FIFTEEN YEAR REVIEW OF INCOME POVERTY ALLEVIATION PROGRAMMES IN THE SOCIAL AND RELATED SECTORS

Irwin Friedman
& Lungile Bhengu

PCAS

HEALTH SYSTEMS TRUST
Fifteen Year Review Of Income Poverty Alleviation Programmes In The Social and Related Sectors

Full Final Report

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Published by Health Systems Trust
Tel: 031 - 307 2954
Fax: 031 - 304 0775
Email: hst@hst.org.za
Web: http://www.hst.org.za

April 2008

This study was funded by GTZ on behalf of the Policy and Advisory Services Unit of the Presidency, Government of South Africa

Suggested citation:
Friedman I, and Bhengu L, Fifteen Year Review Of Income Poverty Alleviation Programmes In The Social and Related Sectors, Health Systems Trust; 2008

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Project funded by GTZ for PCAS
Presidency, Government of South Africa

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Acknowledgements

The authors would like to thank staff from Department of Trade and Industry, the Offices of Economic Affairs and others in a range of Government Departments at National level as well in the Provinces for providing valuable information on the projects being undertaken.

In particular we would like to thank Percy Moleke, in the Presidency for her help and guidance and Anna McCord for helpful comments and additional references.
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<tr>
<td>AsgiSA</td>
<td>Accelerated and Shared Growth Initiative</td>
</tr>
<tr>
<td>BOSS</td>
<td>Business Opportunities Support Service</td>
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<td>BCSVP</td>
<td>Business Consultancy Services Voucher Programme</td>
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<td>CBO</td>
<td>Community Based Organization</td>
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<td>CBPWP</td>
<td>Community Based Public Works Programme</td>
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<td>CETA</td>
<td>Construction and Education Training Authority</td>
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<td>CIS</td>
<td>The Cooperatives Incentives Scheme</td>
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<td>CM</td>
<td>Cluster (Project) Manager</td>
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<td>CSG</td>
<td>Child Support Grant</td>
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<td>CV</td>
<td>Curriculum Vitae</td>
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<tr>
<td>DAC</td>
<td>Department of Arts and Culture</td>
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<td>D(O)SD</td>
<td>Department of Social Development</td>
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<tr>
<td>DG</td>
<td>Director General</td>
</tr>
<tr>
<td>DLG</td>
<td>Department of Local Government (and traditional affairs)</td>
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<td>DOCS or DoCS</td>
<td>Department of Correctional Services</td>
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<td>DOE or DoE</td>
<td>Department of Education</td>
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<td>DOH or DoH</td>
<td>Department of Health</td>
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<td>DOL or DoL</td>
<td>Department of Labour</td>
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<td>DOT or DoT</td>
<td>Department of Transport</td>
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<tr>
<td>DPLG or dplg</td>
<td>Department of Provincial and Local Government</td>
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<tr>
<td>DPW/DOPW</td>
<td>Department of Public Works</td>
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<tr>
<td>DTI or dti</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>EGS</td>
<td>Employment Guarantee Scheme</td>
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<td>EF</td>
<td>Enterprise Finance</td>
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<td>EIP</td>
<td>Employment Intensive Programmes</td>
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<tr>
<td>ENE</td>
<td>Estimates of National Expenditure</td>
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<td>EPWP</td>
<td>Expanded Public Works Programme</td>
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<td>FSC</td>
<td>Financial Services Co-operative</td>
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<td>GCIS</td>
<td>Government Communication and Information Service</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GDS</td>
<td>Growth and Development Summit</td>
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<td>GHS</td>
<td>General Household Survey</td>
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<tr>
<td>ICP</td>
<td>International Comparison Programme</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>IDT</td>
<td>Independent Development Trust</td>
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<td>IES</td>
<td>Income and Expenditure Survey</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IP</td>
<td>Income Poverty</td>
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<td>ISDRP</td>
<td>Integrated Sustainable Rural Development Programme</td>
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<td>Jipsa</td>
<td>Joint Initiative on Priority Skills Acquisition</td>
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<td>JOBS</td>
<td>Jobs and Opportunity Seekers database</td>
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<td>LMS/LFS</td>
<td>Labour Market Survey / Labour Force Survey</td>
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<td>LSM</td>
<td>Living Standard Measure</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>MEGS</td>
<td>Maharashtra Employment Guarantee Scheme</td>
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<td>NDA</td>
<td>National Development Agency</td>
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<tr>
<td>NEDLAC</td>
<td>The National Economic and Development Council</td>
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<td>NEF</td>
<td>National Economic Forum</td>
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<tr>
<td>NGO</td>
<td>Non governmental Organization</td>
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<tr>
<td>NIP</td>
<td>National Integrated Programme</td>
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<td>NPO</td>
<td>Non Profit Making Organization</td>
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<td>NPWP</td>
<td>National Public Works Programme</td>
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<td>NYC</td>
<td>National Youth Commission</td>
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<td>NYS</td>
<td>National Youth Service</td>
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<td>OHS</td>
<td>October Household Survey</td>
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<td>P1</td>
<td>Poverty Gap Index</td>
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<td>P2</td>
<td>Squared Poverty Gap Index</td>
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<tr>
<td>PCAS</td>
<td>Policy Coordination and Advisory Services</td>
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<td>PIA</td>
<td>Programme Implementing Agent</td>
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<td>PO</td>
<td>Poverty Rate</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<tr>
<td>PPSLSD</td>
<td>Project for Statistics on Living Standards and Development</td>
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<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<td>REDs</td>
<td>Regional Electricity Distribution system</td>
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<tr>
<td>RSA</td>
<td>Republic of South Africa</td>
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<td>SAARF</td>
<td>South African Advertising Research Foundation</td>
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<td>SALGA</td>
<td>South African Local Government Association</td>
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<td>SAMAF or samaf</td>
<td>South African Micro-finance Apex Fund</td>
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<td>SANGOCO</td>
<td>South African NGO Coalition</td>
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<td>SASSA</td>
<td>South African Social Security Agency</td>
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<td>SAQA</td>
<td>South African Qualifications Authority</td>
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<td>SAY</td>
<td>South African Youth Card</td>
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<td>SDC</td>
<td>Service Delivery Channel</td>
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<td>SETA</td>
<td>Sector Education Training Authority</td>
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<td>SMME</td>
<td>Small Medium and Micro Enterprise</td>
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<tr>
<td>SOCPEN</td>
<td>Social Security Pension System</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>URP</td>
<td>Urban Renewal Programme</td>
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<tr>
<td>UYF</td>
<td>Umsobomvu Youth Fund</td>
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<td>YAC</td>
<td>Youth Advisory Centres</td>
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1. EXECUTIVE SUMMARY

Objective of this review
The Policy and Advisory Services unit in the Presidency requested the Health Systems Trust to conduct a rapid fifteen year review of Government income poverty alleviation interventions to assess the outcome and impact of the policies, programmes and projects since 1994, as well as progress made towards achieving the Millennium Development Goals (MDGs) of halving unemployment and poverty by 2014.

The main objective of this study has been to provide a brief description of the extent and nature of the SA Government’s poverty income relief programmes and to assess their impact by undertaking a rapid appraisal using existing data sources. Examples of such programmes include the CBPWP, EPWP, National Youth Service, learnerships and cooperatives. While some of these programmes have a youth focus others have targeted other vulnerable groups.

The meaning of poverty
The advent of the democratic transformation in South Africa during 1994 brought with it the high hope that income poverty and inequity would soon be significantly reduced from the very high levels that existed during Apartheid. The reality has been sobering. Despite steady economic growth and early success in adopting an exemplary Constitution, combined with the introduction of many progressive policies and laws, progress in poverty reduction has been slow and uneven.

In efforts to fight deprivation in South Africa, the democratic Government has, since 1994, implemented various programmes that aim to alleviate income poverty through stimulating employment, developing skills and improving service delivery etc.

Contestation over the meaning of “poverty”, combined with the lack of accurate and reliable information, has been the cause of considerable difficulty in the interpretation the available data. There has even been considerable acrimony, which appears to have resulted from the use of many different methodologies, measures and data sources on income poverty levels and trends over time.

Although the definition of absolute poverty appears simple, the “inability [of an individual or household] to attain a minimal standard of living”, as measured in terms of consumption or income levels, it misses the subtlety of the deprivation experienced by people defined as ‘poor’. It may also miss the point that although people may be ‘poor’ in terms of income, such individuals may be rich in the ingenuity with which they cope and manage in deprived settings. Essentially poverty is not one thing and results from perverse
reinforcement of many negatively interacting ‘vicious’ cycles. It has been argued that more relativistic, broad, multi-facetted definitions of poverty that focus on a people-centered paradigm have greater relevance to sustainable human development than narrow income-based approaches.

To resolve the debate whether to use absolute or relative definitions of poverty we have used an approach based on the concept proposed by Frye and Farred (2007) which combines the two: Relative Poverty with an Absolute Core (see the glossary in the full report for clarification.)

Figure 1: Relative Poverty with Absolute Core

Poverty and unemployment

The most immediate causes for continuing poverty are clear; demand for capital intensive goods, persistent unemployment, a low demand for unskilled labour, an unequal education system and holes in the social security safety net. Despite some progressive aspects, existing approaches are still inadequate for the task. It has become abundantly clear that economic growth on its own will not reduce poverty or income inequality without Government intervention.

International global policies that impact on national efforts revolve around the Millennium Development Goals, have two targets that are relevant to poverty alleviation. These are to halve the proportion of people whose income is less than one dollar a day (~R3,000 per capita per annum in 2000 constant Rand); and to halve the proportion of people who suffer from hunger. The Millennium Development Council has been established as an agreement between business and labour to contribute to poverty eradication efforts. Each year the SA Government submits a country report which provides information
regarding progress. The 2007 Country Report suggests that the number and proportion of the population below this line has declined although income inequality has not.

Major South African anti-poverty policy finds expression in a great variety of ANC and Government documents and initiatives, not least the Freedom Charter, the Reconstruction and Development Programme (RDP), the SA Constitution, the Growth, Employment and Redistribution Macroeconomic (GEAR) Strategy, the Accelerated and Shared Growth Initiative (AsgiSA) and Joint Initiative on Priority Skills Acquisition (Jipsa), to name but a few.

In reviewing the history of income poverty in South Africa, it is evident that before 1994, apartheid policies promoted widespread dependency on cash income. Land policy forced many people off the land. The migrant labour system made families dependent on cash remittances transferred from absent bread winners. Poverty was rampant and endemic; inequity extraordinary. A dual economy was the result, comprising a ‘first’ economy for the wealthy white minority, and a ‘second’ economy for the disadvantaged black majority. Unemployment had been growing over several decades and at the onset of the democratic transformation was about 4.8 million people. Some of the reasons for the high unemployment and poverty were: the stagnation of the economy, increasing capital-intensivity, decline of agriculture, degradation of natural resources and a rapidly growing population. The situation was much worse for women, both in terms of poverty and unemployment. This largely remains the case.

Understanding what has ‘really’ happened to income poverty and inequality after 1994 is difficult, as a close inspection of available data and the variety of alternative interpretations reveals. Even though there has been an explosion of data about poverty in post-apartheid South Africa, there is no consensus on trends (Seekings, 2007). Obvious and not-so-obvious flaws in the data mean that the information has to be carefully interpreted (Bhorat and Kanbur, 2006), and this requires complex assumptions and methodological innovations (see Seekings, 2006c). This has led to a great deal of controversy and uncertainty regarding trends and absolute levels of poverty. Despite this, it is suggested that there is broad academic consensus that income poverty worsened in the late 1990s only to improve marginally from the early 2000s, although precise findings vary according to the specific data used and assumptions made in the analysis. This academic consensus is contrary to most of the data presented by the ANC and Government (Seekings 2007).

Van der Berg et al (2007) have used information from the All Media and Products Survey (AMPS) and data recalculated from StatsSA to derive trends that suggest that the proportion of people living in poverty, while it might have grown slightly in absolute numbers during the second half of the 1990s, because of the effect of population growth, began to decline from about 2001. This suggests that poverty alleviation interventions that have been applied over the past six to seven years, most notably the extension of social grants, have begun to have an effect in poverty reduction.
The recommendations to correct the problems and resolve the impasse flow fairly easily from this.

1. Define a poverty lines or indicators that will permit international comparison and provide a benchmark to assess progress to MDGs;
2. These should be indicators of multiple deprivation rather than single monetary amounts;
3. Collect reliable, regular statistics;
4. Use the data to provide evidence of trends over time.

Mass unemployment is not a new phenomenon. It has been unacceptably high for the last four decades, even in terms of the strict definition, which includes only those who have been unemployed, but actively looking for work. Despite an improvement in economic performance over the past fifteen years, South Africa’s problem of mass unemployment increased sharply in percentage terms from 1994 until 2002 from about 20% to 30%. For the last five years there has been an encouraging decline in unemployment rates. There is little comfort in this however, as the current rate of unemployment is still about one quarter of the population, which constitutes an ongoing crisis. The country is not on a path to achieving the Millennium Development Goals of halving the rate of unemployment by 2014.
Although there has been some disagreements about the actual rates of poverty and unemployment, there seems to be more consensus about findings that suggest income inequality has been growing since 1994. This inequality is not only growing between race groups, but within race groups. This has lead commentators to conclude that poverty and inequality are become relatively less related to race and more to class, but no less serous a threat in terms of the impact on social stability.

Partly the inequality can be attributed to the country’s economic success. There has been the longest period of economic expansion in the country’s recorded history. During this upswing, from September 1999 through to June 2005, the annual economic growth rate averaged 3.5%. In the decade prior to 1994, economic growth averaged less than 1% a year. According to the South African Reserve Bank, there is no sign of this period of expansion coming to an end. Gross domestic product (GDP) growth was running at an annualised 4.8% in the second quarter of 2005 (compared to 3.7% in 2004 and 2.8% in 2003). The GDP in 2006 was nearly R1,200 billion and Government expenditure R558 billion (2006/7). However, even with an economy this size and an impressive growth rate, this is still less than the 6% growth that the Government has indicated is needed to halve unemployment and poverty by 2014. Growth in employment is almost half of the anticipated 2.9% necessary to halve unemployment.
Although the policy of fiscal discipline applied from 1996 stabilized the economy and encouraged it to grow strongly, it did so in a manner that favoured the affluent and led to a growing middle class, craving luxury and an economy dependent on imported goods and services. This has exposed the country to a growing vulnerability of current account deficits resulting from relatively more imports than exports and has made it difficult for the National Treasury to act more boldly in tackling poverty, although it has made increasing efforts to so since the onset of the new millennium.

Figure 4: The Gini coefficient for SA from 1993 - 2004

![Gini coefficient chart]

Source: Van der Berg et al, 2007

Notwithstanding the considerable heat generated by the debate as to the extent that poverty has declined over the past fifteen years, it appears that most researchers feel, that despite impressive economic growth and a turnaround in the negative growth rates of the decade preceding 1994, income poverty among the poorest twenty percent of the population probably rose in the late 1990s, showing only a modest decline in the early 2000s. This view is contested by some, who feel that although poverty levels remain high, there has been a steady decline since 1994 and even more since 2000. As already indicated, what is undisputed, is that income inequality has been growing relentlessly. Life expectancy is regrettably also falling and infant mortality rising. This has primarily been as a consequence of the HIV and AIDS pandemic which, as a result of many factors, many beyond our control, has been centred on Southern Africa. These facts underscore the crucial importance of Government-led pro-poor poverty alleviation interventions in the economy. Economic growth on its own will just not be sufficient.
Anti-poverty programmes

The anti-poverty programmes undertaken by Government since 1994 can be grouped into various categories of public expenditure such as:

- **Social assistance and grants**: These are long and medium term cash transfers (eg. including the Old Age, Disability, Child Support, Foster Care Grants and Grant-in-Aid,

- **Employment generating programmes, enterprise development and income support** (eg. Poverty Alleviation Projects, Community Based Public Works Program, Expanded Public Works Programme, [Working for Water Program and Working for the Coast Programme], Learnerships, Cooperatives, and perhaps special Flagship Programmes such as for example the National Youth Service);

- **Basic household security** (eg. access to basic necessities—things such as food, water, housing, electricity, education, medical care);
  - Consolidated Municipal Infrastructure Program, Community Water Supply and Sanitation, Electricity Basic Support Services Tariff Strategy, Integrated Sustainable Rural Development Strategy, Rural Infrastructure Strategy and Free Basic Services Coordination;
  - Free education including Early Childhood Development and free schooling;
  - Health protection programs including Primary Health Care, the Integrated Nutrition Program, National School Nutrition Program, Prevention of Blindness/Vision 2020, Free Health Care Services and Protein Energy Malnourishment Scheme;
  - Assistance for people with special needs including Home-based/Community Care;
  - Program for Children and Families Affected and Infected by HIV/AIDS and
  - Assistive Devices for the Disabled;

- **Social services** (eg, adoption, child protection);

- **Disaster relief**: These are short-term cash or in-kind cash and in-kind transfers for crisis situations including (eg. the social relief of distress, Social Relief Fund, Disaster Relief Fund, Refugee Relief Fund, the Special Program for Food Security and in-kind transfers during food crisis through the National Food Emergency Fund;

- **Employment related social insurance** (eg. unemployment insurance)

The purpose of this review is primarily to consider the employment generating, enterprise development and income support programmes, although the other groups have also been briefly considered where they significantly contribute to the efforts. Overall, it has been stressed that, given the multi-dimensional nature of poverty, all programmes have a bearing on the experience of
poverty. In this regard the concept of the ‘social wage’ is important in that it provides a way of reflecting composite state spending on education, health social security, housing and related expenditures, whose progressive realization is guaranteed by the Constitution.

Figure 5: Monthly contribution of social wage to poorest 40% of households (2004)

As indicated on the previous figure, the largest contributors to the social wage are education, health and social security. Education and health, while they contribute the largest amounts overall, do not directly impact on income poverty. In this area it is social grants that make up the largest amounts. Social grants contribute about half of the income of the poorest 20% of households, and have approximately doubled in real terms between 2000 and 2007. South Africa currently spends about 3.9% of its GDP towards social assistance, which is reasonable, especially compared to other developing countries.

Although in absolute terms, the numbers of houses built, clinics constructed, water and electrical connections made, VIP toilets provided, roads upgraded was very large, even after account had been taken of this, those in the lowest 40% of the population in terms of income were still badly off. Although the Government’s achievements in the field of social provision has been significant, the large increase in numbers of those requiring assistance tended to reduce the impact overall. The contribution of other programmes such as the EPWP, learnerships etc have all been less than 5% of the income of the poorest households on average, although their impact on individual
households involved in the programmes has obviously been more substantive.

Although, there have been no substantive changes in the basic design of the public welfare system, apart from the introduction of the Child Support Grant (CSG), from the early 2000s, the Government has increased substantially its total expenditure on social assistance and reached many more poor people. Expenditure on social assistance almost doubled in percentage terms from about 2 percent of GDP in 1994 (and 2000) to about 3.5 percent in 2006.

Figure 6: Social assistance programme expenditure as a % of GDP

![Figure 6: Social assistance programme expenditure as a % of GDP](image)

In absolute amounts, social grants have grown six-fold since 1994, trebling in the first ten years of democracy and then almost nearly doubling again since then.

Source: Seekings, 2007: 20

Estimates of expenditure reveal that total grant beneficiaries have doubled from 2.5m at the beginning of 1997 to well over 5m by 2002 and an even more massive increase to 12.2 million by September 2007, mainly due to increases in child support grants of which there were just over 8m beneficiaries compared to the next largest group of old age pensions at 2.2m. (SASA, 2007).
Figure 7: Numbers and percentages of social grant beneficiaries Sep 2007


Figure 8: Numbers of social grant beneficiaries from 1993 to 2006

Source: Seekings, 2007
The Institute for Justice and Reconciliation (2006) has published an ‘Access Poverty Scorecard’ to provide an indication of the changes in popular access to services that are important for human well-being. This data provides an overview which summarizes the major trends in access to services. It presents a mixed picture in comparing trends in the decade after 1995. In terms of the contributions of social wage programmes to poverty reduction, the table summarises several important indicators of change from 1995 to 2004. The percentage of households living in permanent structures has declined from 77.6% to 73.6%. This is despite the fact that during the same time there has been a large increase in the number of households. The percentage of households with access to electricity has grown considerably from 63% to 81%. Education poverty on the other hand has remained relatively unchanged with the percentage of children aged 7-18 in school more or less constant at about 95%. Health poverty has been significantly exacerbated by the advent of the HIV and AIDS pandemic. Rising from below 5% in 1995, the adult population prevalence rose to 10.9% in 2006. Infant mortality has risen as a result from 45 per 1000 to 53.6 in 2005.

**Figure 9: Access poverty scorecard**

<table>
<thead>
<tr>
<th>Transformation goal</th>
<th>Indicator</th>
<th>1995 Status</th>
<th>2005 Status</th>
<th>2006 Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced access poverty</td>
<td>Percentage of households living in a permanent structure (1)</td>
<td>77.6% (1995)</td>
<td>74.0% (2003)</td>
<td>73.6% (2004)</td>
</tr>
<tr>
<td>Reduced education poverty</td>
<td>Percentage of households with access to electricity (1)</td>
<td>62.9% (1995)</td>
<td>78.5% (2003)</td>
<td>80.5% (2004)</td>
</tr>
<tr>
<td>Reduced health poverty</td>
<td>Percentage of households with access to clean drinking water in the home (1)</td>
<td>48.9% (1995)</td>
<td>68.3% (2003)</td>
<td>67.8% (2004)</td>
</tr>
<tr>
<td>Reduced education poverty</td>
<td>Percentage of children 7 to 18 in school (1)</td>
<td>95.3% (1995)</td>
<td>93.5% (2003)</td>
<td>94.3% (2004)</td>
</tr>
<tr>
<td>Reduced education poverty</td>
<td>Infant mortality rate (2)</td>
<td>45 (1990)</td>
<td>53.6 (2005)</td>
<td>53.6 (2005)</td>
</tr>
<tr>
<td>Reduced health poverty</td>
<td>Estimated HIV prevalence rate for population (3)</td>
<td>&lt;5% (1990)</td>
<td>10.4% (2005)</td>
<td>10.9% (2006)</td>
</tr>
</tbody>
</table>

Source: Brown, Hofmeyr et al 2006 Transformation Audit: Access Poverty Scorecard, IJR

(1) Sources: Stats SA, October Household Survey 1995; General Household Survey 2003, 2004
(2) Sources: 1990 from UNDP Human Development Index (1990); 2005 from Stats SA, Statistical Release P0302 Mid-year Estimates <www.statssa.gov.za>
(3) Sources: Stats SA, Statistical Release P0302 Mid-year Estimates <www.statssa.gov.za>

**Employment generating programmes, enterprise development and income support**

In this section of the report a range of initiatives including the National Public Works Programme, the National Youth Service, learnerships, cooperatives and micro-enterprise schemes are considered in terms of their income poverty intensions.
The National Public Works Programme

Community Public Works as part of the National Public Works Programme (NPWP), have been another important instrument in alleviation of income poverty. Community Public Works is the term that has been used for all large scale, decentralized employment-intensive initiatives established with the aim of alleviating unemployment, poverty or hunger.

South Africa has a long history of undertaking such programmes, the first of which were undertaken during 1890. Since 1994, the most significant aspects of these efforts have been the Community Based Public Works Programme (CBPWP) which lasted from 1994 until approximately 2001. This was superseded, from about 2003 to the present, by the Expanded Public Works Programme (EPWP). Initially the CBPWP was linked to the Reconstruction and Development Programme and launched with a grant of R250m with no guarantee of funding beyond 1997. Early weaknesses in M&E, the inability to demonstrate “community driving” and cost inefficiency, led to a Presidential commission investigating labour-market policy not recommending an increased commitment to the CBPWP. The programme was realigned after 1997. The guiding principles upon which the realigned CBPWP was to be based included:

- creating sustainable job opportunities;
- targeting of poverty pockets;
- poverty alleviation;
- local authority empowerment; and
- ensuring financial accountability.

The following targets were set in order to reach these objectives:

- Labour intensive methods of construction were to be used on all projects, with a minimum of 30% of the project budget (i.e. contract award value) to be spent on local community labour (this constituted the Local Resource Goal in terms of Target Procurement);
- Women were to make up at least 50% of the total local labour employed on each project with an emphasis on “women who are the single head of households and have dependants”;
- Disabled persons were required to make up at least 1.5% of the total local labour employed;
- Youth (above school-going age and below 36 years) were required to make up at least 15% of the total local labour employed;
- Environmental target “greening” of all projects was required comprising at least 5 indigenous trees to be planted within each CBPWP project at symbolic/appropriate locations.

She re-emphasized that since the South African economy had been unable to deliver employment for a growing number of would-be workers, especially among the unskilled, there was a need for state intervention to address this failure. Public works had been identified in the national policy discourse as a central policy response, to address both the problem of unemployment, and also a range of social development and economic objectives.

Regrettably with the evidence available at the time of her review, it was not possible for her to show that the anticipated broader benefits of public works programmes had been achieved in terms of increased livelihoods, reduction of poverty, the creation of sustainable employment, community empowerment, local multipliers, or growth as outlined in the policy. All that could be done was to assess the performance in terms of the scale of employment created, by which criterion, success had been limited.

The CBPWP had created between 13,000 and 33,000 jobs per annum between 1996 and 2001, representing an estimated 1.5 million to 4.5 million workdays per annum, or 0.2 to 0.5% of total unemployed labour days. In other words the CBPWP was employing less than 1% of those unemployed, clearly an insignificant contribution to the issue of unemployment.

She found that, in addressing the massive extent of unemployment, the scale of employment creation represented by the CBPWP had been limited by the scale of budgetary allocations, (less than one percent of the annual social security and welfare budget), as well as institutional constraints, relating to programme conceptualization, design, and project management capacity, in both the public and private sectors. A further finding was that the multiplicity of programme objectives had also contributed to a lack of focus which reduced the amount of employment generated.

Her desktop estimates showed that an investment of R1.2 billion (National Budget, 2003) in labour-intensive ‘expanded’ public works programmes over three years could create a maximum of 0.5% of unemployed workdays per annum. The cost to the fiscus of an expanded public works programme able to offer part time employment to a significant number of workers (3.2 million) would require between R17 and R28 billion per annum. It was her view that irrespective of the fiscal feasibility of this level of expenditure, such a programme would be unlikely to meet the wider set of sustainable social development and economic objectives set out in the policy discourse, unless a series of institutional issues relating to project design and implementation were resolved.

An important issue that she identified was that due to the short-term nature of the employment offered in the CBPWP, income earned as wages would tend to be fully consumed rather partially invested, leading to fewer sustained benefits or livelihoods improvements for participants, a problem which was compounded by lack of access to microfinance. A further constraint included a lack of strategic development plans at local level, which when combined with poor targeting, rationing and inappropriate selection of assets for construction and rehabilitation was leading to a sub-optimal allocation of employment for the intended beneficiary groups. A final constraint was the
limited project management and social development capacity in the public and private sectors.

She concluded her analysis by expressing the view that while public works programmes are a valid component of a social protection policy, an expanded public works programme on its own was unlikely to have a significant impact on the problems of poverty, labour market access, and ultimately economic growth, unless the proportion of government expenditure allocated to the programme was substantially increased, and the associated institutional constraints addressed.

According to McCord (2003) the cost of a very modest programme creating full time employment for 200,000 people (52.8 million workdays) would cost between R2.31 and R3.85 bn, and a part time scheme (24.0 million workdays) between R1.05 and R1.75bn. This would cater for less than 5% of the unemployed. Creating a more significant full time employment in a public works programme for 3.2 million people (844.8 million workdays) over one year would cost between R36.96bn and R61.6bn at 2002/3 wage levels, depending on the percentage of total cost allocated to wages. If the work were limited to creating only part time employment for the same number (384.0 million workdays) a remuneration level of R350 per worker a month, the overall cost would range between R16.8 bn and R28.0 bn.

Given the total annual unemployment in South Africa was 1.28bn or 2.09bn workdays in 2002, depending on whether the official or expanded unemployment figures are used, it is possible to compare the amount of workdays created under the various scenarios outlined above to those unemployed it is possible to calculate the proportion of unemployment which would be absorbed

The part time public works programme for 3.2 million workers would absorb 18% of official, or 30% of broad unemployed workdays, at a cost of between R16.8 and R28bn, depending on the cost structure of the jobs created. A full time programme would absorb 40% or 66% respectively, at a cost of between R36.96 and R61.6bn. (McCord, 2003).

If the scale were large enough, a public works programme could theoretically have a significant impact on reducing unemployment For example This would equate to 5-8% of the total 2003/4 budget for the part time option, and between 11-18% for the full time model for the creation of 3.2 million jobs. This level of expenditure compares to the 15.8% budget allocation to employment creation during the height of the unemployment crisis of the early 1930s.

**Expanded Public Works Programme (EPWP)**

In 2002, following lengthy negotiations at NEDLAC (National Economic Development and Labour Council), the Minister of Labour Gazetted a Code of Good Practice for Special Public Works Programmes. This Code allowed for special conditions to facilitate greater employment on Public Works
Programmes. In exchange for exemption from normal labour legislation, it was agreed that “good practice” in public works programmes would require that higher levels of training would be given to participants than they would normally obtain in labour-intensive projects. The intention was that participants would be employed in the Programme for a limited duration after which they are better equipped to seek full time employment. The Code guides the EPWP and provides for a training entitlement of at least 2 days per month of service for workers in this programme. Such training must be linked to possible exit opportunities for workers.

Based on these principles and given the experience with the Community Based Public Works Programme, The Expanded Public Works Programme (EPWP) was formally announced by President Thabo Mbeki during his State of the Nation Address in February 2003 and adopted by Cabinet adopted in November 2003 and aimed to create “a million jobs over a period of five years.”

The EPWP is defined as a nation-wide programme drawing significant numbers of unemployed people into productive work accompanied by training so that participants increase their capacity to earn an income.

Essentially from a strategic perspective, the EPWP is envisaged as a short-to-medium term programme that aims to provide work opportunities coupled with training. It is a national programme covering all spheres of government and state-owned enterprises. The EPWP is one part of an overall government strategy to reduce poverty through the alleviation and reduction of unemployment. It superseded the Community Based Public Works Programme which, under the Department of Public Works, focused mainly on infrastructure and environmentally related work opportunities. An important difference is that the EPWP included the innovative expansion of the concept of employment intensive work into the social and economic sectors implemented by a variety of Government departments. It forms part of Government’s medium-to-long term programmes to address unemployment, increase economic growth, improve skills levels through education and training, and enabling the environment for industry to flourish.

It is intended that the EPWP will continue to exist until these medium-to-long term programmes are successful in reducing unemployment.

The programme involves reorienting line function budgets and conditional grants so that government expenditure results in more work opportunities, particularly for unskilled labour.

EPWP projects are funded through the normal budgetary process, through the budgets of line-function departments, provinces and municipalities. As a Programme aimed at unemployed persons it is intended that it does not displace existing workers and contracts. As with the CBPWP the programme is intended to target the same vulnerable groups, focused on:

- men and women who are unemployed and willing to work,
- who are largely unskilled,
• do not receive social grants,
• urban and rural poor

In terms of progress, it has been emphasized by programme implementers (Phillips, 2004) that the EPWP was not conceived as a total solution to the unemployment problem in South Africa. The employment creation planned for the EPWP was small in comparison to the scale of total unemployment. The main reason for this was that the EPWP was largely constrained by the budgetary constraints of the medium term expenditure framework (MTEF). Within these constraints, the EPWP was initially planned to create approximately one million work opportunities or 500,000 person-years of employment in the five years 2004 to 2009, based on approximately R4 billion worth of expenditure per annum. Although this was more than ten times bigger that the CBPWP at its peak, in 2003, 4.6 million people were unemployed in terms of the strict definition and 8.3 million in terms of the broad definition. In order for the EPWP to reduce unemployment by 30%, it would have needed to create at least 8 million person-years of employment over its first five years. Assuming that funds had been allocated to the various sectors in the same proportions, this would have required expenditure of some R64 billion per annum.

The EPWP recently reported that by the end of year 3 (2006/7) good progress was being made in implementation and on target to achieve the goal of creating one million work opportunities for unemployed unskilled individuals over a five year period (200,000 work opportunities per year). As shown in the figure below, the EPWP has modestly exceeded its annual targets since inception. In addition, the programme is well on the way to achieving the 1 million work opportunities in respect of all sectors within which it is active, with the exception of the Social Sector, which is lagging behind slightly. By June 2006, the EPWP had surpassed its employment-creation targets across four sectors, with more than 301,000 work opportunities created. On average, 52% of the beneficiaries were female and 38% youth. KwaZulu-Natal had the highest number of job opportunities created, with 66,317 beneficiaries, of which 33% were youth and 0.3% were disabled. This province also had the highest number of female beneficiaries in the whole country at 62%, as well as the highest wage payout of R126 million. At 51%, Mpumalanga recorded the highest number of youth employed in the EPWP that far. This was followed by the Free State at 48%, Gauteng (46%), North West (44%) and the Western Cape (40%).
DPW estimated (Phillips, 2004) that the person-years of employment which would result from each billion rand of expenditure would be as follows:
- approximately 26 000 person-years for the infrastructure sector
- approximately 22 500 person-years for the environmental sector
- approximately 40 000 person-years for the social sector. In a more detailed costing, Friedman et al arrived at a very similar figure (about 42,000 person years per billion rand)

As can be seen from the in the above figure, momentum in the EPWP is increasing and more and more projects are being implemented nationally and
in all sectors that both uplift communities through the provision of much-needed services, and provide work opportunities and training for the unemployed. The social cluster, which has been the poorest performing cluster reported that as at the end of August 2007, 68,178 Community Care Givers were receiving stipends. 699 of those received training in Basic Home Community Based Care, and 2,809 have received Ancillary Health Care NQL level 1. (GPA, 2007)

For the period April to September DSD registered nationally 985 ECD sites. 331,762 children from poor households received subsidies from DSD during the same period. ECD Registration Drive was launched in October 2007. (GPA, 2007)

The EPWP is on course to reach its target of one million job opportunities in five years. However, as McCord (quoted in the Mail & Guardian, 2005c) observes, there is a major split between the reality of the EPWP and the way it is projected in the public discourse. Her view is that exaggerated claims over what the EPWP can realistically achieve inhibits public discussion on alternative national, large-scale responses to poverty and unemployment. Unemployment in South Africa is structural, chronic and massive (McCord 2003). This is occurring against a backdrop that demand for unskilled labour has been falling steadily since the 1970s due largely to a decline in the importance of primary industry sectors, trade technological advances, trade liberalisation and South Africa’s entry into the global economy. The South African agricultural sector alone shed 29 percent of its jobs from 1985 to 2005 the DBSA (2005).

McCord (2004) has emphasized that only sustained employment, rather than the intermittent and temporary kind offered by the EPWP, is likely to have any significant anti-poverty impact. The respondents to McCord’s survey overwhelmingly indicated that the programme had not improved their economic standing (McCord 2004) as the labour market has few jobs matching their limited skills. She recommends that skills training be afforded to PWP participants appropriate with local labour demand.

Unless it is possible to transform the EPWP into an effective skills-enhancing labour market programme, carried out on a significant scale, the view that that the prime purpose of EPWP is to lessen social grant claim rates will grow. From this perspective, the EPWP will be seen more as part of a strategy to contain growth of social grant receipts rather than a serious attempt to develop marketable skills or provide jobs in a manner that will effectively reduce poverty.

**The National Youth Service**

There were 12.7 million young people in the 20 to 35 year age group in mid-2006, comprising about 27% of the population. With very high unemployment and poverty rates among this group, this is clearly a very important constituency.
The National Youth Service (NYS) is an overarching programme, coordinated by the Presidency which seeks to engage young people in a disciplined process of providing a valued and necessary service to the community in which they live, while increasing their own skills, education and opportunities to generate income. The activities are intended for unemployed young people between the ages of 18 and 35. The programme has only begun to function from the early 2000s and is still relatively new and evolving.

The service element of a Youth Service programme has three essential functions: 1. Provides a service that benefits people other than the youth participants (e.g. the community); 2. Promotes the development of a positive profile of youth within the community benefiting from the service; and 3. Provides the young participants with an opportunity for experiential learning or on-the-job

The personal development element of Youth Service programmes requires that young people engage in a structured learning programme that enables them to develop their own skills, knowledge and competence. This component must also enable young men and women to obtain credits registered on the National Qualifications Framework. The learning interventions should integrate (i) technical skills, (ii) life skills and (iii) experience.

The job creation element of a Youth Service programme is that it must include the identification of real and meaningful employment or exit opportunities for young people at the point of completion. If this element is not achieved neither are the purposes of Youth Service programmes

The National Youth Commission (NYC) provides a formal institutional structure through which a range of youth sector organisations participate in the programme. It supports the NYS by identifying opportunities, encouraging young people to serve and advocating for these programmes. The NYC is a statutory body of government established through legislation passed by parliament, the National Youth Commission Act 19 of 1996.

A variety of Government departments have participated in the programme. For example the Department of Public Works has provided opportunities for young people to undertake service through the Community Based Public Works Programme (CBPWP) and EPWP. The Departments of Health, Social Development and Education have supported the youth service through involving young people in the delivery of home-based care, other primary health care activities, peer education and early childhood development. As indicated earlier, a large proportion of participants in the EPWP are youth. Business has also been a partner in many projects.

The Umsobomvu Youth Fund (UYF) provide finance for youth activities and have supported the youth development aspects of the programme as well as the development of exit opportunities. Umsobomvu was established by Government in 2001 as a catalyst for facilitating the creation of opportunities for youth employment and youth entrepreneurship, by making strategic
investments that deliver effective programmes working collaboratively with service providers, partners and young people

Umsobomvu Youth Fund’s activities are executed through three broad programme areas. They are: the provision of Service Delivery Channels (SDC); ‘skills development and transfer’ and youth entrepreneurship programmes.

The SDCs provide information, referrals and counselling regarding careers, employment, entrepreneurship and life skills (citizenship, health and well being) to young people through Youth Advisory Centres (YAC) Mobile YACs and YAC points as well as an Internet Portal, Call Centre and South African Youth (SAY) Card.

Youth Advisory Centres provide stand-alone community venues operated by a range of service providers for youth seeking developmental information and services. Young people are provided with the know-how to develop personal development plans and given access to obtaining life-skills including job preparation (e.g. CV and interview preparation, job hunting skills), career advice and entrepreneurship training. It is intended that access to this information should lead to further learning, training, employment or self-employment.

The YAC Point is similar to the Youth Advisory Centre, however it is not a stand-alone site. It is housed within another institution such as an FETC, allocating gent, labour centre, multi-purpose community centre, or higher education institution. Similar services are provided to those at YACs.

The YAC mobile forms part of the YAC model continuum, which is part of the SDC outreach component where young people in outlying areas or hard-to-reach areas are given services, through this roaming mobile unit which travels across the country. Five mobile units provide young people with general information, face-to-face advice, referrals, and assistance with placement in jobs and computer access. This unit has internet connectivity for youth to access web-content and to apply for the South African Youth Card. Other services under consideration include government services and information particularly essential services like access to Social Services, Home Affairs and company registration applications forms and other related government services.

Nationwide 13 YACS, 4 YAC Mobiles and 113 YAC points have been established which together with the youth internet portal, call center and a magazine linked to the youth (SAY) card provide an entry point for engaging with youth. While the programme is still very young
Table 1: Youth Advisory access points

<table>
<thead>
<tr>
<th>Youth Advisory Centres &amp; access points</th>
<th>Reached</th>
<th>Target over 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Pathways Youth Advisory Centre</td>
<td>21,886</td>
<td>12,000</td>
</tr>
<tr>
<td>CEED Youth Advisory Centre (3 centres)</td>
<td>53,184</td>
<td>36,000</td>
</tr>
<tr>
<td>CRIC Youth Advisory Centre</td>
<td>12,108</td>
<td>12,000</td>
</tr>
<tr>
<td>CYD Youth Advisory Centre</td>
<td>36,879</td>
<td>12,000</td>
</tr>
<tr>
<td>ECYD Youth Advisory Centre (2 centres)</td>
<td>78,383</td>
<td>24,000</td>
</tr>
<tr>
<td>Ipelegeng Youth Advisory Centre</td>
<td>75,000</td>
<td>12,000</td>
</tr>
<tr>
<td>JASA Youth Advisory Centre</td>
<td>3,914</td>
<td>12,000</td>
</tr>
<tr>
<td>Koinonia Youth Advisory Centre</td>
<td>35,721</td>
<td>12,000</td>
</tr>
<tr>
<td>NCYDA Youth Advisory Centre</td>
<td>22,900</td>
<td>12,000</td>
</tr>
<tr>
<td>Potch Municipality</td>
<td>N/A</td>
<td>12,000</td>
</tr>
<tr>
<td>Sterkspruit MPCC</td>
<td>9,000</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>YAC Total</strong></td>
<td><strong>348,975</strong></td>
<td></td>
</tr>
<tr>
<td><strong>YAC Mobile</strong></td>
<td><strong>134,167</strong></td>
<td></td>
</tr>
<tr>
<td><strong>YAC Points</strong></td>
<td><strong>36,796</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL- all access points (since inception)</strong></td>
<td><strong>519,938</strong></td>
<td></td>
</tr>
</tbody>
</table>


Since its inception, the NYS has processed a large number of applications from organisations engaging young people in various community service projects. By October 2005, thirty (30) youth service projects were registered with the NYS. These projects engaged 13,087 unemployed young people in service activities. It is important to note that by this period, these projects were at different stages. Some had begun implementation; others were in their final planning stages; whilst others were awaiting approval of plans by stakeholders and funders. Of those projects, ten (10) were confirmed to have facilitated sustainable livelihoods for 6,938 young people and sixteen (16) projects were funded by UYF. Funding remained a challenge that delayed recruitment of youth into planned projects. Money to fund service activities i.e. costs associated with the delivery of services (e.g. bricks and mortar for housing construction) was found difficult to access due to competing priorities or due to NYS sometimes taking place parallel or in addition to existing service delivery projects. Where alignment did take place, accounting was often confusing e.g. it is unclear whether these projects should have been be reported as NYSP, EPWP or both. (NYS, 2006)

Since the start of the 2007/8 financial year 273,899 young people had visited the UYF Youth Advisory Centres (YAC) and YAC Points. Some 11,286 young people had been registered with the NYS. Of these, 6,515 of are benefiting directly from Umsobomvu Youth Fund funded NYS projects. 8,288 CVs were registered on the JOBS Database and 2518 CVs submitted to Opportunity Providers. 91 job placements were facilitated by UYF JOBS Agents. 377 candidates accessed job preparedness training and/or registration in Graduate Development Programmes.

The NYC, UMSOBOMVU, DAC, DSD & Sport & Recreation Department have been collaborating to enrol 30,000 volunteers in various community
development activities & increase youth participation in national programmes that enhance ‘social cohesion’. In the last quarter 700 young people were recruited in 3 projects to undertake and participate in voluntary activities in their various communities bringing the cumulative total to 20,872.

Less progress has been made in terms of the target to employ 5,000 young people as part of the infrastructural component of the Expanded Public Works Programme in the maintenance of government buildings. Approximately 539 unutilized properties were identified for rehabilitation, but this exercise in itself is leading to a reappraisal of the ratio of the ratio between owned, unutilised and privately leased properties.

The NYS and Umsombomvu have the target of increasing the enrolment of youth by at least 20,000 in the National Youth Service Programme by March 2008. There are plans to strengthen capacity & diversify products & services of all 120 Youth Advisory Centres to include business support services, employment services, access to micro finance & career information, & reach out to at least half a million youth.

