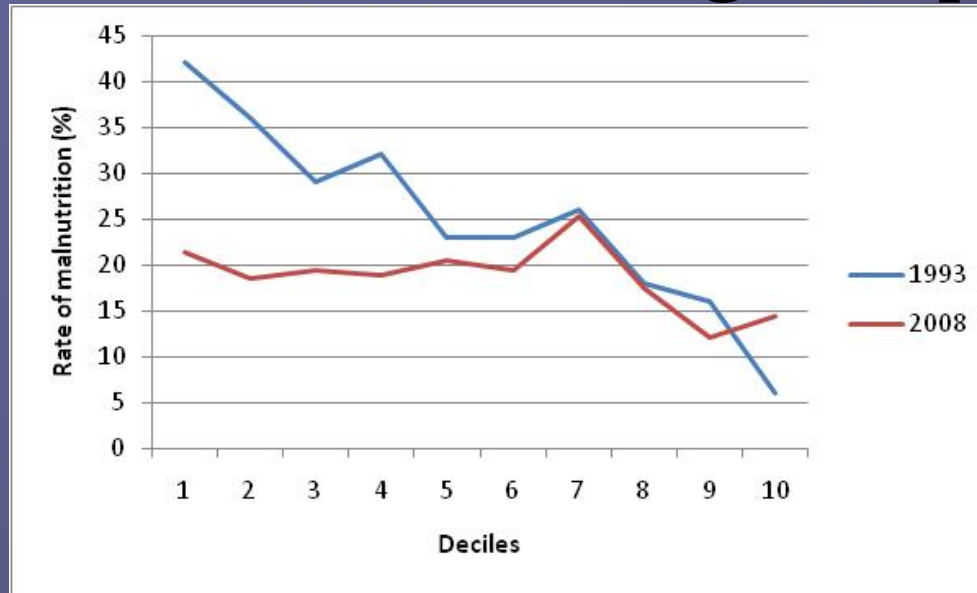
Lessons cont'd

- Substantial delivery of services and infrastructure has taken place through South Africa's decentralised system of local government and a substantial proportion of the population has benefited from this delivery
- A complex structure of legislation, policy and institutions has had to be put in place to achieve this
- The surge in service delivery protests suggest that what has been delivered may not be affordable for the beneficiaries, or is not of the quality or consistency that they expect
- Corruption, cronyism, poor quality and a crisis in maintenance are now publicly debated issues
- In the South African context, decentralised government has delivered services but sustainability is questionable