Overall key successes of the NYS include:

- Increasing number of unemployed youth involved in supporting community development;
- Many unemployed young people have been able to access skills development in sectors increasing the ability to access sustainable livelihood opportunities;
- An increasing number of community based projects that support service delivery are being identified;
- Many young people that complete the projects are able to access sustainable developmental opportunities such as further learning, formal or self-employment. This differs from project to project and sector to sector;
- The numbers of projects registered suggest that many Government Departments and NGOs in general are taking the NYS seriously and adopting the NYS model for programme development and implementation;
- The NYS seems to moving progressively into mainstream initiatives such as the Expanded Public Works Programme. This can also problematical as the NYS needs to be careful about double counting in cases where a registered project is also registered as a Learnership or an EPWP project elsewhere hence, the NYS emphasises the registration status instead of jobs created;

Despite the considerable progress of the NYS, it still faces considerable challenges. These include:

- Limited adoption of the NYS model across all public sector departments;
- Insufficient funding to significantly increase the scale of the activities;
- Inadequate capacities of NGO partners to fund themselves and adequately create multi-sectoral linkages;
- Limited pool of young people from diverse backgrounds “volunteering” to be part of the programme;
- Ineffective branding and marketing itself to all young people;
- Ineffective monitoring and evaluation

Much of the difficulty of assessing the programme’s contribution to poverty alleviation is the limited availability of information about programme outputs and impacts. However, in terms of income poverty alleviation in general terms, the contribution of the NYS (including a range of initiatives aimed at youth) is currently still marginal. Only some 500,000 youth of the total number of 12.7 million have been reached. This is under 5% of all youth. Even if the cumulative total of all young people engaged by the NYS and receiving a modest stipend were optimistically estimated at 50,000, this is still less than 1% of all youth. The impacts of the programme on poverty are therefore insignificant and would have to be scaled up by many orders of magnitude before they would be able to make a realistic contribution to poverty

**Learnerships**

Learnerships are workplace learning programmes, supported by structured institutional learning, which result in a qualification. The concept was first introduced in chapter 4 of the Skills Development Act of 1998.

Three separate legal documents (GCIS, 2001) together provide the legislative framework for learnerships. The first - the Funding Regulations 2001 - sets out the arrangements for Sector Education and Training Authorities (SETA) to allocate grants to employers, including grants for learnerships. The second set of legal documents - Learnership Regulations - lays out the way in which learnerships for new occupations can be developed, registered and become eligible for grants. The third and final legal document is the Learnership Determination, which sets conditions of employment and rates of allowances for learners.

Underpinning the system of learnerships are certain principles which include high quality, efficient and sustainable, building on cooperation and partnerships with business/civil society, diversification into new forms of apprenticeships, credible exit opportunities, demand-led growth of opportunities, a variety of employment contexts, integration of theory and practice and leading ultimately to lifelong learning. (Skills Portal, 2006):

For employers, the learnership arrangement is a flexible and cost effective way of increasing the skills pool necessary for productivity improvements. It provides employers with the opportunity of assessing a person’s suitability before they are permanently employed and ensures subsidised labour for a fixed duration. Employers running learnerships for their employees benefit from a tax deduction equivalent to up to R100,000 for each learner who successfully completes the course. In addition, with effect from 1st of July 2006, employers were allowed to deduct an initial allowance of 150% of the
annual salary of a currently employed learner with a disability, up to a maximum of R40 000.

For unemployed people or even workers already in employment, learnerships provide an opportunity to improve on existing skills base which may be a route to a permanent job, better promotion (or mobility) and improvements in income prospects as well as job satisfaction and increased job security. A higher skills base could also assist in laying the foundation for people to move into self-employment. (GCIS, 2001)

Learnerships are registered by the department of Department of Labour where the SETA has identified a need, a qualification and its associated unit standards have been approved by SAQA.

In the Human Resources Development Strategy jointly launched by the Ministers of Education and Labour in April 2001, the Ministers committed themselves to ensuring that at least 3000 learners would be in learnerships by March 2002. The Minister of Labour set a target of 80,000 by March 2005 (GCIS, 2001).

There are currently 770 registered learnerships, The Finance Minister announced during his budget speech in 2006 that 207,497 'young people' had enrolled on learnerships and that 114,000 study awards were made by the National Student Financial Aid Scheme in 2005. The value of the increased allowances was estimated to cost R80 million. (Skills Portal, 2007)

In terms of the impact of learnerships on poverty alleviation one could conclude that on the positive side the underlying idea of learnerships as a means of creating learning and working opportunities is conceptually sound and appears to be gaining ground in the private sector. The principles are holistic and compelling. In that nearly quarter of a million young people have enrolled, the enormous potential of learnerships has certainly been demonstrated.

However, on the negative side, in assessing the value of learnerships as a poverty alleviation strategy, there are similar issues to those of the EPWP and the NYS. In terms of scale, the programme is too small by several orders of magnitude. Given that there are 12.7 million young people out of school, the number of about 250,000 learnerships comprises only 2% of the target group. A ten-fold increase in scale would still only reach 20% of the potential target group. A further problem that compounds assessment is the lack of information about the programme. There does not appear to be a functioning monitoring and evaluation system in place.

**Cooperatives**

There are a range of Government initiatives aimed at reducing poverty and unemployment based on developing cooperative enterprises of different sorts. A cooperative (also co-operative, coöperative, or co-op) is defined by the
International Co-operative Alliance's Statement on the Co-operative Identity\(^3\) as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or who work at it. Cooperative enterprises are the focus of study in the field of cooperative economics.

The first group of cooperatives considered, are aimed specifically at the creation of financial services (Financial Service Cooperatives – FSCs,) which aim to provide an infrastructure for micro-finance through a ‘community banking’ system. The second are a large grouping of production and marketing cooperatives.

**Financial Service Cooperatives**

The South African Micro-finance Apex Fund (samaf) or “Apex” fund is a parastatal company that that was formally established by the Government in April 2006 to address poverty and unemployment through provision of: affordable access to finance, institutional and client capacity building; as well as savings mobilization through co-operatives and other indigenous formations such as burial societies and stokvels. (dti, 2006b)

To ensure deep and broad outreach, samaf works in partnership with a network of community based partner organizations like the FSCs, village banks and medium to large micro-finance institutions (MFI). These institutions develop and/or possess the necessary capacity to absorb loan funding, disburse funds, manage funds and provide reports.

The main target group for samaf have been those who fall within the LSM 1-4 groups, (rural dwellers, farm workers, informal settlers, urban poor). It is intended that 80% of loans should be made to women, disabled and youth and that the focus would be on rural & peri urban areas giving priority to historically disadvantaged individuals who do not have access to affordable financial services. It is intended that loans should be up to R10,000

In terms of impact, as of April 2007, one year after its establishment, Samaf had approved about R55,2 million for partner organisations mainly FSCs, Micro Credit Organisations (MCOs) and Village banks. Some 31 partner organisations had received disbursements. R20m of these funds have been disbursed, R11m in loans and R9m in capacity building. These institutions have reached about 14,500 savers and borrowers. (Mase, 2007. samaf, 2007).

The progress seems to growing in terms of it outputs, although there is no information available about the effectiveness of the financial support or the impacts of the initiatives that have been assisted. The programme must be considered as in the early stage of development. When seen against the scale

of the many millions of poor people in the country, the impact in terms of poverty alleviation is marginal.

Production and marketing cooperatives
The Co-operative Incentive Scheme (CIS) aims to reinforce the initiatives of government towards the development and promotion of co-operatives as a viable form of enterprise in South Africa. The CIS is designed to address barriers to market entry market encountered by emerging co-operative enterprises. These include factors such as the high cost of working capital, difficulties in accessing finance and generally poor participation of cooperatives in the formal economy, in particular those owned by black persons, rural dwellers, women, persons with disability and youth. The incentive is provided in the form of a direct 90% matching cash grant, offered to qualifying entities. Amounts vary between R10,000 and R300,000. The scheme was to operate for a period of five years, starting 2005/6 financial year and targeted at registered co-operatives operating in the emerging economy. Ultimately it was hoped it would cover the whole country and make use of appointed field officials to reach co-operative enterprises everywhere.

Achievements: the majority of Provinces have programmes, although these are still in a fledgling state. Kwazulu Natal is somewhat an exception and is included below as a case study. It disbursed nearly R168 million to 1159 cooperatives from 2005 to 2007. The scale of the intervention is too small to make a meaningful contribution to poverty alleviation at this stage. There appears to be reasonable proportion of women and youth participating. For example in the KZN programme there were 3324 adult female members as opposed to 986 adult males. There were also 2354 young women as opposed to 1287 young men.

Nutrition, land reform and food security programmes

The major initiatives in this group were the Integrated Nutrition Programme, the Primary School Nutrition Programme, the Integrated Food Security and Nutrition Programme, the Comprehensive Agriculture Support Programme, the Land Redistribution for Agricultural Development sub-programme and the National Landcare Programme
The Integrated Nutrition Programme (INP)
Malnutrition was one of the key priority issues which the Government undertook to address in 1994. An Integrated Nutrition Strategy for South Africa was formulated and subsequently adopted in The Department of Health’s White paper for the Transformation of the Health System in South Africa soon after the elections. This was later further developed into the Integrated Nutrition Programme (INP) based on the United Nations Children’s Fund (UNICEF) nutrition conceptual framework. The original INP framework placed considerable emphasis on the development of Community Based Nutrition Projects (CBNPs) to address the problem of malnutrition in South Africa. The main strategy was to provide multi-sectoral government support to communities to ‘solve’ their own nutritional problems. The focus of CBNPs efforts to improve household food security was on food-based income generation projects, with a long term objective set in 1994 for each health district in South Africa to establish two CBNPs by the year 2001. Each province in fact committed themselves to three such pilots. (Steyn and Labadarios, 2002)

In terms of achievements, an evaluation of the programme has shown the original intention of the INP as a vehicle for promoting CBNPs was not met and this objective was not retained in the most recent list of objectives developed for 2001-2007. (Steyn and Labadarios, 2002)

Primary School Nutrition Programme (PSNP)
School feeding, as a second strategic objective for addressing household food security, was implemented on 1 September 1994 as a Presidential RDP lead programme. Substantial financial resources (R3.9 billion) were made available for school feeding over the 8 financial years from 1994/95 to 2001/02. (Steyn and Labadarios, 2002). From its inception up to 31 March 2002, an average of approximately 15,000 schools participated in the school feeding component of the PSNP with an average of 5 million learners benefiting annually during this period. Given that in 2005, the total number of school goers (primary and high school) was about 12.2 million in 26,879 schools, the contribution of the PSNP to poverty alleviation is significant as it had ensured that children from the most needy areas at least get a midday meal.

By 2006/7 the programme had made further impressive improvements; R1.1 billion was allocated and R1 billion (91.33 per cent) spent. The programme reached about 6 million learners in 18,039 schools. Some 18,434 training manuals were developed and distributed to provinces on food safety and hygiene. 27,752 food handlers were engaged to prepare and serve meals to learners thereby creating opportunities for employment. Most provinces increased the honorarium to a minimum of R300 per month. 4,000 schools had vegetable gardens.
Integrated Food Security and Nutrition Programme (IFSS)
The IFSS has as its target the goal of reducing the number of food-insecure households by half by 2014 by increasing domestic food production through the support services provided to farmers. (DoA, 2004).

To this effect the DoA planned to support 244,000 food-parcel beneficiaries with “Starter Packs for Food Production” for their own benefit. It also has been assisting individual and community gardeners to supply school nutrition and health care projects.

M&E data on achievements in meeting the goals was not readily available.

The Comprehensive Agriculture Support Programme (CASP)
The broad land and agrarian reforms within the agricultural sector have over the last ten years attempted to lay a foundation for policy frameworks ranging from land reform, restitution, redistribution, labour legislation, trade, technology transfer and development. Whilst implementing the various programmes in support of these reforms, some challenges were encountered by Government and its partners. The Comprehensive Agriculture Support Programme (CASP) was developed in 2004 as a means to address the gap. The aim of (CASP) is to enhance the provision of support services to promote and facilitate agricultural development targeting the beneficiaries of the land and agrarian reforms.

The programme is still in the early phase of implementation and it is not yet clear what the impact of this intervention has been in addressing poverty.

The Land Redistribution for Agricultural Development sub-programme (LRAD)
The LRAD sub-programme was developed by the Departments of Agriculture and Land affairs. (DoA, 2004) The purpose of LRAD is to increase access to agricultural land by black people and to contribute to the redistribution of approximately 30% of the country’s commercial agricultural land over the duration of the programme. LRAD was designed to provide grants to the beneficiaries to access land specifically for agricultural purposes, namely for land acquisition, land improvements, infrastructure investments and capital assets. Beneficiaries are intended to be able to access a range of grants (R20,000 to R100,000) depending on their own contribution in kind, labour and/or cash.

The National Landcare Programme
The goal of the National Landcare Programme is to promote the sustainable use and management of natural resources. Farmer participation and strong institutional support structures and incremental change to existing farming practices are key to the success of this strategy. Overall responsibility for the programme lies with DoA, while the PDAs and many other stakeholders are responsible for implementation. The main focus of the programme on building and training in the agricultural domain is implicitly dependent on support
services provided by the DoA and the PDAs to local communities and groups. Some of the themes within the programme include: water care, soil care, veld care and junior land care programme.

During 2006/07 R44.5 million was allocated to Provinces of which R34.1 million (77 per cent) was spent. There were 15,258 beneficiaries; 2,428 ha of soil protected; 4,358 of rangeland managed; 794 ha of weeds and invader plants controlled; 2,447 of Junior LandCare projects, 12,891 of Land Care Awareness activities undertaken and 809 Land Care capacity building and partnerships established. (Division of Revenue Bill, 2008)

The Integrated Sustainable Rural Development Strategy (ISRDS) and Urban Renewal Programme (URP)
The ISRDS is a Government programme to transform South Africa’s poorest rural areas by targeting the poor, women, youth and the disabled. This approach is based on empowering rural stakeholders to use the Integrated Development Planning (IDP) process to select programmes that address their priorities. Programmes are coordinated through municipalities. The URP is a similar programme directed to disadvantaged urban areas. The aim of these programmes was to conduct a sustained campaign against rural and urban poverty and underdevelopment, bringing in the resources of all three spheres of government in a coordinated manner. Twenty-One (21) rural and urban nodes were pronounced, representing the largest concentrations of poverty in South Africa. It was estimated that these nodes (urban and rural) were home to more than 10 million people

Impacts on poverty alleviation are inadequately documented. There has been promotion of small scale mining activity, infrastructure investment and support services. Spatial Development initiatives, created jobs, socio-economic upliftment and upgrading of infrastructure such as 1.1m electrical connections (1994-1999) and provided electricity to 3,891 rural schools by Eskom, public works programmes (such as the ‘Working for Water’) projects, extension of telephone services to rural communities, access to 20%-40% households Cell-phone networks and TV signals have been improved

Possible solutions to poverty alleviation
The meaning of poverty varies significantly according to gender, age etc. A balanced approach will be needed. While long-term solutions such as improved education, formal-sector job creation and micro-enterprise remain desirable, they are unlikely to help to reduce poverty to half of its 1990 levels before 2014. More specific poverty alleviation strategies will be necessary, building on some of the more successful approaches already considered.
**General principles**

Some generally helpful principles to guide the intensification of anti-poverty efforts should include the need for an overarching poverty policy to underpin and guarantee the human rights of the poor. This would be enhanced by the creation of a specific multi-sectoral institution with focussed responsibility for combating and coordinating anti-poverty efforts. This should occur in a macro-economic framework that places relatively greater emphasis on development economics. Greater emphasis also needs to be placed on requiring Government officials to have formal training in development practice and an increasing capacity to implement a participatory approach to enable participatory development and giving effect to the principles of Batho Pele. From an economic philosophy perspective, it is important to see the economic approach swing from a centrist supply-side to a demand-led approach. A demand-led approach focuses on human rights, which encourage individuals and communities to take control of their own development where Government takes on a facilitary and empowering role. Such an approach emphasizes individuals and communities as partners driving programmes and in continually stretching the system to deliver. This can be likened to beneficiaries pulling on a rope and creating an effective demand for a solution. Widespread uptake is likely once communities know what to do. A practical example of this would be for the Treasury to provide the financial resources to create a certain amount of guaranteed employment by communities. Targeted local communities would be granted “investment rights” based on the number of adult community members living below the poverty line. Communities, rather than central Government departments would plan and drive the anti-poverty programme.

**Immediate approaches (results achievable within five years)**

The first and most immediate ways to alleviate poverty will be to progressively and significantly increase social transfers. This could be done in a variety of ways; for example by continuing to increase existing grants such as the CSG, decreasing the age of eligibility for old-aged pensions (as began in the current budget). There would a substantial advantage in broadening social provision by incrementally introducing additional innovative measures such as a negative income tax, a basic income grant or other alternative measures such as food stamps or other locally redeemable vouchers.

The second approach would be to complement social transfers by incrementally scaling up the EPWP and learnerships until the size of both programmes is larger by several orders of magnitude. The ideal would be to introduce a national employment guarantee scheme - to at least provide all working age adults the opportunity of a guaranteed right to work for a certain number of days a year. This would not only provide income to their households, but would enable improved delivery on the social wage and increase capabilities to some extent.

While the provision of the social wage in different forms such as education, health care, subsidized utilities etc is important, this cannot be an alternative to direct income support for the poor.
Medium term approaches (five to ten years until the results)
In the medium term the issues of capability poverty and some aspects of asset poverty could be tackled. For example education and skills development will be helpful in creating opportunities in the economy which is constrained by the lack of skilled human resources.

The provision of mass housing, particularly if linked to large scale public works programmes, could also begin to address issues related to asset poverty.

Longer run solutions (results will take longer than ten years)
In the longer term (longer than ten years) initiatives to transform the structure of the economy, establish robust methods of social insurance and develop smaller enterprises in the service sector may offer some potential for maintaining the re-distributive element of the economy and ensuring sustainability.

There are already a plethora of initiatives, and time is needed now for these to grow and develop robust institutional structures that are capable of developing enterprise in a globally inequitable and competitive world.

Affordability in terms of current macro-economic policy
In his budget speech for 2007, the Finance Minister (Manuel, 2007) remarked “we are planning for a budget surplus in the coming fiscal year. The fiscal stance creates space for our future social security reforms and allows for rising funding levels for public sector infrastructure, improvements to education and other government priorities, while enhancing the competitiveness of the economy and sustaining the current growth trajectory”. In 2008, despite a very adverse international economy, the Minister of Finance again anticipated a record fiscal surplus on the national budget balance of 1 per cent of gross domestic product and an average of 0.7 per cent a year over the next three years. The budget surplus for the year was about R20 billion. Over and above the budget surpluses in recent years that have been substantial, in the 2008 National Budget total tax relief for individuals amounted to R7.7 billion. There was simultaneously a reduction in the corporate income tax rate from 29 to 28%. (Manuel, 2008)

All the above strongly suggests that there is substantial leeway in the economy for more bold efforts to eliminate poverty through social spending. Popular as budgeting for fiscal surpluses are for market-orientated economists, as are tax breaks for the wealthy, economising on social security and handing the money back in income tax cuts is not doing the more affluent groups any real favour in the longer term. There are enormous externalities in failing to deal with poverty, for example, very high levels of crime. Business Against Crime has estimated the cost of crime to the country was at least R40 billion a year. Just the cost of our protection services, mainly necessary because of the need to combat crime, will this year alone will cost R55 billion. While eradicating poverty would not eliminate all crime, if it reduced it by 1/3 that would be a much better production incentive for the middle and upper classes than a few short-term tax cuts.
South Africa needs to develop solutions that are tailored to our very unique first and second economy dyad, characterized by levels of unemployment, crime, inequity and mortality unknown elsewhere in any economy, developed or developing. Despite sticking to the economic rules with high levels of fiscal prudence in the first years of democracy, our economy improved faster and poverty declined more rapidly when the Treasury allocated more explicitly to social spending after 2000. The economic medicine of fiscal discipline that economists claim works wonders in other economies might not work for us. A trickle down approach will not be sufficient, at least not in the short to medium term. (De Wit, 2005)

Much of our hopes for poverty alleviation are currently based on AsgiSA, which is focused on a major expansion in public investment, including in labour-intensive areas. How it achieves this is crucial for determining the net employment effects of the programme. The social costs of unemployment, poverty and crime are so high, it is unlikely that AsgiSA will achieve its targets readily, if much more significant poverty reduction does not occur in parallel with efforts to improve the economy. Elimination of poverty cannot be postponed until more sustainable economic growth has been achieved. We need to bite the bullet sooner rather than later.

There are credible academic econometric approaches that argue that it is possible to achieve major reductions in unemployment and poverty and a general spreading of economic well-being by selective pro-poor social spending and interventions in the economy. Further, that these ends can be achieved in a manner that is sustainable in the longer run using an approach that would be consistent with the intention with of AsgiSA. Their primary mechanism would be through the introduction of an employment-targeted programme in the general economy. However, even with an aggressive employment-targeted programme, other measures besides employment growth would be needed to improve living conditions for the poor over the next decade. An increase in social spending on social services and income supports for the poor are just as necessary. An outline for a proposal for the revenue sources that would be needed to pay for programme expansions in the order of R10 – 20 billion per year (in 2004 prices) based on the work of Pollin et al. (2006) is presented:

The recommended measures would be:
- Income transfers and social support: R10 – 20 billion
- Public investment/infrastructure: R5 – 7.5 billion
- Credit subsidies to businesses to promote accelerated employment growth: R 5 – 7.5 billion

About R14 billion of this would come through slightly increasing the structural fiscal deficit to approximately 3 percent of GDP. The remaining R16 billion would be paid for through raising taxes, such that the tax revenue/GDP ratio would rise from roughly 25 to 26 percent. The increased revenues should come from the following sources: R6 billion from the three major revenue sources, personal income tax, corporate profit tax, and VAT; R10 billion from three additional sources; ie. R6 billion from extending the Uncertified
Securities Tax to bond trading (At present, the tax only covers stock trading); R2.5 billion from enacting the Mineral and Petroleum Royalty Bill and R1.5 billion from raising economic growth to 5.3 percent from 3 percent and from lowering poverty rates, which in turn reduces demand for social service spending.

The approach suggested is to introduce a framework that would divide the South African economy into two broad categories—activities that would receive large-scale credit subsidies and those that would be unsubsidized. Combining an 8 percent growth stimulus for the subsidized activities and a 4.5% growth rate for the rest of the economy generates an overall average annual growth rate of 5.3%

*Subsidized activities* involving both fiscal and monetary stimuli would include incentives to small-scale agriculture, small and medium-sized enterprises, as well as larger-scale businesses that either operate at high levels of labour intensity or can generate substantial employment multipliers. In the public sector this would include the EPWP. In the private sector it would include learnerships. Firms that receive the credit subsidies would be anticipated to account for roughly 20 – 25 percent of all investment activity in South Africa’s economy. It is proposed that government policy aims to enable these activities to expand at roughly 8 percent per year through 2014. The idea of subsidizing firms that either operate at high levels of labour intensity or that generate large employment multipliers, builds on the approach of the EPWP, which is specifically targeted at promoting employment-intensive production techniques in some public infrastructure projects. But the EPWP in its current form only provides very modest gains in employment expansion. This would creatively extend the approach into the private sector, ultimately increasing the competitiveness of employment-intensive industries. The approach is consistent with the idea of learnerships.

A range of creative options, most complementary to each other and fully consistent with South Africa’s developmental approach might and should include combinations of: Expanded Child Support Grants, reducing the age of eligibility for old age pension, Employment Guarantee Schemes – “Right to Work” Programmes, Extended Community-based Public Works (EPWP), Food Stamps or Social Security Vouchers, Negative Income Tax and/or Basic Income Grant

*Unsubsidized activities.* For the remaining 75 – 80 percent of South Africa’s economy, it is proposed that economic growth accelerate to roughly 4.5 percent per year through 2014.
2. THE BRIEF (Aims and Background to the paper)

2.1 Research background

In efforts to fight poverty in South Africa, the democratic Government has, since 1994, implemented various programmes that aim to alleviate income poverty through stimulating employment, develop skills and improve service delivery etc.

The Policy Unit in the Presidency requested the Health Systems Trust to conduct a rapid fifteen year review of Government income poverty alleviation to assess the outcome and impact of policies, programmes and projects since 1994 as well as progress towards achieving the 2014 goals.

2.2 Main objective(s)

The main objective of this study is to provide a brief description of the extent and nature of the SA Government's poverty income relief programmes and to assess their impact by undertaking a rapid appraisal using existing data sources. Examples of such programmes include the CBPWP, EPWP, National Youth Service, learnerships, Cooperatives, etc. While some of these programmes have a youth focus others have targeted other vulnerable groups.

2.3 Research question(s)

What is the nature and extent of poverty income relief programmes that have been undertaken by Government since 1994?

In terms of poverty alleviation services rendered through these programmes
- How many participants have benefited from these programmes?
- How many jobs have been created?
- In what way have participants been involved in the programmes?
- What has been the impact on the lives of participants and beneficiaries?
- What are successes and challenges emanating from these programmes?
- Are the programmes achieving the set objectives?

2.4 Methodology

The report is based on the analysis of secondary data sources which have been collected by a combination of quantitative and qualitative methodologies.
3. INTRODUCTION

Poverty means different things to different people. Consensus on the understanding of poverty and how to respond to it has not been reached. (Frye and Farred 2007). While the purpose of this study is to review the income poverty strategy of the South African Government since the democratic elections of 1994, the paper will attempt to explore the various definitions of poverty from various schools of thought including the authors’ own hands-on experiences working with poor households and communities.

One of the commonly used definitions is that of the World Bank which defines poverty in terms of consumption and income: "the inability to attain a minimal standard of living measured in terms of basic consumption needs or income required to satisfy them" (World Bank Development Report [WBDR], 1990). This was an important edition of the Report as 1990 is the baseline year for the measurement of progress towards the achievement of the Millennium Development Goals. According to the WBDR therefore, poverty is understood as income poverty (IP), which in our view, is narrow, as it undermines a host of other aspects of human life, essential if people are to live a good quality life as fully functioning persons.

The narrow view of poverty assumes that economic growth will “solve” the problem through what has been termed the “trickle down” redistribution of wealth from rich to poor, which, unfortunately, has not improved conditions in sub-Saharan Africa in the nearly five decades since it was first adopted in the 1960s. Impoverished people and households amongst others live in isolation, have limited access to and choices between life-enhancing resources. More often they face dilemmas rather than real choices, for example either to go hungry or to give a child an opportunity for education. Clearly, income alone will not enable them to break the cycle of poverty.

According to Hoogeveen and Ozler (2006), while economic growth has the potential to beneficially impact on poverty eradication, the impact can generally only be positive if the growth is accompanied by a progressive shift in expenditure distribution. The writers conclude that in the absence of such a progressive shift it would take 23 years of sustained economic growth of 5% per annum for the average poor household to move out of poverty.

The United Nations Development Programme (UNDP)4 adopts a wider definition using the human development index. The UNDP approach over and above money considers human development as a process of broadening people’s choices, which Indian economist Amartya Sen5 (1999) refers to

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4 http://www.undp.org/
5 Winner of the Bank of Sweden Prize in Economic Sciences (Nobel Prize for Economics) in 1998, “for his contributions to welfare economics” for his work on famine, human development theory, welfare economics, the underlying mechanisms of poverty, and political liberalism.
“human capabilities”. In his response to Prof. Peter Vale’s questions on poverty in South Africa, Sen proposed that the way to deal with the income gap and poverty was to create opportunities both for earning income and providing optimum social services, prioritizing the poorest. His position on the “trickle down” approach for a middle income country such as South Africa, was that it was unacceptable. Put in his words, “in a democratic country like RSA, people will not accept that nothing can be done for the poor until the country as a whole becomes richer. And they’re right not to believe”. (Financial Mail, 2007).

South Africa is challenged to pay attention to both the aspects that create income and provide other opportunities for the poor. Sen proposes two types of welfare priorities viz. those that are essential for economic development (education, micro-credit and healthcare) and those for economic justice and equity (e.g. providing unemployment support).

While income makes it possible to purchase the requirements, it is not sufficient for human development.

Chambers (1983) has also adopted a broader view, describing the poor as “those people being in the same world as all of us, who have to struggle to find enough to eat, who are defenseless against diseases, who expect some of their children to die. The poor do not speak up, they are often reluctant to push themselves as practitioners expect.” Chambers’ description of the poor highlights the multidimensional nature of poverty which goes beyond income to include the empowerment, education and healthcare aspects. Five additional dimensions have been identified: Property (asset) poverty, physical weakness, isolation (socially, physically), vulnerability and powerlessness.

The social aspects of this are important and formalized in the “Social Exclusion” approach, which further widens the analysis of poverty (Silver and Miller, 2003). Unlike in the US, where there is a tendency to measure poverty in a simple income number, the approach adopted by the European Union is more nuanced. Europeans are now committed to include the “excluded,” the outsiders, the people left out of mainstream society and left behind in a globalizing economy. Social deprivation is viewed relative to rising average living standards, and, more recently, a framework for thinking about nonmonetary aspects of deprivation. It raises questions about gender, race and class as important determinants of being poor or rich. For example it emphasizes that the feminization of poverty a particular issue to address. In order to understand the feminization of poverty theory, one needs to explore patriarchy and gender. From an early age boys and girls are expected to take on different roles and as they grow to be women and men, they are expected to be caregivers and leaders, respectively. Women are usually exploited when it comes to remuneration for their contribution. They are either unpaid or considered as cheap labour. They tend to have poor access to productive means. SA has advanced well in this aspect. The labor market framework for the domestic workers category is a case in point. In order to address women’s access to economic means, women, youth and people with disability have been specifically targeted as beneficiaries for programmes such as micro-
credit, social development, poverty alleviation and employment creation schemes. The tender process gives preference to women-owned businesses. (UN Division for the Advancement of women, 2000)

Essentially poverty is not one thing and results from perverse reinforcement of many negatively interacting “vicious” cycles. The one aspect that they all have in common is that they affect people, and so, despite its seemingly being self-evident, people are central to poverty reduction programmes. It is argued that broad multi-faceted people-centered development approaches have a greater sustainable impact on human development than narrow income-reduction strategies. They are more difficult, as they require active participation. Chambers’ (1983) and Holcombe’s (1995) works are particularly relevant in understanding the value and impact of participatory approaches. Holcombe (1995), for example asserts that participation and empowerment are linked like hand and glove. They are building blocks for self-reliance.

The multi-dimensional approach implies that many sectors in society can contribute towards poverty eradication. These may include educational, health and welfare systems as well as for example credit, political arrangements, economic systems and organization of the labour market.

Since the birth of South Africa’s democracy, a variety of interrelated reforms such as legislative, institutional, administrative, and other actions have been introduced in order to eradicate poverty and create an enabling environment for the improvement of the quality of life of all South Africans. In the Preamble of the Constitution of the Republic of South Africa (Act 108, 1996) the sentiment is endorsed, that is to “improve the quality of life of all citizens and free the potential of each person”.

This approach not only guarantees South African citizens their rights, but further to enable South Africa to make a contribution to the creation of a better continent and world in line with the spirit of the International Charter of Human Rights, which emphasises second-generation socio-economic rights.

The Reconstruction and Development Programme (ANC, 1994 and Republic of South Africa, 1994) adopted a broader view of poverty. Suggesting that it is not merely the lack of income which determines poverty. A variety of basic needs are usually not met. The RDP sought to address the issues of housing, land, water and sanitation for all and to eliminate illiteracy. When it comes to socio-economic rights and the poor, experienced has shown that it is not only one right that is undermined but a number of them. The municipal IDP process in SA is an attempt to achieve this using popular participation.

The need for a broad approach to poverty reduction is well accepted by the South African Government, which has adopted specific goals and targets to realize this. Assessment of progress towards the realization of these Government objectives have been reviewed at several points, with notable examples being the Ten Year Review (PCAS, 2003), A Nation in the Making A Discussion Paper on Macro-social Trends (CAS, 2006) Development Indicators – Midterm Review (PCAS, 2007). Apart from this, progress has also
assessed on an ongoing basis and regularly reported on through various media, including progress reports on the Government Programme of Action, annual State of the Nation Addresses, Budget Votes, Presidential and Ministerial Speeches, Parliamentary Media Briefings, etc.

In the *Ten Year Review* done towards the end of the “First Decade of Freedom”, Government emphasised the need for better monitoring and evaluation of the implementation of its programmes. About a year later this was explored further in *Nation in the Making – a Discussion Document on Macro-social Trends in South Africa* (PCAS, 2006). Subsequent to this, the Cabinet approved a set of key development indicators to provide evidence-based pointers to the evolution of South African society. Based in part on *Ten Year Review*’s human development indicators, in 2007 the Government compiled and published data on 72 indicators, informed by international good practice adapted to South African conditions *Development Indicators – Midterm Review* (PCAS, 2007). The publication summarises the data on trends mainly for the period leading up to the middle of this government's second term, two-and-half years after the April 2004 elections. This information has been used to inform the SA Country Report on progress towards the achievements of Millennium Development Goals (MDG) dealt with further below.

In essence, South Africa’s approach to eradicating extreme poverty and hunger has been a comprehensive one that seeks to address both the monetary aspects of poverty, complemented by efforts to also attend directly to meeting a broader range basic needs. This has meant that in addition to cash transfers in the form of social assistance grants to those that qualify, South Africa also provides a social wage package (estimated at R88 billion in 2003) which includes benefits such as free primary health care (PHC), compulsory education for all those aged seven to thirteen years, and for those that qualify - subsidised housing, electricity, water, sanitation, refuse removal, transportation, etc. (South African Government, 2007)

Although this paper deals mainly with income poverty, it is important to recognize that this is only one aspect of poverty reduction.
4. UNDERSTANDING POVERTY

4.1 Defining poverty

Numerous academic sources suggest that poverty is a multi-dimensional social phenomenon. The definition of poverty and its causes differ by gender, age, culture, other social and economic factors. The implication is that the poverty alleviation programmes have to take into account the above mentioned factors. A “one size fits all” approach will prove ineffective.

Income poverty in its simplest sense is usually defined as the “inability [of an individual or household] to attain a minimal standard of living”, where standard of living is measured in terms of consumption or income levels (Woolard and Leibbrandt, 2001).

The experience and understanding of poverty differs with the geographical location and gender. A study of poverty in Ghana in both urban and rural areas found that men associated poverty with lack of material assets, whilst for women, poverty is defined as food insecurity. (WBDR, 1990). This observation can be substantiated by the positive correlation between women's access to income and improvement in the child's nutritional status as a result.

People of different generations define poverty differently. (WBDR, 1990). For instance younger men consider the ability to generate an income as the most important asset while older men cite the status connected with traditional agricultural lifestyle as most important. The difference could be in priorities and values. The younger group tends to be more materialistic and has adopted the Western culture and taste compared to the older group.

One's status and location can also influence one's perception on poverty. In Madagascar for example, farmers tended to link poverty to drought while the city dwellers associate poverty with rising prices and fewer employment opportunities. (WBDR, 1990)

Thus poverty alleviation strategies have to be designed according to the context of where it is found, taking cognisance of the above factors.

Essentially, descriptions of poverty tend to fall into one of two models, the “Absolute” model, when poverty is related to deprivation in regard to some minimum set of needs or the “Relative” model where a comparison is made between different segments of society and relates to issues of equity.

According to Donnison (1982), poverty means a standard of living so low that it excludes people from the community in which they live. This definition emphasises the material aspects of poverty, which is characteristic of one school of thought regarding poverty.
There is also an alternative school of thought that has adopted a broader view on poverty, which its sees poverty as encompassing not only material deprivation (measured in income and consumption) but also low levels of education and health. Chambers (1983) for example describes absolute poverty as characterised by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality rate and low life expectancy. "These are people defenseless against disease, which expect their children to die. The poor do not speak up, they are weak, powerless and isolated, they are often reluctant to push themselves forward in order to help themselves".

Holcombe goes even further. His definition, for example stresses exclusion from participation. "Poverty is a state of economic, social and psychological deprivation occurring among people or countries lacking sufficient ownership, control or access to resources to maintain acceptable living standards" (Holcombe 1995).

Statistics South Africa (2001) suggests that poverty be seen in a broader perspective than merely the extent of low-income, low-expenditure in a country. It is rather the denial of opportunities and choices most basic to human development to lead a long, healthy, creative life, and enjoy a decent standard of living, freedom, dignity, self-esteem, and respect from others.

Kingdon and Knight (2004) challenge the conventional approach of economists which measures poverty according to income and consumption and that defines poverty as income poverty. Like Sen they prefer broader definitions such as “well-being poverty” and “capability poverty”, whether or not these concepts are easily measurable or comparable.

Essentially there is a philosophical as well as a strictly scientific problem. The challenge with the broader definitions are whether or not these are measurable. Any attempt to define poverty involves a value judgement as to what constitute a good quality life or a bad one.

Terreblanche's view is that given the nature of poverty in South Africa, which is so clear-cut and pervasive among the Africans and Coloureds, whatever technical tools or models are used to measure poverty, analysis of reliable data, will produce similar results. Differences in definitions may therefore be relatively unimportant in practice even if there are conceptually of significance. (Terreblanche, 2002)

Essentially poverty can be defined as pronounced deprivation. The respondents during an interview by the one of the authors [LB] in Gauteng (Germiston) described poor people as those who were often hungry, lacking shelter, clad in worn out clothing shoes, usually sick, uncared for, illiterate, uneducated and generally vulnerable to adverse conditions which are beyond their control. In essence they are people who tend to have low self-concept and self-worth.
In this document which focuses on income poverty, to escape the conceptual difficulties, a variety of poverty measurements are being used. Some of the measurements referred to in the paper include the following: per capita real income, poverty head count index, poverty gap index, squared poverty gap index as well as the Living Standard Measure. However it is recognized that there are broader alternative and complementary measures which could inform the debate.

To overcome debate whether to use absolute or relative models of poverty we have used an approach based on the concept proposed by Frye and Farred (2007) which combines the two: Relative Poverty with an Absolute Core (see the Glossary for clarification).

**Figure 11: Relative Poverty with Absolute Core**

![Relative Poverty with Absolute Core Diagram](source: Frye and Farred 2007)

Such a model is consistent with the vision for South African Society expressed in the preamble to The White Paper on Social Welfare: ‘a humane, peaceful, just and caring society which will uphold welfare rights, facilitate the meeting of basic human needs, release people’s creative energies, help them achieve their aspirations, build human capacity and self-reliance, and participate fully in all spheres of social, economic and political life’ (Department of Welfare, 1997: Preamble).

**4.2 Getting the measure of what it means to be poor**

Given such a plethora of definitions, the next challenge is to identify the most appropriate tools to measure poverty.
Milestones in anti-poverty research

Attempts to measure poverty in South Africa are not new. The first Carnegie Commission Inquiry into the levels of poverty during the Great Depression of the 1930s set out to deal with the so-called poor white problem (Magasela, 2005).

The Second Carnegie Commission Inquiry into Poverty in South Africa in the early 1980’s, came about as a result of concerns by progressive groups within the country about growing levels of poverty amongst the population as a whole. This was followed by the 1993 “Project for Statistics on Living Standards and Development” undertaken by the World Bank and South African researchers for the African National Congress who wanted a definitive assessment of the extent of poverty within the country prior to taking office (Magasela, 2005).

After 1994, a number of important reports on poverty were commissioned by various bodies, including the Office of the Deputy President. These included the 1995 Key Indicators of Poverty in South Africa, which used five different types of poverty lines in its study on levels of poverty. (Magasela, 2005a,b). Despite the commitment required by the 1995 Copenhagen Declaration for the country to adopt an official measure of poverty, this has not yet done (World Summit for Social Development, 1995). Instead, a variety of different measures have been developed, adopted and used by different researchers as well as different government departments and agencies (Woolard and Leibbrandt, 2006).

In 1996, President Nelson Mandela on behalf of the state, together with broader civil society organizations, committed the country to eradicating poverty and a “War on Poverty”. As part of this national effort in 1998, the Participative Poverty Assessment – South Africa report and the Poverty and Inequality Report (PIR) were produced. The PIR considered both money-metric measures of poverty as a standard proxy for poverty, but it also used a “broader, composite indicator of deprivation” (May, 1998) to deepen understandings about the comprehensive manifestations of poverty. Following soon after was the very comprehensive work, including useful analysis of the state of poverty in South Africa, undertaken by the Committee of Inquiry into a Comprehensive System of Social Security for South Africa (the ‘Taylor Committee’ whose Transforming the Present – Protecting the Future report was published in March 2002. The recommendations included the adoption of a five pronged social protection system to address not just widespread income poverty, but also a lack of access to assets and basic needs, as well as widespread capabilities poverty.

In addition to research into the extent of poverty, there have also been several studies on the degree to which different poverty alleviation strategies have reduced poverty levels, particularly regarding social security transfers (Case and Deaton, 1998; EPRI, 2004; Agüero et al., 2006; Barrientos, 2005). There

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6 These Inquiries were funded by the American philanthropic Corporation of Andrew Carnegie.
has been intense national and international political interest regarding whether poverty has increased or decreased since 1994. (Bhorat and Kanbur, 2005). Despite numerous studies on the extent to which income poverty levels have changed overall and for different subgroups of the population during the first years of democracy there is little agreement. (e.g. UNDP, 2003; Adato et al., 2004; Bhorat et al., 2004; Bhorat and Cassim, 2004; Meth and Dias, 2004; Simkins, 2004; Bhorat and Kanbur, 2005; Leibbrandt et al., 2005; May and Meth, 2005; Roberts, 2005; Woolard and Klasen, 2005; Hoogeveen and Özler, 2006; Agüero et al., 2006a; Meth, 2006; Van der Berg et al., 2006; Van der Berg et al., 2007; Seekings, 2007). While political interest has focused efforts to refine poverty measurement and improve data sources over the past few years, there is still no consensus. Poverty remains a highly contested and politicized concept (Frye and Farred, 2007). It has also led to a somewhat hollow and at times ill-tempered debate (Everatt, 2003).

Meth (2006) argues that there are two main aspects to the dissent in South Africa. Firstly regarding the way poverty is understood, and secondly relating to both the implementation as well as the interpretation of the surveys that provide the data for studies into the incidence of poverty. Sometimes this has led to great uncertainty about poverty levels and the changes in the extent and nature of poverty in South Africa. One practical manifestation of this uncertainty is the current very unsatisfactory debate about the state of income distribution, its association with poverty and appropriate measures. The roots of this state of contestation are variously attributed. On the one hand there are reputable academics who see this as a result of the failures of Government to collect and publish “reliable” statistics or clearly define a poverty line (Simkins, 2007). On the other there is the State President’s claim that there are those choosing “to discover statistics that serve the political purpose of discrediting our movement and government” (Mbeki, 2007) and yet the further view that it is due to “sloppy research and poorly researched journalism” as argued by the Executive Director of HSRC’s Employment Growth and Development Initiative (Altman, 2007). She agrees with Simkins, to the extent that “South Africa’s poverty figures are hotly debated partly because no single official source provides regular trend data.”

It can be argued that the lack of consensus on poverty measures might have had some positive consequences in that it has stimulated academic debate and encouraged government departments to develop more comprehensive applications of anti-poverty policies than those they might have devised had they simply measured performance against a single monetary poverty line. This may have lead to a more multi-dimensional approach corresponding with the socio-economic rights guaranteed in the Constitution of South Africa. On the other hand, the persisting dissent suggests continuing confusion rather than increasing clarity in regard to what needs to be done regarding income poverty. There is a danger that government departments will choose to conceptualise and define poverty in ways that reflect their work in a positive light.

Because of this fundamental link between the different aspects of poverty, Magasela (2005a) argues that there is a need for poverty research to focus
more keenly on the use of indicators of multiple deprivation in South Africa rather than absolute or minimalist income based poverty lines. This would enable different government departments to be true to the realisation of their varied constitutional mandates. A major problem seems to be that the most detailed recently published Government instrument, the Income and Expenditure Survey, published for the year 2000 was regarded as “seriously defective” by analysts. (Simkins, 2007). It should perhaps also have been noted that the data is now significantly out-of-date. Simkins further points out that there are also “broad questions about earnings in the Labour Force Survey and data from the private sector”. The need for this is evident when considering the bewildering range of poverty lines shown in the table below:

Table 2: The Incidence of Poverty at various poverty lines in 2006

<table>
<thead>
<tr>
<th>Poverty Line</th>
<th>Poverty line in 2000 Rand*</th>
<th>% of individuals below the poverty line (2000 IEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty line set at per capita expenditure of the 40th percentile of households</td>
<td>R346 per capita</td>
<td>54.9%</td>
</tr>
<tr>
<td>Poverty line set at 50% of mean national per capita expenditure</td>
<td>R538 per capita</td>
<td>68.1%</td>
</tr>
<tr>
<td>Stats SA (as reported by Hoogeveen and Ozler) – lower bound</td>
<td>R322 per capita</td>
<td>22.6%</td>
</tr>
<tr>
<td>Stats SA (as reported by Hoogeveen and Ozler) – upper bound</td>
<td>R593 per capita</td>
<td>70.4%</td>
</tr>
<tr>
<td>August 2004 Household subsistence level (HSL) – metro average of 6 person African households, converted to per capita scale</td>
<td>R286 per capita</td>
<td>48.5%</td>
</tr>
<tr>
<td>August 2004 Household effective level (HESL) – metro average of 6 person African households, converted to per capita scale</td>
<td>R429 per capita</td>
<td>61.8%</td>
</tr>
<tr>
<td>“Dollar a day” - International poverty line of US$370 (1985 prices) per capita per annum</td>
<td>R81 per capita</td>
<td>8.1%</td>
</tr>
<tr>
<td>“Two dollars a day” - International poverty line of US$370 (1985 prices) per capita per annum</td>
<td>R162 per capita</td>
<td>27.0%</td>
</tr>
<tr>
<td>“Poverty line” implied by the Old Age Pension means test for married persons, assuming a household of 5 persons and no non-elderly income earners</td>
<td>R454 per capita</td>
<td>63.4%</td>
</tr>
<tr>
<td>“Indigence” line of R300 per household per month (in 2006 prices)</td>
<td>R573 per household</td>
<td>11.7%</td>
</tr>
<tr>
<td>“Indigence” line of R1600 per household per month (in 2006 prices)</td>
<td>R1147 per household</td>
<td>38.1%</td>
</tr>
<tr>
<td>“Indigence” line of R2400 per household per month (in 2006 prices)</td>
<td>R1720 per household</td>
<td>55.1%</td>
</tr>
</tbody>
</table>


The percentage of the population regarded as living in poverty depends on the choice of poverty line. In the figure below the percentage varies considerably according to the choice of this line. If for example the International Poverty Line of US$1 a day is chosen, the percentage is just over 8%. If on the other hand, the StatsSA Upper Bound definition of poverty line is used, the figure is as high as 70% of the population. There is clearly a great deal of confusion in interpreting the meaning of poverty when so many different poverty lines are being considered.

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7 In 2005 these figures could be calculated by multiplying by 1.295
Figure 12: Choice of poverty line & % of individuals living in poverty in 2006

Use of US$1 or $2 per day as a measure of poverty

Since its development in 1990, the World Bank's $1 or $2 per day poverty lines have been used to measure poverty in many developing countries (World Bank, 2000). One of the reasons for this is the ease with which they are said to allow for comparisons of poverty levels between countries. The $1 per day measure has received a fair amount of criticism however on the grounds that it is both difficult to operationalise and its actual value is an extremely arbitrary measure of calibration. In order to make the $1 per day measure specific to any given country, it is necessary to correct it for differences in the relative purchasing power of the domestic currency and the dollar. (Frye and Farred, 2007) These require Purchasing Power Parity (PPP) conversions which are problematic in countries in where ‘benchmark’ surveys are not performed. The use of regression techniques to estimate PPPs in non-benchmark countries like South Africa, can, and does result in errors. The accusation of arbitrariness is largely due to the way that the line was developed. The actual value of $1 per day when the line was constructed consisted of the median of the ten lowest national poverty lines in developing countries then available which was then rounded down from $1.08 (Rio, 2006). The selection of the ten lowest national poverty lines clearly meant that the emerging poverty line would itself be low. The measure also does not lend itself to any real analysis of what goods or items of basic needs people should be able to purchase with the value in local currencies.

Although this definition of poverty has been accepted for the Millennium Development Goals, it has been criticized for its narrow approach (e.g. Townsend & Gordon, 2002). Further it is felt that the threshold has been set too low. Townsend argues that the $1 per person per day rate ‘suggests that the needs of poor countries are less than those of the rich countries. This carries with it racist imputations which cannot be accepted in the climate and also results in entirely misplaced economic strategies.’ (Townsend, 1990). Almost twenty years on, Townsend also argued that the use of $1 a day for low income countries ‘led to a form of apartheid between the first and third worlds’ and resulted in policy priorities being avoided or confused (Townsend et al., 2006).

A local example of this problem occurred in relation to a recent release of poverty trends by the South African Institute of Race Relations (2007) shown overleaf. Based on the use of $1 a day, it has, inter alia, been criticized for not adequately taking into the value of the fluctuating Rand and basing its findings on a commercial data series that was not subject to peer scrutiny. (Altman, 2007, PCAS, 2007). In actual fact the level of absolute poverty that it reported for 2005 was almost half of that reported by the South African Government in its MDG Country Report for 2005, which is dealt with in more detail below.

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8 $1 a day is meant to designate destitution and $2 per day, poverty
9 According to Hoogeveen and Ozler (2006), $1 per day amounted to R87 per capita per month in South Africa in 2000 prices, while $2 per day reflected a poverty threshold of R174 per capita per month.
The figure below shows the fluctuating actual & effective values in annual terms of US$1/day

**Figure 13: Changes in the value of SA Rand**

![Graph of Rand per annum for years 1991 to 2006 showing actual value and effective value.]

Source: SA survey 2006/7 SAIRR

**Figure 14: Poverty trends reported by SAIRR**

![Graph showing population, relative poverty, absolute poverty, and proportion in absolute poverty from 1996 to 2005.]

Source: Based on SA survey 2006/7 SAIRR citing Global Insight Southern Africa, Regional Economic Focus
A decision on the poverty line issue would help focus statistical and analytical effort. Government needs to be a key driver of all three of the processes.

The problem has been recognized and the Government is set to shortly deal with these critical issues. According to the National Treasury, Government proposes to pilot a poverty line for an initial period to allow for public comments and consultations before its design is finalised. Statistics South Africa was due to launch the series before the end of 2007. In summary, the proposal calls for:

- **A poverty line based on minimum food needs for daily energy requirements, plus essential non-food items, is to be prepared.**
- **Two additional thresholds below and above the poverty line as indicators of extreme poverty and of a broader level of household income adequacy.**
- **Publication by Statistics South Africa of an annually updated poverty line and the lower and upper thresholds to take account of price changes, using a basket of goods from the CPI, subject to review every five years to ensure that the poverty line and thresholds remain relevant and accurate.**

StatsSA (2007) has suggested that one of the ways to make inter-country comparisons more meaningful, as is required of the country by its commitment to the achievement of the MDGs, involves use of the International Comparison Programme (ICP). This is a global initiative to develop a reliable basis for comparing GDP per capita expenditures and the real value of production across countries, using a standardised benchmark free of price and exchange rate distortions. The ICP's purpose is to provide such data and develop methodologies for reliable comparisons. This would allow the accurate calculation of the Purchasing Power Parities (PPPs) used to convert national currency data to a common measurement. Internationally, this requires estimates of expenditure in respect of more than 150 components of GDP; in Africa the project has identified more than 200 components. To provide reliable inter-country comparisons, the ICP requires that the scope of GDP estimates is consistent across countries and that they distinguish between individual and accrual household consumption.

The African ICP aims to answer questions about living standards and to establish whether the UN millennium development goals are being met. To do this, comparable data across countries, over time, is required. The current ICP round involves 148 countries worldwide, with 48 from Africa. Importantly, the PPP-adjusted one-dollar-a-day poverty line can be used as a threshold for poverty measurement, while ICP information can facilitate the process of harmonising economic policies across countries, thus fostering regional integration on the continent.

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The recommendations to correct the problems and resolve the impasse flow fairly easily from this.

5. Define a poverty lines or indicators that will permit international comparison and provide a benchmark to assess progress to MDGs.
6. These should be indicators of multiple deprivation rather than single monetary amounts.
7. Collect reliable, regular statistics
8. Use the data to provide evidence of trends over time

4.3 Poverty and unemployment

High unemployment is not a new phenomenon in the South African economy. Levels have been increasing exponentially over the last four decades of the 20th Century as shown in the figure, but seems to have reduced marginally from the early 2000s. Whether one considers unemployment from the narrow or broad perspective, the number of unemployed people in the country is unacceptably high.

Figure 15: South African unemployment - historical trends over four decades
Figure 16: Growth in population and unemployment 1994 – 2006


Figure 17: Economically active, employed and unemployed in South

Figure 18: Unemployed by age group


Table 3: Equity profile of the labour force 2002

<table>
<thead>
<tr>
<th></th>
<th>African %</th>
<th>Coloured %</th>
<th>Indian %</th>
<th>White %</th>
<th>Female %</th>
<th>Male %</th>
<th>People with disabilities %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>60</td>
<td>13</td>
<td>4</td>
<td>23</td>
<td>36</td>
<td>64</td>
<td>0.9</td>
</tr>
<tr>
<td>Top management</td>
<td>8</td>
<td>13</td>
<td>4</td>
<td>75</td>
<td>12</td>
<td>88</td>
<td>n.a.</td>
</tr>
<tr>
<td>Senior management</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>80</td>
<td>18</td>
<td>82</td>
<td>n.a.</td>
</tr>
<tr>
<td>Professionally qualified</td>
<td>40</td>
<td>6</td>
<td>4</td>
<td>50</td>
<td>38</td>
<td>62</td>
<td>n.a.</td>
</tr>
<tr>
<td>Skilled technical, junior management and supervisor</td>
<td>38</td>
<td>13</td>
<td>8</td>
<td>41</td>
<td>46</td>
<td>54</td>
<td>1</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>62</td>
<td>15</td>
<td>5</td>
<td>18</td>
<td>36</td>
<td>64</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Department of Labour, Employment Equity Report 2002
According to Pollin et al. (2007), South Africa’s problem of mass unemployment can be usefully conceptualized in simple accounting terms, as having resulted as a combination of two factors:

1. **Insufficiency in the rate of output growth**, i.e. the economy’s production of goods and services. Between 1994 – 2004, the average GDP growth rate was about 3.1 percent. While this was superior to the last decade of apartheid, at a growth rate of the population of slightly under 2 percent per year, it was still inadequate for generating a significant expansion of employment opportunities. It was salutary that despite economic growth from 1995 to 2000 there were declining incomes across households at all income levels, but with the sharpest income declines occurring among the least well off.

2. **Declining labour intensity of production in the formal economy.** Between 1994 and 2001, the number of workers utilized per unit of output—i.e. a basic measure of labour intensity—fell by an average of nearly four percent per year, an acceleration of a longer-term trend decline between 1967 – 2001 of roughly one percent per year.

Pollin et al. (2006) further warn that if South Africa proceeds along this approximate growth pattern for the next decade, it is possible to estimate, using a series of reasonable assumptions about labour force growth and the ratio of informal/formal employment, that the official unemployment level will have risen to roughly 33 percent by 2014. This would be more than double the MDG goal set by the Government to halve unemployment to 15% or less by the same date.
5. POLICY APPROACHES TO POVERTY

5.1 Global Policy

5.1.1. Universal Declaration of Human Rights

5.1.2 Millennium Development Goals (MDG)
The MDGs are a development agenda agreed upon in September 2000 focused on eradicating extreme poverty, hunger, ill health, addressing gender equity and improving educational and productive prospects for youth.

The first Millennium Development Goal (MDG) has two targets, which between 1990 and 2014, aim to halve the proportion of people whose income is less than one dollar a day; and to halve the proportion of people who suffer from hunger.

It is important to see this in the context of other complementary MDG goals including:
- Reducing gender equality and empowering women;
- Reducing child mortality;
- Developing a global partnership for development (nationally and internationally);
- Developing an open trading and financial system that includes a commitment to good governance, development and poverty reduction;
- Developing decent and productive work for youth;
- Addressing the debt issues of developing countries.

An important milestone has been the formalization of Millennium Labour Council (2000). Both business and labour accept that deepening socioeconomic crisis, if not arrested will lead to a social explosion. The Millennium Labour Agreement between South African business and labour was signed on 7 July 2000. Following visits to Eire and Holland earlier the same year and after numerous discussions, there was an agreement to establish the bilateral structure known as the Millennium Labour Council. They agreed:

1) The current unemployment, job losses and lack of job creation constitute a deepening crisis in South Africa that requires urgent action.
2) Current levels of poverty and inequality are unacceptable and new initiatives are needed to promote improved quality of life and decent work for all.
3) The Millennium Labour Council is to comprise twelve members each from the business and trade union constituencies.
4) The Millennium Labour Council will be associated with NEDLAC as a bilateral council and will operate with full policy autonomy.
5) The objective of the Council is to develop a shared analysis of the crisis and potential solutions to be pursued with government and NEDLAC, as appropriate.
The official SA Government 2005 MDG Country report used national estimates of poverty and inequality based on data from the 1995 and 2000 Income and Expenditure Surveys (IES), the 1995 October Household Survey (OHS), and the September 2000 Labour Force Survey in order derive information on extreme poverty levels in the country. The main conclusion from this report on target one was that in 2005 the proportion of population living below international poverty line of US$1 per day or R87 per month/R1,044 per annum was 7.6%; the proportion of population living below international poverty line of US$2 per day or R174 per month/R2,088 per annum was 30.9%; poverty gap at US$1 per day stood at 0.018; the poverty gap at US$2 per day was 0.106 and the share of the poorest 20% in national consumption was 3.4%. This equated, in terms of inequity, a Gini coefficient of 0.59, if social transfers were excluded and 0.35 if they were included.

The follow up 2007 South African Country Report argued that there has been strong overall income growth, especially since 2002, which it claimed has resulted in the rise of the income of the poorest 10 and 20 percent of the population. The depth of income poverty in the Report was measured with reference to a poverty line of R3,000 per capita per annum (or just slightly above US$1 per day in 2000 constant Rand). It was suggested that there were strong indications that the incomes and/or expenditures of those in poverty improved, bringing the very poor closer to the poverty line. In addition, there were indications that the severity of poverty had declined, especially since 2002. However, the Report expressed the concern that income inequality (as measured by Gini-coefficient) seemed to have increased over most of the period.

The 2007 report, while covering the same indicators as those of the 2005 report, added a few more and provided a more comprehensive picture of extreme poverty and inequality between 1993 and 2006 largely based on values reported and computed from the All Media and Products Survey (AMPS) data. It should be noted that not all analysts are agreed that AMPS data is completely valid.

With regard to target two, whose progress is measured using severe malnutrition amongst children under-5 years of age, the report observes a decline from 88,971 cases in 2001 to 30,082 in 2005.
5.2 Major South African Policy

5.2.1 The Freedom Charter
The Freedom Charter adopted by the ANC in Kliptown in 1955 is a unique document, in that for the first time ever, the suppressed black majority were actively involved in formulating their own vision of an alternative society. The existing order of State oppression and exploitation which was prevalent in the 1950’s (and earlier) was totally rejected.

Although the Charter (ANC, 1955) does not mention “poverty”, the overall tone of the document outlines clearly that “our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities.” It outlines in effect the measures that needed to be taken to eradicate the multiple sources of deprivation that were characteristic of the times when it was formulated.

Specific strategies were mandated “the land shall be re-divided amongst those who work it to banish famine and land hunger….. All people shall have the right to live where they choose, be decently housed, and to bring up their families in comfort and security; Unused housing space to be made available to the people; Rent and prices shall be lowered, food plentiful and no-one shall go hungry; A preventive health scheme shall be run by the state; Free medical care and hospitalisation shall be provided for all, with special care for mothers and young children; Slums shall be demolished, and new suburbs built where all have transport, roads, lighting, playing fields, creches and social centres; The aged, the orphans, the disabled and the sick shall be cared for by the state; Rest, leisure and recreation shall be the right of all: Fenced locations and ghettos shall be abolished, and laws which break up families shall be repealed….. The state shall recognise the right and duty of all to work, and to draw full unemployment benefits; Men and women of all races shall receive equal pay for equal work.”

5.2.2 The Reconstruction and Development Programme (RDP)
The Reconstruction and Development Programme (ANC, 1994), after a widely consultative process and six drafts in 1993/94 was finally adopted at the “Conference on Reconstruction and Strategy” in January 1994 by the ANC, its alliance partners and many organisations that were part of the Mass Democratic Movement. It picked up on the themes first enunciated in the Freedom Charter and made them relevant to South Africa in the 1990s. It stated unequivocally, “No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for better life. Attacking Poverty and deprivation must therefore be the first priority of our democratic goal.”

Boldly President Mandela said, “By year 2000 no child will go to bed hungry…”
Poverty statistics
Poverty in South Africa has been a particularly complex phenomenon. As the RDP (1994) acknowledged, “Our history has been a bitter one dominated by colonialism, racism, apartheid, sexism and repressive labour policies. The result is that poverty and degradation exist side by side with modern cities and a developed mining, industrial and commercial infrastructure. Our income distribution is racially distorted and ranks as one of the most unequal in the world – lavish wealth andbject poverty characterize our society.”

Six inter-related political and economic principles underpinned the RDP: An integrated and sustainable programme, a people-driven process, peace and security for all, nation-building, reconstruction linked with development and democratization. In tackling poverty it was recognized that several important components were needed, including meeting basic needs, affirmative action, gender equity, population and migration and social /economic rights It also recognized the need for the development of more sophisticated social statistics, in particular with regard to gender, race, income, rural/urban differences and age and specifically mandated the establishment of demographic maps to illustrate geographic location. This mandate was accepted by several national departments (and appeared in several white papers including the White Paper on Reconstruction and Development, White Paper for Social Welfare, White Paper on Population Policy and Towards a National Health System.) From the beginning the United Nations Development Programme’s Human Development Index was given a high priority by Statistics South Africa (formerly the Central Statistical Service). Both the Departments of Welfare and Health established information systems that focused on poverty, while the White Paper on Population Policy stipulated a desegregation of data by gender, geographical area, age and other attributes. (Bond and Khosa, 1999)

Social and economic rights
The RDP called for South Africa to sign and implement the International Covenant on Economic, Cultural and Social Rights and related conventions. This was accomplished in 1994, and in 1996 South Africa also signed the African Charter on Human and People’s Rights. A protocol was drafted for the African Charter on the establishment of an African Court of Human and People’s Rights. In addition, South Africa’s Constitution made specific provision for social and economics rights. (Bond and Khosa, 1999)

Jobs through public works
One of the central features of the RDP in combating income poverty was the importance of public works programmes, which emphasized the need for women and youth to become central beneficiaries. This was established as policy in the Public Works Green Paper (1996) and White Paper (1997). By the end of 1997, the Community Based Public Works Programme (CBPWP) had undertaken 1,112 projects which had provided 1.43 million days of work. The initial budget was R250 million, of which R100 million went to NGOs, the largest slice of which was R70 million to the quasi-NGO, the Independent Development Trust.
Of those employed, 41% were women, although they were paid consistently less than men. Youth participation was not measured. Although it was generally accepted as policy that public works projects would pay adequate wages and codified in the Nedlac Agreement on Job Creation in the Construction Industry, debates continued about how far this had been (and could be) implemented. Evaluations of public works programmes indicated a large variance in wages paid, but on average the 1997 monthly wages was just over R500. Formal industry wage rates were in the order of R50 per work-day, over twice as much as CBPWP workers received. (Bond and Khosa, 1999)

In addition to income distribution, community empowerment was an important RDP objective for public works programmes, but due to difficulty in measuring the concept of empowerment, data related mainly to training and skills development. There was variable success in regard to even this more limited objective with the percentage of workers receiving training in the CBPWP varying from 14% to 80%.

5.2.3 Constitution: Bill of Rights (socio-economic rights)

Constitutional and Legal Obligations
The South African Constitution 1996, reflects priorities regarding poverty eradication in the provisions for socio-economic rights. Importantly, everyone is guaranteed the right of access to social security "including if they are unable to support themselves and their dependents appropriate social assistance". To achieve this, the state is obliged to take reasonable legislative and other measures within its available resources to achieve the progressive realization of this right. There is a duty to ensure that children under the age of 18 have access to basic nutrition, shelter, basic health care services and social services.

Specifically, Section 27 specifies that ‘(1) Everyone has the right to have access to (a) health care services, …; (b) sufficient food and water; and (c) social security, including, if they are unable to support themselves and their dependents, appropriate social assistance. (2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights.’ Section 28 stipulates specific rights for children, and Section 29 establishes rights to education. These and other rights are said to be based on the ‘democratic values of human dignity, equality and freedom’ (section 7, para 2). The Constitutional Court has stated that realizing socio-economic rights is necessary if citizens are to enjoy the other rights enshrined in the constitution and if South Africa is to become a society based on the above values.

Over and above the Constitutional provisions, South Africa is obliged by international law to give effect to the right to social security in terms of convention on the rights of the child, the convention on the elimination of all forms of discrimination against women and the international council on economic, social and cultural rights.
5.2.4 Growth, Employment and Redistribution (GEAR) : Macroeconomic Strategy

GEAR was the macro-economic strategy published by the Minister of Finance in June 1996, to strengthen economic growth until the year 2000, along with a broadening of employment, and the redistribution of economic opportunities. The GEAR framework set broad parameters within which it was hoped a stronger economy and sound fiscal structure would make the attainment of RDP goals possible. (Dept of Finance, 2006). The underpinnings of the strategy was a commitment to a neoliberal approach to open markets, privatisation and creating a favourable investment climate which it was believed was to be the crucial engine of growth especially through attracting Foreign Direct Investment. The policy set government the ambitious goal of achieving sustained annual real GDP growth of 6% or more by the year 2000 while creating 400,000 new jobs each year.

The policy choices made in GEAR were intended to give poverty relief and social development a high priority and underpin job creation through investment in infrastructure and human resource development.

The core elements of the integrated GEAR strategy were:
- a renewed focus on budget reform to strengthen the redistributive thrust of expenditure;
- a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;
- an exchange rate policy to keep the real effective rate stable at a competitive level;
- consistent monetary policy to prevent a resurgence of inflation;
- a further step in the gradual relaxation of exchange controls;
- a reduction in tariffs to contain input prices and facilitate industrial restructuring, compensating partially for the exchange rate depreciation;
- tax incentives to stimulate new investment in competitive and labour absorbing projects;
- speeding up the restructuring of state assets to optimise investment resources;
- an expansionary infrastructure programme to address service deficiencies and backlogs;
- an appropriately structured flexibility within the collective bargaining system;
- strengthened levy system to fund training on a scale commensurate with needs;
- an expansion of trade and investment flows in Southern Africa; and
- a commitment to the implementation of stable and coordinated policies.

The GEAR policy had the following specific goals:
- economic growth of 6% in the year 2000
- inflation limited to less than 10 percent
- employment growth above the increase in economically active population; an average 2.9 percent
• deficit on current account and balance of payments between 2 and 3 percent
• ratio of gross domestic savings to GDP to a level of 21.5 percent in the year 2000
• improvement in income distribution
• relaxation of exchange controls
• reduction of the budget deficit to below 4 percent of GDP

The outcomes of the GEAR strategy were mixed. It brought greater financial discipline and macroeconomic stability but largely failed to deliver in key areas. Formal employment continued to decline, and despite the ongoing efforts of black empowerment and signs of growth of a new black middle class and social mobility, the country's wealth remained unevenly distributed. The desperately needed FDI also remained elusive, and consequently the ambitious economic growth targets were never realised. The policy came under stringent fire from many critics, especially when growth slumped to only 0.8% (later revised even lower to 0.5% by Statistics South Africa) in 1998.

There was considerable division among ANC alliance partners and civil society over the strategy, with many believing that the commitment to strict fiscal discipline had undermined efforts at poverty reduction (NUMSA, 2004). After several years of disagreement, The Presidential Jobs Summit in 1998 and the Growth and Development Summit (GDS) in June 2003 brought various sectors of South African society together to collectively take advantage of the conditions in South Africa for faster growth and development. At the GDS, a comprehensive set of agreements was concluded to address urgent challenges in a practical way and to speed up job-creating growth and development. Partnership between government and civil society has been further strengthened by the creation of a number of working groups through which sectors of society – business, organized labour, Higher Education, religious leaders, youth and women – engage regularly with the President. (GCIS, 2007)

5.2.5 AsgiSA

The Accelerated and Shared Growth Initiative (AsgiSA) was a strategy policy that was adopted by the ANC 2004 and launched in February 2006 with the intent of doubling the national economic growth rate for South Africa from 3% to 6% by 2010. Its primary motivation was the Government’s view that commitments to halve unemployment and poverty by 2014 could not otherwise be met. (GCIS, 2006).

AsgiSA provides a vision for growth and a framework for public and private sector institutions to revise their investment plans upwards, but has not always been well understood. It is not a separate programme of government with its own budget. Rather, it is a mechanism to focus attention on implementing projects and programmes, to improve coordination and to overcome obstacles in the economy. (GCIS, 2007)
Analysis of the performance of the economy has shown that while the commodity sector has been strong, the manufacturing and tradable services sectors have been weak. As the non-tradable sector, including retail, services, and construction, among others expanded employment improved and disposable incomes rose. However, consumer demand for imported products was also increasing rapidly. This led to increasing pressure on the balance of payments. Decreased demand for commodities could increase the trade deficit, potentially forcing a sharp reversal in the economy and mean that the South African economy is vulnerable to a commodity price decline. (GCIS, 2006)

AsgiSA identified six ‘binding constraints’ mitigating against achieving the desired growth rates, which the strategy aimed at removing to promote the necessary economic momentum. The key constraints were:

- the relative volatility of the currency;
- the cost, efficiency and capacity of the national logistics system
- shortages of suitably skilled labour, and the spatial distortions of apartheid affecting low-skilled labour costs
- barriers to entry, limits to competition and limited new investment opportunities
- the regulatory environment and the burden on small and medium enterprises (SMEs)
- deficiencies in state organisation, capacity and leadership.

Action was planned in a range of areas:

- the macroeconomy
- infrastructure
- sector and industrial strategies
- skills and education
- the Second Economy
- public administration.

5.2.6 Jipsa and the National Skills Development Strategy

The Joint Initiative on Priority Skills Acquisition (Jipsa) was established a month after the launch of AsgiSA to address scarce and critical skills needed to meet AsgiSA’s objectives.

The aim of the National Skills Development Strategy has been

1. Developing a culture of high quality lifelong learning.
2. Fostering skills development in the formal economy for productivity and employment growth.
3. Stimulating and supporting skills development in small businesses.
4. Promoting skills development for employability and sustainable livelihoods through social development initiatives.
5. Assisting new entrants into employment.
The equity targets span across all five objectives and state that the beneficiaries of the strategy should be 85% black, 54% female and 4% people with disabilities.11

5.2.7 Small, Medium and Micro-Enterprise (SMME) Initiatives
The Apex Fund (samaf), a subsidiary of the Department of Trade and Industry (dti), is one of the specific institutions designed to close this gap of inequality by providing access to affordable financial services to the “enterprising poor”. It is one of several institutions created in terms of the National Small Business Act by the Government intended to bridge the gap that exist between the first and second economies. The market for development finance lacks skills in a number of areas and it is in this non-financial area that the Apex Fund (Samaf) aims to intervene to address poverty and the skills gap. Samaf’s core business is to ensure that these strategic objectives are achieved by becoming a catalyst in implementing an effective financial intermediation model. Further consideration is given to samaf as a poverty intervention strategy later in the text.

A brief outline of the various other SMME initiatives of Government can be found in the appendix.

5.2.8 Other Policy Commitments
As indicated above, the 1997 Welfare White Paper introduced the paradigm of social protection in the social development discourse.

5.2.9 Truth and Reconciliation Commission
The Truth and Reconciliation Commission12 (TRC) was a court-like body assembled in South Africa soon after the end of Apartheid in 1994 to address the injustices of the past. The TRC was set up in terms of the Promotion of National Unity and Reconciliation Act, No 34 of 1995, based in Cape Town and had a number of high profile and well-respected members. The mandate of the commission was to bear witness to, record and in some cases grant amnesty to the perpetrators of crimes relating to human rights violations, reparation and rehabilitation. Anybody who felt they had suffered, for example by being victims of violence could come forward and be heard at the TRC. Perpetrators of violence could also give testimony and request amnesty from prosecution. The hearings made international news and many sessions were broadcast on national television. The TRC was a crucial component of the transition to full and free democracy in South Africa and, despite some flaws, is generally regarded as having been very successful. Although not specifically established to deal with poverty, the reparations aspect did compensate some people.

During 2003, Parliament accepted the Government’s response to the final report of the TRC. Out of 22,000 individuals or surviving families appearing

before the commission, 19,000 were identified as needing urgent reparation assistance – virtually all, where the necessary information was available, received interim reparations. As final reparations, government is providing a once-off grant of R30,000 to individuals or survivors who appeared before, and were designated by, the TRC, over and above the programmes for material assistance. (GCIS, 2007)
6. REVIEW OF INCOME POVERTY IN SOUTH AFRICA

6.1 The pre-1994 historical perspective

The study of the past is critical if justice is to be restored and sustainable politico-economic-social transformation to be achieved. The purpose of this section is give context to the current problems that South Africa is facing, thereby contributing to a better understanding of the dismal socio-economic situation that existed in 1970 when apartheid reached its peak.

The challenge for South Africa’s social transformation has been to break away from “Trickle-Down Economics” approach which produced the growth path which was responsible for the skewed pre-1994 distribution of wealth and led to the cycle of job losses, informalisation of work, economic marginalization and underdevelopment with a decline or lack of significant improvement in incomes of the poor and wealth remaining in the hands of a few.

Terreblanche (2002) asserts that before 1994, apartheid policies promoted widespread dependency on cash income. Land policy forced many people off the land. Migrant labour system made families dependent on cash remittances received from absent bread winners. Poverty was rampant and endemic; inequity extraordinary.

The South African poverty and inequality problem is rooted in the nature of unemployment, which is structural unemployment. Terreblanche has defined structural unemployment as the inability of an economy to provide employment. According to Terreblanche (2002) already by 1970, 20 percent of the potential work force was already unemployed and the figure rose to 40 per cent in 1995.

The number of unemployed increased from 1,9million in 1970 to 4.8million in 1995, while at the same time the number of African workers employed in the formal sector decreased by 20,3000 or 3.8 per cent. During the same period the number of non-African workers employed increased by 1,3million or 45 per cent. (Terreblanche, 2002)

In 1995 female unemployment amongst all racial groups was higher than the males and the unemployment rate amongst African women was estimated at 60 per cent. It was also higher for those younger than 25 years and among the poor.

The sharp increase in unemployment in 1970 was due to the following factors:
- Slow economic growth in 1974
- The growing capital-intensive economy
• The structural shift in production, where the primary sector declined with a simultaneous increase in the service sector
• Sharp increase in the African population since 1960

Many foreign corporations that invested in South Africa found South Africa to be a fertile ground for the exploitation of labour, which consequently enriched the corporate sector. While organized labor and the South African government have made improvements in this area, the private sector still lags behind in bringing about a complete transformation. Events of the 1970s had a negative effect on the economic growth. As capitalist economies struggled with the oil crisis of 1973, black trade unions revived. A wave of strikes reflected a new militancy that involved better organization, drew in new sectors, in particular intellectuals and the student movement, into mass struggle and debate over the principles informing it.

As the economy stagnated, and the productivity of migrant workers weakened in respect to even lower paid workers in other countries, there was a shift to an increasingly capital intensive production system in order to attempt to remain competitive. This strengthened the dual economy, with the labor force gradually becoming divided between the better paid, white skilled force and low paid unskilled black labor. Over two decades, the shift of production methods by the corporations to capital intensity virtually eliminated employment opportunities for the unskilled African labour and unemployment increased dramatically. Furthermore, discriminatory laws prevented blacks from doing highly paid and skilled jobs and to undergo training. This was no accident. From 1841-1970 the freedom and economic independence of Africans was deliberately undermined in order to limit their choice of employment, making them available for the demands of white employers who wanted cheap labour. Inevitably poverty increased during this period, leaving a massive negative legacy for the new democratic government. This was highly detrimental to African workers. The large unskilled periphery was made redundant, while it had hardly any impact on whites who were predominantly highly skilled. Inequality increased due to decreasing incomes as a result of rising unemployment and drought among blacks, while there was simultaneously rising incomes among upwardly mobile professionals, skilled workers and entrepreneurs, most of whom were white.

In 1995 the Gini Coefficient for the pay of Africans, coloureds and whites was 0,70; 0,57 and 0,55 respectively, one of the most inequitable in any country during the 20th Century. (StatsSA 2000)

To date the new government continues to deal with this burden of the past in the form of the "inherited" skewed economic structure and the enslavement of a large part of the black population which continues to bare the brunt of unemployment and poverty.

There is a correlation between race and poverty, rural environment and poverty. According to May (1998) in 1995, 60,7 per cent Africans, 38.2 per cent Coloureds, 5,4 per cent Asians and 1 per cent of Whites lived in poverty. This means that half of the entire population of 41 million lived in poverty prior...
to 1996. McGrath and Whitefords (1994) estimated that 94.7 per cent Africans had a monthly expenditure of R1000 or less. Bundy asserted that the very high level of inequality in South Africa was so deeply embedded in its history, it would not be easily cut back let alone uprooted.

According to Terreblanche (2002), the nature of South African poverty among Africans and coloureds was at that stage so clear cut and pervasive that with any reliable data, whatever technical tools were applied to measure poverty, the results would be the same. Between 1993-1995, at least 50 per cent to 60 per cent of Africans and 22 per cent to 32 per cent of Coloureds were living in poverty.

The poverty rate in rural areas was 63 per cent compared to 22 per cent in urban areas. In the former Bantustans, where many households are headed by women, poverty was and continues to be rife. In fact 70 per cent households earning less than R1000 or less per month lived in rural areas. (Terreblanche, 2002)

Another correlation was that of educational achievements and poverty. Seven years of schooling and above has a positive impact on people’s lives. Less than this correlates to higher levels of poverty. (Terreblanche, 2002)

According to to Terrblanche, poverty and unemployment were also closely linked. The unemployment rate among members of poor households was almost double the overall national rate. According to the 1995 survey, the poverty rate was 60 per cent among female headed-households compared to 31 per cent male headed household. Sixty per cent of all children lived in poverty and two to three million South Africans were under-nourished. The economic crisis from 1974 to 1994 increased African unemployment. The mean household income of the poorest 40 per cent of African household (50 per cent of African population) declined by 42 per cent from 1975 to 1991. Such was the negative momentum of this crisis, unsurprisingly household income continued to decline by further 21 per cent from 1991 to 1996. (Terreblanche, 2002).

The mean household income of next 20 per cent of Africans declined by 26 per cent in 1975 to 1991 and a further 4 per cent 1991 to 1996.

The household income of 60 per cent (almost 70 per cent of African population) was considerably lower in 1996 than 1975. This was superimposed on an already dire situation. By 1975 almost 2/3 of total population were already abjectly poor that they had very little material and human capacity to withstand the impact of the 1980 drought.

Looking at the history of the democratic transformation, cannot it not legitimately be asserted that “the liberation struggle won the political battle but lost the economic war”
So while the birth of the new democratic South Africa liberated black people politically, economic liberation would take much longer and involve a huge economic cost.

Although this cost would be large, it is conceivable that it could be borne by the country. Bhorat (2003a), using 1995 IES data, calculated that the poverty gap in 1995 soon after the democratic transformation had been just R13 billion, using a poverty line of R293 per person per month. This amounted to 10 percent of government spending at the time, meaning that the government could have eliminated income poverty entirely if it had increased its expenditures by just 10 percent and allocated all of the additional funds to perfectly targeted transfers to the poor.

6.2 After 1994 – the rise and fall of income poverty

6.2.1. Trends in levels of poverty

Understanding what has ‘really’ happened to income poverty and inequality post-1994 is difficult as a close inspection of available data and the variety of alternative interpretations reveals. Even though there has been an explosion of data in post-apartheid South Africa, there is no consensus on trends. (Seekings, 2007). Obvious and not-so-obvious flaws in the data mean that the information has to be carefully interpreted (Bhorat and Kanbur, 2006), and this requires complex assumptions and methodological innovations (see Seekings, 2006c). This has led to a great deal of controversy and uncertainty regarding trends and absolute levels of poverty. Despite this, it is suggested that there is broad academic consensus that income poverty worsened in the late 1990s only to improve marginally from the early 2000s, although precise findings vary according to the specific data used and assumptions made in the analysis. This academic consensus is contrary to most of the data presented by the ANC and government. (Seekings 2007).

The biggest challenge in the situation is that the underlying unemployment problem is not cyclical but structural. Current policies and programmes are incapable, at their existing scale, of providing the comprehensive protection promised by the Constitution. They are not designed to assist people of working age who are unable to provide for themselves as a result of protracted unemployment. Lower paid workers and the working poor have to make their incomes stretch further. At the moment the mainstay of social protection against income poverty are the system of social grants.

The UNDP (2003), using the 1995 IES and a 2002 LFS, found that the absolute number of poor people had grown but the proportion of people living in poverty had declined marginally. The findings were somewhat contradictory. On the one hand, the total number of people living below US$1 per day (in other words, in destitution) was found to have risen slightly from 9.4% to 9.5% between 1995 and 2002. On the other hand, the report also found that using a national poverty line of R354 per month per adult
equivalent based on 1995 values, the total percentage of people living in poverty had fallen from 51.1% in 1995 to 48.5% in 2002, likewise the total number of people living below the World Bank line of $2 per day had fallen from 24.2% in 1995 to 23.8% in 2002 with the total number of poor people having risen from 20.2 million to 21.9 million people between 1995 and 2002 (UNDP, 2003, page 41).

Table 4: % of the population living below US$1, $2 and poverty line (2003)

<table>
<thead>
<tr>
<th>Year</th>
<th>% living below $1 per day R87 per month in 2000 rand</th>
<th>% living below $2 per day R174 per month in 2000 rand</th>
<th>% living below poverty line of 354pm R4248pa (1995)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>9.4%</td>
<td>24.2%</td>
<td>51.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(20.2 million)</td>
</tr>
<tr>
<td>2002</td>
<td>9.5%</td>
<td>23.8%</td>
<td>48.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(21.9 million)</td>
</tr>
</tbody>
</table>

Source: UNDP, 2003

Stats SA (2001) and (Terreblanche, 2002) also revealed a deterioration in the late 1990s in economic position of the low income and the poor. Despite government’s effort to reduce poverty and inequality, the household share of national income among the 60% per cent of poorest households fell from 17% in 1995 to 15% in 2000 with the biggest decline amongst the poorest households. State transfers were contributing 2/3 of the income earned by households in the poorest quintile. However, even with full up take of existing grants at the time, over half the population of 21.9 million people would have remained below the poverty line. Despite inadequacies, the social security system was playing a significant role in ameliorating poverty. Without social grants 58% of households would have fallen below the subsistence line as opposed to the actual figures of 53%. The total income of working people had declined in real terms in recent years. Dropped 58% 1992 – 51% in 2002.

Meth and Dias (2004), using expenditure data from the 1999 OHS and a 2002 LFS, found that both the number and proportion of households and individuals living in poverty had risen. Using the headcount measure, they concluded that there had been a substantial increase in poverty over the period 1999-2002. Probably about four million people joined the ranks of those in poverty during this period. They arrived at this conclusion after meticulously estimating maximum per capita expenditure levels of the people in the bottom two expenditure categories in the economy, corrected (adjusted) for child costs, household economies of scale and under-statement of expenditure levels. The increase in the number of those in poverty was almost two-thirds as much again the population increase over the three years. While such an outcome might not have been unexpected, given the large increase in the number of unemployed, the increase in the number in poverty was, however, substantially larger than the increase in the number of unemployed. They felt that the Government’s claims to have made ‘massive progress in tackling … poverty and neglect’ (Mbeki, 2003) looked a little weak in the face of this massive rise in human misery.
Leibbrandt et al. (2004), using census data, conclude similarly that both the numbers and proportions of poor people had grown.

Leibbrandt, Levinsohn and McClary (2005), analysing individual-level incomes using the 1995 IES/OHS and the 2000 IES/LFS, found that real incomes dropped sharply and substantially.

The share of household expenditure spent on food rose giving additional credibility to the decline in real incomes. Hoogeveen and Özler (2006) using data on real per capita expenditures from the same surveys as Leibbrandt et al. show that the number of poor people grew between 1995 and 2000. ‘By 2000, there were approximately 1.8 million more South Africans living on less than $1/day and 2.3 million more living on less than $2/day’ The total poverty gap also increased.

The major dissenting view on this trend came from the South African Advertising Research Foundation (SAARF). The figures are derived from the SAARF’s bi-annual All Media and Products Survey (AMPS), which collects data for the advertising and marketing industry. Using AMPS data, SAARF categorises consumers into different ‘Living Standard Measures’ (LSMs) based on income, wealth, and standard of living. LSMs segment the South African population into ten categories based on a combination of an index compiled from 29 variables. These variables are the presence in the household some combination of hot running water; fridge/freezer; microwave oven; flush toilet in house or on plot; VCR in household; vacuum cleaner/floor polisher; washing machine; computer at home; electric stove; television set(s); tumble dryer; Telkom telephone; hi-fi/music centre; built-in kitchen sink; home security service; deep freeze; water in home or on stand; M-Net and/or DSTV; dishwasher; metropolitan dweller; sewing machine; DVD player; house/cluster/townhouse; one or more motor vehicles; domestic worker; one cellular phone; radio; no cellular phone in household; and living in a non-urban area.

The data show that between 1994 and 2001, the proportion of South Africans in the bottom LSM category dropped from just under 20 percent to 5 percent. Households falling into LSM groups 1 to 4 (45.9% of all households) can be viewed as poor, mostly considered as impoverished; households in LSM group 5 to 7 as the emerging middle class; and those in higher LSMs as the wealthier class. LSM 1 to 4 households were responsible for only 11.5% of the total household expenditure, but almost a quarter (24.8%) of the R80.2 billion spent in cash on food. (SAARF AMPS, 2005:101), (Martins, 2006). In 2007, 1 in 4 single men between the ages of 25-44 are unemployed and currently living with their parents. (AMPS 2007)
Table 5: % of households by LSM and share of expenditure in 2005

<table>
<thead>
<tr>
<th>LSM group</th>
<th>Households</th>
<th>%</th>
<th>Cash expenditure</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>966 855</td>
<td>7,8</td>
<td>5 850</td>
<td>0,7</td>
</tr>
<tr>
<td>2</td>
<td>1 414 831</td>
<td>11,5</td>
<td>15 707</td>
<td>1,8</td>
</tr>
<tr>
<td>3</td>
<td>1 654 435</td>
<td>13,4</td>
<td>29 736</td>
<td>3,4</td>
</tr>
<tr>
<td>4</td>
<td>1 756 531</td>
<td>14,2</td>
<td>49 174</td>
<td>5,6</td>
</tr>
<tr>
<td>5</td>
<td>1 630 889</td>
<td>13,2</td>
<td>77 017</td>
<td>8,8</td>
</tr>
<tr>
<td>6</td>
<td>1 762 835</td>
<td>14,3</td>
<td>125 635</td>
<td>14,4</td>
</tr>
<tr>
<td>7</td>
<td>836 124</td>
<td>6,8</td>
<td>82 767</td>
<td>9,5</td>
</tr>
<tr>
<td>8</td>
<td>668 112</td>
<td>5,4</td>
<td>79 154</td>
<td>9,1</td>
</tr>
<tr>
<td>9</td>
<td>859 625</td>
<td>7,0</td>
<td>141 534</td>
<td>16,2</td>
</tr>
<tr>
<td>10</td>
<td>805 918</td>
<td>6,5</td>
<td>266 472</td>
<td>30,5</td>
</tr>
<tr>
<td>Total</td>
<td>12 356 154</td>
<td>100,0</td>
<td>873 044</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Source: Martins, 2006

Figure 19: SAARF LSMs 1994 to 2005 - % Profile using 1993 Weights

Based substantively on this type of data, in 2006 and 2007 Van der Berg et al. put forward a dissenting academic analysis. Using a methodology that they describe as ‘not uncontroversial’, they claim to have demonstrated that poverty may have risen slightly in the late 1990s but then declined after 2000, especially between 2002 and 2004. Largely based on the use of this data and annual income distributions for 1993-2004, derived from national accounts data, it became possible to apply standard measures of poverty and inequality. They state: ‘On the basis of the available evidence we have no doubt that there has been a noticeable decline in poverty in the last few years’
One major purpose of their approach was to establish with as much confidence as possible, whether poverty had declined since political transition, so most of the attention focused on measurement of trends in poverty rather than inequality.

**Figure 20: Trends in per capita income from 1993 to 2004**

Their motivation for using this non-official data source as the basis of their analysis is twofold: Firstly, concern over the comparability of the existing official post-transition datasets, the Income and Expenditure Survey (IES) and the Population Census. Secondly, a desire to extend analysis of poverty trends beyond 2001. While official data sources are generally preferred for purposes of poverty analysis, the IES and Census collect data at long (five or ten year) intervals, and additional years pass before these datasets become available to the public. The expenditure data contained in the General Household Survey while available annually is captured in only a small number of categories that are not very conducive to analysis at the lower end of the income distribution. (van der Berg et al., 2006)

The poverty line they selected for their analysis was R250 monthly per capita household income in 2000 value, or R3,000 per annum. This is higher than the $2 a day line, which converts into R174 per month in 2000 Rand, and thus includes both severe and more moderate poverty. However, it is lower than the cost-of-basic-needs measure employed by Hoogeveen and Özler (2006). It is also consistent with earlier distributional analysis in Van der Berg and Louw (2004), Van der Berg et al. (2005) and Van der Berg et al. (2007). To some extent the selection of this poverty line was arbitrary.