Lessons cont'd

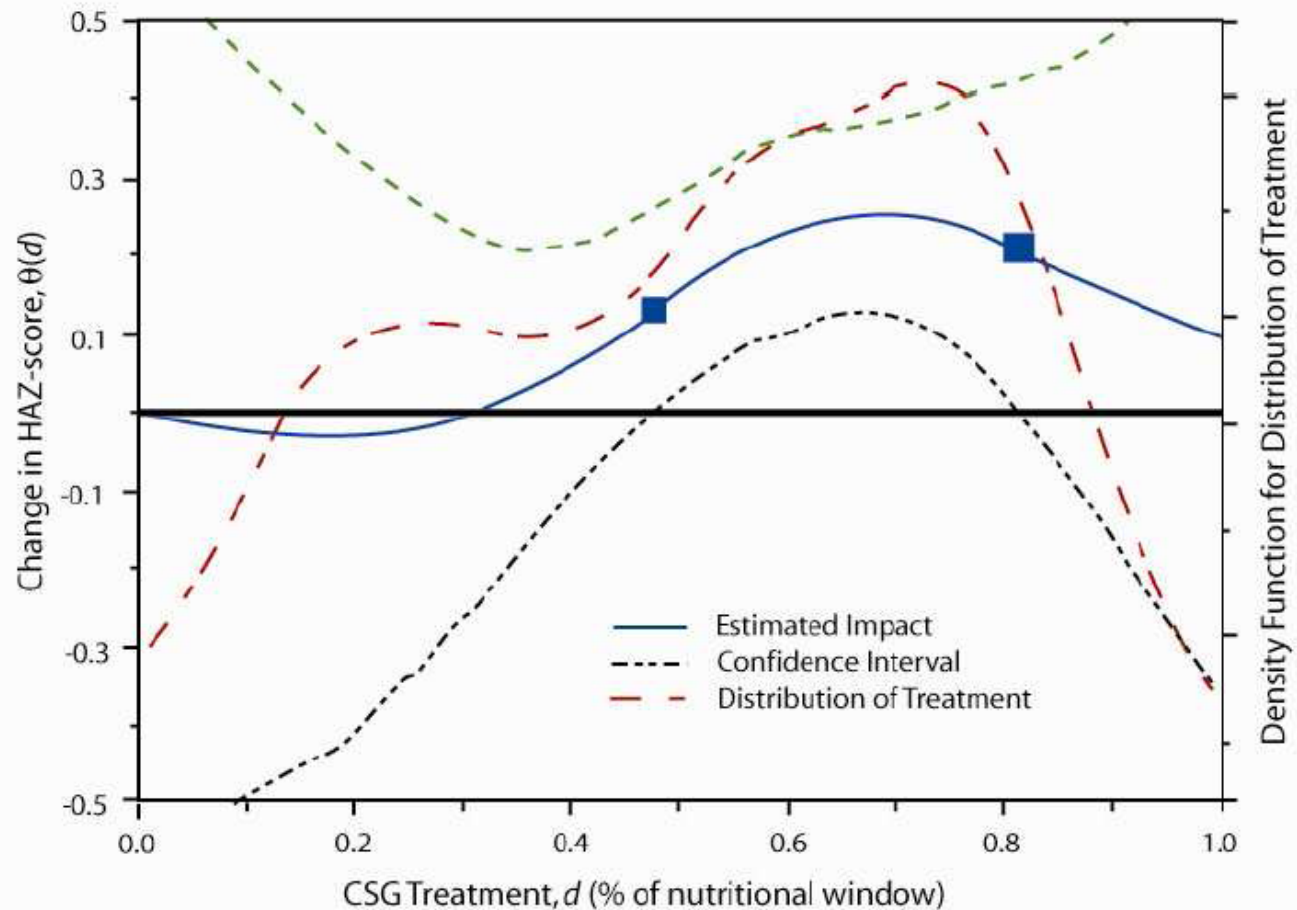
- To the extent that they can be afforded, cash grants, whether universal or targeted, conditional or unconditional, work to reduce poverty. This is both directly through the improved incomes and the nutritional boost to children, as well as the indirect effect, through the empowerment of women, improved progression through school and reduced teenage pregnancy.
- The impact of grants are however diffused since all forms are pooled for other family uses, especially those that are linked to old age pensions.
- The CSG has been shown to produce substantial reductions in stunting of young children and this is likely to produce, in turn, substantial increases in those children's productivity and wages once they grow up

6-60 months stunting compared



Impact of CSG

Gains in Height-for-Age from Child Support Grant



Still more lessons

- Failure to attend to health care needs, especially those arising from HIV/AIDS constrains prospects of achieving a reduction in poverty
- Two thirds of respondents surveyed in South Africa reported a fall in household income as a result of their actions to cope with the impact of HIV-related illness including the direct loss of earners. Households reported increased expenditure on health, diverting income away from other requirements, potentially with significant opportunity costs
- Young adult deaths have an adverse impact on the growth expenditure per head of households especially for those just about to escape poverty
- Neglecting health care has long term repercussions

And finally...

- Redistributive actions that transfer assets to poor households do appear to increase their incomes and their prospects of escaping poverty
- In the case of land, and perhaps other forms of asset transfers, success in targeting does not necessarily translate into sustainable projects
- Agrarian reform remains without a coherent plan, with no plans to improve opportunities for a pro-poor food or cash crop chain
- Instead farm concentration continues, as does the concentration of food production, processing and distribution, the entry of Walmart being the more recent development
- ‘Asseting’ requires more than redistribution

A word on measurement

- It has been remarkably difficult to persuade the government to adopt a official poverty threshold, or to regularly collect statistics on deprivation. It has been left a cohort of academics and NGO based activists to argue for these data, to use those that are collected, and even to collect the data themselves.
- As a result it is difficult to quantify the poverty reducing impact of economic growth although it is clear that South Africa continues to be inefficient in terms of transforming prosperity into social justice.
- It is also difficult to identify the impact of South Africa's extreme inequality either for growth or for poverty reduction. International experience suggests that it is probably negative
- However we will soon have a suite of poverty lines, all of which exceed \$1.25 per day.
- Money-metric poverty has reduced slightly, but increased during the economic crisis. However the need for money has increased calling into what this metric has meant over time

What else can South Africa try?

- Drop means testing
- Consider a universal grant or a family grant
- Extend child grant to pregnant women
- Expand public works, including maintenance activities
- Expand the employment guarantee program
- Agrarian reform linking town and countryside, in addition to land reform
- ICT4D
- LED experiments
- Find out how to get a better return from investment in education
- Regular poverty measurement and regular poverty analysis using new methods such as panel data, matching data sets including administrative data, and forms of impact assessment such as RCT