Using the Foster-Greer-Thorbecke (FGT) measures of poverty to provide an analysis of poverty, Van der Berg et al. (2007) provide the poverty headcount (P0) to reflect the extent of poverty; the poverty gap index (P1), to reflect the...
depth of poverty; and the squared poverty gap index (P2), the severity of poverty.

In the case of P0, two figures are presented: the headcount rate (percentage of the population falling below the poverty line) and the headcount itself (the number of people falling below the poverty line). The table below presents changes in these measures of poverty for selected years between 1993 to 2004.

Table 6: Measures of poverty from 1993 to 2004

<table>
<thead>
<tr>
<th>Group</th>
<th>FGT</th>
<th>1993</th>
<th>1995</th>
<th>2000</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>P0 headcount rate</td>
<td>50.1%</td>
<td>51.7%</td>
<td>50.8%</td>
<td>46.9%</td>
</tr>
<tr>
<td></td>
<td>P0 headcount</td>
<td>20 002 068</td>
<td>21 397 486</td>
<td>22 704 130</td>
<td>21 785 700</td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.2419</td>
<td>0.2678</td>
<td>0.2539</td>
<td>0.2193</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.1482</td>
<td>0.1711</td>
<td>0.1547</td>
<td>0.1276</td>
</tr>
<tr>
<td>Blacks</td>
<td>P0 headcount rate</td>
<td>63.0%</td>
<td>64.7%</td>
<td>62.3%</td>
<td>57.0%</td>
</tr>
<tr>
<td></td>
<td>P0 headcount</td>
<td>19 171 230</td>
<td>20 491 823</td>
<td>21 560 365</td>
<td>20 731 068</td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.3076</td>
<td>0.3398</td>
<td>0.3155</td>
<td>0.2699</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.1894</td>
<td>0.2188</td>
<td>0.1934</td>
<td>0.1578</td>
</tr>
<tr>
<td>Coloureds</td>
<td>P0 headcount rate</td>
<td>27.6%</td>
<td>26.2%</td>
<td>26.9%</td>
<td>26.0%</td>
</tr>
<tr>
<td></td>
<td>P0 headcount</td>
<td>934 031</td>
<td>915 136</td>
<td>1 009 649</td>
<td>1 022 562</td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.1068</td>
<td>0.0956</td>
<td>0.0998</td>
<td>0.0974</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.0572</td>
<td>0.0463</td>
<td>0.0511</td>
<td>0.0501</td>
</tr>
<tr>
<td>Indians</td>
<td>P0 headcount rate</td>
<td>6.4%</td>
<td>5.7%</td>
<td>5.7%</td>
<td>6.4%</td>
</tr>
<tr>
<td></td>
<td>P0 headcount</td>
<td>65 484</td>
<td>59 416</td>
<td>62 578</td>
<td>73 097</td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.0178</td>
<td>0.0167</td>
<td>0.0208</td>
<td>0.0215</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.0079</td>
<td>0.0069</td>
<td>0.0106</td>
<td>0.0108</td>
</tr>
<tr>
<td>Whites</td>
<td>P0 headcount rate</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td>P0 headcount</td>
<td>26 825</td>
<td>25 659</td>
<td>43 640</td>
<td>49 203</td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.0026</td>
<td>0.0015</td>
<td>0.0027</td>
<td>0.0030</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.0017</td>
<td>0.0008</td>
<td>0.0013</td>
<td>0.0024</td>
</tr>
</tbody>
</table>

Figure 21: Population and poverty headcounts

Sources: Stats SA, Van der Berg et al.
1990s was larger than Van der Berg et al. admit, and the fall in poverty in the early 2000s was lower than they claim. Between 1995 and 2004, the government did substantially increase its real expenditure on well-targeted social assistance programmes. Thus although Van der Berg et al. and Meth agree that this resulted in some reduction in income poverty, they disagree on the extent. The findings of Van der Berg’s et al, were applied to a variety of measures of income poverty – although, they noted with caution, ‘we may be at risk of overestimating the progress that has been made’ (Seekings 2007).

According to Van der Berg et al, (2007) analysis of AMPS data suggested that the large decline in poverty was consistent with an increase of R18 billion (in 2000 Rand) in social grant payments between 2000 and 2004. The direction of this trend was also in line with recent research findings based on more frequently analysed data sources, including the work done by Agüero, Carter and May (2005), Seekings (2006), and Meth (2006).
6.2.2 Trends in inequality

If poverty has declined, has this had positive implications for the notoriously high income inequality level that existed in South Africa prior to 1994? Simply put, the answer is no.

Figure 22: Relationship between poverty and unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>Strict Unemployment</th>
<th>Poverty %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td></td>
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<td>1997</td>
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<td>1998</td>
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<td>1999</td>
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<td>2000</td>
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<tr>
<td>2001</td>
<td></td>
<td></td>
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<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Inequality measures for each year from 1993 to 2004 are presented in the table below (Van der Berg et al, 2007). A range of inequality indicators for selected years for South Africa, are presented including the commonly used Gini coefficient (the widely-used measure of inequality, which can vary in value from an egalitarian 0 to an inegalitarian 1). The measures also include the Theil-T and Theil-L specialist econometric indices (a class of general entropy inequality measures).

The Gini coefficient while best understood has limitations in that it cannot easily be decomposed and is most sensitive to changes in the middle of the income distribution. If the poor are getting relatively poorer, therefore, the Gini shows less change than alternative measures of distribution, such as the mean logarithmic deviation or Theil-L index (Hoogeveen & Özler 2004 and 2006).

An advantage of the Theil indices is that they enable the decomposition of aggregate inequality into between-group and within-group components,
allowing the determination of the influence of changing racial inequality. However, it must be said that the Theil indices are not easily understood. Theil's index "is not a measure that is exactly overflowing with intuitive sense," wrote Amartya Sen (Foster and Sen, 1996), in which his co-author James Foster used the Theil index nevertheless. Like the Gini cooefficient, the Theil index is 0 if the distribution is completely equal, but it can rise above 1 in situations of extreme inequality. It is 1 for an inequality, which is slightly above the equivalent to the frequently cited "80-20" rule, known as the "Pareto Principle" which says that 20% of the population owns 80% of the wealth. Pareto originally used this distribution to describe the allocation of wealth among individuals since it seemed to show rather well the way that a larger portion of the wealth of any society is owned by a smaller percentage of the people in that society. From a practical interpretation point of view, values below 1 suggest equality better than the 80-20 rule, and values above it, even greater inequality than that suggested by the Pareto Principle. The Theil-T index weights sub-groups by income share; the Theil-L index weights sub-groups by population share. Note that both Theil indices in the table below were above 1 from 1999 onward signifying very high levels of inequality in recent years. This is mirrored also in very high Gini coefficients (greater than 0.7), higher even than those of the early 1990s. Most developed European nations tend to have Gini coefficients between 0.24 and 0.36. The United States has greater inequality at 0.4. The Gini coefficient for the entire world has been estimated to be between 0.56 and 0.66.

Table 7: Income inequality Measures

<table>
<thead>
<tr>
<th>Year</th>
<th>Blacks</th>
<th>Coloureds</th>
<th>Indians</th>
<th>Whites</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0.541</td>
<td>0.541</td>
<td>0.541</td>
<td>0.541</td>
<td>0.541</td>
</tr>
<tr>
<td>1994</td>
<td>0.565</td>
<td>0.565</td>
<td>0.565</td>
<td>0.565</td>
<td>0.565</td>
</tr>
<tr>
<td>1995</td>
<td>0.589</td>
<td>0.589</td>
<td>0.589</td>
<td>0.589</td>
<td>0.589</td>
</tr>
<tr>
<td>1996</td>
<td>0.613</td>
<td>0.613</td>
<td>0.613</td>
<td>0.613</td>
<td>0.613</td>
</tr>
<tr>
<td>1997</td>
<td>0.637</td>
<td>0.637</td>
<td>0.637</td>
<td>0.637</td>
<td>0.637</td>
</tr>
<tr>
<td>1998</td>
<td>0.661</td>
<td>0.661</td>
<td>0.661</td>
<td>0.661</td>
<td>0.661</td>
</tr>
<tr>
<td>1999</td>
<td>0.686</td>
<td>0.686</td>
<td>0.686</td>
<td>0.686</td>
<td>0.686</td>
</tr>
<tr>
<td>2000</td>
<td>0.711</td>
<td>0.711</td>
<td>0.711</td>
<td>0.711</td>
<td>0.711</td>
</tr>
<tr>
<td>2001</td>
<td>0.735</td>
<td>0.735</td>
<td>0.735</td>
<td>0.735</td>
<td>0.735</td>
</tr>
<tr>
<td>2002</td>
<td>0.759</td>
<td>0.759</td>
<td>0.759</td>
<td>0.759</td>
<td>0.759</td>
</tr>
<tr>
<td>2003</td>
<td>0.784</td>
<td>0.784</td>
<td>0.784</td>
<td>0.784</td>
<td>0.784</td>
</tr>
<tr>
<td>2004</td>
<td>0.809</td>
<td>0.809</td>
<td>0.809</td>
<td>0.809</td>
<td>0.809</td>
</tr>
</tbody>
</table>

Source: Van der Berg et al, 2007

According to Seekings (2007), income inequality worsened after 1994, including in the early 2000s. This trend has reportedly been found by studies using a variety of data-sets, and stands in contrast to the picture of stable levels of overall income inequality in the final decades of apartheid. Leibbrandt’s calculations using the 1995 and 2000 IESs showed that the Gini

The evidence supports the unsurprising conclusion that the rich are no longer all white, even if almost all white people are still rich. The removal of racial constraints has led to upward mobility among black South Africans, in terms of both occupations and incomes, such that class differences within the black population are becoming more important as interracial differences decline. The basis of inequality has begun shifting from race to class. This phenomenon probably began some time before 1998 (Seekings, 2007).
The view that income inequality is still severe is corroborated by Van der Berg et al, (2007). It seems that the improvement in the incomes of the poor since 1994 have not kept track with the increases in affluence experienced by individuals higher up in the income distribution.

All the measures indicate that inequality increased substantially between 1995 and 2000, reducing slightly after that, probably due to the recent expansion in social grant payments. The very large increase in the Theil-T index calculated for blacks between 1995 and 2000 suggests that the rise in aggregate inequality over this period was predominantly due to improvement in conditions at the upper end of the income distribution. While black inequality levels levelled off and dropped slightly after 2000, white inequality continued to rise, although off a much lower base. However, levels of inequality within the black population remain the highest amongst all race groups. Estimates of the Theil-T indicate that within-race inequality appears to have risen rapidly in relative importance as a component of aggregate inequality after 2000.

The Theil-L reflects a similar pattern although starting earlier and showing a more modest increase in the relative importance of within-race inequality. This is a continuation of a longer term trend, although it appears to have gained further momentum recently. In fact, within-race inequality has now finally overtaken the extreme levels of between-race inequality engineered by apartheid policy as the main driver of income inequality in South Africa.
According to Schwabe (2004) the proportion of people living in poverty remained unchanged between 1996 and 2001 and still represented 57% of a much larger the population. The absolute numbers had therefore increased. The numbers of poor persons living below the poverty income line in South Africa during 2004 was 25.7 million. Limpopo and the Eastern Cape had the highest proportion of poor with 77% and 72% of their populations living below the poverty income line, respectively. The Western Cape had the lowest proportion in poverty (32%), followed by Gauteng (42%).

The HSRC study had also shown that the poverty gap has grown from R56-billion in 1996 to R81-billion in 2001 indicating that poor households have sunk deeper into poverty over this period.

Table 8: Poverty income by household size (R per month)

<table>
<thead>
<tr>
<th>Household Size</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>587</td>
</tr>
<tr>
<td>2</td>
<td>773</td>
</tr>
<tr>
<td>3</td>
<td>1028</td>
</tr>
<tr>
<td>4</td>
<td>1290</td>
</tr>
<tr>
<td>5</td>
<td>1541</td>
</tr>
<tr>
<td>6</td>
<td>1806</td>
</tr>
<tr>
<td>7</td>
<td>2054</td>
</tr>
<tr>
<td>8+</td>
<td>2503</td>
</tr>
</tbody>
</table>

Source: Schwabe C. Fact Sheet: Poverty in South Africa, HSRC, 2004
6.2.3 The *Speak Out on Poverty* hearings

Much of the research data on poverty is impersonal and faceless, and the poor projected merely as numbers. It is important to provide poor people themselves with an opportunity to speak about their own experience of poverty.

Between 31 March and 19 June 1998, the South African Human Rights Commission (SAHRC), the Commission on Gender Equality (CGE), The South African NGO Coalition (SANGOCO) together with the South African Council of Churches and other organisations convened nationwide *Speak Out on Poverty Hearings*, which gave a voice to the poor.\(^{14}\)\(^{15}\) A series of ten hearings on poverty were held in each of the nine provinces. Over 10,000 people participated by attending the hearings, mobilising communities or making submissions. Nearly 600 people presented oral evidence over the 35 days of the hearings. For the first time in the history of South Africa, this landmark event ensured the poor an opportunity to be heard beyond a mere vote once in five years. The Poverty Hearings culminated in the adoption of the *War On Poverty Declaration* which formed the basis of SANGOCO’s campaigns, international work, and other activities. (SANGOCO, 1998)

The results of the Hearings were not only piles of written testimony which bore evidence to ongoing drudgery, hunger and struggle, but a welcome opportunity for people to express how they felt, which most of the participants found uplifting. Much of what was said confirmed what was known about the dismal facts, however, the testimonies also provided ample evidence of the ingenuity and creativity of people who survive against all odds.

While this report concentrated on problems current at the time in 1998, rather than those of the past, many stories made it clear that much poverty was the result of past discrimination and disadvantage, and that there was still a long way to go before apartheid’s distortions were removed. Some of those who spoke acknowledged the improvements which had come since 1994, but most highlighted ongoing poor service delivery by government. In the poorest provinces, the severity of poverty was clear when people spoke and wrote for example about the lack of food. Unemployment, gender, disability and crime were also themes which emerged repeatedly as factors increasing people’s vulnerability to poverty and undermining their overall well-being.

*Some findings of the hearings*

- *Employment*: Unemployment was the strongest theme in the hearings and was particularly severe in rural areas. There were many stories of retrenchments from the mines as well as other workplaces. In some provinces there was disappointing evidence of antagonism to foreign immigrants, who were seen as taking the jobs of local people. It was clear that the Growth, Employment and Redistribution (GEAR) strategy

\(^{14}\) http://www.sangoco.org.za

\(^{15}\) Africa Action website: http://www.africaaction.org/docs98/sa9810.htm
had not been successful in creating jobs. There were valuable inputs from some unusual groups who are seldom heard, including vulnerable workers such as fisher-people, casual and seasonal workers, domestic workers, farm workers and those doing piece jobs, such as laundry or collecting wood for neighbours. Despite poor wages and conditions, people indicated that they could not give up such work as they were desperate for even the smallest amounts of money. They knew there were many others willing to take their place, if they left. In those conditions unions could not protect them. The majority of people without waged jobs had to engage in survivalist activities, either alone or in groups. In all provinces women, in particular, were organising in small groups to try to address their struggle to earn income collectively. However, both individual and group initiatives were often unsuccessful. Generally the areas of activity were very limited, leading to severe competition. Business initiatives, where they were initiated, were usually serving a market of poor people like themselves and struggled to survive. Profitability was threatened by lack of access to credit, forcing people to buy extremely small quantities of raw materials or goods to sell. Lack of services such as electricity made for low productivity. The youth in particular faced difficulties in obtaining jobs because of their lack of experience, even where they had the formal education and training. In the informal sector, too, problems such as access to credit were exacerbated for youth. Young women were even more disadvantaged than their male counterparts. Many people spoke and wrote about young women selling their bodies and young men about turning to crime in order to survive.

- **Social security**: In all provinces there were a great many people who spoke about the importance of social grants to their household's survival and about the problems of accessing state grants. In Northern Province and Eastern Cape there were many reports of the devastation experienced by people whose grants had been stopped without warning. Many other people spoke about the cost of administrative and other difficulties they experienced in accessing grants. Several people spoke about the importance of the new child support grants and noted concerns about the level and age limits that existed at that time. Many of the testimonies provided implicit evidence of the many people - and households - which were exclude either because children were too old for child support, or adults were not sufficiently disadvantaged for a disability grant and not old enough for the old age pension.

- **Services and Government’s contribution to poverty alleviation**: Much testimony in virtually all the hearings related to inadequacies in the provision of water both in rural and peri-urban areas. The importance of water for the health of the family and for productive purposes was highlighted. There were some stories of delivery, but also accounts of problems with the new services, such as breakdown of the infrastructure, or communal rather than household provision. Among those who had received services, there were many who complained that they were unable to afford the payments. Transport was another
service that emerged as a problem in many areas. Often the infrastructure itself was at fault. Poor roads restricted access to schooling, health facilities, shops and markets for goods. Even, where roads existed, transport was expensive. In all provinces there were many stories of how people's expectations had been dashed after promises from both government and non-government sources had not been forthcoming. There were also many stories where delivery had occurred, but had not been of the quality which people had expected. Local government came in for the brunt of criticism. Councillors were said to be unavailable, and only interested in their own well-being and political future. Several reports suggested that traditional authorities were a stumbling block to development in that they were refusing to sign the applications of local people for land, for a clinic, and so on.

- **Access to land**: Those who gave testimony in rural areas were clear about the importance of land for their survival. The land restitution process had been slow and people were still without access to land. Speakers were also clear that land alone was not enough. In addition, they needed resources such as seeds, fertiliser, water; implements and tools with which to work the land. Otherwise they could not succeed. There were many stories of how rural people had been dispossessed of their land, livestock and other possessions. In KwaZulu-Natal, in particular people described how they had lost everything as a result of political violence. While many of the stories referred to the apartheid years and before, in ‘white’ commercial farming areas dispossession was still occurring. Further, in all the rural provinces there were repeated stories of abuses of rights of those living on farms by farmers, police and magistrates. Those who had tried to access government land grants or put in claims for restitution complained of bureaucratic and other delays. People also complained that offices were inaccessible and far away. Those who had access to land, often lacked the resources to utilize them. Some had used up all their resources in merely acquiring the land, and then had insufficient to use these effectively.

- **Housing and urban development**: The housing and urban development hearings revealed the suffering caused by pass laws, the Group Areas Act and other spatial planning initiatives which had served to separate white and black, and in particular, to ensure that black people lived far from the wealthy, economic centres. Many stories showed that poor black people continued to bear the costs of inequitable distribution of shelter in safe, secure and serviced dwellings. But not all the stories related to the distant past. There were still serious problems. Those who had accessed the government housing grants complained about the size of the grant, and about the size and quality of houses provided. They also told stories of developers delivering less than they had promised, charging more than agreed, and not completing their contracts on time or according to specifications. Many also complained that while the grants had helped with the house, they were now unable - because they were unemployed - to pay for services. In several
provinces there were inspiring stories of how (mainly women) members of affiliates of the South African Homeless People's Federation had come together to save money, and through mutual self-assistance schemes to build houses for themselves.

- **Health problems:** Many people spoke about poverty-related illnesses such as tuberculosis and HIV/AIDS which were severely affecting them. They spoke about the diseases caused by impure and inadequate water supplies and about the health problems caused by pollution from nearby mines and industries. Several people noted the benefits of the newly established clinics in their areas, but for many these were still inaccessible. Particularly in rural areas, many people depended on mobile clinics. However, there were complaints about the infrequent visits of mobile clinics, the long queues at health facilities, and the inadequacies of the facilities in terms of lack of medication or even their having electricity and water. Several people spoke gratefully about the services provided by community health workers.

- **Education:** There were repeated stories of children not attending school on account of poverty, where despite Government policy, children were being excluded from school for non-payment of fees, because their parents could not afford these. In other cases, children were out of school because there was no money for transport, clothing, food, books, and so on. There were many reports of poor facilities and resources at schools. The situation was particularly bad in rural areas. In many of these areas there were no nearby secondary schools. Several people spoke about the problems of those who failed the matric exam, but were prevented from repeating. Many parents and grandparents lamented that their children had passed matric, yet were unable to find jobs and also unable to obtain funding for further studies.

- **Environment and workplace:** In the environmental hearings, there were stories of workplace illnesses and injuries leading to unemployment and death, usually with little or no compensation. There were stories of workers remaining in what they knew to be harmful working situations because of the desperate need to provide income for themselves and their families. There were also stories of how workplaces harmed neighbouring communities. Specific examples included water and air pollution. There were, for example, reports of the problems of people living on wetlands and dumps, and near a waste incinerator.

- **Access to finance:** The poor could not access financial assistance from the finance institutions set up to assist them.

**Recommendations arising from the hearings included:**

- A review of the GEAR strategy by government;
- The establishment of an anti-poverty budget, or poverty eradication fund through the participation of the private sector;
• The promotion of skills development initiatives targeted at the poor;
• The establishment of mechanisms through which the poor could more easily access credit;
• The scrapping of public debt;
• The establishment of information and advice centres, particularly in the rural areas;
• The establishment of partnerships to jointly eradicate poverty.

6.2.4 Progress in Growing the South African Economy

Superficially everything would seem to be going well for the South African economy which has been in an upward phase of the business cycle since September 1999, probably the longest period of economic expansion in the country's recorded history. During this upswing, from September 1999 through to June 2005, the annual economic growth rate averaged 3.5%. In the decade prior to 1994, economic growth averaged less than 1% a year. According to the South African Reserve Bank, there is no sign of this period of expansion coming to an end. Gross domestic product (GDP) growth was running at an annualised 4.8% in the second quarter of 2005 (compared to 3.7% in 2004 and 2.8% in 2003). The GDP in 2006 was nearly R1.200 billion and Government expenditure R558 billion (2006/7). However, even with an economy this size and an impressive growth rate this is much less than the 6% growth that the Government has indicated is needed to halve unemployment and poverty by 2014. Growth in employment is almost half of the anticipated 2.9% necessary to halve unemployment.

Consumer inflation has been on a downward trend since 2002, when consumer prices increased to an average 9.3% following the September 11 tragedy in New York. Consumer inflation averaged 6.8% in 2003 and 4.3% in 2004 - compared to 9.8% in 1994.

Tight fiscal discipline has seen South Africa's budget deficit come down from 5.1% of GDP in 1994 to 2.3% of GDP in 2004. In the first quarter of 2005, this figure fell to 1.6%, with the SA Revenue Service collecting nearly US$3.5-billion more than expected. The cause of the revenue windfall was not higher individual or corporate taxes - both have fallen since 1994 - but primarily a dramatic increase in the number of registered taxpayers, from 2-million in 1994 to more than 5-million in 2004 in the face of a stronger performing economy and high consumption.

According to the ASGISA Annual Report 2006 considerable progress has been made in the six areas areas of focus in growing the South African economy. (GCIS, 2006)

Macroeconomic, fiscal and monetary policy have revolved around improving tax collections, accumulating foreign reserves, reducing the budget deficit, easing exchange controls, inflation targeting, limiting money supply and allocating funds for major capital projects. Although 2007 has been a less favourable year than 2006 globally, the perception is that the measures provide a sound foundation for sustained growth, and currency volatility reported as declining.
Infrastructure investments have been significantly increased with public investment plans totalling R415 billion over a three year budget cycle. Eskom and Transnet lead the way with huge investment projects in electrical power and rail transport. Major projects like the de Hoop Dam, the King Shaka Airport and Gautrain are underway, and a national public transport plan has been adopted by Cabinet. Several other major provincial projects are being planned, including the Moloto Corridor in Mpumalanga and the Mzimvubu scheme in the Eastern Cape.

The skills initiatives are driven by the Joint Initiative for Priority Skills Acquisition (Jipsa). In this sector, two important quality of education projects, IDS-Up for literacy and numeracy in primary schools and Dinaledi for maths and science in high schools have been initiated. The Further Education and Training Colleges have been recapitalised with modern equipment and being supported by a major new bursary programme. The second phase of the National Skills Development Strategy is underway, and a new system to match job seekers to jobs has been planned.

In the industrial sector strategy arena, the tourism industry has moved strongly ahead: a new approach to air access has allowed an additional 700,000 inbound air passengers; government has greatly increased the tourism marketing budget; the Tourism Enterprise Project for small business development in the tourism sector has also received major funding from government; and the SAPS is implementing a tourism safety strategy. There have been recent setbacks in the functioning of South African Airways and safety issues in some of the local commercial airlines.

A Business Process Outsourcing strategy was completed and the programme was launched by the Minister of Trade and Industry in March 2006. This includes skills development support, investment incentives, and a marketing programme.

Cabinet also approved a draft Biofuels strategy for public comment in November 2005, and a final strategy submitted to Cabinet in November 2007\(^\text{16}\) is expected to be approved shortly.

Regarding the capacity of the state, some landmarks for AsgiSA were the establishment of Siyenza Manje at the Development Bank of Southern Africa to act as a support facility for municipalities and compliment Project Consolidate. The Cabinet considered introducing a Regulatory Impact Assessment system for adoption, initially in a pilot during 2007. The Department of Public Service Administration also analysed deficiencies in several government departments and agencies and recommended remedies which were begun to be implemented during the course of 2007.

The main focus of AsgiSA for 2007 has been to implement the strategies

\(^{16}\) Mathew Hill, Engineering News, 6 November 2007.
already agreed on in all of these fields, and to monitor the outcomes of the programmes.

Future areas of work will include addressing key challenges that have emerged in the identified areas, for example the implementation of the Regional Electricity Distribution system (REDs).

Regarding the Second Economy, while the Expanded Public Works programme has surpassed its initial targets, the leaders of the AsgiSA initiative are concerned that, in general, Second Economy measures adopted have not yet had a major impact. Large pockets of poverty remain in the former Bantustans and in informal settlements on the edge of our major cities. While job creation has been very strong in recent years, poor communities with low skills are not major beneficiaries of employment growth.

6.2.4 Contribution of economic growth to poverty alleviation

Ultimately the well-being of the poor will be linked to performance of the economy, but without significant Government intervention, the process of improving the incomes of the poorest sections of society could take up fifty years or more, which is not politically tenable, and even less socially desirable. It is likely that it will not be feasible to meet the challenge of the Millennium Development Goals of halving poverty from 1990 to 2014 or achieve a reasonable degree of equity amongst different racial groups or social classes based simply on economic growth. We can show this by calculating\(^\text{17}\) the length of time it would take a typical poor Black African household in the lowest 20% of the population, who were living with a per capita income of R400 per month in 1990, base year for the MDGs, to achieve a living standard comparable to the same standard of a “poor white” family in the same year.

Assuming that the annual disposable income of the poor Black family was R400 per capita in 1990 and that of a “poor white” household R5,000. Given the optimistic possibility of a regular annual real 3% growth rate in the GNP, (over and above that necessary to compensate for inflation and population growth,) it would take 84 years just to achieve the 1990 standard of living of a poor white household. By that stage the poor white family income would have also increased. Even at an unrealistic consistent 6% GDP growth it would take until 2034, just to achieve that goal – far too late to achieve the target of 2014.

\(^{17}\) Using a formula for simple annualised growth suggested by A.P. Thirwall in Growth and Development p17
Assuming that in the extremely unlikely event of the growth rate in the black sector of the economy were growing at a rate 1% faster than that of the white economy, it would take several hundred years for true parity, i.e., for the poor black and poor white to be living at the same standard.

Even if we assume once again, that to achieve this, the members of the poorer black family would be quietly content to allow time to take its course, as it has over the past century, we must ask ourselves whether the global natural resources will permit us the luxury of this time scale. At what point in time will the law of diminishing returns place a break on continued growth rates as high as 3%.

Is income inequality likely to improve with economic growth?

Does economic growth automatically lead to greater economic equality? During the later half of the 20th century, Nobel prize-winning economist Simon Kuznets18 attempted to answer the question based on empirical data. He put

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18 Kuznets is credited with revolutionising econometrics, and this work is credited with fueling the so-called Keynesian "revolution". An important book of his is National Income and Its Composition, 1919–1938. Published in 1941, it contains a historically significant work on the Gross National Product. His work on the business cycle and disequilibrium aspects of economic growth helped launch development economics. He also studied inequality over time, and his results formed the Kuznets Curve. The Kuznets curve is the graphical representation that economic inequality increases over time while a country is developing, then after a critical average income is attained, begins to decrease.
forward the Kuznets' curve hypothesis, which has been one of the most debated issues in development economics since then. With good reason. In a nutshell, the hypothesis simply says that income inequality follows an inverse-U shape along the development process, with income inequality first rising as industrialization occurs and then declining, as more and more workers join the high productivity sectors of the economy (Kuznets, 1955). This theory has strong and fairly optimistic long term policy consequences: if lesser developed countries, and the poor in particular, are patient enough and do not worry too much about the short run social costs of development, then one day a point will be reached where growth and inequality reduction go hand in hand, and where poverty rates drop sharply. This does seem to apply to South Africa when one considers the trends of the Gini co-efficient. Ultimately the poor are likely to benefit, but when?

Table 10: Is South Africa following the Kuznet's Curve?

Acemoglu and Robinson JA (2002) who have reviewed the political economy theory underlying the Kuznets curve have argued that economic development

One theory as to why this happens, in early stages of development, when investment in physical capital is the main mechanism of economic growth, is that inequality encourages growth by allocating resources towards those who save and invest the most. In mature economies, on the other hand, human capital accrual, or an estimate of cost that has been incurred but not yet paid, takes the place of physical capital accrual as the main source of growth, and inequality slows growth by lowering education standards because poor people lack finance for their education in imperfect credit markets. Kuznets curve diagrams show an inverted U curve, although variables along the axes are often mixed and matched, with inequality or the Gini coefficient on the Y axis and economic development, time or per capita incomes on the X axis. The Kuznets Ratio is a measurement of the proportion of income going to the highest earnings (20%), dividing it by the poorest proportion of the society. A value of 1 would mean perfect equality and absolute inequality. Kuznets had two similar explanations for this historical phenomenon: Workers migrated from agriculture to industry, and rural workers moved to urban jobs. In both explanations, inequality will decrease after 50% of the work force switches over to the higher paying sector. Economic historians have since used skill gap theories and the theories of capital concentration in early economies from classical economists and Marxists to further explain the Kuznets curve. (Wikipedia, http://en.wikipedia.org/wiki/Kuznets_Curve)
does not necessarily need to follow a Kuznets shaped curve. They have shown that development may be associated with two types of non democratic paths: an “autocratic disaster,” with high inequality and low output, and an "East Asian Miracle," with low inequality and high output. When development leads to increasing inequality, this can induce political instability and force democratization on political elites. Fortunately for South Africa, its robust democracy will force institutional change and encourages redistribution to reduce inequality.

Besides the theoretical reasons for doubting that economic growth per se will significantly directly reduce poverty in the short-term, there are also practical reasons for believing that the rate of growth of the South African economy per se will not be sufficient to halve unemployment by 2014.

Although the current growth spurt of about four and a half per cent - the greatest in the last 25 to 30 years - seems to have been associated with some job creation, there are several concerning macro-economic implications for equitable future growth in the way that the economy is growing (Davies, 2006)

The first issue is the exponential increase in luxury consumption expenditure which is sucking in high value imported goods, replacing local manufacture and leading to a widening deficit in the balance of trade. (Davies, 2006) Although this has been counterbalanced by short-term inflows of foreign portfolio investment, there is some doubt whether this can be sustained as it has occurred by selling off some of South Africa’s “crown jewels” such as Iscor and ABSA to foreign investors. According to the South African Reserve Bank the massive increase in “foreign investment”, which nearly doubled from R412 billion to R722 billion was due to the transfer of the primary listing of certain companies from the Johannesburg to London Stock Exchanges. These once off sales may be more difficult to achieve in the future. Inflows of foreign capital have been exceptionally high since 2003, with an inflow of R80 billion (about US$13 billion) into the JSE share market between the beginning of 2005 and the first quarter of 2006. In the same period South Africa has also had several very large inward foreign direct investment transactions. Whether these “investments” will benefit the poor is a moot point. So far, the evidence of benefit is not overwhelming.

The second issue has been the commodities boom created by the rise of China and India as major economic powers. This has meant that there is a significant new demand for mineral products and other primary products coming from South Africa which is a major producer of these goods. This has sustained high prices for mineral products exported in bulk from South Africa. (Davies, 2006) However, these products are a non-renewable resource which are already becoming depleted, and the pace that beneficiation is occurring is slow. South Africa’s pre-eminence in this field, for example in mining gold for which it has been a leader for more than a century is rapidly being overtaken by other producers.
Thirdly if we look at the major industrial performers in our country, we see that these are still mostly large-scale capital intensive upstream companies. (Davies, 2006). These have relatively little potential to generate the employment-intensive jobs the country so desperately needs.

Table 11: Performance of SA Economy 1994-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase in GDP</th>
<th>CPI</th>
<th>Employment growth %</th>
<th>FDI %</th>
<th>Gross domestic savings to GDP</th>
<th>Budget deficit</th>
<th>Inequality Gini Coefficient</th>
<th>Employment growth Millions</th>
<th>Strict unemployment millions</th>
<th>Broad unemployment millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.678</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>3.2%</td>
<td>8.3%</td>
<td></td>
<td></td>
<td>16.6%</td>
<td>0.67</td>
<td>14.1</td>
<td>2.0</td>
<td></td>
<td>3.673</td>
</tr>
<tr>
<td>1995</td>
<td>3.2%</td>
<td>9.4%</td>
<td></td>
<td>2.8%</td>
<td>16.5%</td>
<td>-4.5%</td>
<td>0.677</td>
<td>14.5</td>
<td>1.8</td>
<td>3.321</td>
</tr>
<tr>
<td>1996</td>
<td>4.3%</td>
<td>7.0%</td>
<td></td>
<td>2.1%</td>
<td>21.9%</td>
<td>-6.2%</td>
<td>0.691</td>
<td>14.8</td>
<td>2.0</td>
<td>4.197</td>
</tr>
<tr>
<td>1997</td>
<td>2.7%</td>
<td>7.0%</td>
<td></td>
<td>-4.4%</td>
<td>24.4%</td>
<td>-3.8%</td>
<td>0.698</td>
<td>14.1</td>
<td>2.2</td>
<td>4.551</td>
</tr>
<tr>
<td>1998</td>
<td>0.5%</td>
<td>3.6%</td>
<td></td>
<td>9.4%</td>
<td>22.3%</td>
<td>-2.3%</td>
<td>0.689</td>
<td>15.5</td>
<td>3.2</td>
<td>5.634</td>
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<tr>
<td>1999</td>
<td>2.4%</td>
<td>5.6%</td>
<td></td>
<td>2.2%</td>
<td>44.2%</td>
<td>-2.0%</td>
<td>0.701</td>
<td>15.8</td>
<td>3.2</td>
<td>5.882</td>
</tr>
<tr>
<td>2000</td>
<td>4.2%</td>
<td>9.2%</td>
<td></td>
<td>2.4%</td>
<td>42.4%</td>
<td>-1.9%</td>
<td>0.716</td>
<td>16.2</td>
<td>4.3</td>
<td>6.553</td>
</tr>
<tr>
<td>2001</td>
<td>2.7%</td>
<td>8.4%</td>
<td></td>
<td>2.9%</td>
<td>39.4%</td>
<td>-1.4%</td>
<td>0.715</td>
<td>16.7</td>
<td>4.4</td>
<td>6.961</td>
</tr>
<tr>
<td>2002</td>
<td>3.7%</td>
<td>14.2%</td>
<td></td>
<td>-1.0%</td>
<td>34.6%</td>
<td>-1.1%</td>
<td>0.724</td>
<td>16.5</td>
<td>4.9</td>
<td>7.826</td>
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<tr>
<td>2003</td>
<td>3.1%</td>
<td>1.7%</td>
<td></td>
<td>-0.6%</td>
<td>39.9%</td>
<td>-2.3%</td>
<td>0.709</td>
<td>16.4</td>
<td>5.1</td>
<td>8.421</td>
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<td>2004</td>
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<td>0.6%</td>
<td></td>
<td>-3.7%</td>
<td>41.4%</td>
<td>-1.4%</td>
<td>0.7</td>
<td>15.8</td>
<td>4.4</td>
<td>8.412</td>
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<tr>
<td>2005</td>
<td>5.1%</td>
<td>3.1%</td>
<td></td>
<td>2.4%</td>
<td>41.4%</td>
<td>-0.3%</td>
<td>0.7</td>
<td>16.2</td>
<td>4.3</td>
<td>8.107</td>
</tr>
<tr>
<td>2006</td>
<td>5.0%</td>
<td>7.7%</td>
<td></td>
<td>3.3%</td>
<td>13.8%</td>
<td>0.6%</td>
<td>0.7</td>
<td>16.7</td>
<td>4.3</td>
<td>7.958</td>
</tr>
<tr>
<td>Average</td>
<td>3.5%</td>
<td>6.6%</td>
<td></td>
<td>1.5%</td>
<td>35.2%</td>
<td>-2.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targets</td>
<td>&gt;6%</td>
<td>&lt;10%</td>
<td></td>
<td>&gt;2.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fourthly, a major constraint identified in an investment climate survey, is the continuing shortage of skills (Davies, 2006). Although addressing the shortage of skills is both an economic and developmental imperative, there have been difficulties in producing the human resources that the economy needs to grow as well as those necessary to equip millions of unemployed individuals to find employment. This challenge has been compounded by the emigration of many skilled young professionals and the very high mortality associated with the AIDS epidemic.

Figure 26: Growth trends in the SA Economic Indicators in percentage
The bottom line appears clear from the trends in the above graph. In the first decade of South Africa’s democracy, despite regular increases in GDP and some quite large increases in Foreign Direct Investment, a very low budget deficit and stable Consumer Price Index, income inequality nevertheless grew very rapidly. Only from about 2003, when there was a marked increase in social spending did income inequality begin to decline slightly. It should be noted that with a Gini coefficient in the region of 0.7, the situation is still worse than in 1994. Without active intervention to eliminate income inequality, even strong economic growth in the years leading to 2014 is only likely to be associated with declining inequality if anti-poverty social spending continues to proportionally increase.
An innovative way of showing progress in measuring changes in poverty

Table 12: Income Poverty & Inequality Star (relative shifts in indicators)

The Income Poverty and Inequality Star, devised by the Institute for Justice and Reconciliation (2006) provides an innovative multi-year snapshot of changes in key indicators of poverty and inequality. The Star is based on two annual sources of information on income poverty: the October Household Survey (OHS) and the All Media Products Survey (AMPS). The authors accept that these more frequent surveys are less reliable than Census data in providing an accurate picture of levels of income poverty, but still provide useful information about the direction and rate of change in levels of poverty. While the OHS indicators show higher levels of poverty and different Gini coefficients, the trend apparent in the AMPS indicators are consistent with the OHS trends, namely a slow reduction in poverty and equality across the board, except for the differential between male and female-headed households, where the OHS shows a reversal in 2004 over 2003.

Source: 2006 Transformation Audit, Institute for Justice & Reconciliation. Calculations by S van der Berg and M Louw using All Media Products Survey (AMPS) data. Poverty line = R3 000 per person per year in 2000 rands. Affluence line= R30 000 per person per year in 2000 rands
7. SPECIFIC ANTI POVERTY PROGRAMMES

Assessing the impact of the anti-poverty strategy in South Africa is complex because of the way in which the terms social security, social assistance, social protection, safety nets and the social wage have been variously used and understood.

The United Nations define social security as: “... the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children.” (Midgley, 1996)

According to the ILO\(^{19}\) (2007), social security comprises national compulsory and contributary or non-contributory social protection schemes based normally on the principles of universality (i.e. covering the whole of a country's population) and unified general coverage against the risks of illness, accidents, old age, unemployment, etc. and loss of revenue occasioned by family responsibilities.

Social assistance is the various kinds of assistance in money or in kind to persons often not covered by social insurance and who lack the necessary resources to cover their basic needs. (ILO, 2007). Norton et al (2001) see the issue more broadly and define social assistance as: “...public actions which are designed to transfer resources to groups deemed eligible due to deprivation. Deprivation may be defined by low income, or in terms of other dimensions of poverty (eg. social or nutritional status).”

The generic concept of “social security”, has tended to be more applicable to developed countries where the conditions are such, that large number of citizens are engaged in the formal economy for their livelihood. In this situation it is feasible to provide and manage social security through a package of defined contributions. But, in the context of the wide spread informal economy in developing countries, where formal social security arrangements are almost absent for the vast majority of the population, the term is less appropriate. Besides, in developing countries, the state's capacity to reach the vast majority of the poor people may be restricted because of its limited resources. In such a context, the involvement of multiple agencies that could provide for social protection are all important for policy consideration. Part of South Africa’s complexity is that it includes both formal and informal economies in one country.

Dreze and Sen (1991) distinguish between two forms of interrelated social security; social protection and social promotion.

\(^{19}\) http://www.ilo.org//thesaurus/
**Social protection** is concerned with preventing a decline in living standards, especially in terms of basic needs and has been to address acute vulnerability. In this sense, the idea overlaps with the notion of safety nets, which Cook et al (2003) suggest are “...generally used to refer to relatively short term interventions intended to address transitory crises”.

**Social promotion** on the other hand is long-term and concerned with the enhancement of living conditions, addressing constant deprivation or what has been referred to as chronic poverty. It therefore refers to a set of benefits available (or not available) from the state, market, civil society and households, or through a combination of these agencies, to the individual/households to reduce multi-dimensional deprivation. This multi-dimensional deprivation could be affecting not only less active vulnerable persons (e.g. the elderly, disabled), but active healthy people (e.g. the unemployed).

Together these two forms of social support provide a broader, more relevant and acceptable framework for developing countries than narrower approaches to “social security,” which often focus mainly around social protection. The broader approach provides a framework for holding the state responsible for supporting the poorest sections of the population by enrolling numerous state agencies not normally considered part of the social security system as well as engaging and regulating non-state institutions.

Given that the broadest concept of social promotion could involve a diverse array of economic reforms such asset redistribution, market regulation, land reform etc, this paper adopts a slightly narrower perspective of the social wage, specifically dealing with those forms of social development services concerned with protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. These fall into groups of public expenditure categories such as:

- **Social assistance and grants:** These are long and medium term cash transfers (e.g. including the Old Age, Disability, Child Support, Foster Care Grants and Grant-in-Aid,
- **Employment generating programmes, enterprise development and income support** (e.g. Poverty Alleviation Projects, Community Based Public Works Program, Expanded Public Works Programme, Flagship Program for Unemployed Women and their Children, Working for Water Program and Working for the Coast Program, Learnerships, Cooperatives)
- **Basic household security** (e.g. access to basic necessities—things such as food, water, housing, electricity, education, medical care)
  - Consolidated Municipal Infrastructure Program, Community Water Supply and Sanitation, Electricity Basic Support Services Tariff Strategy, Integrated Sustainable Rural Development Strategy, Rural Infrastructure Strategy and Free Basic Services Coordination
  - Free education including Early Childhood Development and free schooling
o Health protection programs including Primary Health Care, the Integrated Nutrition Program, National School Nutrition Program, Prevention of Blindness/Vision 2020, Free Health Care Services and Protein Energy Malnutrition Scheme
o Assistance for people with special needs including Home-based/Community Care
o Program for Children and Families Affected and Infected by HIV/AIDS and
o Assistive Devices for the Disabled

- Social services (eg, adoption, child protection);
- Disaster relief: These are short-term cash or in-kind cash and in-kind transfers for crisis situations including (eg. the social relief of distress, Social Relief Fund, Disaster Relief Fund, Refugee Relief Fund, the Special Program for Food Security and in-kind transfers during food crisis through the National Food Emergency Fund.
- Employment related social insurance (eg. unemployment insurance); (May, 1988)

Prior to 1994, social grants were allocated differentially on a racial basis. This inequity has been completely removed.

The following definitions are also important to the discussion that follows:

**Minimum guaranteed income**
Minimum income guaranteed by the state to all persons or families whose income falls below a certain fixed level. Various methods may be used to assure the guaranteed income: negative income tax, family benefits, social assistance, etc. Some schemes include some sort of work incentive. (ILO, 2007)

**Negative income tax**
System of income maintenance whereby persons below a certain income level with family responsibilities are exonerated from income tax and receive financial aid through the tax system rather than as social insurance benefits or social assistance payments. (ILO, 2007)

**Work incentives**
Measures to encourage resumption of employment after a period of dependency on social security benefits as sole income; or, more generally, to help individuals to take up a remunerated activity. (ILO, 2007)
7.1 The social wage

The ‘social wage’ refers to that part of government spending dedicated to the provision of income security, goods and services that confer a personal benefit to individuals. The term is often used to refer to composite state spending on education, social security and housing, although sometimes social security expenditure is removed from the ambit of the social wage. [Frye and Farred, 2007]

The Constitution guarantees a number of “social wage” rights to its citizens inter alia, 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. Access to adequate housing, basic education and basic health care are also catered for and the Constitution requires that the state takes “…reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights“ (Section 27).

Although implementation is at best patchy in terms of coverage and quality, the government has attempted to provide for these rights through an array of state-funded and state-run programmes, some of which predate the transition period.

For the first ten years of the democratic government, the Government’s fiscal policy was somewhat restricted. Although social spending as a proportion of GDP rose marginally in 1994 and 1995, it then declined from 2.3% in 1996 to about 2% in 2000 as part of the tighter discipline following the release of the GEAR policy. As has been indicated elsewhere this was accompanied by increasing poverty. However, a more expansionary fiscal strategy became evident in 2003/04 and 2004/05 when National budgets gave greater priority to social spending. Transfer payments for social security which make up part of equitable share allocated to provinces, have increased significantly in real terms since then. There has since about 2001 been an increase in social spending.

Currently social assistance and grants are targeted at, among others, pensioners, poor families with children, war veterans and families taking care of children and people in need. Income support to vulnerable households through social security and social-assistance grants has been the fastest-growing category of government expenditure since 2001. In 2005 this amounted to R70 billion a year and 3.4% of gross domestic product (GDP). Social grants contribute about half of the income of the poorest 20% of households, and have approximately doubled in real terms between 2000 and 2007. South Africa currently spends about 3.9% of its GDP towards social assistance, which is reasonable, especially compared to other developing countries.
Table 13: Average value of social wage and social grants per household per month (2004)

<table>
<thead>
<tr>
<th>Component</th>
<th>Top 40% of households</th>
<th>Poorest 60% of households</th>
<th>Poorest 40% of households</th>
<th>All households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Electricity</td>
<td>2</td>
<td>31</td>
<td>33</td>
<td>19</td>
</tr>
<tr>
<td>Water</td>
<td>1</td>
<td>20</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>Sanitation</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Solid waste</td>
<td>1</td>
<td>10</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Housing</td>
<td>20</td>
<td>26</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>Education</td>
<td>270</td>
<td>347</td>
<td>347</td>
<td>317</td>
</tr>
<tr>
<td>Health Care</td>
<td>155</td>
<td>238</td>
<td>244</td>
<td>205</td>
</tr>
<tr>
<td><strong>Total social wage</strong></td>
<td><strong>449</strong></td>
<td><strong>677</strong></td>
<td><strong>719</strong></td>
<td><strong>587</strong></td>
</tr>
<tr>
<td>Social grants</td>
<td>70</td>
<td>208</td>
<td>236</td>
<td>154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>519</strong></td>
<td><strong>886</strong></td>
<td><strong>955</strong></td>
<td><strong>740</strong></td>
</tr>
</tbody>
</table>

Figure 27: Monthly contribution of social wage to poorest 40% of households (2004)

Sources: HSRC, The Social wage in South Africa 2004; SAIRR, SA Survey 2006/07
* Disability grants have not been included owing to difficulties in gathering reliable data. DGs account for almost 25% if total grants, therefore the amount indicated under-estimates the total.

It should be noted from the above table and figure that electricity, housing, water, waste management and sanitation make a relatively small monthly (R97 per month) direct contribution to the income of the poorest 40% of households.
households, compared to the indirect contribution of education and health care which at R591 per month dwarfs even the social grant contribution.

In 2003, it was estimated that the total value of the social wage was R88 billion (GCIS, 2007)

Although Meth and Dias (2004) acknowledged that a contribution was being made to income poverty through the social wage, they argued that in their view, as of 2002, this was making a minimal improvement to poor people’s well-being. Although in absolute terms, the numbers of houses built, clinics constructed, water and electrical connections made, VIP toilets provided, roads upgraded was very large, even after account had been taken of this, those in the bottom two expenditure categories were still badly off. Although the Government’s achievements in the field of social provision had been significant, the large increase in numbers of those requiring assistance tended to reduce the impact overall. They argued that with the possible exception of the Child Support Grant (CSG), the Government’s efforts to ameliorate the sufferings of the poor through the social wage had little impact on the average spending power of the poor, because of its limited scale.

From their calculations, in the lowest expenditure class (R0-399 Rand per month), those best off would have had a maximum of R4.67 additional to spend each day (~R140 per month) per household. In the next expenditure category (R400-799 per month), would have risen to a maximum R7.03 daily (~R210 per month in 2002 prices per household).

In respect of the contribution of the Child Support Grant, they calculated the effect, assuming that the CSG was equally divided among all household members. In 2002, children under the age of seven years were eligible for the grant and its value was R140 per month. This was being extended over a three-year period to children under the age of 15 years and R160 per month. The September 2002 LFS figures showed that there were about 2.4 million children under the age of seven years in the lowest expenditure category, and about 2.8 million in the next category. If that were the case, those households in the lowest expenditure category would have each received an additional R28.00. In the slightly more populous households in the next expenditure category, each individual would have received an extra R26.51. The CSG would thus raise consumption levels to R115.20 and R173.40 respectively in these two expenditure categories.
Table 14: Gross value of the social wage and social grants

<table>
<thead>
<tr>
<th>Component</th>
<th>Top 40% of households</th>
<th>Poorest 60% of households</th>
<th>Poorest 40% of households</th>
<th>All households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Electricity</td>
<td>131</td>
<td>2,774</td>
<td>2,001</td>
<td>2,904</td>
</tr>
<tr>
<td>Water</td>
<td>72</td>
<td>1,816</td>
<td>1,312</td>
<td>1,888</td>
</tr>
<tr>
<td>Sanitation</td>
<td>34</td>
<td>514</td>
<td>350</td>
<td>548</td>
</tr>
<tr>
<td>Solid waste</td>
<td>66</td>
<td>934</td>
<td>6,388</td>
<td>1,000</td>
</tr>
<tr>
<td>Housing</td>
<td>11,769</td>
<td>2,357</td>
<td>1,572</td>
<td>3,536</td>
</tr>
<tr>
<td>Education</td>
<td>16,055</td>
<td>31,541</td>
<td>23,064</td>
<td>47,595</td>
</tr>
<tr>
<td>Health Care</td>
<td>9,202</td>
<td>21,565</td>
<td>14,869</td>
<td>30,767</td>
</tr>
<tr>
<td><strong>Total social wage</strong></td>
<td><strong>26,739</strong></td>
<td><strong>61,500</strong></td>
<td><strong>43,806</strong></td>
<td><strong>88,239</strong></td>
</tr>
<tr>
<td>Social grants</td>
<td>4,179</td>
<td>18,901</td>
<td>14,365</td>
<td>23,081</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,918</strong></td>
<td><strong>80,402</strong></td>
<td><strong>58,171</strong></td>
<td><strong>111,320</strong></td>
</tr>
</tbody>
</table>

Sources: HSRC, The Social wage in South Africa 2004; SAIRR, SA Survey 2006/07

* Disability grants have not been included owing to difficulties in gathering reliable data. DGs account for almost 25% if total grants, therefore the amount indicated under-estimates the total.

The importance of the Social Wage

Treasury data shown below illustrates that of all the interventions being undertaken, the one that most assists poor households are social grants.

Figure 28: Social Security Spending in South Africa 2001/2 to 2006/7

The black line is the line of social equality. Any curve below the line represents an expenditure that tends to favour the wealthy. The more it curves downwards the stronger the effect. Any curve above the line tends to favour the poor. The more it curves upwards the more it serves the poor.
One can see how the red line (essentially the Lorenz curve for the country) demonstrates that income distribution pattern in the economy is very inequitable in that the poorest 40% of the population get less than 5% of the income.

Social assistance (blue) is the most beneficial aspect of social spending for the poor. Although services such as housing, benefit the poor more than they do the wealthy, they do so to a lesser extent than social grants. The benefits of health and school education, which are by far the largest areas of social spending by the state, are more or less equally shared between wealthy and poor. Tertiary education expenditure (green) tends to mainly favour the wealthy.

### 7.2 Social grants

Social Assistance\(^2\) is an income transfers in the form of a grant or financial award provided by government provided by the government to a resident who is unable to sustain themselves. A social grant refers to adult grants, that is, disability grant, a grant for the aged and a war veteran's grant. Before a decision to award a grant is taken, certain requirements are taken into account through a means test. Social Assistance is provided in the form of one of the following grants: Old Age Grant, Disability Grant, War Veterans Grant, Care Dependency Grant, Foster Child Grant, Child Support Grant or a Grant-in-aid.

As from 01 April 2006, the responsibility for the management, administration and payment of social assistance grants was transferred to the South African Social Security Agency (SASSA). SASSA is a section 3A public entity and focused institution responsible to ensure that government pays the right grant, to the right person, at a location which is most convenient to that person.

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Social Grants as at 01 April 2007 and 28 February, 2008

Table 15: Various forms of social assistance available

<table>
<thead>
<tr>
<th>Form of social assistance</th>
<th>Monthly 2007</th>
<th>Monthly 2008</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Age grant</td>
<td>R 870.00</td>
<td>R 940</td>
<td>Old Age - if female 60 years and above, if male 65 years and older; the qualifying age for men for the old age pension should be reduced from 65 to 63 during 2008, to 61 in 2009 and to 60 by 2010.</td>
</tr>
<tr>
<td>Disability grant</td>
<td>R 870.00</td>
<td>R 940</td>
<td>Disability - between the ages of 18 and 60 if female and 18 and 65 years if male</td>
</tr>
<tr>
<td>War veterans' grant</td>
<td>R 890.00</td>
<td>R 940</td>
<td>War Veteran- 60 years and older, or veterans under 60 due to medical reasons.</td>
</tr>
<tr>
<td>Grant-in-aid</td>
<td>R 200.00</td>
<td>R 220</td>
<td>Beneficiaries are those who receive a social grant and need full-time care from someone else.</td>
</tr>
<tr>
<td>Child support grant</td>
<td>R 200.00</td>
<td>R 220</td>
<td>Child support grant- between the ages of 0 and 14 years. The child support grant will be extended to include children up to their 15th birthday with effect from January 2009.</td>
</tr>
<tr>
<td>Foster child grant</td>
<td>R 620.00</td>
<td></td>
<td>Foster care- between the ages of 0 and 18 years. Extension order can be given until the age of 21 years.</td>
</tr>
<tr>
<td>Care-dependency grant</td>
<td>R 870.00</td>
<td>R 940</td>
<td>Care dependency- between the ages of 1 and 18 years</td>
</tr>
<tr>
<td>Institution (25%)</td>
<td>R 217.50</td>
<td></td>
<td>If a person is maintained in a state institution for more than 6 months, then the person does no longer qualify for a social grant.</td>
</tr>
<tr>
<td>Social Relief of Distress</td>
<td></td>
<td></td>
<td>Temporary material assistance issued to people who are unable to meet their family’s most elementary needs. Maximum period is usually 3 months</td>
</tr>
</tbody>
</table>

Source SASA, 2007

Table 16: Thresholds for being able to obtain social assistance

<table>
<thead>
<tr>
<th>Description</th>
<th>Adult Social Grants</th>
<th>Child grants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single person</td>
<td>Married person</td>
</tr>
<tr>
<td>Asset threshold</td>
<td>R 313 200</td>
<td>R 626 400</td>
</tr>
<tr>
<td>Income threshold</td>
<td>R 21 612</td>
<td>R 40 092</td>
</tr>
<tr>
<td>Child support grant:(Urban)</td>
<td>R 9 600</td>
<td>R 13 200</td>
</tr>
<tr>
<td>(Rural/informal dwelling)</td>
<td>R 14 880</td>
<td>R 48 000</td>
</tr>
<tr>
<td>Foster child grant</td>
<td>R 20 880</td>
<td></td>
</tr>
</tbody>
</table>

Source SASA, 2007

7.2.1 Growth in Social Assistance

As suggested earlier, the decline in income poverty from the early 2000s appears to be mainly due, to the expansion of social grants providing for the elderly, the disabled, and poor parents with young children. (Seekings, 2007).

Although, there have been no substantive changes in the basic design of the public welfare system, from the early 2000s the government has increased substantially its total expenditure on social assistance and reached many
more poor people. Expenditure on social assistance almost doubled in percentage terms from about 2 percent of GDP in 1994 (and 2000) to about 3.5 percent in 2006. In absolute amounts, social grants have grown six-fold since 1994, trebling in the first ten years of democracy and then almost nearly doubling again since then. Estimates of expenditure reveal that total grant beneficiaries have doubled from 2.5m at the beginning of 1997 to well over 5m by 2002 and an even more massive increase to 12.2 million by September 2007, mainly due to increases in child support grants. (SASA, 2007)

Table 17: Growth in Social Grants 1994 – 2008

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>R10b</td>
<td>R34b</td>
<td>R62.2</td>
<td>R75.3</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>2.6m</td>
<td>6.8m</td>
<td>12.0m</td>
<td>12.4m</td>
</tr>
</tbody>
</table>


In 2005, 5.8 million children in South Africa were recipients of the Child Support Grant, amounting to more than R1 billion per month. (GHS 2005, Budget 2007)

By May 2006, more than seven million children received the CSG, while more than 330,000 children received foster care grants. The target set by government for extending the CSG to children under 14 years was 3.2 million children by the end of March 2006. (GCIS, 2007)

By July 2006, over 3.4 million children were receiving the grant. In the age cohort seven, eight, nine and 10 years, the targets had been exceeded. In the age category 11 to 14 years, there was still a shortfall of 119,000 children who needed to be registered. (GCIS, 2007)

In 2006, there were almost 1.3 million beneficiaries of the Disability Grant, while more than two million people received the Old-Age Grant. The 1.2-million target for 11 to 14 years was expected to be reached by the end of 2006/07 (GCIS, 2007)

In September 2007, 8.0 million South African children (52% in 0-14 age group) receive a child support grant, at R200 per child per month. (SASA, 2007; StatsSA, 2007.)

In February 2008, the Minister of Finance (Manuel, 2008) anticipated that social expenditure on all social grants would be increased by 10% and the total expenditure increased to R 73.3 billion. The age for the eligibility for the child support grant was increased to 15 years and the age for receiving the old age pension for men would be gradually reduced to 60 years of age by 2010. It was expected that the total number of beneficiaries of all social grants would increase significantly to 12.4 million.

The type of growth seen in the extension of CSGs since 2000 has been very encouraging and is well illustrated in the figures below.
Figure 29: Social assistance programme expenditure as a % of GDP

Source: Seekings, 2007: 30

Figure 30: Numbers of social grant beneficiaries from 1993 to 2006

Source: Seekings, 2007: 21
Figure 31: Numbers and percentages of social grant beneficiaries Sep 2007

![Graph showing numbers and percentages of social grant beneficiaries]


Figure 32: How often did a child in the household go hungry

![Graph showing how often children in the household went hungry]

Source: Seekings, 2007

Responses to the question in the GHS, “how often did a child in the household go hungry in the past 12 months” indicate clearly that reported child hunger declined during the early 2000. Reported hunger among adults also declined. (Seekings, 2007).

In terms of the The Human Development Index (HDI), South Africa is doing less well. The HDI is a measure of well-being developed by the United Nations Development Programme (UNDP), and reported in the UNDP’s
South Africa’s absolute HDI together with its relative ranking relative to other countries are deteriorating. The South African HDI rose steadily in the last years of apartheid, peaked around 1995, and then declined steadily, at least until 2003, which is the most recent year for which data are available at present. South Africa’s declining HDI meant that its global rank slipped dramatically, from the 90th place in 1994 and 88th position in 1995 to 121st (in 2004).

Figure 33: South Africa's HDI and global ranking 1990 - 2004

The reason for this dramatic deterioration is because of the way the HDI is constructed and the importance it places on life expectancy index which is derived from data on life expectancy at birth. This index together with the ‘educational attainment index’ constructed out of adult literacy rates and gross school enrolment rates; and an index of GDP per capita taking into account purchasing power are the three that comprise the HDI. The UNDP selected these variables for the HDI because they were readily measured and together provide a good indication of the reality of social and economic well-being in a country or region. (Seekings, 2007)

The rapid decline in South Africa’s absolute and relative HDI is entirely due to the rapid decline in life expectancy, which itself is a consequence of the HIV and AIDS epidemic. The decline in life expectancy has rolled back the gains of decades of development in Southern Africa (Nattrass, 2002). By 2010, it is estimated AIDS will have reduced life expectancy at birth in South Africa by twenty years: without AIDS, it would have been 68 years, with AIDS, it will be 48, or perhaps even less. (Seekings, 2007)

7.2.2 Social Relief of Distress

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. In order to qualify for 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 6 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.

Social Relief of Distress is issued monthly or for any other period for a maximum period of 3 months. Extension of the period by a further 3 months may be granted in exceptional cases. Transport expenditure may be paid in exceptional cases where the applicant is referred for treatment by a medical officer and no other transport arrangements can be made; and the person must travel to a specific destination to accept employment where he or she will not be dependent on further State Aid.

During the 2008 National Budget, the Finance Minister announced the expansion of early childhood education to include about 600,000 more children in an attempt to provide pre-school education to the poorest of households. In addition, the school nutrition programme is to be increased by over 30 per cent during the year to feed more children, in more schools, more days of the year. (Manuel, 2008)

A total of 92,785 indigent or poor household were served with free basic water in the last quarter of 2007. A total 132,549 household benefited from Free Basic electricity/Energy. The 2008 National Budget also added a total of R17 billion to the budgets of the departments of housing, provincial and local government, water affairs, sport and recreation and transport over the following three years, mainly for infrastructure. The R6.5 billion added to the local government equitable share further extends the resources available for free basic services to poor households. (Manuel, 2008)
7.3 Community public works programmes

Community Public Works like the social protection measures above are a second major instrument in alleviation of poverty.

Definition
Community Public Works Programmes are large scale, decentralized employment-intensive initiatives established with the aim of alleviating unemployment, poverty or hunger. Specific instances of such programmes differ in the precise way that the generic idea is applied as is indicated below.

The history of South African experience
South Africa has had much the same experience over the past century as many other countries in both the developed and developing worlds in the use of Community Public Works in combating poverty. In 1890 for the first time the problem of poor whites, a class of white South Africans, most of whom were Afrikaans-speaking and of rural origins, was officially recognized.

Investigated first by the Transvaal Indigency Commission in 1906-1908 this phenomenon was investigated (Wilson and Ramphele, 1989). Successive droughts, outbreaks of rinderpest, plagues of locusts, the unproductive but customary subdivision of inherited land, the introduction of new agricultural methods, the ravages of the South African war all suggested as reasons for the so-called difficulties these rural people were finding in adapting to the changing and increasingly industrialized nature of the country's economy.

Tens of thousands of poor whites were crowding into the growing cities where they were obliged to compete with "cheap" black labour. Many could not do so and their morale had deteriorated to the point of extreme apathy. Some stayed on the land as bywoners or squatters, tenant farmers of the poorest kind.

By the mid 1920s a socio-economic crisis resulted in the Carnegie Corporation of New York, the Union Government and the Dutch Reformed Church combining to finance a wide-ranging survey resulting in a report in 1932. More than 300,000 of the white population of 1.8 million (16%) could be classed as 'very poor'. With the deepening world wide Depression over the next few years, the crisis intensified. Initially relief measures were instituted, but later it was formally decided that simple charity was not enough, and indeed that it would lead to "loss of independence and may imbue impoverished people with a sense of inferiority, impair their industry, weaken their sense of responsibility..."

The government then embarked on a coherent programme of rehabilitation and development, establishing vocational schools, setting up a welfare department, launching schemes to teach useful skills, unemployment
relief and not least of all by ploughing money into heavy state owned manufacturing schemes such as the Railways and the giant Iron and Steel Corporation, Iscor. By 1933, a total of 59,000 poor whites were employed by various state relief measures and by 1939 well over half (59%) of the central government (white) employment of 98,000 consisted of relief work.

Abedian and Standish (in Wilson and Ramphele, 1989) have outlined the sorts of projects that the state initiated in order to relieve white unemployment. Irrigation schemes offering piece work for the skilled unemployed, and afforestation programmes providing jobs, houses schools, medical services and firewood for poor whites were successfully established. Programmes such as anti-soil erosion works were designed to alleviate rural poverty employed 5,000 men or more, whereas in the urban environment there was Iscor and the railways. Part of the sacrifice was that to achieve this end, particularly on the railways, employment was created by displacing blacks. (Wilson and Ramphele, 1989)

By the end of the decade the 'poor white' problem had been virtually eliminated. As in the United States the coming of the Second World War eased the unemployment situation completely. It is worth noting that the programme highly effective as it seems to have been, was financed more by reallocation within the public sector budget than by increasing the government's share in the economy as a whole. The programme therefore has little effect on aggregate government expenditure, taxation or debt. It was only during the war years that the proportion of government expenditure as a proportion of GNP leapt from 15% in the five years preceding the war to 25% during the five years of the war itself.

In 1984 as a result of initiatives undertaken, again in conjunction with the Carnegie Corporation, in the early 1980s, another Inquiry was held, this time drawing in papers from hundreds of researchers from all walks of life. This time, black poverty formed the focus of attention. In one of the papers by Reynolds and Simkins presented the Maharashtra Employment Guarantee Scheme model and indicated that by a very rough estimate of the national distribution of families and income shortfalls it was estimated that to bring families in the SA reserves, where acute poverty was most concentrated, up to the poverty datum line as measured in 1980, an extra income of R185 million per month would be required. They conclude that "if provided through wages on a public works programme with wages at 60% of total cost, would require a programme expenditure of R3.7 billion in 1980. That equals 6% of GDP, or roughly 32% of the Gross Domestic Fixed Investment of public authorities and of public corporations in that year."

Fortunately the value of employment creation programmes has not gone unnoticed in South Africa, although at this stage, even with the Expanded Public Works Programme, the scale of the effort is too small to make a significant impact on unemployment.

Nevertheless, beginning in 1986, the South African Government allocated R600 million Rand to be spent on employment creation, a considerable
amount of money but only a fifth of that suggested by Simkins and Reynolds to bring all families up to the poverty datum line.

Chris Mann (The Valley Trust, 1989), described a local application of an innovative new approach to create a public works programme using these funds in an unemployment relief scheme, funded by the Department of Manpower through The Valley Trust, a non-government organization in the Valley of a Thousand Hills, a semi-rural black community 40 kilometers inland from Durban. In their Annual Report of 1989 he draws attention to the considerable impact such a programme can have when applied as part of a holistic development project, not only to provide unemployment relief, but to generate community assets by labour intensive projects. He gives an example of how the costly alternative use of public resources are scarcely questioned when they meet the needs of the already well-served white sector, as for example when a new off-ramp was constructed on an already excellent highway serving the nearby affluent local community in Hillcrest.

"During the past few years a third lane has been added to a number of road bridges across a nearby double-lane highway. The cost in each case was approximately R3,000,000. The R3,500,000 channelled by the Department of Manpower through The Valley Trust during the same period has led in contrast to the construction of five new sports fields, two mountainous roads of over 13 kilometres in total length and the maintenance of numerous other local earth roads, the establishment of twenty woodlots for household fuel and poles, the construction of a 12 kilometre water pipeline, a demonstration rain harvester tank and orchard and other soil conservation measures, the construction of over 40 ventilated pit latrines giving approximately six months employment out of each year to between one and two thousand people, many of whom had not been previously employed nor had previously been employed nor had the prospect of a job in the future."

7.3.1. The Community Based Public Works Programme: 1994-1997

The new South African Government of National Unity introduced the Community Based Public Works Programme (CBPWP) soon after the democratic election of 1994. It was part of the National Public Works Programme (NPWP), launched as a presidential lead project and integrally linked to the Reconstruction and Development Programme (RDP). A grant of R250 million was allocated from the RDP fund to finance the CBPWP until the end of 1996 with no guarantee of funding beyond this period. Early weaknesses in M&E and the inability to demonstrate "community driving" and cost efficiency led to a lack of willingness of a Presidential commission investigating labour market policy to recommend increased commitment to the CBPWP at that stage.21 The programme was realigned in 1997. The CBPWP was intended as a specific job creation and poverty alleviation programme of government, targeted primarily at the rural poor with the objectives of:

21 NEDLAC Job Creation Panel, 1996 www.nedlac.org.za
• creating short term employment opportunities for community members by means of construction of public assets;
• creating useful public assets to disadvantaged poor communities;
• creating sustainable employment opportunities by facilitating micro business opportunities associated with the community assets created.

Table 18: Defining the CBPWP

As the name implied the CBPWP was community focused on community Based Situated close to people and emphasizing empowerment with respect to employment, selection of appropriate projects and involvement in the management and implementation of projects.

Public creating useful public assets for the community

Works creating dignity through work

Programme comprising a targeted, pro-active programmatic approach.

Initially the CBPWP was a community managed programme which was implemented by a CBPWP unit within each of the Provincial Departments of Works (PDW). Funds were allocated to the PDWs who were responsible for identifying projects from applications received from communities.

Funds were then transferred from the PDW into community bank accounts for the planning and implementation of the projects. Communities were in turn responsible for appointing designers and trainers in order for these projects to

It was felt that one of the disadvantages of this approach was that communities who had little or no capacity were excluded from the process simply because they were not able to complete applications or were not able to manage the process.

According to the Minister of Public Works (Sigcau S, 2004), the International Labour Organisation (ILO) concluded in 1996 that the South African model of the CBPWP was “the best Public Works programme” in the developing world citing its labour intensive construction methods and job creation potential. In that period, the CBPWP created 39 306 jobs from an investment of R335 million.

The NEDLAC Framework on Job Creation in Public Works
In May 1996, the Development Chamber of The National Economic and Development Council (NEDLAC) convened a special session on job creation. A job creation panel was established and developed a framework agreement on job creation in public works with special reference to the community-based public works programme, which mainly related to the construction industry. Inter alia, it considered broader national public works programme issues, SMMEs, infrastructure investment and an evaluation of the National Economic Forum (NEF) job creation programme.
It was recognised that the high level of unemployment in South Africa made job creation a critical challenge. While ultimately it was essential to develop and implement medium and long-term macro-economic strategies which would provide labour absorbing growth in the interim, there was a dire need to address the consequences of unemployment.

Micro-level programmes such as the community-based public works programme, it was felt, could play a valuable role in achieving this goal by encouraging communities to get involved in job creation efforts. This strategy, would at the same time, kick-start local economic development.

The NEDLAC Framework sought to identify some of the problems and obstacles in the effectiveness of the existing community-based public works programme in creating sustainable employment and made practical suggestions to tackle them.

Nine problem areas were identified for attention:

1. Inadequate monitoring and evaluation of projects
2. Insufficient skills development and upgrading through training
3. Short-term nature of projects and outplacement into jobs on completion
4. Compromising the design of labour intensive projects because of choosing speed of delivery and low-costs over quality of services
5. Lack of targeting the most needy: women, youth, the disabled and rural communities
6. Deficient transparency in the allocation of funds by the department of public works
7. Poor maintenance of completed projects
8. Difficulties in the supply, storage and handling of materials
9. Prevailing capital-intensive practices in the construction industry
<table>
<thead>
<tr>
<th>Issue</th>
<th>Problem statement</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Evaluation &amp; monitoring of projects</td>
<td>Lack of formal, built-in M&amp;E made it difficult to assess whether the CBPWP was creating jobs and skills by delivering community driven and cost-effective infrastructure. Potentially successful job creation projects may not have been highlighted, resulting in the mixed perception of the programme</td>
<td>Independent, standardised M&amp;E of projects with such procedures integral to any programme from the earliest proposals, through to implementation and assessment. Information obtained should be taken into account in awarding subsequent contracts and allocating further funds to a project.</td>
</tr>
<tr>
<td>2. Skills development and upgrading through training</td>
<td>Conflicting objectives, e.g. the need to create an essential asset quickly versus the need to adequately train the workers on the project do not allow sufficient skills development, upgrading and training. This has a negative impact on the CBPWP’s ability to serve as a springboard for more sustainable employment in the long run. The short duration of many of the projects does not lend them to training and capacity building. Training facilities/organisations are (a) insufficient in number, (b) inaccessible to rural areas and (c) not sufficiently well-known.</td>
<td>Objectives should be explicit. When in conflict must be given clear priority ratings. Funding contingent on integration of an adequate training component except in special instances where training is not required due to the nature of the task at hand, e.g. digging a trench. Standards should be in keeping with SAQA to ensure that training is of such quality that the beneficiaries are employable, but this should not affect the process of delivery. The DoL as well as the PWP need to explore an integrated training mechanism. List of training organisations should be maintained and information circulated widely.</td>
</tr>
<tr>
<td>3. Short-term planning of projects</td>
<td>Existing projects provided short term relief for the unemployed and did not offer further opportunities for employment. The temporary nature of funding hinders appropriate planning for existing programmes and new projects. This contributes to the poor performance and high turnover rates amongst staff members. It also prevents programmes being implemented more effectively in a second round. Job insecurity may have the effect that people engaged in the project work less productively in an attempt to extend their period of paid employment. By stalling a project in this way, costs are increased and labour intensive methods are undermined. The community who stand to benefit from the completion of the project is prejudiced by delay.</td>
<td>Longer term projects that allow sufficient time for training, acquisition of skills and the achievement of the other benefits of labour intensive methods should be encouraged, except in the special circumstances where training is not a prerequisite. Opportunities beyond the initial project must be addressed in advance, with a focus on assistance regarding possible career pathing by industry and development plans. Training boards should develop learning pathways during and after completion of job creation schemes. Allow for multi-year programming through continuity in funding. (<em>International experience shows that programmes of this nature should run for a period of at least four to six year period in order to kick-start local economic activity.</em>) Efficiently performing programmes should get ongoing funding.</td>
</tr>
<tr>
<td>4. Design &amp; quality of labour intensive projects</td>
<td>The choice of experts both within and outside of a community is a cause of considerable tension and conflict. This in turn has resulted in increased delivery time and subsequent increases in project costs.</td>
<td>A strong community facilitation process must be established prior to the commencement of a project. The experience gained from successful projects and expertise within government must be shared.</td>
</tr>
<tr>
<td>5. Targeting the most needy</td>
<td>The balance between women and men working in projects was still generally biased towards men. Even those women that participated performed menial tasks e.g. carrying, making tea and assisting men. Targeting of the most needy is difficult because they are often difficult to reach given poor channels of communication and inadequate access to labour market information. The inclusion of pregnant women and the disabled was felt to be counter productive to the cost effectiveness &amp; delivery times.</td>
<td>A standard criterion for targeting poor women, youth and disabled sectors should be developed. When considering the costs of a project, the social benefits of including the most needy should be given sufficient weight. Allocation of funds should be made contingent upon inclusion of these groups. SMMEs should be promoted in rural areas to focus on marginalised groups, particularly the disabled people by DPW &amp; Department of Trade and Industry</td>
</tr>
<tr>
<td>6. Transparency in the allocation of funds</td>
<td>The allocation of funds had not been sufficiently transparent, neither has it taken place in terms of any published policy. Local government capacity to be involved in this programme has not been fully investigated. There is a lack of coordination between various government departments and national, provincial and local structures. In some instances government departments have directly allocated funds to local communities creating problems of duplication, additional costs and the division of communities. There is a strong perception at community level that the RDP principles are given insufficient weight in the allocation of funds.</td>
<td>Policy regarding allocation of funds needs to be published. National Development Agency policy for the allocation of funds to CBOs and NGOs is important. Guidelines for the establishment of legitimate local development structures should be utilised to enhance community level identification, consultation &amp; facilitation of programmes. Local level institutions should enact and oversee the CBPWP to enhance greater community participation and ensure public works initiatives are assimilated into development plans. In keeping with the RDP principles, education and housing should be prioritised. (eg construction and maintenance of school buildings)</td>
</tr>
<tr>
<td>7. Maintenance of completed projects</td>
<td>It is not always clear who must assume responsibility for maintaining the finished asset upon completion. As maintenance requires the allocation of funds, this is crucial for sustaining the completed project.</td>
<td>Maintenance responsibility, including issues of funding for maintenance, needs to be established at the commencement of a project.</td>
</tr>
<tr>
<td>8. Supply, storage and handling of materials</td>
<td>In many instances, materials required for the project are manufactured at a considerable distance from the location of the project. This not only increases the cost of transporting materials but also operates against small contractors at the place of the project. There is often nowhere to store large quantities of materials within key communities. This necessitates the transporting of small loads from the manufacturer. As this is uneconomical, there is an unwillingness to supply materials to projects.</td>
<td>In awarding contracts, preference should be given to contractors who are located within or near the community. Appropriate facilities for the storing of large quantities of building materials and the necessary security should be considered by the private contractors and supported by government, organised construction industry, labour, community and the Public Works Department should negotiate mechanisms to realise this objective.</td>
</tr>
<tr>
<td>9. Labour-saving practices in the construction</td>
<td>The community-based public works programme by it's nature is located within the Construction Industry. Established practice of the construction industry makes it difficult</td>
<td>The NPWP should be a mechanism for creating employment in the construction industry. The creation of an enabling environment which encourages labour intensive</td>
</tr>
<tr>
<td>Industry</td>
<td>to embrace the labour intensive construction methods due to a variety of problems e.g.: (a) Design of the project often doesn’t encourage use of labour intensive friendly methods of construction. (b) The cost of labour intensive methods may be high due to increased direct financial costs and indirect costs such as increased time to complete projects. (c) Perceived lower productivity on the project site. The system of payment at a project level remains controversial. The controversy is based on whether workers should be paid on an hourly basis or by task. Methods should be considered. Government should hasten a process which includes labour, private construction firms and communities in arriving at an accord. The DPWs should assist in promoting awareness in all the relevant departments on labour-intensive methods of production. To increase understanding of, and support for, labour intensive methods the Department of Public Works should make information available demonstrating the successful utilisation of labour intensive construction.</td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td></td>
</tr>
</tbody>
</table>

Source: NEDLAC 1996 : www.nedlac.org.za

**Why the CBPWP was re-aligned**

During 1997 on the basis of the experience gained in the Programme and an evaluation report by the ILO/CASE the programme was re-aligned. The re-alignment included that emphasis be placed on projects which create ‘Productive Assets’, in order for ongoing job opportunities to be created. Furthermore, results of the evaluation highlighted a generally non-equitable geographic spread of projects as well as an imbalance in project type.

**Key Aspects of the Re-alignment of the CBPWP were to include:**

**Clustering of Projects:**

The identification of projects were no longer to be a reactive process of responding to applications but rather a pro-active process as follows

- Integrated Development Planning was to result in the identification of Targeted Poverty Pockets;
- Identified projects were to be clustered in close proximity to one another to form a Cluster of projects within the Targeted Poverty Pocket.
- Support Services were to be appointed including:
  - A Cluster Project Manager (CM) by the PIA to prepare a Project Business Plan for each project in the cluster and oversee planning and implementation;
  - A Social Facilitator and a Technical Designer by the Cluster Manager. It was envisaged that a Technical Designer might not be necessary if the Cluster Manager had the capacity to do the Technical Design himself;
  - A Trainer or Trainers to each project within a Cluster by the PIA with the provision that the trainer is accountable to the Cluster Manager.
- Contract Awarding process
  - The awarding of the construction of the project was to be to a Contractor based on a targeted procurement tender process.
  - Payment was to be done by the PIA – not community
  - The Direct Payment of the professional team, trainers and...
contractor was by the PIA based on the basis of certified payment claims.

**Implementation of the CBPWP by Local Government:**
The Programme was to be implemented by Local Government acting as Programme Implementing Agents (PIAs).

**Guiding principles and objectives of the realigned CBPWP**
The guiding principles upon which the CBPWP was based included:
- creating sustainable job opportunities;
- targeting of poverty pockets
- poverty alleviation;
- local authority empowerment; and
- ensuring financial accountability.

**The Objectives of the CBPWP were:**
- creation of useful productive public assets;
- creation of ongoing job opportunities;
- creation of job opportunities during construction of the assets;
- targeting the poorest of the poor primarily in rural areas.

**Project Types:**
The following table indicates the various Project Categories and Project Types which were implemented under the Re-aligned CBPWP.
### Table 20: CBPWP Projects in 1997

<table>
<thead>
<tr>
<th>Project Category</th>
<th>Project Type</th>
<th>Included the following projects:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Access to Trade Opportunity</td>
<td>Access Roads</td>
<td>new roads road upgrading</td>
</tr>
<tr>
<td></td>
<td>Stream Crossings</td>
<td>bridge stream crossing drift</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>market stalls craft market workshops taxi rank</td>
</tr>
<tr>
<td>Directly Productive</td>
<td>Community Garden</td>
<td>vegetable garden food lot</td>
</tr>
<tr>
<td></td>
<td>Livestock Farming</td>
<td>piggeries cattle ranch dipping facility stock dams poultry stock pens</td>
</tr>
<tr>
<td></td>
<td>Food Store</td>
<td>food processing food silos</td>
</tr>
<tr>
<td></td>
<td>Irrigation</td>
<td>irrigation hydroponics</td>
</tr>
<tr>
<td></td>
<td>Waste Recycling</td>
<td>recycling</td>
</tr>
<tr>
<td></td>
<td>Waste Collection</td>
<td>waste collection</td>
</tr>
<tr>
<td>Labour Saving</td>
<td>Water Supply</td>
<td>local community water supply not sub regional scheme</td>
</tr>
<tr>
<td></td>
<td>Creche</td>
<td>creche pre-school</td>
</tr>
<tr>
<td>Social Cohesion</td>
<td>Multi-Purpose Hall</td>
<td>Multi-purpose hall community centre sports hall</td>
</tr>
<tr>
<td></td>
<td>Sports Facility</td>
<td>sports field terraced seating / spectator stands</td>
</tr>
<tr>
<td></td>
<td>School</td>
<td>school classrooms</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation of Community Facilities</td>
<td>Refurbishment</td>
</tr>
<tr>
<td>Environmental</td>
<td>Erosion Control</td>
<td>Donga rehabilitation</td>
</tr>
<tr>
<td></td>
<td>Reforestation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community Sanitation</td>
<td>Sports ablutions School ablutions</td>
</tr>
</tbody>
</table>
Targets of the CBPWP

The following targets were set in order to reach these objectives:

- Labour Intensive Methods of Construction were to be used on all projects with a minimum of 30% of the project budget (i.e. contract award value) to be spent on local community labour (this constituted the Local Resource Goal in terms of Target Procurement).
- Women were to make up at least 50% of the Total Local Labour employed on each project with an emphasis on “Women who are the single head of households and have dependants”.
- Disabled Persons were required to make up at least 1.5% of the total local labour employed.
- Youth (above school going age and below 36 years) were required to make up at least 15% of the total local labour employed.
- Environmental Target “greening” of all projects was required comprising at least 5 indigenous trees to be planted within each CBPWP project at symbolic/appropriate locations.

According to Phillips (2004), at its peak, the CBPWP was allocated approximately R350 million per annum, and the programme resulted in the creation of approximately 130,000 work opportunities between 1998 and 2004.

In 1998/9, the National Treasury indicated that the average outputs per million rand spend during the year was 25,000 work days, 2,200 technical training days, 2,250 Leadership and management training days and creation of 6 new assets.

Reviewing the performance of public works programmes in South Africa


She re-emphasized that since the South African economy had been unable to deliver employment for a growing number of would-be workers, especially among the unskilled, there was a need for state intervention to address this failure. Public works had been identified in the national policy discourse as a central policy response, to address both the problem of unemployment, and also a range of social development and economic objectives.

Regrettably with the evidence available at the time of her review, it was not possible for her to show that the anticipated broader benefits of public works programmes had been achieved in terms of increased livelihoods, reduction of poverty, the creation of sustainable employment, community empowerment, local multipliers, or growth as outlined in the policy. All that could be done was to assess the performance in terms of the scale of employment created, by which criterion, success had been limited.
The CBPWP, the major national employment creation instrument, created between 13,000 and 33,000 jobs per annum between 1996 and 2001, representing an estimated 1.5 million to 4.5 million workdays per annum, or 0.2 to 0.5% of total unemployed labour days. In other words the CBPWP was employing less than 1% of those unemployed, clearly an insignificant contribution to the issue of unemployment.

She found that in addressing the massive extent of unemployment, the scale of employment creation represented by the CBPWP had been limited by the scale of budgetary allocations, (less than one percent of the annual social security and welfare budget), as well as institutional constraints, relating to programme conceptualization, design, and project management capacity, in both the public and private sectors. A further finding was that the multiplicity of programme objectives had also contributed to a lack of focus which reduced the amount of employment generated.

**Table 21: National Public Works Programme Objectives**

<table>
<thead>
<tr>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create/maintain infrastructure</td>
<td>1.1 Meet basic needs of poor communities</td>
</tr>
<tr>
<td></td>
<td>1.2 Promote economic activity</td>
</tr>
<tr>
<td>2. Reduce unemployment</td>
<td></td>
</tr>
<tr>
<td>3. Create productive jobs</td>
<td></td>
</tr>
<tr>
<td>4. Educate and train workers</td>
<td>4.1 Achieve economic empowerment</td>
</tr>
<tr>
<td>5. Build community capacity</td>
<td></td>
</tr>
<tr>
<td>6. Strengthen local government</td>
<td></td>
</tr>
<tr>
<td>7. Strengthen community-based institutions</td>
<td></td>
</tr>
<tr>
<td>8. Generate sustainable economic development</td>
<td></td>
</tr>
</tbody>
</table>

Source: NEF 1994a

Her desktop estimates showed that an investment of R1.2 billion (National Budget, 2003) in labour intensive ‘expanded’ public works programmes over three years could create a maximum of 0.5% of unemployed workdays per annum. The cost to the fiscus of an expanded public works programme able to offer part time employment to a significant number of workers (3.2 million) would require between R17 and R28 billion per annum. It was her view that irrespective of the fiscal feasibility of this level of expenditure, such a programme would be unlikely to meet the wider set of sustainable social development and economic objectives set out in the policy discourse, unless a series of institutional issues relating to project design and implementation were resolved.

An important issue that she identified was that due to the short-term nature of the employment offered in the CBPWP, income earned as wages would tend to be fully consumed rather partially invested, leading to fewer sustained benefits or livelihoods improvements for participants, a problem which was compounded by lack of access to microfinance.

The lack of strategic development plans at local level, which when combined with poor targeting, rationing and inappropriate selection of assets for construction and rehabilitation was leading to a sub-optimal allocation of
employment for the intended beneficiary groups. A further constraint was the limited project management and social development capacity in the public and private sectors.

She concluded her analysis by expressing the view that while public works programmes are a valid component of a social protection policy, an expanded public works programme on its own is unlikely to have a significant impact on the problems of poverty, labour market access, and ultimately economic growth, unless the proportion of government expenditure allocated to the programme is substantially increased, and the associated institutional constraints are addressed.

**Figure 34: Public works jobs in South Africa from 1996/97 to 2001/02**

In a detailed analysis McCord (2002, 2003) showed that the workdays created under the CBPWP represented only between 0.24 and 0.48% of total official unemployment data during 1996/7 and 2001/2, which presents an optimistic view of the situation. If the more realistic broad unemployment figures were used it would have meant workdays created would only be between 0.11 and 0.27% of broad unemployment. Even if the employment creation achievements of the Working for Water, regarded as particularly effective, were added to these totals, the total proportion of unemployment accounted for by public works programmes would remain at less than 1% for 2002/3. This suggested that the scale of job creation over this period had been negligible in terms of the magnitude of the
level of employment at the time, and did not offer a significant response to the problem of mass unemployment (McCord 2002)\(^{22}\)

**Comparisons with public works programmes in India and the US**

In reviewing the scale of the South African job creation programme, a comparison with the performance of the Indian Maharashta Employment Guarantee Scheme (MEGS) reviewed more fully later is instructive.\(^{23}\) The MEGS was designed initially as a response to an immediate acute drought problem, but subsequently offered employment on a cyclical basis as required for those with chronic unemployment problems. This situation, much like South Africa’s, resulted from the structural inequalities of the rural Indian economy. The programme was designed to ‘sustain household welfare in the short run, through the provision of employment, and to contribute to the development of the rural economy in the long run through strengthening rural infrastructure’ (Dev 1995 p109). During the 1980s and 1990s more than 100 million workdays were created each year through the scheme, which absorbed between 10 and 30% of total unemployed workdays (Dev 1995 p113). In order of magnitude this is 10 to thirty times the size of the South African programme and shows that sustainable public works programmes can be implemented in a developing country context. Even the employment absorption through public works reached in the US during the Great Depression of the early 30s, was of a much larger scale than that in South Africa. It employed 4 million workers out of a total of 12 million unemployed (Garraty 1979). The performance of the Maharashta and US programmes, highlight the limited achievements of the South African job creation programme to date in terms of scale.

**Scenario of the costs of a public works programme that impacted on unemployment**

According to McCord (2003) the cost of a very modest programme creating full time employment for 200,000 people (52.8 million workdays) would cost between R2.31 and R3.85 bn, and a part time scheme (24.0 million workdays) between R1.05 and R1.75bn. This would cater for less than 5% of the unemployed. Creating a more significant full time employment in a public works programme for 3.2 million people (844.8 million workdays) over one year would cost between R36.96 and R61.6bn at 2002/3 wage levels, depending on the percentage of total cost allocated to wages. If the work were limited to creating only part time employment for the same number (384.0 million workdays) a remuneration level of R350 per worker a month, the overall cost would range between R16.8 bn and R28.0 bn.

Given the total annual unemployment in South Africa was 1.28bn or 2.09bn workdays in 2002\(^{24}\), depending on whether the official or expanded unemployment figures are used, it is possible to compare the amount of

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\(^{22}\) A similar level of employment absorption, between 0.65 and 1.25% was found by Adato et al in their study of public works programmes in the Western Cape between 1995 and 1997 (Adato et al 1999 p 169).

\(^{23}\) Maharshta state has a population of 80 million, roughly twice that of South Africa.

\(^{24}\) Calculated on the basis of 264 workdays or work per annum, multiplied by total unemployment.
workdays created under the various scenarios outlined above to those unemployed it is possible to calculate the proportion of unemployment which would be absorbed.

The part time public works programme for 3.2 million workers would absorb 18% of official, or 30% of broad unemployed workdays, at a cost of between R16.8 and R28bn, depending on the cost structure of the jobs created. A full time programme would absorb 40% or 66% respectively, at a cost of between R36.96 and R61.6bn (McCord, 2003).

If the scale were large enough, a public works programme could theoretically have a significant impact on reducing unemployment. For example, this would equate to 5-8% of the total 2003/4 budget for the part time option, and between 11-18% for the full time model for the creation of 3.2 million jobs. This level of expenditure compares to the 15.8% budget allocation to employment creation during the height of the unemployment crisis of the early 1930s (Abedian and Standish 1986).

7.3.2 Expanded Public Works Programme

In 2002, following lengthy negotiations at NEDLAC (National Economic Development and Labour Council), the Minister of Labour Gazetted a Code of Good Practice for Special Public Works Programmes. This Code allows for special conditions to facilitate greater employment on Public Works Programmes. In exchange for exemption from normal Labour Legislation, it was agreed that “good practice” in public works programmes would require that higher levels of training would be given to participants than they would normally obtain in labour-intensive projects. The intention was that participants would be employed in the Programme for a limited duration after which they are better equipped to seek full time employment. The Code guides the EPWP and provides for a training entitlement of at least 2 days per month of service for workers in this programme. Such training must be linked to possible exit opportunities for workers.

Based on these principles and given the experience with the Community Based Public Works Programme, The Expanded Public Works Programme (EPWP) was formally announced by President Thabo Mbeki during his State of the Nation Address in February 2003 and adopted by Cabinet adopted in November 2003 and aimed to create “a million jobs over a period of five years.”

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25 The inclusion of both the official and broad unemployment figures in this analysis does not imply any judgement regarding which sections of the unemployed should be targeted in public works programmes (e.g. the searching unemployed or the discouraged), the two figures have been used for indicative cost estimate purposes only.

26 The response to the problem of this depression focused almost exclusively on the provision of employment and relief for ‘Poor Whites’, estimated to number approximately 300,000. (Standish and Abedian 1986)
The EPWP is defined as a nation-wide programme drawing significant numbers of unemployed people into productive work accompanied by training so that participants increase their capacity to earn an income.

Essentially from a strategic perspective, the EPWP is envisaged as a short-to-medium term programme that aims to provide work opportunities coupled with training. It is a national programme covering all spheres of government and state-owned enterprises. The EPWP is one part of an overall government strategy to reduce poverty through the alleviation and reduction of unemployment. It superseded the Community Based Public Works Programme which was under the Department of Public Works focused mainly on infrastructure and environmentally related work opportunities. An important difference is that the EPWP included the innovative expansion of the concept of employment intensive work into the social and economic sectors.

Government’s medium-to-long term programmes that address unemployment include increasing economic growth, improving skills levels through education and training, and improving the enabling environment for industry to flourish.

It is intended that the EPWP will continue to exist until these medium-to-long term programmes are successful in reducing unemployment.

The programme involves reorienting line function budgets and conditional grants so that government expenditure results in more work opportunities, particularly for unskilled labour.

EPWP projects are funded through the normal budgetary process, through the budgets of line-function departments, provinces and municipalities. As a Programme aimed at unemployed persons it is intended that it does not displace existing workers and contracts.

**EPWP Objectives**

Opportunities for implementing the EPWP have been identified in the infrastructure, environmental, social and economic sectors. The programme is focused on unemployed, under-skilled and under-qualified persons and aims to provide an opportunity:

- To draw significant numbers of the unemployed into productive work to enable them to earn an income within the first five years of the programme.
- To provide unemployed people with education and skills within the first five years of the programme.
- To ensure those participants in the EPWP are able to translate the experience and either enabled to set up their own business/service or become employed.
- To utilise public sector budgets to reduce and alleviate unemployment.

The EPWP as strategy is therefore directed at a broader goal than merely addressing the short-term effects of income poverty but deals also with issues such as the production of community assets, provision of basic needs, the
improvement of education, reducing gender inequality, long-term sustainable work creation etc. Its two pillars are:

(1) All government departments and state owned enterprises creating productive employment opportunities by:

- Ensuring that government-funded infrastructure projects use labour intensive methods (i.e. employing people, instead of using machines);
- Offering work opportunities in public environmental programmes (e.g. Work for Water) and social programmes (e.g. Home based care workers); and
- Using government procurement to help small enterprise learnership and support programmes.

(2) Making it possible for people to earn an income after leaving the EPWP either through finding a job or starting a business by:

- Giving unemployed people work experience; and
- Providing education and skills development programmes to people while they are on the Expanded Public Works Programme;
- Helping workers with exit opportunities beyond the EPWP.

Target groups

The programme targets the unemployed and marginalized - this includes:

- men and women who are unemployed and willing to work,
- who are largely unskilled,
- do not receive social grants,
- urban and rural poor
<table>
<thead>
<tr>
<th>Sector and Types of activities</th>
<th>Targets over the five years: 2004-2009</th>
<th>Coordination and Skills development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure development:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Upgrade rural and municipal roads, and</td>
<td>Over five years, work opportunities for 750 000 unemployed people to build:</td>
<td>• All 750 000 workers will receive training funded by the Department of Labour</td>
</tr>
<tr>
<td>• Upgrade municipal pipelines, storm water drains and sidewalks.</td>
<td>• 37 000 km of roads,</td>
<td>• 500 emerging contractor learnerships, funded by CETA, Local councils with help from Public works</td>
</tr>
<tr>
<td>• Labour intensive provincial and municipal infrastructure programme</td>
<td>• 31 000 km of pipelines,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 1500 km storm water drains and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 150 km urban sidewalks.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Average 4 month jobs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Resources allocated in the budget: R15 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Other infrastructure programmes such as:</strong></td>
<td>A further 150 000 work opportunities for unemployed persons over five years.</td>
<td>Public Works, with local councils, ESKOM and other departments where relevant.</td>
</tr>
<tr>
<td>• maintenance of government buildings,</td>
<td>Average four months jobs.</td>
<td></td>
</tr>
<tr>
<td>• Trenching in the electrification programme (still being developed.)</td>
<td>Resources in the budget:</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental and cultural programmes</strong></td>
<td>Work opportunities for 200 000 unemployed</td>
<td>Relevant national and provincial departments mentioned.</td>
</tr>
<tr>
<td>• Agriculture department:</td>
<td>• Create 400 sustainable SMMEs.</td>
<td></td>
</tr>
<tr>
<td>• Land care programme</td>
<td>• Environment targets:</td>
<td></td>
</tr>
<tr>
<td>• Dept of Environment and Tourism:</td>
<td>• control invasion of alien plants on 1 million hectares of land,</td>
<td></td>
</tr>
<tr>
<td>Clean up SA and Tourism programmes</td>
<td>• Improve 1200 km of coastline.</td>
<td></td>
</tr>
<tr>
<td>• Dept of Water Affairs and Forestry:</td>
<td>• One year average jobs.</td>
<td></td>
</tr>
<tr>
<td>Working for Water, Wetlands, Fire programmes.</td>
<td>• Resources allocated in the budget: R4 billion</td>
<td></td>
</tr>
<tr>
<td>• Dept of Arts and Culture: programmes being developed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Social sector</strong></td>
<td>Social sector average two years jobs.</td>
<td>All social sector programs will include on the job experience, as stipend, and training for a period, leading to NQF qualifications.</td>
</tr>
<tr>
<td>• Health: home based care – community based health workers</td>
<td>Resources allocated in the budget: R600 million</td>
<td>Department of Social Development is the lead dept, with relevant national and provincial dept working on plans.</td>
</tr>
<tr>
<td>Social Development: Community based care and support workers.</td>
<td></td>
<td>NGOs and CBOs main delivery agents of social sector programs, funded by government and business.</td>
</tr>
<tr>
<td>• Education: Early childhood development workers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic programmes</strong></td>
<td>3000 learnerships over 5 years, 3 employees per learner.</td>
<td>Registration on full-time SETA-funded learnerships, class room training funded by SETA.</td>
</tr>
<tr>
<td>• Department of Trade and Industry is working on a sector plan.</td>
<td>Learnerships for 18 months average.</td>
<td>Practical work experience (depts Allocate learning contracts to learners through government procurement.)</td>
</tr>
<tr>
<td>Possible economic sector activities include:</td>
<td>Resources allocated in the budget: Still to be decided.</td>
<td>Mentoring (business)</td>
</tr>
<tr>
<td>• Community production centres (Dept of Agriculture)</td>
<td></td>
<td>Access to micro finance.</td>
</tr>
<tr>
<td>• Community cooperative income generating projects (GDS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Enterprise learnership programmes (Depts of Labour and Trade and Industry)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ETU
The Expanded Public Works Programme has passed the mid-term mark\(^{27}\), and is now three years into the first five years of programme implementation. This milestone is an opportune time for self-reflection, and have embarked on a comprehensive review of our successes and challenges since programme inception, including a study on how to extend the Social Cluster component (Friedman et al, 2007)

**Expanded Public Works Support Programme**

The Expanded Public Works Support Programme [Support Programme] is a joint initiative between the DPW and the Business Trust aimed at supporting the implementation of the EPWP.

The Support Programme seeks to enhance and complement the DPW's efforts to implement the EPWP by undertaking prioritized support programmes that maximise the achievement of the EPWP’s targets. Five support programmes are being undertaken, involving technical support, the development of management information systems and other activities. The programmes being undertaken are as follows:

- **Strategic and Technical Assistance Fund (STAF):** This programme aims to provide DPW and the Sector Lead Departments with strategic and technical assistance that will result in accelerated or expanded delivery of EPWP targets.
- **Infrastructure Support Programme:** This programme aims to ensure that prioritised Provincial Line Departments and Municipalities set and achieve their EPWP targets, and encourage effective private sector participation.
- **Social Sector Support Programme:** This programme aims to increase the efficiency and effectiveness of ECD and HCBC programmes, by providing support to improve service delivery.
- **Environmental Sector Support Programme:** This programme provides assistance to municipalities to undertake labour intensive waste collection in under-serviced areas, that also develops small enterprises in the area being serviced.
- **Economic Sector Support Programme:** This programme provides technical support to DPW to implement the New Venture Learnership Programme (NVLP), which aims to create small and medium enterprises (SMEs) through learnerships to selected emerging enterprises and work opportunities created by “ring-fenced” procurement of goods and services by Public Bodies.

A selection of some of the activities on the calendar of events from February 2007 highlights the momentum that we have been able to achieve in the EPWP:

- February 2007: Launch of Kamoso Awards at Constitution Hill, Gauteng, to recognize excellence in EPWP implementation in the

\(^{27}\) http://www.epwsp.co.za/email_epwp/07_07_newsletter_web.htm
Infrastructure Sector

- April 2007: Launch of National Youth Service (NYS) Initiative in Bloemfontein, Free State, profiling plans to provide at least 5000 youth with the opportunity to assist in maintaining government buildings, and a range of other projects in all provinces

- Commitments made for 2 205 Vuk’uphile Learnerships to date, with 364 projects providing skills to 1170 learners underway

- New Roads Initiative instituted during 2007 and business plans for large-scale projects submitted by most provinces

- Increased capacity in the EPWP Unit, as a result of organization structure review

- DPW co-hosts 12th Regional Seminar on Labour-Intensive Practices with ILO in KZN from 8 to 12 October 2007

- Eastern Cape SMME Contractor Development Programme wins Big News Enterprise Development (ED) award in Best Government ED Programme category.

Progress On EPWP

It has been emphasized by programme implementers (Phillips, 2004) that the EPWP was not conceived as a total solution to the unemployment problem in South Africa. The employment creation planned for the EPWP was small in comparison to the scale of total unemployment.

The main reason for this was that the EPWP was largely constrained by the budgetary constraints of the medium term expenditure framework (MTEF). Within these constraints, the EPWP was initially planned to create approximately one million work opportunities or 500,000 person-years of employment in the five years 2004 to 2009, based on approximately R4 billion worth of expenditure per annum. Although this was more than ten times bigger that the CBPWP at its peak, in 2003, 4.6 million people were unemployed in terms of the strict definition and 8.3 million in terms of the broad definition. In order for the EPWP to reduce unemployment by 30%, it would have needed to create at least 8 million person-years of employment over its first five years. Assuming that funds had been allocated to the various sectors in the same proportions, this would have required expenditure of R64 billion per annum.

The EPWP recently reported that by the end of year 3 good progress was being made in implementing the EPWP which was on target to achieve the goal of creating one million work opportunities for unemployed unskilled individuals over a five year period (200,000 work opportunities per year). As shown in the Diagram below, the EPWP has modestly exceeded its annual targets since inception. In addition, the programme is well on the way to
achieving the 1 million work opportunities in respect of all sectors within which it is active, with the exception of the Social Sector, which is lagging behind slightly. By June 2006, the EPWP had surpassed its employment-creation targets across four sectors, with more than 301,000 work opportunities created. On average, 52% of the beneficiaries were female and 38% youth. KwaZulu-Natal had the highest number of job opportunities created, with 66,317 beneficiaries, of which 33% were youth and 0.3% were disabled. This province also had the highest number of female beneficiaries in the whole country at 62%, as well as the highest wage payout of R126 million. At 51%, Mpumalanga recorded the highest number of youth employed in the EPWP that far. This was followed by the Free State at 48%, Gauteng (46%), North West (44%) and the Western Cape (40%).

DPW estimated (Phillips, 2004) that the person-years of employment which would result from each billion rand of expenditure would be as follows:

- approximately 26 000 person-years for the infrastructure sector
- approximately 22 500 person-years for the environmental sector
- approximately 40 000 person-years for the social sector. In a more detailed costing, Friedman et al arrived at a very similar figure (about 42,000 person years per billion rand)
As can be seen from the diagram, momentum in the EPWP is increasing and more and more projects are being implemented nationally and in all sectors that both uplift communities through the provision of much-needed services, and provide work opportunities and training for the unemployed. The social cluster, which has been the poorest performing cluster reported that as at the end of August 2007, 68,178 Community Care Givers were receiving stipends. 699 of those received training in Basic Home Community Based Care, and 2809 have received Ancillary Health Care NQL level 1. (GPA, 2007)
For the period April to September DSD registered nationally 985 ECD sites. 331 762 children from poor households received subsidies from DSD during the same period. ECD Registration Drive was launched in October 2007. (GPA, 2007)

The EPWP is on course to reach its target of one million job opportunities in five years. However, as McCord (quoted in the Mail & Guardian, 2005c) observes, there is a major split between the reality of the EPWP and the way it is projected in the public discourse. Her view is that exaggerated claims over what the EPWP can realistically achieve inhibits public discussion on alternative national, large-scale responses to poverty and unemployment. Unemployment in South Africa is structural, chronic and massive (McCord 2003). This is occurring against a backdrop that demand for unskilled labour has been falling steadily since the 1970s due largely to a decline in the importance of primary industry sectors, trade technological advances, trade liberalisation and South Africa’s entry into the global economy. The South African agricultural sector alone shed 29 percent of its jobs from 1985 to 2005 the DBSA (2005).

McCord (2004) has emphasized that only sustained employment, rather than the intermittent and temporary kind offered by the EPWP, is likely to have any significant anti-poverty impact. The respondents to McCord’s survey overwhelmingly indicated that the programme had not improved their economic standing (McCord 2003) as the labour market has few jobs matching their limited skills. She recommends that skills training be afforded to PWP participants appropriate with local labour demand.

Unless it is possible to transform the EPWP into an effective skills-enhancing labour market programme, carried out on a significant scale, the view that that the prime purpose of EPWP is to lessen social grant claim rates will grow. From this perspective, the EPWP will be seen more as part of a strategy to contain growth of social grant receipts rather than a serious attempt to develop marketable skills or provide jobs in a manner that will effectively reduce poverty.

7.4 National Youth Service

There were 12.7 million young people in the 20 to 35 year age group in mid-2006, comprising about 27% of the population. Youth therefore form nearly a 1/3 of the country’s population. Clearly a huge and needy constituency. Youth unemployment and resulting poverty is one of the major components of the overall problem.

<table>
<thead>
<tr>
<th>Age group</th>
<th>20-24</th>
<th>25-29</th>
<th>30-34</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of youth</td>
<td>4,653,800</td>
<td>4,271,100</td>
<td>3,841,500</td>
<td>12,766,400</td>
</tr>
<tr>
<td>% of total pop</td>
<td>9.8%</td>
<td>9.0%</td>
<td>8.1%</td>
<td>26.9%</td>
</tr>
</tbody>
</table>

Source: Stats SA
Skills development is an important national priority for countering poverty. Revenue from the skills development levy is projected to rise to over R9 billion by 2010/11. This is over and above a sizeable R105 billion of education spending in 2007/08. (Manuel, 2008).

The National Youth Service (NYS) is an overarching programme, coordinated by the Presidency which seeks to support departments to deliver youth service programmes that meet departmental objectives as well as the broader vision of young people in service. It engages young people in a disciplined process of providing a valued and necessary service to the community in which they live, while increasing their own skills, education and opportunities to generate income. The activities are intended for unemployed young people between the ages of 18 and 35. It is regarded as critical that the young person participating in the NYS is provided with education and training so that there is a significant increase in opportunities to generate income beyond the project. Further, participants in a youth service programme should not be financially disadvantaged because of their involvement. For this reason, a stipend may be paid to participants in order to facilitate their involvement in a programme. (NYC, 2007)

Aims, objectives and key elements
The NYS aims to support nation-building through involving young people in the delivery of crucial government services and through this to enable these young people to acquire and apply skills and values to access economic opportunities upon completion of the programme and to continue to engage with community and social processes.

The National Youth Service Programme’s key objectives are to:
- inculcate a culture of service by supporting youth to participate constructively in nation-building;
- inculcate in young people an understanding of their role in the promotion of civic awareness and national reconstruction;
- develop the skills, knowledge and abilities of young people to enable them to make the transition to adulthood;
- improve youth employability through opportunities for work experience, skills development and support to gain access to economic and further learning opportunities; and
- harness the nation’s untapped human resources and to provide a vehicle for enhancing the delivery of the country’s development objectives, especially to disadvantaged and underserved communities.

National Youth Service has three elements each of which is seen as part of an integrated whole. Each element has the potential benefit to communities of involving young people in service. They also address the imperative of enabling young people to access the labour market. The criteria for each of the elements that make up a Youth Service programme is discussed in more detail below:
Service element
The service element of a Youth Service programme has three essential functions: 1. Provides a service that benefits people other than the youth participants (e.g. the community); 2. Promotes the development of a positive profile of youth within the community benefiting from the service; and 3. Provides the young participants with an opportunity for experiential learning or on-the-job experience linked to the structured learning and individual development element. Service activities should support a national or local development objective and should be completed in accordance with high standards, so that young people are viewed as a positive force and resource in that community.

Structured learning and individual development
The second element of Youth Service programmes requires that young people engage in a structured learning programme that enables them to develop their own skills, knowledge and competence and that promotes individual development. This component must also enable young men and women to obtain credits registered on the National Qualifications Framework. The learning interventions should integrate (i) technical skills, (ii) life skills and (iii) experience. This approach to integrated learning is premised on the belief that technical skills, life skills or experience alone are not adequate to prepare a young person to face the challenges of his/her working life and personal life and that holistic development of the individual must be prioritised. This means that the structured learning must be integrated with the service activities and the different learning components must be delivered and assessed in an integrated manner.

Employment/exit opportunities
The third element of a Youth Service programme is that it must include the identification of real and meaningful employment or exit opportunities for young people at the point of completion. If this element is not achieved neither are the purposes of Youth Service programmes. As such, it is critical that significant attention is placed on developing and integrating strategies to reduce youth unemployment into individual Youth Service projects. Young people should be aware of the employment or entrepreneurial opportunities they could realistically access at the end of participating in a youth service programme. At the end of the programme they should have accumulated sufficient experience and competence to be able to access these. Programmes should not engage young people if there is not a clear "exit pathway" that young people can pursue. In addition, Youth Service programmes must include a post-service component that actively supports young people to access economic opportunities. The programme must have begun the process of identifying and concretising these possible opportunities from the planning stages.

Institutional support
The Growth and Development Summit agreement spelled out the manner in which various sectors would support NYS activities.
The Department of Public Works has provided opportunities for young people to undertake service through the Community Based Public Works Programme (CBPWP) and EPWP. The Department of Health has supported the youth service and involved young people in the delivery of community health work - such as home-based care and other primary health care activities. The Johannesburg City through Ecocity has begun to explore the role that young people in service can play in developing eco-villages, and so on. The Department of Labour has indicated that they will fund the training components of the programme and will provide support to ensure that these skills programmes are meaningful. This is taking place through the National Skills Fund as well as with the Sector Education and Training Authorities (SETAs) who have been exploring how they can support the activities being proposed by departments. For example the HWSETA has supported the Health Department in the development of relevant qualifications for community health workers.

The youth sector organisations through institutions such as the National Youth Commission (NYC) supports the programme by identifying opportunities, encouraging young people to serve and advocating for these programmes. The NYC is a statutory body of government established through legislation passed by parliament, the National Youth Commission Act 19 of 1996. The Commission is constituted of five full-time members, five part-time members and nine Commissioners, nominated by Premiers of each province and appointed at national level.

Other players in society such as business and trade unions have also supported the programme.

The Umsobomvu Youth Fund (UYF) have supported the youth development aspects of the programme as well as the development of exit opportunities. Umsobomvu was established by Government in 2001 as a catalyst for facilitating the creation of opportunities for youth employment and youth entrepreneurship by making strategic investments that deliver effective programmes by working collaboratively with service providers, partners and young people.

Umsobomvu Youth Fund’s activities are executed through three broad programme areas. They are Service Delivery Channel (SDC); Skills Development and Transfer and Youth Entrepreneurship programmes.

Service Delivery Channel
This programme is aimed at providing information, referrals and counselling regarding careers, employment, entrepreneurship and life skills (citizenship, health and well being) to young people through Youth Advisory Centres (YAC), Internet Portal, Call Centre, South African Youth (SAY) Card, Mobile YAC and YAC points.

28 A synopsis of these activities can be found at http://www.youthportal.org.za/ur/UYFProjectReportJune2007.pdf
Useful Information is available through these various channels on learnerships, skills development, business and job opportunities available to young people, including young graduates. Information is available at any of the Umsobomvu Youth Fund’s Advisory Centres.

A free internet based ‘Jobs and Opportunity Seekers’ Database called JOBS has also been started. It helps young people to find jobs by placing their information on the database. Employers who are looking for people to work for them can then go to the database to find the right person for a particular job. It can be found at www.youthportal.org.za. The site had 5,539,990 hits by June 2007.

Youth Advisory Centres are stand-alone community venues operated by a range of service providers for youth seeking developmental information and services. Young people are provided with the know-how to develop personal development plans. They are also given access to life skills credits towards an FET qualification and provide information and counselling regarding job preparation (e.g. CV and interview preparation, job hunting skills), career advice and entrepreneurship training. It is intended that access to this information should lead to further learning, training, employment or self-employment.

The YAC mobile forms part of the YAC model continuum, which is part of the SDC outreach component where young people in outlying areas or hard-to-reach areas are given services, through this roaming mobile unit which will travel across the country. Five mobile units provide young people with general information, face-to-face advice, referrals, and assistance with placement in jobs and computer access. This unit has internet connectivity for youth to access content and to apply for the South African Youth Card. Other services under consideration include government services and information particularly essential services like access to Social Services, Home Affairs and Company Registration applications forms and other related government services.

The YAC Point is similar to the Youth Advisory Centre, however it is not a stand-alone site. It is housed within another institution such as an FETC, Allocating Agent, Labour Centre, MPCC, or higher education institution. Similar services are provided to those at YACs.

Nationwide 13 YACS, 4 YAC Mobiles and 113 YAC points have been established which together with the youth internet portal, call center and a magazine linked to the youth (SAY) card provide an entry point for engaging with youth.
### Table 24: Youth Advisory access points

<table>
<thead>
<tr>
<th>Youth Advisory Centres &amp; access points</th>
<th>Reached</th>
<th>Target over 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Pathways Youth Advisory Centre</td>
<td>21,886</td>
<td>12,000</td>
</tr>
<tr>
<td>CEED Youth Advisory Centre (3 centres)</td>
<td>53,184</td>
<td>36,000</td>
</tr>
<tr>
<td>CRIC Youth Advisory Centre</td>
<td>12,108</td>
<td>12,000</td>
</tr>
<tr>
<td>CYD Youth Advisory Centre</td>
<td>36,879</td>
<td>12,000</td>
</tr>
<tr>
<td>ECYD Youth Advisory Centre (2 centres)</td>
<td>78,383</td>
<td>24,000</td>
</tr>
<tr>
<td>Ipelegeng Youth Advisory Centre</td>
<td>75,000</td>
<td>12,000</td>
</tr>
<tr>
<td>JASA Youth Advisory Centre</td>
<td>3,914</td>
<td>12,000</td>
</tr>
<tr>
<td>Koinonia Youth Advisory Centre</td>
<td>35,721</td>
<td>12,000</td>
</tr>
<tr>
<td>NCYDA Youth Advisory Centre</td>
<td>22,900</td>
<td>12,000</td>
</tr>
<tr>
<td>Potch Municipality</td>
<td>N/A</td>
<td>12,000</td>
</tr>
<tr>
<td>Sterkspruit MPCC</td>
<td>9,000</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>YAC Total</strong></td>
<td><strong>348,975</strong></td>
<td></td>
</tr>
<tr>
<td><strong>YAC Mobile</strong></td>
<td><strong>134,167</strong></td>
<td></td>
</tr>
<tr>
<td><strong>YAC Points</strong></td>
<td><strong>36,796</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL- all access points (since inception)</strong></td>
<td><strong>519,938</strong></td>
<td></td>
</tr>
</tbody>
</table>


### Youth Enterprise

This programme is aimed at providing Business Development Services (BDS) and Enterprise Finance (EF) to young entrepreneurs. The BDS programme provided enterprise support and development interventions through the Business Consultancy Services Voucher Programme (BCSVP) and Market Linkages Programme. The BCSVP provides youth with vouchers which they use to purchase business support interventions (e.g. business plan development, market research, due diligence, etc) whilst the Market Linkages Programme provides market linkages for youth and female owned businesses and unemployed youth through the Business Opportunities Support Service (BOSS) and Jobs and Opportunities Seekers Database (JOBS) respectively.

### Table 25: Business Development Services

<table>
<thead>
<tr>
<th>Name of Business Development Services project</th>
<th>No. of funded projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Consultancy Services Voucher Programme</td>
<td>11</td>
</tr>
</tbody>
</table>


Enterprise Finance provides Micro finance loans (R1000 to R100 000) and Small and Medium Enterprise loans and equity (R100 001 to R10 million). The SME intervention is provided through the Public Private Partnerships with FirstRand (Progress Fund) and Business Partners but also through an internally managed General Fund.

### Table 26: SMME Financing

<table>
<thead>
<tr>
<th>Name of project</th>
<th>No. of funded projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME Finance</td>
<td>3</td>
</tr>
<tr>
<td>Micro Finance</td>
<td>4</td>
</tr>
</tbody>
</table>

Skills Development and Transfer

This programme is aimed at providing technical skills, work experience, entrepreneurship and life skills to young people through the National Youth Service Programme (NYSP) and the School to Work Programme (STW). The NYSP enables young people to provide a service in need to their community and through that process to acquire skills (e.g. home based care, housing and road construction). The STW focuses on training in scarce skills and vocational skills such as Accounting, Welding, Engineering, etc.

Table 27: Skills Development and Transfer

<table>
<thead>
<tr>
<th>Name of Skills Development and Transfer project</th>
<th>No. of funded projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Youth Service Programme</td>
<td>12</td>
</tr>
<tr>
<td>National Youth Service</td>
<td>13</td>
</tr>
<tr>
<td>School To Work</td>
<td>19</td>
</tr>
<tr>
<td>School To Work (FETCs)</td>
<td>24</td>
</tr>
<tr>
<td>School To Work (Graduate Development)</td>
<td>13</td>
</tr>
<tr>
<td>Entrepreneurship Education</td>
<td>13</td>
</tr>
</tbody>
</table>


EPWP unit

Activities over the past few months of the NYS, have highlighted several new initiatives around the country and their impact on communities. Some of these activities been around the EPWP.

The NYS has planned to give at least 10 000 youth the opportunity to participate in EPWP projects. Of these 5 000 are planned to be provided by the National Department of Public Works through a programme to maintain government buildings and the additional 5 000 will be provided by the Provinces through a range of projects.

The EPWP unit has undergone an organisational structure review and, as a result, has been actively staffing up in its drive to increase capacity and effectiveness to enable the EPWP to fulfil its leadership role and accelerate progress on the EPWP. These appointments have been focused primarily on increased technical resourcing within each of the sector programmes.

Similarly, many municipalities and provincial departments are also increasing their staff components as the EPWP is prioritized as a key area of activity and participation.

The Vuk'uphile Learnership

The Vuk'uphile Learnership Programme seeks to build emerging contractor capacity to execute the increasing amount of labour-intensive work under the EPWP, with the goal of creating sustainable contractors who are able to compete in the open market once they exit the programme.

People participating in the Vuk'uphile Learnership Programme undertake a two or three-year Emerging Contractor Development programme managed by the DPW, the Construction and Education Training Authority (CETA), and the
Department of Labour (DoL). The programme is unique in that it provides the Emerging Contractor with training, a contract, funding and mentorship.

Key successes achieved through this programme are:
- 2,205 learnerships have been committed to date and 1,170 learnership agreements have been signed
- 364 projects providing practical skills to 1,170 learners (contractors and supervisors) are underway
- 41% of learners selected to date are women (target is 50%)
- 76% of all learners are under the age of 35 years

**New roads initiative**
Another important development within the EPWP is the Roads initiative, conceived as a result of the recognition that, within the infrastructure sector, the roads sector has the ability to not only spend their budgets, but also create record numbers of job opportunities using EPWP Guidelines for Labour Intensive construction. Provinces have been requested to submit business plans to a team comprised of the Department of Transport, the EPWP and Treasury, and budgets and allocations have been approved. With the support of the EPWP, most provinces are currently in the process of completing the designs and are ready for implementation, although some multi-year projects are already underway.

The first quarter report will be available in the coming weeks, and will be followed by an assessment of the progress against projections both in terms of infrastructure delivery and job creation. The EPWP will provide support in reconciling business plans and targets, and in monitoring the implementation process against projections.

**eThekwini Municipality**
Deserving of a special mention is eThekwini Municipality for their work in creating and publicly launching the City’s EPWP policy framework in late June 2007. The policy framework is an extensively researched document that guides the continued implementation of the EPWP for all departments, and is the result of passionate commitment to the programme, and to ensuring its widespread adoption within the City.

Their approach to EPWP implementation has been aggressive, primarily through allocation of a portion of the city’s capital budget to EPWP projects, to be increased by 5% each year. The framework ensures re-engineering of how the City plans, designs and implements projects and programmes within existing municipal operational and capital budgets, and the task group oversees the process of developmental integration across all four sectors.

We in the national EPWP unit commend the municipality for their initiative in developing this policy, which can be used as a model to implement the EPWP in other municipalities.
Progress with the NYS
Since its inception, the NYS has processed a large number of applications from organisations engaging young people in various community service projects. By October 2005, thirty (30) youth service projects were registered with the NYS. These projects engaged 13,087 unemployed young people in service activities. It is important to note that by this period, these projects were at different stages. Some had begun implementation; others were in their final planning stages; whilst others were awaiting approval of plans by stakeholders and funders. Of those projects, ten (10) were confirmed to have facilitated sustainable livelihoods for 6,938 young people and sixteen (16) projects were funded by UYF. Funding remained a challenge that delayed recruitment of youth into planned projects. Money to fund service activities i.e. costs associated with the delivery of services (e.g. bricks and mortar for housing construction) was found difficult to access due to competing priorities or due to NYS sometimes taking place parallel or in addition to existing service delivery projects. Where alignment did take place, accounting was often confusing e.g. it is unclear whether these projects should have been be reported as NYSP, EPWP or both. (NYS, 2006)

Since the start of the 2007/8 financial year 273,899 young people had visited the UYF Youth Advisory Centres (YAC) and YAC Points. Some 11,286 young people had been registered with the NYS. Of these, 6,515 of are benefiting directly from Umsobomvu Youth Fund funded NYS projects. 8,288 CVs were registered on the JOBS Database and 2518 CVs submitted to Opportunity Providers. 91 job placements were facilitated by UYF JOBS Agents. 377 candidates accessed job preparedness training and/or registration in Graduate Development Programmes.

The NYC, UMSOBOMVU, DAC, DSD & Sport & Recreation have been collaborating to enrol 30,000 volunteers in various community development activities & increase youth participation in national programmes that enhance “Social Cohesion”. In the last quarter 700 young people were recruited in 3 projects to undertake and participate in voluntary activities in their various communities bringing the cumulative total to 20,872.

Less progress has been made in terms of the target to Employ 5,000 young people as part of the Expanded Public Works Programme in the maintenance of government buildings. Approximately 539 unutilized properties were identified for rehabilitation, but this exercise in itself is leading to a reappraisal of the ratio of the ratio between owned, unutilised and privately leased properties

The NYS and Umsombomvu have the target of increasing the enrolment of youth by at least 20,000 in the National Youth Service Programme by March 2008. There are plans to Strengthen capacity & diversify products & services of all 120 Youth Advisory Centres to include business support services, employment services, access to micro finance & career information, & reach out to at least half a million youth
Key successes of the NYS include:

- Increasing number of unemployed youth involved in supporting community development;
- Many unemployed young people have been able to access skills development in sectors increasing the ability to access sustainable livelihood opportunities;
- An increasing number of community based projects that support service delivery are being identified;
- Many young people that complete the projects are able to access sustainable developmental opportunities such as further learning, formal or self-employment. This differs from project to project and sector to sector;
- The numbers of projects registered suggest that many Government Departments and NGOs in general are taking the NYS seriously and adopting the NYS model for programme development and implementation;
- The NYS seems to moving progressively into mainstream initiatives such as the Expanded Public Works Programme. This can also problematical as the NYS needs to be careful about double counting in cases where a registered project is also registered as a Learnership or an EPWP project elsewhere hence, the NYS emphasises the registration status instead of jobs created;

Despite the considerable progress of the NYS, it still faces considerable challenges. These include:

- Limited adoption of the NYS model across all public sector departments;
- Insufficient funding to significantly increase the scale of the activities;
- Inadequate capacities of NGO partners to fund themselves and adequately create multi-sectoral linkages;
- Limited pool of young people from diverse backgrounds “volunteering” to be part of the programme;
- Ineffective branding and marketing itself to all young people;

Much of the difficulty of assessing the programme’s contribution to poverty alleviation is the limited availability of information about programme outputs and impacts. However, in terms of income poverty alleviation in general terms, the contribution of the NYS (including a range of initiatives aimed at youth) is currently still marginal. Only some 500,000 youth of the total number of 12.7 million have been reached. This is under 5% of all youth. Even if the cumulative total of all young people engaged by the NYS and receiving a modest stipend were optimistically estimated at 50,000, this is still less than 1% of all youth. The impacts of the programme on poverty are therefore insignificant and would have to be scaled up by many orders of magnitude before they would be able to make a realistic contribution to poverty.
7.4 Learnerships

The skills shortage in the country has been identified as a critical factor in determining the country's competitiveness and ability to create jobs. The Learnership Programme is a critical State intervention intended to address the existing skills shortage and youth unemployment. It is intended to encourage employers to lift the level of skills not only of their existing workers, but also of potential future recruits and would-be entrepreneurs by providing learning opportunities to the unemployed and those entering the job market for the first time. (GCIS, 2001)

Learnerships are therefore primarily workplace learning programmes, supported by structured institutional learning, which result in a qualification. The concept was first introduced in chapter 4 of the Skills Development Act of 1998.

Rather than spending a number of years of full-time study at an institution (and paying upfront for the privilege), a learnership allows the learner to work and study towards a nationally recognised qualification. It is one in a range of interventions aimed at transforming access to education.

Three separate legal documents (GCIS, 2001) together provide the legislative framework for learnerships. The first - the Funding Regulations 2001 - sets out the arrangements for Sector Education and Training Authorities (SETA) to allocate grants to employers, including grants for learnerships. One of the discretionary grants that a SETA can make is for the implementation of learnerships. An employer may be able to claim a grant towards the cost of a learnership and in the case of an unemployed person a contribution towards the learner allowance as well.

The second set of legal documents - Learnership Regulations - lays out the way in which learnerships for new occupations can be developed, registered and become eligible for grants. This regulation requires SETAs, when registering a new learnership, to state the specific amount of grant to be paid to the employer for employed and previously unemployed learners. SETAs are given the power to decide whether or not to pay the grants. This is in case the SETA does not have enough money for its levy revenue or in case the learnership does not contribute to the scarce skills in its sector. Employers will have to check with their SETA that it is willing to pay a grant before they start the training. SETAs have 30 days in which to respond.

The third and final legal document is the Learnership Determination. This determination was published by the Minister on advice of the Employment Conditions Commission, the body set up under the Basic Conditions of Employment Act. The sectoral determination sets conditions of employment and rates of allowances for learners. This determination is binding on all employers and learners who enter learnership agreements. This determination stipulates that no learner can be paid less than a minimum
allowance of R120 a week. This rate depends on the type of learnership and the skills/qualifications acquired. The actual rate is calculated as a percentage of the wage paid to a person who has the qualification that the learnership is intended to provide.

Because every learnership leads to a qualification, it must:
1. Include the 3 component categories in a qualification- viz. Fundamental, core and elective modules;
2. Represent a planned and appropriate intervention shaped according to the purpose of the qualification, and the outcomes and assessment criteria in the unit standards.
3. Include learning geared towards both the critical cross-field outcomes as well as the learning area outcomes.
4. Provide learners with the opportunities to achieve applied competence and a basis for further learning.
5. Address the transformative agenda enshrined in the SAQA Act, the Skills Development Act as well as in the other acts;
6. Provide a structured learning experience (that is, institutional learning), together with-
7. Structured workplace learning – both of which will be determined by the qualification and associated unit standards.
8. Ensure that between 30% and 70% of the required credits are achieved through successful workplace performance.

For employers, the learnership arrangement is a flexible and cost effective way of increasing the skills pool necessary for productivity improvements. It provides employers with the opportunity of assessing a person's suitability before they are permanently employed and ensures subsidised labour for a fixed duration. Skilled workers are better able to deal with a new technology, extract the benefit from the new technology and cope with non-routine activities or challenges. (GCIS, 2001)

For unemployed people or even workers already in employment, learnerships provide an opportunity to improve on existing skills base which may be a route to a permanent job, better promotion (or mobility) and improvements in income prospects as well as job satisfaction and increased job security. A higher skills base could also assist in laying the foundation for people to move into self-employment. (GCIS, 2001)

Learnerships are registered by the department of Department of Labour where

- The SETA has indicated that there is an identified need for such a learnership;
- A qualification and its associated unit standards have been registered (or are being registered) by SAQA
- The SETA has submitted an application for learnership registration.

Terms of employment for learners on learnerships are detailed in a Sectoral Determination issued in terms of the Basic Conditions of Employment Act. However incidences are still reported of learners not being paid their stipends
or working long hours. In order to enter into a learnership, the learner signs a three-way agreement with a workplace provider and an education and training provider. If the learners is unemployed, he or she signs a fixed-term employment contract with the workplace provider.

In the Human Resources Development Strategy jointly launched by the Ministers of Education and Labour in April 2001, the Ministers committed themselves to ensuring that at least 3000 learners would be in learnerships by March 2002. The Minister of Labour set a target of 80,000 by March 2005 (GCIS, 2001).

There are currently 770 registered learnerships, details of which can be found on-line. The Finance Minister announced during his budget speech in 2006 that 207,497 'young people' had enrolled on learnerships and that 114,000 study awards were made by the National Student Financial Aid Scheme in 2005. The value of the increased allowances was estimated to cost R80 million. (Skills Portal, 2007)

Employers running learnerships for their employees benefit from a tax deduction equivalent to up to R100,000 for each learner who successfully completes the course.

Tax allowance for learnerships were initially introduced to run until October 2006. Finance Minister Trevor Manuel announced an extension until October 2011 for the tax incentive scheme for learnerships in his 2006 Budget. With effect from 1 March 2007, a simplified set of rules for the tax treatment of bursaries and scholarships provided by employers was introduced. Further benefits announced in the 2008 Budget include allowances for the full duration of the learnerships.

**Learnerships for disabled people**
The figures for the allowances have been increased and for the first time a more generous allowance is available to the employers of people with disabilities.

With effect from 1st of July 2006 employers were allowed to deduct an initial allowance of 150% of the annual salary of a currently employed learner with a disability, up to a maximum of R40 000. This allowance is available in the year in which the learner commences the learnership. If the learner is employed specifically for the learnership period, 175 % of their salary may be deducted, up to a maximum of R50 000. The tax allowance for disabled persons completing a learnership is 175% of the employee's annual salary, up to a maximum of R50,000. This was the first time there is a specific incentive for an employer to employ a person with disabilities on a learnership. An incentive worth up to R100,000 a year in tax deductions for the employer. One Seta that has had much success in accommodating people with disabilities is the Services Seta. They have passed the 4% target, with more than 7% of

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29 http://www.skillsportal.co.za/learnerships/
learners in their learnerships, being people with disabilities. (Skills Portal, 2006)

Underpinning the system of learnerships are certain principles. (Skills Portal, 2006):

**Quality:** Learnerships should be of a high standard and be continuously improved and updated.

**Efficiency and sustainability:** To be cost-effective, learning programmes require good management, well qualified Education Training and Development Practitioners, and clearly formulated performance indicators. The financial policies should ensure that programmes can be sustained.

**Co-operation and partnerships:** The South African educational system fragments responsibility for training in diverse structures. Whereas theoretical education is viewed as the sole domain of the Education Institutions, skills' training is shared between the Department of Education, Department of Labour, industry, private centres and some NGOs. This fragmentation has lead to many problems, including theoretical curricula that lag behind or do not meet the needs of the industry. Workplace and industrial training is frequently divorced from theory; and community training programmes often do not provide progression or exit opportunities that are recognised by government and industry.

**Diversification:** Traditionally apprenticeships have tended to be limited to blue-collar trades such as fitters, electricians, boilermakers or hairdressers. They have excluded sectors such as sport, arts and welfare and a wide range of service/sectors which are likely to expand in future, judging by international trends. If learnerships are to address the needs of large as well as small employers in each economic sector, diversification will have to occur, and have to be extended to include all sectors.

**Credible exit opportunities:** Learnerships are both valuable in themselves and constitute an alternative route to the professions, but have not been taken up to the fullest extent. To encourage more participation in training as a recognisable and credible form of learning, it is important to demonstrate that learnerships lead to employment or self-employment after qualification. Learnerships need to be made available to a larger number of people at a more diversified range of learning sites.

**Demand-led learnerships:** Learnerships must be responsive to an economic or social need if they are to be relevant. Learnerships designed to serve such needs are more likely lead to employment or productivity enhancement than those designed in abstract. Learnerships tied to economic growth or social development plans are not only more likely to lead to employment, but may also catalyse it.

**Variety of employment context:** Current apprenticeships have had an almost exclusive focus on technical skills and the work experience component
assumes a single employer placement for full range of work experience. The assumption has contributed to the decline of apprenticeships, as the number of firms willing or able to enter a full contract is limited. Learnships must therefore enable learners to acquire work experience in a variety of ways. For example through: Rotation across groups of SMME's, Job creation programmes, Service programmes or Government departments. They must also be designed to encourage the inclusion of business skills and other issues of national importance.

**Integration of theoretical education and practical training:** Learning needs to be integrated in a range of opportunities that ensure that the relevant education and training are combined appropriately in learning and assessment.

**Life-long learning:** The nature of rapidly changing technology, the demands of the economy, social development, as well as the needs of individuals requires that an important principle is that learning and skills acquisition should be incremental and continuous.

**EPWP and learnships to create sustainable business**

In 2005, the EPWP economic sector aimed to create 3000 sustainable businesses in various sectors through tapping into government expenditure on goods and services. The learnership was to target persons in the 2nd economy as learners. These learners will all be registered as new companies and will be provided with theoretical and practical training. These businesses were to be developed through a programme known as new venture creation learnership. The learnership provided learners with business and management skills. The learnership costs were to be covered by the 23 SETAs. Each learner will be awarded 3 projects to execute with a cumulative value of these contracts totalling at minimum R800 000. All learners were to also receive mentoring assistance throughout the learnership. All learners would also have access to finance through ABSA bank, which had been selected as the preferred provider through a tender and adjudication process. ABSA provided working capital at prime +1%.

n170 learnerships/emerging enterprises have been established and are underway in Limpopo and the Eastern Cape. These learnerships relate to the building of schools. Of the 170 learners/emerging enterprises, 40 have graduated from the programme. A graduation ceremony was held in August 2005. The NDPW, DPW (Limpopo) and the CIDB worked collectively on registering the 40 learners on the CIDB register. By September 2005, 70% of the 40 learners had been registered. A database of learners was available. These learners were at Level 3 and 4 on the CIDB register. Learners had therefore moved up from Level 1 and 2 on the register through the venture learnership programme.

**Assessment of the learnership programme**

On the positive side the underlying idea of learnerships as a means of creating learning and working opportunities is conceptually sound and appears to be gaining ground in the private sector. The principles are holistic.
and compelling. In that nearly quarter of a million young people have enrolled, the enormous potential of learnerships has certainly been demonstrated.

However, on the negative side, in assessing the value of learnerships as a poverty alleviation strategy there are similar issues to those of the EPWP and the NYS. In terms of scale, the programme is too small by several orders of magnitude. Given that there are 12.7 million young people out of school, the number of about 250,000 learnerships comprises only 2% of the target group. A ten-fold increase in scale would still only reach 20% of the potential target group. A further problem that compounds assessment is the lack of information about the programme. There does not appear to be a functioning monitoring and evaluation system in place.

### 7.5 Cooperatives

There are a range of Government initiatives aimed at reducing poverty and unemployment based on developing cooperative enterprises of different sorts. A cooperative (also co-operative, coöperative, or co-op) is defined by the International Co-operative Alliance's Statement on the Co-operative Identity as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or who work at it. Cooperative enterprises are the focus of study in the field of cooperative economics.

The first group of cooperatives considered are aimed specifically at the creation of financial services (Financial Service Cooperatives – FSCs,) which aim to provide an infrastructure for micro-finance through a ‘community banking’ system. The second are a large grouping of production and marketing cooperatives.

#### 7.5.1 The South African Micro-finance Apex Fund (samaf)

**Background/history/milestones:**
The South African Micro-finance Apex Fund (samaf) or “Apex” fund is a parastatal company that that was formally established by the Government in April 2006 to address poverty and unemployment through provision of:
- Affordable access and client capacity building;
- Institutional and client capacity building;
- Savings mobilization through co-operatives and other indigenous formations such as burial societies and stokvels. (dti, 2006b)

Essentially, samaf functions as a wholesale funding institution. Prior to its establishment the wholesale funding concept was incubated at Khula enterprise Finance Limited.

An initial commitment of R23 million was made to 18 partner organisations in eight provinces. It was anticipated that by March 2007, it would be possible to reach out to 50 communities with a total investment of R65 million.

**Governance and management:**
samaf as a trading entity is governed by the Public Finance Management Act (PFMA) of 1999 and accounts to the executive authority of the dti. Its mandate is to facilitate the provision of affordable access to finance by micro small and survivalists business for purpose of growing their income and asset base. It also has to act as a catalyst in the development of a vibrant micro-finance industry in South Africa.

Governance is through an advisory board. Governance sub-committees established (Creditcom, riskcom, auditcom, tendercom)
A CEO, is responsible for the day to day management

The Apex fund works through partner organizations to carry out its mandate to reach the target at as close a local level as possible for impact and outreach. For savings mobilization no particular model is preferred, instead innovation and different approaches based on experience are encouraged.

**Relevant policy:**
Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises provides policy guidance for the functioning of samaf as an apex micro-finance institution

**Aims/Objectives:**
The primary purpose is the reduction of poverty and unemployment through
- Development of sustainable financial intermediaries that can reach deeper and broader to enterprising poor;
- Wholesaling of funds and facilitation of training for micro entrepreneurs and financial intermediaries;
- Effective financial intermediation thus creating working markets for the enterprising poor.

The first goal is to extend financial services to reach deeper and broader into the rural areas, informal settlement and peri-urban settlement of South Africa.

The second goal is to build a network of self-sufficient and sustainable micro-finance institutions.

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31 Speech delivered by the Minister of Trade and Industry Mr Mandisi Mpahlwa, at the launch of South African Micro-finance Apex Fund, Pretoria, 19 September 2006
Table 28: The role of samaf in poverty alleviation

Source: Mase, 2007

Key components:
To ensure deep and broad outreach, samaf works in partnership with a network of community based partner organizations like the financial services co-operatives (FSC), village banks and medium to large micro-finance institutions (MFI). These institutions develop and/or possess the necessary capacity to absorb loan funding, disburse funds, manage funds and provide reports according to the requirements of the PFMA including any other prescripts of the partner agreements. In addition, the institutions must also

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32 Financial Services Co-operatives (FSCs) are cost-efficient community-run banks through which high quality and affordable financial services are made available to communities and societies who usually have limited or no access to mainstream banking services provided by registered commercial banks in the country. FSCs are member owned and controlled co-operatives, which provide readily available and safe financial services in a community. There was a time when KwaZulu-Natal had 23 FSCs spread across the province. These FSCs were started by two companies FinaSol and Financial Services Association (FSA). Both FSA and FinaSol encountered problems which led to their demise in the year 2002. The members/shareholders of the FSCs then decided to continue despite the gap in the supervision and regulation. Because of lack of support and monitoring system 19 are no longer in operation and the National Treasury has appointed the Deloitte and Touche company to formally close them down, and the members to be reimbursed their savings. For the FSCs that have survived closure, the National Treasury has appointed SAMAF to temporarily regulate them until a formal regulatory body is appointed by the South African Reserve Bank (SARB). Currently there are four FSCs that have survived closure and these are:
1. Ngwavuma FSC at Ngwavuma which is doing well and just broke even recently
2. Eyethu FSC at Nquthu which is struggling and operating at a loss
3. Sizathina FSC at Ixopo is also operating at a loss but has potential
4. KwaMachi FSC at Harding which is managing to grow despite the existing problems.

Source: Address by KwaZulu-Natal MEC for Finance and Economic Development, Dr Zwi Mkheize, at a Co-operative Microfinance Workshop gala dinner at the Blue Waters Hotel, Durban, 4 December, 2006.
provide an efficient and effective service to their clients – the working poor and micro survivalists entrepreneurs.

smaf services include capacity building fund for training and set-up cost for partner organization, funding related to expenditure for lending and saving mobilization and funding for on-lending to the end user the micro small and survivalists entrepreneurs.

The immediate plan is to consolidate the pilot model of the past few years, review the funding model and strengthen the program by bringing in more solid medium to large intermediaries partner organizations. This should enable smaf to build a stronger financial services sector for the poor, enhance the skills in the sector, build self-sufficient institution to ensure effective financial intermediation, and we are on the road to a sustainable and vibrant micro financial industry in South Africa.

**Target group**
The main target group are those who fall within the LSM 1-4 groups, (rural dwellers, farm workers, informal settlers, urban poor). It is intended that 80% of loans should be made to women, disabled and youth and that the focus would be on rural & peri urban areas giving priority to historically disadvantaged individuals who do not have access to affordable financial services. It is intended that loans should be up to R10,000.

**Financial services**
The financial services offered include access to a Micro-credit Loan Fund and Institutional Capacity Building:

**Micro Finance Credit Loan Fund**
- **Micro Enterprise Development Loans**
  This product is aimed at financing both Micro Finance Institution (MFIs) and Partner Organisations (POs) for on lending to clients earning above R1500 per month. The maximum exposure per MFI is R10 million and per PO is R4 million. Funds are wholesaled at the rate ranging from 6%-8% per annum.
- **Poverty alleviation loans**
  This product is specifically aimed at financing Partner Organisation for on lending to clients earning less than R1500 per month with emphasis on development projects. The maximum exposure including the micro-enterprise developmental loan is capped at R4 million. Funds are wholesaled at the rate ranging from 6%-8% per annum.
- **Capability Building Fund**
  This product is aimed at equipping Partner Organisations and Micro Finance Institution with funding on building infrastructure to ensure that they are functional, effective and sustainable.
- **Savings Mobilisation Fund**
  This product is aimed at providing funding to enhance savings mobilisation. The maximum amount of R200,000 is made available to capacitate existing Savings Schemes.
**Institutional capacity building:** Under this programme funds are provided to strengthen the institution and ensure its long-term sustainability.

Savings mobilization: This serves to promote and encourage the creation of financial co-operatives and other indigenous savings establishment such as stokvels and burial societies for the accumulation of locally owned and invested wealth.

**Achievements/effects/impacts**
As of April 2007, one year after its establishment, Samaf had approved about R55.2 million for partner organisations mainly FSCs, Micro Credit Organisations (MCOs) and Village banks. Some 31 partner organisations had received disbursements. R20m of these funds have been disbursed, R11m in loans and R9m in capacity building. These institutions have reached about 14,500 savers and borrowers. (Mase, 2007. samaf, 2007)

**Table 29: samaf loans and disbursements 2006/2007**

<table>
<thead>
<tr>
<th>Province</th>
<th>Financial intermediaries</th>
<th>Approvals</th>
<th>Capacity Building</th>
<th>Loans Disbursed</th>
<th>Borrowers</th>
<th>No. of savers</th>
</tr>
</thead>
<tbody>
<tr>
<td>North West</td>
<td>4</td>
<td>6,450,000</td>
<td>1,071,000</td>
<td>700,000</td>
<td>352</td>
<td>3,810</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>3</td>
<td>17,400,000</td>
<td>700,000</td>
<td>400,000</td>
<td>310</td>
<td>330</td>
</tr>
<tr>
<td>Free State</td>
<td>2</td>
<td>2,600,000</td>
<td>360,000</td>
<td>512,500</td>
<td>469</td>
<td>684</td>
</tr>
<tr>
<td>Gauteng</td>
<td>6</td>
<td>7,950,000</td>
<td>3,960,000</td>
<td>6,855,000</td>
<td>1,093</td>
<td>556</td>
</tr>
<tr>
<td>Kwa-Zulu Natal</td>
<td>4</td>
<td>5,200,000</td>
<td>240,000</td>
<td>310,000</td>
<td>142</td>
<td>4,801</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>4</td>
<td>5,200,000</td>
<td>1,748,000</td>
<td>700,000</td>
<td>699</td>
<td>1,157</td>
</tr>
<tr>
<td>Western Cape</td>
<td>4</td>
<td>5,200,000</td>
<td>480,000</td>
<td>535,600</td>
<td>841</td>
<td>1,050</td>
</tr>
<tr>
<td>Limpopo</td>
<td>4</td>
<td>5,200,000</td>
<td>500,000</td>
<td>759,000</td>
<td>440</td>
<td>1,965</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>R 55,200,000</strong></td>
<td><strong>R 9,059,000</strong></td>
<td><strong>R 10,772,100</strong></td>
<td><strong>4,346</strong></td>
<td><strong>14,353</strong></td>
</tr>
</tbody>
</table>

**Breakdown of participants by gender, age and disability**

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>21%</td>
</tr>
<tr>
<td>Women</td>
<td>67%</td>
</tr>
<tr>
<td>Disabled</td>
<td>1%</td>
</tr>
<tr>
<td>Youth</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

**Business activities in which women are involved**

<table>
<thead>
<tr>
<th>Activity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>124</td>
</tr>
<tr>
<td>Retailing</td>
<td>827</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>129</td>
</tr>
<tr>
<td>Service</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,190</td>
</tr>
</tbody>
</table>

**Successes and challenges:**

**Successes**
By September, 2007
- Loan book increased to R12, 6m
- Transfers for capacity building R12, 3m
- Savers increased to 16 500
• Procedures and systems established for disbursement of funds
• Governance Committees established (Creditcom, riskcom, auditcom, tendercom and advisory board)

Challenges
• Statutory and legal status of SAMAF (Trading Entity within the dti) poses constraints for SAMAF’s businesses processes
• Institutional capacity for financial intermediaries targeted in the strategy of SAMAF (Services Cooperatives and Village Banks) is very low. This manifests itself in poor financial reporting and governance within Financial Intermediaries.
• Lack of Effective industry practice for monitoring and regulating the Micro-Finance sector in South Africa.
• SAMAF and Financial intermediaries not having an appropriate MIS/IT reporting and monitoring system to enable effective management of business and making appropriate decisions.
• Lack of appropriate management and skills and expertise mix in the micro finance industry in South Africa
• SAMAF has been forced to respond to these market challenges by investing heavily in capacity building programmes.

N.B. The combination of the above limits SAMAF’s capacity to meets its targets (as in the conceptual stage) with regard to its lending programme.

Lessons learned (best practice):
• A need to establish a regulatory framework for micro-finance institutions. Possible framework is being explored by the National Treasury and SAMAF.
• A need to invest more on capacity building for micro finance intermediaries who have low operational efficiencies due to their human, infrastructure capacity and resource constraints.

7.5 The Cooperatives Incentives Scheme (CIS)

Background/history/milestones
The Department of Trade and Industry (the dti) identified the promotion of co-operatives as one of its flagship projects during 2004/5. The brief for flagship projects also identified this project as an initiative to address the needs of the Second Economy. While there is a highly developed co-operative sector operating in what is conceptualised to be the First Economy, a the corresponding mostly black-owned movement operating in what is defined as the Second Economy is very weak.

The two economies, as distinguished in the South African Government’s Ten Year Review, are:
“... the first is an advanced, sophisticated economy, based on skilled labour, which is becoming globally competitive. The second is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector. Despite the impressive gains made in the
First Economy, the benefits of growth have yet to reach the Second Economy, and with the enormity of the challenges arising from the social transition, the Second Economy risks falling further behind if there is no decisive government intervention.”

In President Mbeki’s words, “We will implement a detailed programme to respond to the challenges of the Second Economy. In this regard, during the current financial year, we will finalise our strategy for the development and extension of financial and non-financial support to co-operative enterprises, as well as submit draft legislation on cooperatives to Parliament.”

As part of its Programme of Action, the Government therefore responded to the with the establishment in 2005 of a support programme for cooperative enterprises known as the Cooperatives Incentives Scheme (CIS). A Bill on cooperatives and implement cooperatives strategy was quickly submitted to Parliament and a cooperatives registration office in Companies and Intellectual Property Registration Office was established.

The Co-operative Incentive Scheme (CIS) aims to reinforce the initiatives of government towards the development and promotion of co-operatives as a viable form of enterprise in South Africa. The CIS is one of the government support measures towards realising the 2004-2014 objectives presented in the Government’s Co-operatives Development Strategy. The incentive scheme was toll operate for a period of five years, starting 2005/6 financial year and targetted registered co-operatives operating in the emerging economy. It was planned to ultimately cover the whole country and make use of appointed field officials to reach co-operative enterprises. Initially the intention was for the CIS to be piloted on 100 cooperatives that had been identified. Pre-incorporation education for any group that wanted to become a cooperative was given. One field officer was to be responsible for coordinating projects in two designated provinces

CIS is designed to address the following market failures encountered by co-operative enterprises:

- High cost of working capital to allow effective market entry.
- Lack of access to finance.
- Lack of participation in the formal economy by co-operatives, in particular those owned by black persons (especially those in rural area), women, persons with disability and youth.
- Low or non-participation on current incentive programmes.

Definitions

The CIS is a direct cash grant, offered on a matching-grant basis to qualifying entities. The Scheme is an incentive for co-operative enterprises in the emerging economy to acquire competitive business development services. These are co-operatives that have taken into their own hands the task of creating productive employment, overcoming poverty and in so doing achieving social integration.
CIS is offered as a 90:10 matching grant, wherein the Department of Trade and Industry (the dti) contributed 90% of the approved costs of project activities and the co-operative enterprise contributes 10% (or the remainder of the costs through existing assets, cash on hand, or provides skills for necessary for the success of the project).

The maximum grant that can be offered to one co-operative entity under the CIS is R300,000-00 (Three Hundred Thousand Rand). The minimum amount that a co-operative can apply for is R10,000.

A co-operative enterprise can apply for multiple projects provided that the cumulative grant awarded to the enterprise does not exceed R300,000. For example: If the programme approves a first project whose total cost is R140,000, and a second project whose total cost is approximately R193,333, the funding that will be provided by the dti is calculated on the basis of a prescribed formula, as shown in the table below.

Table 30: Funding formula to support cooperatives

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Cost</th>
<th>dti funding @ 90%</th>
<th>Cooperative’s contribution @ 10%</th>
<th>Cumulative dti funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A</td>
<td>R140,000</td>
<td>R126,000</td>
<td>R14,000</td>
<td>R126,000</td>
</tr>
<tr>
<td>Project B</td>
<td>R193,333</td>
<td>R174,000</td>
<td>R19,333</td>
<td>R300,000</td>
</tr>
</tbody>
</table>

Aims/Objectives
The objectives of the scheme are to:
- Promote co-operatives through the provision of a matching grant.
- Improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business.
- Assist co-operatives to acquire their start-up requirement.
- Build an initial asset base for emerging co-operatives to enable them to leverage other support.
- Provide an incentive that supports broad-based black economic empowerment.

Key components
Projects must be in manufacturing, retail, service and agricultural sectors.

Governance and management
CIS is only available to co-operatives as entities and not to the persons who are members. To be eligible, a co-operative entity must:
- Be incorporated and registered in South Africa in terms of the Co-operatives Act of 1981/2005
- It must be operating or will operate in the emerging sector. These are majority black-owned co-operatives, very poor and under-developed which exist in various sectors e.g. agriculture and manufacturing.
- Have projects in manufacturing, retail service and agricultural sectors
• Adhere to co-operative principles. It must have members, be able to produce proof that it holds regular members’ meetings or ready to hold one in the near future.
• Be an emerging co-operative owned by the Historical Disadvantaged Individual.
• Be rural and semi-urban biased
• Be biased towards women, youth and people with disabilities

**Eligible Projects/ Activities**
A co-operative must have a project to carry out that can be approved in terms of the CIS requirements. The intended project/ activities must aim at enhancing the viability of a co-operative through capacity building and competitiveness improvement. The project/ activities must be classifiable under the following categories:

- Business Development services
- Feasibility studies/Market research
- Production efficiency
- Technological improvement projects
- Plant and Machinery
- The start-up requirements are at the discretion of the adjudication committee.
- Working capital requirements may not exceed 40% of the approved qualifying activities and the committee may consider paying this directly to the co-operative.

**Administrative arrangements**
To be considered, prospective cooperatives must complete an formal submission accompanied by a standard application form duly signed by the authorized person(s) as per the constitution of the co-operative with a statement by the applying co-operative to indicate the intention to participate in the CIS. Cooperatives must provide proof of registration in the form of a certificate of registration indicating the name of the co-operative, its registration number, information about the registered office and the names of Directors. It must also be able to provide a copy of the resolution mandating it to apply (for example by way of attaching the Minutes of the Co-operative Board or the session taking the decision to apply for the grant.

**Achievements.**
The majority of Provinces have prepared reports on their achievements. These can be found in the the appendix. Mostly the scale of these achievements in very limited both in terms of the number of participating cooperatives and members.

KwaZulu- Natal is somewhat an exception and is included below as a case study. It disbursed nearly R168 million to 1159 cooperatives from 2005 to 2007.
Case studies (KwaZulu-Natal)

7.6 Nutrition, Land Reform and Food Security Programmes

7.6.1 Integrated Nutrition Programme

Malnutrition was one of the key priority issues which the Government undertook to address in 1994. An *Integrated Nutrition Strategy for South Africa* was formulated and subsequently adopted in The Department of Health's White paper for the Transformation of the Health System in South Africa. This was later further developed into the *Integrated Nutrition Programme* (INP) for South Africa. The INP which defined malnutrition as an outcome of complex and interrelated causes. These are addressed in the context of an ongoing process of Assessment, Analysis and Action (The triple...
A cycle). It was envisioned that this approach would encourage and support programmes that are integrated, sustainable and community-driven as opposed to the fragmented and mostly food-based approaches of the past. (Steyn and Labadarios, 2002)

The INP focuses on seven focus areas/strategies, namely:
i Contribution to household food security
ii Disease-specific nutrition support, treatment and counselling
iii Growth monitoring and promotion
iv Nutrition promotion, education and advocacy
v Promotion, protection and support of breastfeeding
vi Micronutrient malnutrition control and
vii Food service management.

The original INP framework placed considerable emphasis on the development of Community Based Nutrition Projects (CBNPs) to address the problem of malnutrition in South Africa. The main strategy was to provide multi-sectoral government support to communities to ‘solve’ their own nutritional problems. The focus of CBNPs efforts to improve household food security was on food-based income generation projects, with a long term objective set in 1994 for each health district in South Africa to establish two CBNPs by the year 2001. Each province in fact committed themselves to three such pilots. (Steyn and Labadarios, 2002)

In 1999, the national Department of Health commissioned an evaluation of CBNPs in order to assess progress and to evaluate barriers to their implementation. It was reported that only three out of the nine provinces had implemented pilots. A number of general management aspects were identified as constraints in the implementation of CBNPs at provincial level, which included: complex financial procedures; delays in funding; lack of staff, inadequate staff training; inadequate technical support, such as teaching new skills to project leaders/managers. In addition, the interpretation of CBNPs varied among provinces to the extent that professionals and health workers at different levels were found to have differing understanding of the goals and aims of the CBNPs, such as the importance of developing sustainable programmes. Clearly, the original intention of the INP as a vehicle for promoting CBNPs was not met and this objective was not retained in the most recent list of objectives developed for 2001-2007. This experience also emphasizes the crucial problem in getting policy successfully implemented. It emphasises the importance of setting realistic objectives and providing appropriate resources for success. However, the exit of the CBNPs has also happened because of the introduction of the Integrated Sustainable Rural Development Strategy (ISRDS), which was initiated by the Office of the President in 2001. (Steyn and Labadarios, 2002)

7.6.2 Primary School Nutrition Programme (PSNP)
School feeding, as a second strategic objective for addressing household food security, was implemented on 1 September 1994 as a Presidential RDP lead programme. From its inception up to 31 March 2002, an average of approximately 15,000 schools participated in the school feeding component of
the PSNP with an average of 5 million learners benefiting annually during this period. Substantial financial resources (R3.9 billion) were made available for school feeding over the 8 financial years from 1994/95 to 2001/02. (Steyn and Labadarios, 2002)

In 2006/07
- R1.1 billion was allocated and R1 billion (91.33 per cent) spent
- The programme reached about 6 million learners in 18,039 schools
- 18,434 training files were developed and distributed to provinces on food safety and hygiene
- 27,752 food handlers were engaged to prepare and serve meals to learners thereby creating opportunities for employment. Most provinces increased the honorarium to a minimum of R300 per month
- 4,000 schools had vegetable gardens
- 237 Capacity building workshops on food production skills were held for 3,685 educators, 1,125 parents and 1,811 learners.
- 616 schools were assisted to set up gardens
- 143,948 posters on health and hygiene have been printed for distribution to schools. 84,000 Booklets with themes on health and hygiene aimed at Foundation and Intermediate phases as well as 42,000 playing cards promoting healthy lifestyles were distributed to provinces for use by all NSNP schools
- Schools received garden tools from national Department of Education, Department of Agriculture and Department of Health
- 173 kitchenettes were installed to improve food preparation areas in schools (Division of Revenue Bill, 2008)

7.6.3 Integrated Food Security and Nutrition Programme

The target goal of the Integrated Food Security Strategy (IFSS) is to reduce the number of food-insecure households by half by 2014. One of the strategic objectives to reach this target is “to increase domestic food production by providing support services to farmers. (DoA, 2004)

The DoA has the basic responsibility to provide every citizen access to available food on a sustainable basis. To this effect the DoA planned to support 244,000 foodparcel beneficiaries with “Starter Packs for Food Production” for their own benefit. It also has been assisting individual and community gardeners to supply school nutrition and health care projects. The plan calls for methods to support vulnerable people over the full spectrum of sustainable agriculture and environmental enhancement projects.

The guidelines for starter packs support the Special Programme on Food Security (SPFS) and Integrated Food Security and Nutrition Programme (IFSNP)

M&E data on achievements in meeting the goals was not readily available
7.6.4 Comprehensive Agriculture Support Programme (CASP)
The broad land and agrarian reforms within the agricultural sector have over the last ten years attempted to lay a foundation for policy frameworks ranging from land reform, restitution, redistribution, labour legislation, trade, technology transfer and development. Whilst implementing the various programmes in support of these reforms, some challenges were encountered by Government and its partners.

The Comprehensive Agriculture Support Programme (CASP) was developed in 2004 as a means to address the gap. The aim of (CASP) is to enhance the provision of support services to promote and facilitate agricultural development targeting the beneficiaries of the land and agrarian reforms.

Four categories of the beneficiaries have been identified. These include the hungry and vulnerable, the household food producers, the beneficiaries of the land and agrarian reform programmes and those operating with the macro economic environment. There are six targeted areas of support within CASP. These are: information and knowledge management, advisory and regulatory services, training and capacity building, finance, on-farm and off-farm infrastructure. (DoA, 2004)

The programme is still in the early phase of implementation and it is not yet clear what the impact of this intervention has been in addressing poverty.

7.6.5 The Land Redistribution for Agricultural Development sub-programme (LRAD)
The LRAD sub-programme was developed by the Departments of Agriculture and Land affairs. (DoA, 2004)

The purpose of LRAD is to increase access to agricultural land by black people and to contribute to the redistribution of approximately 30% of the country’s commercial agricultural land over the duration of the programme. LRAD was designed to provide grants to the beneficiaries to access land specifically for agricultural purposes, namely for land acquisition, land improvements, infrastructure investments and capital assets. Beneficiaries are intended to be able to access a range of grants (R20,000 to R100,000) depending on their own contribution in kind, labour and/or cash.

The participants in LRAD are primarily responsible for their successful involvement in agricultural development. Although the DoA and PDA’s have accepted the responsibility of ensuring that these participants have access to the full range of agricultural support services, not enough financial resources were allocated for this function.

7.6.6 The National Landcare Programme
The goal of the National Landcare Programme is to promote the sustainable use and management of natural resources. Farmer participation and strong institutional support structures and incremental change to existing farming practices are key to the success of this strategy. Overall responsibility for the
programme lies with DoA, while the PDAs and many other stakeholders are responsible for implementation. The main focus of the programme on building and training in the agricultural domain is implicitly dependent on support services provided by the DoA and the PDAs to local communities and groups. Some of the themes within the programme include: water care, soil care, veld care and junior land care programme.

During 2006/07 R44.5 million was allocated to Provinces of which R34.1 million (77 per cent) was spent. There were 15,258 beneficiaries; 2,428 ha of soil protected; 4,358 of rangeland managed; 794 ha of weeds and invader plants controlled; 2,447 of Junior LandCare projects, 12,891 of Land Care Awareness activities undertaken and 809 Land Care capacity building and partnerships established. (Division of Revenue Bill, 2008)

**Case study (Illustrative)**

**The Golden Fleece of Eastern Cape: How agricultural intervention increased rural incomes.**

Small producers from former Transkei/Ciskei owned approximately 3m wool sheep. Prior to 1996, sheared their sheep under poor conditions and sold unclassed wool of poor quality to traders for only R2.50/kg while neighboring white commercial farmers were getting R15 and R20/kg for their wool.

In 1996 under the Land Care Programme an advisory service to the woolgrowers in the former Transkei and Ciskei. The advisory service comprised National Growers Association (NWGA) and Agricultural Research Council (ARC). Since then the number of farmers increased to 4000 and 30 new shearing sheds were erected.

The social survey identified high rate of poverty and landlessness among women. The ARC and NWGA decided to provide training in sheep shearing and wool classing to farmers and poor landless women respectively. These women were then employed by farmers and were paid per fleece classed. With the improvement in shearing conditions and women employed to do class the clip, the farmers were able to sell their wool at R15 and R20/kg, comparable with the best clips of the commercial farmers. One of the sheds won an award for the best-classified clip.

This intervention has enormous potential when scaled up for wool producers in the region. For the five communities that built shearing sheds, their revenue increased five-fold, as, shown below.

| Revenue before intervention (247 500 sheep) = R 1 237 500 |
| Revenue after intervention = R 6 187 500 |

Replication of this impact to the 3m sheep in Transkei/Ciskei would yield potential income of R74, 9m. If wool quality can improve through better breeding the potential revenue can be as much as R105m. (almost 10 times current revenue).
7.7 The Integrated Sustainable Rural Development Strategy (ISRDS)

Background/history/milestones
The ISRDS is a Government programme to transform South Africa’s poorest rural areas by targeting the poor, women, youth and the disabled. This approach is based on empowering rural stakeholders to use the Integrated Development Planning (IDP) process to select programmes that address their priorities. The basket of selected programmes is coordinated at the municipal level through an expenditure envelope comprising of the municipal budget, the commitments of the provincial and national line function departments through the IDP process, commitments of donor organisations and non-governmental organisations as well as the private sector. Although these resources were always available in the past, they lacked the integrative mechanism provided by this Programme.

President Thabo Mbeki announced the Integrated Sustainable Rural Development Programme (isrdp) and the Urban Renewal Programme (urp) in February 2001, during the State of the Nation Address. The aim of these programmes was “To conduct a sustained campaign against rural and urban poverty and underdevelopment, bringing in the resources of all three spheres of government in a coordinated manner”.

Cabinet mandated the Department of Provincial and Local Government (dplg) as the national coordinating institution for the ISRDP/URP, but the successful implementation of the programmes relies on the involvement of all the stakeholders.

Twenty-One (21) rural and urban nodes were pronounced, representing the largest concentrations of poverty in South Africa. It was estimated that these nodes (urban and rural) were home to more than 10 million people. The common features of these nodes are that they are areas of severe neglect, where poverty is at its most endemic. The programmes were to have a ten-year life span.
The nodes pronounced in 2001 were

<table>
<thead>
<tr>
<th>Province</th>
<th>ISRDP Nodes</th>
<th>URP Nodes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>OR Tambo</td>
<td>Mdantsane</td>
</tr>
<tr>
<td>** Alfred Nzo</td>
<td>Motherwell</td>
<td></td>
</tr>
<tr>
<td>Chris Hani</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukhahlamba</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td>Alexandra</td>
<td></td>
</tr>
<tr>
<td>KZN</td>
<td>Ugu</td>
<td>KwaMashu</td>
</tr>
<tr>
<td></td>
<td>Umzinyathi</td>
<td>Inanda</td>
</tr>
<tr>
<td></td>
<td>Umkhanyakude</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zululand</td>
<td></td>
</tr>
<tr>
<td>Western Cape</td>
<td>Central Karoo</td>
<td>Khayelitsha</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mitchell's Plain</td>
</tr>
<tr>
<td>Free State</td>
<td>Maluti-A-Phofung</td>
<td></td>
</tr>
<tr>
<td>Northern Cape</td>
<td>Kgalagadi</td>
<td>Galeshewe</td>
</tr>
<tr>
<td>Limpopo</td>
<td>Sekhukhune</td>
<td></td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>* Bohlabela</td>
<td></td>
</tr>
</tbody>
</table>

* With Effect from 1 March 2006:
* Bohlabela District Municipality was disestablished.
* Mopani District Municipality inherited Maruleng Local Municipality that was part of Bohlabela District Municipality.
* Ehlanzeni District Municipality inherited Bushbuckridge Local Municipality that was part of Bohlabela District Municipality.
** Sisonke District Municipality inherited Umzimkulu Local Municipality that was part of Alfred Nzo District Municipality.
** Alfred Nzo District Municipality inherited Matatiele Local Municipality that was part of Sisonke District Municipality.

** Aims/Objectives

Vision: To "attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people who are equipped to contribute to growth and development.

The S. A. Government in consultation with a broad variety of stakeholders launched a programme to improve opportunities and well being for the rural poor. In taking this step the government would build on previous experience with its other rural programmes and from lessons world wide (ISIRS 17 November 2000)

The strategic objective is to ensure that by year 2010 the rural areas would attain the internal capacity for integrated and sustainable development.

** Key components
- Rural Development
- Sustainability
- Integration
- Dynamics of growth in rural areas
- Rural Safety Net

**Governance and management**
The Ministry for Provincial and Local Government is responsible for managing and coordinating the implementation of the Programme. The Independent Development Trust (IDT), a public entity driving development in the country for the last ten years, has been appointed to support Government in managing the implementation of the Programme.

At a national level, fourteen Ministers have been assigned by Cabinet to work with their provincial and local counterparts to provide political leadership for the Rural Development Programme.

**Effects/Impacts**
Impacts on poverty alleviation are inadequately documented, although the following achievements have been noted:

- Promotion of small scale mining activity, infrastructure investment and support services.
- Eskom completed 1.1m electrical connections (1994-1999) and provided electricity to 3,891 rural schools.
- Spatial Development initiatives, created jobs, socio-economic upliftment and upgrading of infrastructure.
- CBPWP
- Working for water projects
- Extension of telephone services to rural communities, access to 20%-40% households
- Cellphone networks and TV signals have been improved
- Under land reform projects: 350 000 households gained access to 6.5m hectares of land.
- LED has been stimulated
- Khula Fund

**Challenges**
Many districts lacked information about the core functions of line departments within their jurisdiction.
There is a need to improve coordination, consultation, participation and communication
Institutional capacity needs strengthening.
Some of the projects have became white elephants

**7.8 Indicators of poverty reduction though service provision**
The Institute for Justice and Reconciliation (2006) has published an Access Poverty Scorecard and Star to provide a snapshot of changes in popular access to services that are important for human well-being. This data provides an overview which summarizes the major trends in access to services. It presents a mixed picture in comparing trends between 1995, 2005 and 2006.
The proportion of households with access to electricity and children at school improved between 2005 and 2006. The proportion of households living in a permanent structure and those with access to clean drinking water both had declined. However, the decline is very small and is attributable to a higher overall number of households, rather than fewer households with access. The estimated HIV prevalence rate for the population as a whole, measured at 10.4 persons out of every 100 in 2005 compared to 10.9 persons in 2006.

Table 31: Access poverty scorecard

<table>
<thead>
<tr>
<th>Transformation goal</th>
<th>Reducing poverty through better access to services</th>
<th>1995 Status</th>
<th>2005 Status</th>
<th>2006 Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced access poverty</td>
<td>Percentage of households living in a permanent structure (1)</td>
<td>77.6% (2003)</td>
<td>74.0% (2003)</td>
<td>73.6% (2004)</td>
</tr>
<tr>
<td>Reduced education poverty</td>
<td>Percentage of households with access to electricity (1)</td>
<td>62.9% (2003)</td>
<td>76.5% (2004)</td>
<td>80.5% (2004)</td>
</tr>
<tr>
<td>Reduced health poverty</td>
<td>Percentage of households with access to clean drinking water in the home (1)</td>
<td>48.9% (2003)</td>
<td>68.3% (2004)</td>
<td>67.8% (2004)</td>
</tr>
<tr>
<td>Reduced education poverty</td>
<td>Percentage of children 7 to 18 in school (1)</td>
<td>95.3% (2003)</td>
<td>93.5% (2004)</td>
<td>94.3% (2004)</td>
</tr>
<tr>
<td>Reducing health poverty</td>
<td>Estimated HIV prevalence rate for population (3)</td>
<td>10.4% (2005)</td>
<td>10.9% (2006)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Brown, Hofmeyr et al 2006 Transformation Audit: Access Poverty Scorecard, IJR

(1) Sources: Stats SA, October Household Survey 1995; General Household Survey 2003, 2004
(2) Sources: 1990 from UNDP Human Development Index (1990); 2005 from Stats SA, Statistical Release P0302 Mid-year Estimates <www.statssa.gov.za>
(3) Sources: Stats SA, Statistical Release P0302 Mid-year Estimates <www.statssa.gov.za>
The graph below shows graphically how the situation since 1995 has improved in regard to access to water and electricity and deteriorated in relation to the infant mortality, mainly because of the increasing prevalence of HIV and access to permanent households which is the result of the increasing number of households.

**Figure 35: Reducing poverty through better access to services**

8. DISCUSSION

The evidence cited previously shows that although poverty rates were rising during the 1990s, they have probably been declining since the early 2000s. The rate of decrease has been modest, however. It has occurred for a variety of reasons that include the large increase in social spending during the same period, mainly because of the increase in the payments of Child Support Grants.

Table 32: Selected poverty indicators

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>2000</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita income: Quintile 1</td>
<td>R855</td>
<td>R866</td>
<td>R1185</td>
</tr>
<tr>
<td>Per capita income: Quintile 2</td>
<td>R2162</td>
<td>R2086</td>
<td>R2770</td>
</tr>
<tr>
<td><strong>Using poverty line of R3 371 per capita per year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( P_1 ) (Headcount ratio)</td>
<td>0.441</td>
<td>0.446</td>
<td>0.366</td>
</tr>
<tr>
<td>( P_2 ) (Poverty gap ratio)</td>
<td>0.224</td>
<td>0.230</td>
<td>0.169</td>
</tr>
<tr>
<td>( P_3 ) (Squared poverty gap/Poverty severity ratio)</td>
<td>0.144</td>
<td>0.146</td>
<td>0.100</td>
</tr>
<tr>
<td>Number of poor (million)</td>
<td>16.9</td>
<td>18.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Number of non-poors (million)</td>
<td>23.0</td>
<td>26.0</td>
<td>28.4</td>
</tr>
<tr>
<td><strong>Using poverty line of R3 000 per capita per year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( P_1 ) (Headcount ratio)</td>
<td>0.406</td>
<td>0.413</td>
<td>0.332</td>
</tr>
<tr>
<td>( P_2 ) (Poverty gap ratio)</td>
<td>0.200</td>
<td>0.205</td>
<td>0.146</td>
</tr>
<tr>
<td>( P_3 ) (Squared poverty gap/Poverty severity ratio)</td>
<td>0.126</td>
<td>0.127</td>
<td>0.085</td>
</tr>
<tr>
<td>Number of poor (million)</td>
<td>16.2</td>
<td>18.5</td>
<td>15.4</td>
</tr>
<tr>
<td>Number of non-poors (million)</td>
<td>23.7</td>
<td>26.2</td>
<td>31.0</td>
</tr>
</tbody>
</table>

Source: AMPS data, Van der Berg et al, Hirsch

Despite the modest decline in poverty rates, inequity is increasing. South Africa is probably now the most unequal economy in the world. Racial differences are slowly giving way to social class differences. Although there is no absolute measure of the extent to which this economic inequality is associated with changes in corruption (Baqwa, 2001). Despite South Africa ranking very well (6th out of 25 countries on the Public Integrity Index), there is some evidence of widespread white collar crime and corruption in public and private life. It can be speculated that despite the vigour with which Government has pursued the objectives of moral regeneration, in the absence of social security and given the rapidly advancing middle-class lifestyles with

[A global corporate crime survey by PricewaterhouseCoopers indicated that South African companies fall victim to more crime than companies almost everywhere else in the world. A full 71 percent, or double the world average, have uncovered serious irregularities in the past two years.” Justin Arenstein, Global Integrity, South Africa Country Report, 2004. http://globalintegrity.org/reports/2004/2004/country.html]
high aspirations, many people with reasonably paid jobs are resorting to starting side businesses, moonlighting or finding other less ethical ways of further enhancing their income, while at the same time there are increasingly large numbers of people who are unemployed. Greed has been cited as the main cause for corruption in society as a whole, with an expert panel generally believing that corruption is as about as widespread as it was in the days of Apartheid (Camerer, 2001) This is creating major structural impediments to improving the lot of the poor. The majority of the unemployed are so disheartened that they do not register formally as unemployed or even look for work.

The most important observation that could be made regarding the potential of the growing South African economy to sort out the problem of poverty, is the certainty that it will not be able to do so within the next two to three decades, even if the ambitious growth rate of 6% is achieved. Growth without significant Government redistribution will likely result in continuing or even greater inequity for many more years. While this may eventually lead to a turning point and a gradual shift to improved equity in line with the Kuznets hypothesis, this cannot be guaranteed.

Given that poverty is multi-dimensional, it is important to note that the Government’s anti-poverty programmes are in general diverse and ambitious.

Closely linked with the problem of poverty is the situation of persistent mass unemployment in the country. Whether one considers the “official/strict” or “expanded/broad34” definition, unemployment in South Africa stood at between 25.6 – 39.0 percent as of mid 2006.

Given that the Government has committed itself to cutting the unemployment rate in 1990 in half by September 2014, i.e. bringing the official unemployment rate down to below 15%, this will require, over and above the need for new employment creation among market entrants, reducing the current level of official unemployment by about 10% in just seven years. This is a daunting challenge, a decline of unemployment of at least 1½% will be needed each year. Experts calculate that to achieve this the country will need around 2,3% of GDP growth for each 1% growth in employment. For SA to just keep the unemployment rate the same, SA needs to grow at an annual compounded growth rate of 3%. For SA to halve only the narrow (official definition) by September 2014 the country would have to grow by at least 6,5% per year if not closer to 7% on a compounded annual growth rate. For SA to halve the broader unemployment rate by September 2014 SA would have to grow at least 9,3% on a compounded basis and perhaps closer to 10%. (Schüssler M, 2006). It is clear that economic growth on its own is very unlikely to solve the mass unemployment problem in the short or medium term. (De Wit, 2005)

The items of social expenditure that have the most powerful redistributive effect are the social grants, particularly the Child Support grant. In 2004, it

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34 the expanded definition includes discouraged workers, people who want to work, but who have not looked for a job
was estimated that the CSG, averaged out over all households, raised the consumption levels of the two poorest groups (R0-399 and R400-R799 per household per month) by approximately R115 and R173 respectively each in these two expenditure categories. Given that social grants have risen from R34 billion to R62.2 billion from 2003 to 2007 and the number of beneficiaries from 6.2 million to 12 million, these amounts are likely to have almost doubled and probably make a significant contribution to poor households in which there are children.

Although the social wage is difficult to precisely define, it is important to note that the largest share of this is allocated to the educational and health portion of the budget. Both health and school education, while very important, benefit the wealthy as much as they do the poor and do not have a strongly redistributive effect on the economy. While housing has some redistributational effect, it tends to benefit middle classes more than it does the poorest quintile.

The combined contribution of electricity, water, sanitation, waste disposal etc was probably in the region of R100-R140 per household per month during 2004.

The next largest potential contributor to programmatic poverty alleviation would be the National Public Works Programme. Although the contribution to poverty alleviation during the Community Based Public Works Programme period of 1996 to 2004 was very limited, catering as it did for only about 0.5% of the unemployed, the EPWP, though still small in scale is showing greater promise. Currently it creates employment for about 200,000 unemployed people a year providing an additional amount in the region of R500 per household per month for probably as many households. While this sounds large, it only provides in the region of R1.2 billion per annum income to the poorest households, which is only one thousandth of the country’s R1,2000 billion 2006 GDP and a tiny fraction of the Government’s R558 billion budget in 2006/7.

Given that there are almost 8 million unemployed by the broader definition, this number of workplaces created by the current EPWP represents only 2½% of what is required, however. It would need to be scaled up by a factor of at least ten times to make a significant impact on unemployment and poverty reduction.

The other programmes offered by Government at this stage, many in their pilot stages, while offering imaginative ways of broadening the multidimensional approach to poverty, do not provide support on a sufficiently large scale to be meaningful.

For example, the National Youth Commission, through funding from the Umsombovu Youth Advice Centres is currently reaching 519,000 youth a year with some form of contact. Given that there are some 20 million young people in this target age group, the direct outreach is only reaching 2½% of youth. Seeing that the majority of this outreach consists presumably of single information visits, there is a long way to go. The initiatives will have to be
scaled up by many orders of magnitude if they are to reach and mobilize the many millions of youth who need to be engaged in employment and skills building programmes.

Learnerships, while providing a very innovative model of engaging young people in practical work-related learning experience suffer from the same problem. While some 207,000 learnerships have been created since 2005, the numbers fall far short of need by several orders of magnitude.

Cooperatives as an approach to dealing with poverty fare even less well. Imaginitive as the schemes are, and as important as they may be in the long-term in terms of their potential to generate new businesses, the number of participants that they are currently involving are a few thousand at most. The contribution to poverty alleviation is tiny.

The Integrated Nutrition Programme has been a great disappointment and appears to have failed to provide meaningful food security. As yet there is no clarity whether the reinvention of this Programme in a range of newer or alternate “integrated” programmes will fare any better. For example, there is very little objective information about progress with the Integrated Rural Development Strategy, or how the Land Redistribution for Agricultural Development and the accelerated Comprehensive Agricultural Support Programme are doing in addressing the issue of widespread food insecurity.

The Primary School Nutrition Programme, for all its flaws, does seem to be reaching a significant number of children. There remain, however, questions about the sufficiency of the meal provided from a nutritional point of view and the extent to which communities are empowered in its delivery. The contribution of at least one meal a day for millions of children should not be underestimated. However, it is disappointing that the role of many national level supply companies have been involved in monopolistic pricing practices.

Regrettably, despite the considerable efforts of the Government, a recent qualitative study undertaken by the Institute of Justice and Reconciliation across all the LSM categories suggested that people’s perceptions of economic security as well as their prospects for employment were undergoing a moderate decline. Evaluation of Government service delivery in general indicated that in none of the twenty-three performance areas measured did government performance show any increases. (Hofmeyr, 2007). See overleaf.
Table 33: Recent changes in perceptions regarding service delivery

<table>
<thead>
<tr>
<th>Delivery Area</th>
<th>2006</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency and Accountability</td>
<td>67%</td>
<td>39%</td>
<td>-28%</td>
</tr>
<tr>
<td>Cost of living</td>
<td>61%</td>
<td>37%</td>
<td>-24%</td>
</tr>
<tr>
<td>Correct Appointments</td>
<td>62%</td>
<td>38%</td>
<td>-23%</td>
</tr>
<tr>
<td>Implementing Affirmative Action</td>
<td>69%</td>
<td>46%</td>
<td>-23%</td>
</tr>
<tr>
<td>Controlling Inflation</td>
<td>63%</td>
<td>41%</td>
<td>-22%</td>
</tr>
<tr>
<td>Reducing the Crime Rate</td>
<td>54%</td>
<td>33%</td>
<td>-21%</td>
</tr>
<tr>
<td>Narrowing the Income Gap</td>
<td>65%</td>
<td>45%</td>
<td>-20%</td>
</tr>
<tr>
<td>Fighting corruption</td>
<td>63%</td>
<td>43%</td>
<td>-20%</td>
</tr>
<tr>
<td>Retaining skilled people</td>
<td>48%</td>
<td>28%</td>
<td>-20%</td>
</tr>
<tr>
<td>Managing the Economy</td>
<td>71%</td>
<td>52%</td>
<td>-19%</td>
</tr>
<tr>
<td>Encouraging Intl. investment</td>
<td>72%</td>
<td>57%</td>
<td>-15%</td>
</tr>
<tr>
<td>Uniting All South Africans</td>
<td>78%</td>
<td>63%</td>
<td>-15%</td>
</tr>
<tr>
<td>Access to land</td>
<td>72%</td>
<td>57%</td>
<td>-15%</td>
</tr>
<tr>
<td>Police Closer to Community</td>
<td>69%</td>
<td>56%</td>
<td>-13%</td>
</tr>
<tr>
<td>Educational Needs</td>
<td>78%</td>
<td>65%</td>
<td>-13%</td>
</tr>
<tr>
<td>Building Houses</td>
<td>67%</td>
<td>54%</td>
<td>-13%</td>
</tr>
<tr>
<td>Ending Political Violence</td>
<td>74%</td>
<td>62%</td>
<td>-12%</td>
</tr>
<tr>
<td>Improving Basic Health Services</td>
<td>73%</td>
<td>64%</td>
<td>-10%</td>
</tr>
<tr>
<td>Gender Equality</td>
<td>83%</td>
<td>74%</td>
<td>-9%</td>
</tr>
<tr>
<td>Reducing Unemployment</td>
<td>40%</td>
<td>32%</td>
<td>-8%</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>71%</td>
<td>63%</td>
<td>-8%</td>
</tr>
<tr>
<td>Delivering Basic Services</td>
<td>75%</td>
<td>68%</td>
<td>-7%</td>
</tr>
<tr>
<td>Welfare Payments</td>
<td>85%</td>
<td>80%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

9. POSSIBLE SOLUTIONS

The comprehensive alleviation of poverty will probably involve a balanced array of approaches rather than any single solution. For example, when nutritional status is compromised, food may be urgently needed. However as was argued earlier, physical needs are not all that people need, and once met, there remain for other abstract needs such as for motivation and empowerment. While long-term solutions cannot meet immediate needs, opportunities to participate in a micro-enterprise may well ultimately set a poor woman free. Moreover, different people understand poverty differently. A young man may see things very differently to an older woman. Given that there is no single panacea to the problem of income poverty in South Africa, it should be recognized that although many of the existing initiatives do not in themselves provide a solution, they make a contribution which could be enhanced as each approach is improved. At the moment most of the programmes are not very effective. The following ideas are offered as a further contribution to improve on existing efforts.

9.1 Some general principles

Poverty policy
The human rights perspective should underpin poverty policy. First generation rights that guarantee freedom and participation in public life are clearly important. Second-generation human rights, which are just as important though often emphasised less. These rights, fundamentally social, economic, and cultural in nature, are related to equality and began to be recognized by governments after World War I. They ensure different members of the citizenry equal conditions and treatment. Second generation rights include a right to be employed, rights to housing and health care, as well as social security and unemployment benefits. Like first-generation rights, they are covered by the Universal Declaration of Human Rights.

Although the South African Constitution makes provision for the progressive realization of certain human rights and poverty is highlighted in most government publications and policies, there is no overarching policy guideline to create a framework for dealing comprehensively with poverty policy. Although the commitment to poverty alleviation embodied in annual State of the Nation addresses by the President and approaches formally adopted by Cabinet, ideally it would be very helpful if there was an explicit policy reinforced by appropriate legislation. Policy and legislation might provide definitions, poverty measures and describe in some detail the role and responsibilities of different departments, sectors and other stakeholders.

Poverty coordinating body

35 Articles 22 to 27 of the Universal Declaration, and the International Covenant on Economic, Social, and Cultural Rights
While Government takes seriously its role in combating poverty, it is evident that sustainable poverty reduction requires active participation a wide range of concerned stakeholders in civil society and business, not least of all communities and the affected individuals themselves. Legislation could make provision for formal structures to provide for participation by the various stakeholder groups in decisions regarding policy and programmes. Although the National Economic Development and Labour Council (NEDLAC) performs this role in relation to the general economy, it has not had a sufficient focus on poverty itself, particularly in recent years. It was very active in the years 1994 to about 2000. Its “NEDLAC Focus on Poverty” webpage dates back to about 1998.

**Development economics**

Development economics is a specialty discipline. Often economists, particularly market-orientated economists, working in a commercial settings, and without any specific understanding of development economics comment and advise on the impact of the macro-economy on poverty and inequality without the necessary background. Their opinions seem to carry a great deal of weight among policy makers.

Policy makers need to understand that what may work in stable developed market economies may fail in underdeveloped economies. It is important to increasingly rely on the opinions of development economists who understand the limitations of simplistically applying market-based solutions to complex socio-economic problems.

Take for example the issue of increased social spending, which most economic commentators consistently criticize the Government when it leans in this direction. It is enlightening that though the US as a country is one of the leading advocates against government intervention in economies, during the recent downturn in the US and Global Economy in January 2008, Washington analysts were within days immediately advocating a US$140 billion stimulus plan. Surely a country like South Africa with its massive unemployment and poverty problem also needs to consider the appropriateness of such measures, when its economy is affected as severely, if not much more severely than the US. The opinions of commercial economists whose views seem to follow fashions in the market trends need to subject to much more critical scrutiny. The views of development economists with the necessary background needs to be taken much more seriously.

**Development practice**

36 Nedlac brings together Government, organised business, organised labour and organised community groupings on a national level to discuss and try to reach consensus through “social dialogue” on issues of social and economic policy. Nedlac’s aim is to make economic decision-making more inclusive, to promote the goals of economic growth and social equity. http://www.nedlac.org.za/

As with development economics, development practice is a specialty discipline. Too many senior officials responsible for major Government programmes lack appropriate practical or even theoretical prior experience in dealing with poverty. Often this lack of background is accompanied by an arrogant, judgmental and victim-blaming attitude towards the poor. This combination of lack of knowledge, skill and an unsympathetic attitude is a crippling problem for leadership in anti-poverty programmes which need immense skill and empathy. For example many inappropriately equipped officials may regard the poor as 'lazy', when the evidence is that even at very low wage levels, poor people go to great lengths to get and retain jobs even in very unfavourable settings. There are a great many factors which the mind set of people that are facilitators of poverty and development initiatives need to change. They need to learn how people are surviving. In recruiting and selecting managers to lead flagship and other anti-poverty programmes, appropriate experience in having worked in community based setting providing mentorship on real issues that affect communities is crucial. Making Bato Pele (customer excellence) a reality remains a priority.

Participatory development
Much research and many poverty relief efforts are based on a paternalistic approach where poor people are not engaged as active participants. Economic academic descriptions of poverty are often very abstract and inaccessible to the poor. For this to occur it is important to communicate economic concepts in plain language. As the Speak Out on Poverty Hearings referred to earlier demonstrated, when interactions with poor people are properly facility, poor people have demonstrated that they have considerable insight into their situation and are able to offer practical solutions to rectifying the situation. There is a need to actively involve the poor in an action-research approach to information gathering, encouraging communities to participate in the collection and use of information themselves as a prelude to their involvement in implementing solutions. Communities can effectively identify the poor - they have the information - moreover, they can also be effective in intervention programmes.

Shifting from supply-side to demand-led approaches
Supply/command side approaches to poverty reduction depend heavily on centralized, predetermined, government-controlled solutions which are often hard to deliver. They have been likened to pushing on a string in that they assume that poor recipients are inevitably passive and lack all capacity. Often resource distribution is limited using this approach as officials find it difficult to deliver. Despite that many policy documents require a more empowering approach, many of the current anti-poverty approaches in South Africa are characterized by this approach where national departments and institutions control all the initiatives.

Demand-led approaches focus on human rights which encourage individuals and communities to take control of their own development with Government taking on a facilitatory and empowering role. Such an approach emphasizes individuals and communities as partners, driving programmes and in continually stretching the system to deliver. This can be likened to
beneficiaries pulling on a rope and creating an effective demand for the solution. Widespread uptake is likely once communities know what to do. A practical example of this would be for the Treasury to provide the financial resources to create a certain amount of guaranteed employment by communities. Targetted local communities would be granted “investment rights” based on the number adult community members living below the poverty line. Communities, rather than central Government departments would plan and drive the anti-poverty programme.

9.2 Strategic overview

There are three basic groupings of solutions, immediate, medium term and longer run. The immediate solutions are most relevant to achieving the MDG goals of halving poverty and unemployment by 2014. The medium term solutions may also make a substantial contribution. The longer run solutions, although more fundamental and transformative may take decades to deliver viable solutions.

Immediate approaches (results achievable within five years)

There are two main sub-categories of immediate solutions that could, within the next five to seven years, realistically enable the country to deliver on the MDGs and halve or even further reduce, possibly even eliminating income poverty. Both of these are complementary, as they do different things.

The first of these is to progressively and significantly increase social transfers. This could be done in a variety of ways; continue progressively increasing existing grants such as the CSG or more comprehensively addressing the problem by introducing an innovative measures such as a negative income tax, a basic income grant or other alternative measures such as food stamps or other locally redeemable vouchers.

The second is to incrementally scale up the EPWP until its size in larger by several orders of magnitude. The ideal would be introducing a national employment guarantee scheme - to at least provide all working age adults the opportunity of a guaranteed right to work for a certain number of days a year. This would not only provide income to their households, but would enable improved delivery on the social wage and increase capabilities to some extent.

While the provision of the social wage in different forms such as education, health care, subsidized utilities etc is important, this cannot be an alternative to direct income support for the poor.

Medium term approaches (five to ten years until the results)

In the medium term the issues of capability poverty and some aspects of asset poverty could be tackled. For example education and skills development will be helpful in creating opportunities in the economy which is constrained by the lack of skilled human resources. This will take at least five to ten years, even if it is efficiently done, which is not likely before the impact of people graduating from improved educational programmes becomes visible. It should
already be noted that educational expenditures are by far the biggest item of recurring social expenditure. Perhaps what is needed in this sector is not much additional expenditure, but greater efforts for Government, particularly the educational sector to deliver on its mandate.

The provision of mass housing, particularly if linked to large scale public works programmes could begin to address issues related to asset poverty

**Longer run solutions (results will take longer than ten years)**

In the longer term (longer than ten years) initiatives to transform the structure of the economy, establish robust methods of social insurance and develop smaller enterprises in the service sector may offer some potential of maintaining the distributive element of the economy and ensuring sustainability.

There are already a plethora of initiatives, and time is needed now for these to grow and develop robust institutional structures that are capable of developing enterprise in a globally inequitable and competitive world.

Given that it is not the direct brief of this paper to deal with the medium and longer term solutions, the remainder of this section will focus on the immediate solutions to income poverty.

### 9.3 Affordability in terms of current macro-economic policy

**Savings and the South African economy**

The National Treasury (2008) points to a lack of local savings in our economy as one of the country’s greatest economic weaknesses. Clearly if this is the case then for the economy to be successful, savings must be encouraged among those individuals or groups in the economy who have the greatest potential to save. As almost all the consumption in the country occurs in the upper 40% of income earners, it is here that the greatest potential for saving occurs. Any factors which encourage consumption in this group will act as a powerful disincentive to save. Conspicuous or luxury consumption of non-productive assets and services and in particular importation of high value items/services or expenditure of non-wealth generating foreign exchange are particularly detrimental to the economy, both because such consumption is a powerful form of dissaving as well as a driver of the current account deficit. Conspicuous consumption reduces the cushion of international reserves. Caution in conspicuous consumption is particularly important at the current time while we seek ways to reduce the current account deficit (currently R140 billion) and overcome barriers to export growth caused by skills shortages, energy and transport capacity constraints, high telecommunications costs and tariffs that raise the price of imported intermediate and capital goods. Each time rands are unnecessarily placed in the international market to purchase foreign currency, the value of the rand is undermined and this places upward pressure on interest rates. Unpopular as it may be with high income earners, an increasingly progressive income tax regime is essential to curb the growth of unbridled affluent consumption. On the other hand, investment by the affluent group in local industry, particularly in labour absorbing industries,
should be rewarded with generous tax incentives to convey the message that it is not the high income per se that is problematic to the economy but the diversion of that income away from savings to conspicuous consumption and in particular consumption that based on foreign exchange payments.

Can South Africa afford additional social spending?
Public spending is projected to grow by 6.1 per cent during 2008 in real terms, after growth of almost 10 per cent a year during the previous five years since the Mid-term Fiscal Review. (Manuel, 2008). While the downturn in the international economy is largely responsible for this decrease, in general, the Treasury’s economic approach has been against significant increases in social spending, such as exemplified in its rejection of proposals for a Basic Income Grant (BIG) on the basis that it would be unaffordable (Cape Time, 2005). Academics such as Van der Berg (Van der Berg, 2002) have supported this contention and dismissed the BIG together with the Taylor Commission recommendations for some form of universal income transfer by for example by suggesting that the cost of transferring small amounts of money (R100 per month to millions of beneficiaries) would cost R10.8 billion a year and that to raise tax revenue from 26% to 33% of GDP was not fiscally viable. However, it is clear that the advocacy against social spending are a matter of interpretation are not entirely substantiated by the facts.

Revenue increases in South Africa in recent years have been staggering. From R299,43 billion in 2003/04, collection increased to R349,2,-billion in 2004/05 to R411,1 billion in 2005/06 (Business iAfrica 2005, Manuel 2006). The conservative revenue estimate for 2006 was R446.4 billion. In his 2006 budget speech, Trevor Manuel (2006) noted a surplus of revenue collection of R42,1 billion (largely brought about by greater efficiencies in tax collection efforts). At the same time, he announced a package of tax cuts to the value of R19,1 billion. These cuts were applied to personal income tax, capital gains, estate duties, inheritance taxes and a range of corporate taxes, which principially benefitted the well-off. Combining the 2005 surplus with the 2006 tax cuts makes a total of R67,3 billion. (Di Lollo, 2006).

In the hypothetical situation of this amount being divided into a monthly income for all 46,9 million South Africans over one year, the amount of that monthly income would be approximately R109. Slightly more than the R100 amount recommended for a BIG by the Taylor Report (Taylor et al, 2002).

In his budget speech for 2007, Finance Minister (Manuel, 2007) again remarked “we are planning for a budget surplus in the coming fiscal year. The fiscal stance creates space for our future social security reforms and allows for rising funding levels for public sector infrastructure, improvements to education and other government priorities, while enhancing the competitiveness of the economy and sustaining the current growth trajectory. The revised estimate for spending in 2006/07 is R470,6 billion, R3,6 billion less than the adjusted budget. As a result, contrary to our initial expectations, the budget balance for 2006/07 indicates a surplus of R5 billion or 0,3%. We are budgeting to spend R534 billion in 2007/08 rising to R650 billion in 2009/10. Since tax revenues are likely to grow more strongly than spending
for at least another year, we are budgeting for a fiscal surplus of about 0.6 per cent of GDP in 2007/08, reverting to a moderate deficit by the end of the forecast period." In 2008, despite a very adverse international economy, the Minister of Finance again anticipated a record fiscal surplus on the national budget balance of 1 per cent of gross domestic product and an average of 0.7 per cent a year over the next three years. (Manuel, 2008)

The Minister's projections in 2007 considerably underestimated the huge increase in actual revenues collected. In fact in his National Budget Speech in February 2008 the Minister advised, “Consolidated national revenue of R580 billion is expected in 2007/08, about R15 billion more than the budget estimate a year ago and 15.7 per cent more than the 2006/07 outcome. Whereas company tax receipts were the main source of higher revenue last year, it is personal income tax that has outperformed expectations this year, increasing by nearly 20 per cent year-on-year.” The budget surplus for the year was about R20 billion (Manuel, 2008)

Besides the direct costs of poverty alleviation, there are huge externalities that are driven by poverty and unemployment. Crime is just one of these. For example, Business Against Crime has estimated the cost of crime to the country was at least R40 billion a year, but the actual costs are even greater (Wray, 2006). The Minister of Finance (2007) has for example, very explicitly recently reviewed the devastating impact of crime in dampening economic growth and the direct cost of its containment on the country. He stated during 2007 “This year we will spend well over R55 billion. This is three times more than what we spent just 10 years ago and, according to the Institute for Security Studies, as a proportion of GDP, it is three times the global norm. The R55 billion pays the salaries of our police officers, the numbers of which will grow to over 190,000 by 2010. That is up from less than 120,000 just six years ago. This R55 billion pays the salaries of prosecutors and magistrates, judges and prison warders. It also pays for the construction and maintenance of facilities: police stations, courts and prisons.” In fact the costs will be even higher. Additional allocations over the next three years announced in the 2008 National Budget show that the real costs will be even higher and amount of over R10 billion has been added to previous estimates, including expansion of police numbers to reach over 200,000 in 2010/11, more prosecutors, judges and magistrates, further investment in forensic science laboratories, building of 40 police stations and construction over the period ahead of 18,000 additional prison spaces. (Manuel, 2008)

While eradicating poverty would not eliminate all crime, if it reduced it by 1/3 that would be a much better production incentive for the middle and upper classes than a few tax cuts. In the 2008 National Budget (Manuel, 2008), total tax relief for individuals amounted to R7.7 billion. There was simultaneously a reduction in the corporate income tax rate from 29 per cent to 28 per cent. All the above strongly suggests that there is substantial leeway in the economy for more bold effort to eliminate poverty through social spending. Popular as tax breaks are, economising on social security and handing the money back in income tax cuts is not doing the more affluent groups any real favour in the longer term.
South Africa needs to develop solutions that are tailored to our very unique first and second economy dyad characterized by levels of unemployment, crime, inequity and mortality unknown elsewhere in any economy, developed or developing. Despite sticking to the economic rules with high levels of fiscal prudence in the first years of democracy, our economy improved faster and poverty declined more rapidly when the Treasury allocated more explicitly to social spending after 2000. The economic medicine of fiscal discipline that economists claim works wonders in other economies might not work for us. A trickle down approach will not be sufficient, at least not in the short to medium term. (De Wit, 2005)
The social costs of unemployment, poverty and crime are so high, it is unlikely that AsgiSA will achieve its targets more readily, if much more significant poverty reduction does not occur in parallel with efforts to improve the economy. Elimination of poverty cannot be postponed until it more sustainable economic growth has been achieved. We need to bite the bullet sooner rather than later.

There are clear reasons why a firmer tax dispensation and disciplined but increased social spending to eradicate poverty would stimulate the economy and help to achieve AsgiSA targets:

- Disposable income and consumption expenditure are growing steadily among the wealthy. Transferring consumption to the very poor is relatively better for economic growth than consumption by the middle and upper classes – it broadens the economy giving the second economy a larger stake, leads to less demand for imported goods, reduces trade and current account deficits as well as dampening consumer borrowing. This would reduce the country’s vulnerability to currency volatility.
- Demand for goods and services by the very poor with access to some additional resources would stimulate demand for South African produced products, particularly food and simple industrial goods which would improve the viability of South African agriculture, forestry and fishery as well as other primary industries such as quarrying and manufacturing – this would stimulates employment-intensive, sustainable jobs, diversify the economy and improve economic performance through the local multiplier. A decrease in imports relative to exports would reduce the dependence on foreign inflows and decrease the current unfavourable gap;
- With a larger domestic market, efficient producers would be able to achieve greater economies of scale and be more competitive in the international arena leading to improved shared growth, rather than waiting for trickle down to the lower quintiles;
- Given that much of additional social spending would be earmarked for community-based public works, bringing in hundreds of thousands of new workers into the economy annually, the net value of assets produced per capita in the country would increase significantly. Overall the country’s productivity would be higher. This would bode well for encouraging further investment;
- As publicly created employment increased through a variety of mechanisms such as the EPWP, learnerships etc. there would be a greater pool of workers better prepared for labour-market entry. This in itself would lead gradually to more skilled productive workers moving into small and small enterprises as well as into medium and large sustainable industries;
- Reducing poverty through active employment creation would stabilize social conditions, keep idle hands at work, reducing social ills such as crime, reducing alienation and improving general societal morale;
- Increasing local confidence would further encourage investment and greater capital flows into wealth producing industries;
• The social spending environment would in themselves be conducive to departments more vigorously attending to deficiencies in state organisation, building capacity, developing strategic leadership, increasing collaboration and establishing new partnerships with NGOs and the private sector to impact more effectively on delivery;

• It is likely that the increased emphasis on social protection, social security and concern for the poor would emphasize common values in the society, increase social and moral responsibility. This impetus should help to contain or even reduce the potential that social spending has for corruption of officials charged with its implementation.

How increased social spending could be financed in support of AsgiSA

AsgiSA is focused on a major expansion in public investment, including in labour-intensive areas. How it achieves this is crucial for determining the net employment effects of the program.

There are credible academic econometric approaches that argue that it is possible to achieve major reductions in unemployment and poverty and a general spreading of economic well-being by selective pro-poor social spending and interventions in the economy. Further that these ends can be achieved in a manner that is sustainable in the longer run using an approach that would be consistent with the intention with of AsgiSA. Their primary mechanism would be through the introduction of an employment-targeted programme in the general economy. However it is conceded that even with an aggressive employment-targeted program, other measures besides employment growth would be needed to improve living conditions for the poor over the next decade. An increase in social spending on social services and income supports for the poor are necessary. An outline for a proposal for the revenue sources that would be needed to pay for program expansions in the order of R10 – 20 billion per year (in 2004 prices) is presented (Pollin et al. 2006).

The recommended measures would be:

• Income transfers and social support: R10 – 20 billion
• Public investment/infrastructure: R5 – 7.5 billion
• Credit subsidies to businesses to promote accelerated employment growth: R 5 – 7.5 billion

About R14 billion of this would come through slightly increasing the structural fiscal deficit to approximately 3 percent of GDP. The remainder R16 billion would be paid for through raising taxes, such that the tax revenue/GDP ratio would rise from roughly 25 to 26 percent. The increased revenues should come from the following sources:

• R6 billion from the three major revenue sources: personal income tax, corporate profit tax, and VAT.
• R10 billion from three additional sources: R6 billion from extending the Uncertified Securities Tax to bond trading (At present, the tax only covers stock trading); R2.5 billion from enacting the Mineral and
Petroleum Royalty Bill\textsuperscript{38} and R1.5 billion from raising economic growth to 5.3 percent from 3 percent and from lowering poverty rates, which in turn reduces demand for social service spending.

\textbf{Interventions in the macro-economy to create employment intensive growth}

While the main thrust of this study is to suggest social spending mechanisms to alleviate income poverty, it is illustrative to consider what complementary mainstream macro-economic interventions Pollin et al. (2006) envisage would support expanded growth rates in the economy.

Pollin et al observe that the fact that South Africa has been experiencing both high unemployment and rising capital intensity of production suggests to some analysts that businesses are convinced that the costs of hiring more workers exceed the benefits. From this perspective, the solution to mass unemployment is to lower unit labour costs, in particular through reducing wages. But they argue that the evidence linking mass unemployment to high labor costs is generally not convincing. They argue for a macro-economic strategy that is strongly supportive of an employment intensive approach that they call “employment targeted growth”. At the same time, they also support measures to maintain wage increases in line with productivity growth and to improve the efficiency of the country’s industrial relations system.

Their approach to doing this is to introduce a framework that would divide the South African economy into two broad categories—activities that would receive large-scale credit subsidies and those that would be unsubsidized. Combining an 8 percent growth stimulus for the subsidized activities and a 4.5 percent growth rate for the rest of the economy generates an overall average annual growth rate of 5.3 percent. At this growth rate, as well as making reasonable assumptions about labour market trends, they estimate that unemployment could decline to about 15.4 percent by 2014.

\textit{Subsidized activities} would include small-scale agriculture, small and medium-sized enterprises, as well as larger-scale businesses that either operate at high levels of labour intensity or can generate substantial employment multipliers. Firms that receive the credit subsidies are anticipated to account for roughly 20 – 25 percent of all investment activity in South Africa’s economy. It is proposed that government policy aim to enable these activities to expand at roughly 8 percent per year through 2014.

\textsuperscript{38} Drafted in 2003 by the National Treasury, the Mineral and Petroleum Royalty Bill was due to be submitted to the Parliament’s Portfolio Committee on Finance during November 2007. The Bill proposes changes to the way that mining companies are taxed on their production. The new royalty system would start on May 1, 2009, to coincide with the conversion to the new mineral rights regime governed by the Mineral and Petroleum Resources Development Act, which was introduced in 2004 (National Treasury, 2007 Medium Term Budget Policy Statement) Mathew Hill, Mining Weekly, 31 October, 2007. http://www.miningweekly.co.za/
Unsubsidized activities. For the remaining 75 – 80 percent of South Africa’s economy, it is proposed that economic growth accelerate to roughly 4.5 percent per year through 2014.

Achieving Sustained 4.5% Growth in the Unsubsidized Share of Economy
This would entail using both a fiscal as well as a monetary stimulus

1. Fiscal Stimulus. Over the past few years the government has been projecting a structural fiscal deficit through 2008–09 in the range of 2 percent of GDP or even less. In fact as previously indicated, there have been surpluses rather than deficits. It is the view of Pollin et al (2006) that that a marginally higher deficit/GDP ratio would be an appropriate and sustainable level of structural fiscal stimulus consistent with the Government’s employment goals.

2. Monetary stimulus. It was further proposed by Pollin et al (2006) that the Reserve Bank lower lending rates to stimulate growth, especially by encouraging higher levels of investment and consumption spending. For example, by lowering the prime lending rate from, say, 11 to 7 percent, and holding rates at that lower level for five years, would increase average growth from 3 to 3.6 percent over the five-year period. At the same time, the impact on inflation and the exchange rate will be relatively mild, i.e. raising inflation from, say, 5 to 6 percent as a five-year average, and lowering the value of the rand from, say, R6.3 per dollar to R7.1 per dollar by the end of the five-year period. (Pollin et al, 2006) [The increase in personal and other taxes, proposed to fund the revenue to finance the programmes would counteract the stimulatory effect on consumption spending in the wealthier segments of the population – this would allow for the additional consumption expenditure in the poorer segments of the population in the South African economy, diminishing the risk of increasing the trade deficit and improving equity in the distribution of income in the economy]

Pollin et al (2006) believe that these combined relatively modest fiscal and monetary stimuli would be able to bring the average growth rate in the range of 4.5 percent, as long as effective controls are maintained at keeping inflation within a moderate range and maintaining a relatively stable exchange rate.

Achieving 8 Percent Growth Stimulus for Subsidized Activities
The key mechanism through which Pollin et al (2006) propose to generate the eight percent growth stimulus for the subsidized activities is the provision of credit at concessionary rates to these industries. The proposed formula for determining appropriate subsidized credit rates is based on 1) the proportion of a loan being guaranteed; and 2) the differential between market rates and default-safe government bond rates. Three main policy tools to channel credit to the targeted industries at concessionary rates are suggested.

1. Major expansion in lending activity and developmental focus of the country’s eight currently operating development banks.
2. **Changing Asset reserve requirements.** These requirements would establish that financial institutions hold, for example, 20 percent of their assets in loans to subsidized activities. It is proposed to introduce measures to operate this system flexibly, for example, allowing banks that hold more than 20 percent of their loans with subsidized firms to sell permits to institutions whose loans to subsidized firms are below the 20 percent minimum threshold.

3. **Major expansion of the government’s system of loan guarantees.** It is further proposed that the government underwrite roughly R40 billion in loans to subsidized activities. It is calculated that the budgetary costs of this program would be roughly R4.5 billion/year, assuming a 75 percent underwriting and a 15 percent failure rate on guaranteed loans.

The idea of subsidizing firms that either operate at high levels of labour intensity or that generate large employment multipliers builds on the approach of the current Expanded Public Works Program (EPWP), which is specifically targeted at promoting labour-intensive production techniques in some public infrastructure projects. But the EPWP in its current form only provides very modest gains in employment expansion. This would creatively extend the approach into the private sector, ultimately increasing the competitiveness of employment-intensive industries.

**Types of new or extended approaches to tackling poverty in the short run though increased social spending**

A range of creative options, most complementary to each other and fully consistent with South Africa’s developmental approach might and should include combinations of:
- Expanded Child Support Grants
- Reducing age of eligibility for Old Age Pension
- Employment Guarantee Schemes – “Right to Work” Programmes
- Extended Community-based Public Works (EPWP)
- Food Stamps or Social Security Vouchers
- Negative Income Tax
- Basic Income Grant

In making choices in how these alternatives could be, it is important to consider them in terms of the costs and benefits of each in relation to the immediacy of their impact on income poverty:

- Portion of funds transferred to the poorest households
- Universality
- Cost of the programme
- Capacity to introduce and manage the programme
- Administrative overheads
- Social benefits of the programme
- Impact on the economy/GDP
Policy options

Expanding Social Grants

The table below shows the maximum potential costs of an incremental comprehensive social grant system for the entire population, excluding administrative costs and means testing. For the sake of simplicity, equity and reducing administrative costs it is envisioned that for those members of the population who pay tax, the grant would provided as an allowable deduction. For everyone else it would be provided by electronic transfer into a standard account. Introduction of the system could be done in a stepwise manner as is currently being done by increasing the age of children for the CSG to 15 years of age and reducing the age of men eligible for the old aged pension from 65 to 60 years. The introduction of a Basic Income Grant for all adults between the ages of 20 to 59 years (23.8 million people) would cost about R28.6 billion (excluding administration). Disability grants have not been included.

Table 35: Cost matrix - direct costs of a comprehensive social grant system

<table>
<thead>
<tr>
<th>Age group</th>
<th>Population 2007</th>
<th>Child Support Grant (Rand)</th>
<th>Basic Income Grant (Rand)</th>
<th>Old Age Pension (Rand)</th>
<th>All Grant Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>5,177,200</td>
<td>13,667,808,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-9</td>
<td>4,997,800</td>
<td>13,194,192,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-14</td>
<td>5,090,600</td>
<td>13,439,184,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-19</td>
<td>4,975,900</td>
<td>13,136,376,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td>4,675,200</td>
<td></td>
<td>5,610,240,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-29</td>
<td>4,335,600</td>
<td></td>
<td>5,202,720,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-34</td>
<td>3,863,900</td>
<td></td>
<td>4,636,680,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-39</td>
<td>2,972,400</td>
<td></td>
<td>3,566,880,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40-44</td>
<td>2,400,300</td>
<td></td>
<td>2,880,360,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-49</td>
<td>2,222,300</td>
<td></td>
<td>2,666,760,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-54</td>
<td>1,872,100</td>
<td></td>
<td>2,246,520,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55-59</td>
<td>1,486,000</td>
<td></td>
<td>1,783,200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60-64</td>
<td>1,306,500</td>
<td></td>
<td>14,737,320,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65-69</td>
<td>1,002,100</td>
<td></td>
<td>11,303,688,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70-74</td>
<td>698,000</td>
<td></td>
<td>7,873,440,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70-79</td>
<td>422,600</td>
<td></td>
<td>4,766,928,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80+</td>
<td>352,200</td>
<td></td>
<td>3,972,816,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total beneficiaries</td>
<td>47,850,700</td>
<td>20,241,500</td>
<td>23,827,800</td>
<td>3,781,400</td>
<td>47,850,700</td>
</tr>
</tbody>
</table>
Employment Guarantee Schemes and an Employment Guarantee Act

South Africa’s National Public Works Programmes have since 1994 provided a small proportion of the unemployed to get remunerated employment coupled with learning opportunities. An Employment Guarantee Scheme (EGS) would extend this idea further.

The principal aim of an EGS is to provide gainful and productive employment in a community-based public works programme for poor and marginalized people particularly in semi-urban and rural settings where formal first economy jobs are not available. In its simplest form it may be a programme of limited duration during a time of crisis in a particular district or province. Generally it provides any adult who is willing to work with an opportunity to do so for a certain maximum number of days a year. (eg 120 days) The fundamental objective of the scheme is that on completion of the works undertaken, some durable community assets or some other social capital should be generated and that the wages paid to the workers should be linked with the quantity and quality of work done. (Friedman et al, 2007). India has recently adopted the National Rural Employment Act of 2005, which has been built on the success of the Maharashtra State Employment Guarantee Scheme which has been in operation since 1975 and which in 1977 absorbed 75% of the “man-days” available in the countryside.

In its most advanced form an EGS is formalised in an Employment Guarantee Act (EGA) which gives a legal guarantee of employment to anyone who is willing to do provide their labour at the statutory minimum wage. Any adult who applies for work under the Act is entitled to being employed on a public works programme with a fixed period eg. 15 days. Thus, the Employment Guarantee Act provides a universal and enforceable legal right to the most basic form of employment for everyone. The right to work under the Employment Guarantee Act is a universal entitlement. Any adult is entitled to apply. The Act is based on the principle of self-selection: anyone who is willing to work at the minimum wage is presumed to be in need of public support, and must be provided employment on demand. In effect an EGA establishes the minimum statutory wage and is a practical way of giving effect to such a concept.

This approach dispenses with the need for any "targeting" system, such as the identification of households "below the poverty line". The advantage in the South African setting is that this does away with the anomalies of identifying households that are above or below the line, which can be very divisive.

If for example South Africa were to adopt the approach and every unemployed adult were to take up this right to work, potentially 8 million jobs would need to be created. The cost of providing, for example 100 days of employment per year at R25 per day (R500 per month) would be R20 billion per annum in direct costs and probably a further R20 billion in indirect costs, include primarily the cost of equipment, materials, training, supervisory support and administration.
While this is a very large amount of money, with sufficient will it could be feasible. The extraordinary benefits would be that every unproductive unemployed adult would be brought into the economy, producing capital assets and investments in public infrastructure and services, which would have cost savings elsewhere in the economy as was alluded to above.

**Scaling up the Expanded Public Works Programme**

Although critiques of the CBPWP and EPWP have shown that they impact only on a small proportion of the unemployed and for this reason do not currently have much impact on the alleviation on poverty.

In a recent review of the Social Sector EPWP, which had been the poorest performing of four sectors, Friedman et. al (2007) showed in a modeling exercise that it would be possible to scale up the programme by a factor of five to ten times. Sixteen models for a range of new cadres were proposed for introduction in the departments of education, social development, health and agriculture. These include school nutrition workers, sports coaches, school caretakers, adult educators, special school teaching aides, school clerks, peer educators, social security workers, food security workers, facility-base VCT counselors, TB DOTS and adherence supporters, community based counseling and treatment workers and malaria workers. It was suggested that important social sector jobs could feasibly be created for 531,406 jobs of which the majority 504,959 would be direct community-based workers, the balance being the mentoring and supervisory staff. The total cost was estimated at approximately R12 billion rand per annum, but this also included provision for substantial food security for the most vulnerable groups and comprehensive school feeding.

To achieve this goal it was envisaged that the EPWP would need to take on a more demand-led approach coupled with a change in the structure and function of the programme

The ten key recommendations of this study stress the need for the:

1. Re-alignment of the coordinating role for the EPWP within the President’s and Premiers’ offices;
2. Mainstreaming of the social sector EPWP into all departmental work;
3. Extending/Expanding or ‘massifying’ by inter alia, broadening the range of community based workers, switching to a demand-led process and forming partnerships with communities;
4. Improvement of national and provincial coordination;
5. Enhancing line management (driving) to improve the efficiency and effectiveness of service delivery by decentralizing management and other measures;
6. Building programme and project management capacity in specific skills at national, provincial, local government and community level;
7. Increasing of capacity to bid for, secure and manage a greater national equitable share of funds;
8. Creating a culture of learning and commitment;
9. Continuing mobilization of political and technical leadership
10. Improving communication with both staff and various stakeholder groups.

Table 36: Numbers of jobs that could be created in an extended list of EPWP job cadres (excluding current HCBC & ECD workers)

<table>
<thead>
<tr>
<th>Cadres suggested in the brief for further exploration</th>
<th>Category of worker cadres for which models were developed</th>
<th>Jobs *</th>
<th>Total jobs #</th>
<th>Cost R Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>School nutrition programme</td>
<td>School Nutrition Workers</td>
<td>102,372</td>
<td>107,788</td>
<td>4,438.0</td>
</tr>
<tr>
<td>School sport coaches</td>
<td>Sports Coaches</td>
<td>25,593</td>
<td>26,980</td>
<td>478.6</td>
</tr>
<tr>
<td>Maintenance of school</td>
<td>School Caretakers</td>
<td>51,186</td>
<td>53,954</td>
<td>621.2</td>
</tr>
<tr>
<td>Adult education</td>
<td>Adult educators</td>
<td>46,210</td>
<td>48,679</td>
<td>525.4</td>
</tr>
<tr>
<td>Teacher aids in special schools</td>
<td>Special School Teaching Aide</td>
<td>25,256</td>
<td>26,619</td>
<td>290.3</td>
</tr>
<tr>
<td>Administrative support at school</td>
<td>School Clerks</td>
<td>46,480</td>
<td>46,515</td>
<td>478.6</td>
</tr>
<tr>
<td>Construction of school (separate model)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth Workers</td>
<td>Peer Educators</td>
<td>33,371</td>
<td>36,953</td>
<td>470.0</td>
</tr>
<tr>
<td>Child Care Workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>Social Security Workers</td>
<td>26,772</td>
<td>29,620</td>
<td>374.4</td>
</tr>
<tr>
<td>Emergency food relief</td>
<td>Food Security Workers</td>
<td>50,162</td>
<td>55,466</td>
<td>2,746.7</td>
</tr>
<tr>
<td>Nutrition advisors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary Counselling and Testing (VCT)</td>
<td>Additional categories of special focus community health workers (excluding current cadres of community caregivers)</td>
<td></td>
<td>21,545 22,879</td>
<td>349.9</td>
</tr>
<tr>
<td>Directly Observed Therapy (DOTS)</td>
<td>VCT Counsellors (facility based)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lay counsellors</td>
<td>TB DOTS /adherence supporters</td>
<td>23,695</td>
<td>76,012</td>
<td>1,248.7</td>
</tr>
<tr>
<td>Malaria officers</td>
<td>Counselling &amp; Treatment Workers</td>
<td>51,012</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Malaria Workers</td>
<td>1,305</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>504,959</strong></td>
<td><strong>531,406</strong></td>
<td><strong>12,021.8</strong></td>
</tr>
</tbody>
</table>

Key

Department of Education  * Jobs = jobs created for community workers
Department of Social Development  # Total jobs = jobs + supervisory staff
Department of Agriculture  Cost = modeled total programme costs
Department of Health  Current HCBC & ECD workers excluded
The potential impact of the EPWP on the economy

Antonopoulos (2008) of the Levy Institute, commissioned by the UNDP, analysed the outcome on the South African economy of the proposed EPWP interventions using an econometric social accounting matrix (SAM) simulation model. We are grateful to her for her permission to report in detail intThis provided many insights into the potential impacts for alleviating the gendered dimensions of poverty at a household, as well as SA economy-wide level. Although the complexity of using the model cannot be fully dealt with here, the findings are important.

A SAM is a double-entry table that provides information about the economy, forming a square matrix that traces the origin and destination of expenditures and income received. Along its columns and rows there are numeric entries, which record the transactions that take place between “institutions” and “agents” during a period of time. SAMs can be organised in many different ways, but essentially they provide information on the structure of interactions between

(1) Production activities (productive sectors of the economy) and commodities used (intermediate goods used in production)
(2) Factors of production (capital and labour)
(3) Institutions (households, firms and government)
(4) Capital accounts (the financial side of the macroeconomy)
(5) Rest of the world (imports, exports and other financial flows)

Table 37: Example of a simplified Social Accounting Matrix

<table>
<thead>
<tr>
<th></th>
<th>EXPENDITURES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ENDOGENOUS</td>
<td>EXOGENOUS</td>
<td>TOTALS</td>
<td></td>
</tr>
<tr>
<td>FACTORS</td>
<td>0</td>
<td>0</td>
<td>T13</td>
<td>X14</td>
</tr>
<tr>
<td>HOUSEHOLDS</td>
<td>T21</td>
<td>T22</td>
<td>0</td>
<td>X24</td>
</tr>
<tr>
<td>PRODUCTIVE ACTIVITIES</td>
<td>0</td>
<td>T32</td>
<td>T33</td>
<td>X34</td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td>L41</td>
<td>L42</td>
<td>L43</td>
<td>t44</td>
</tr>
<tr>
<td>REST OF WORLD</td>
<td>L51</td>
<td>L52</td>
<td>L53</td>
<td>t54</td>
</tr>
<tr>
<td>CAPITAL ACTS</td>
<td>L61</td>
<td>L62</td>
<td>L63</td>
<td>t64</td>
</tr>
<tr>
<td>TOTALS</td>
<td>Y1</td>
<td>Y2</td>
<td>Y3</td>
<td>Y4</td>
</tr>
</tbody>
</table>

Source: Antonopoulos, 2008 citing Defourny and Thorbecke 1984
The result of the study was the development of a technical report for the UNDP on the construction of a Gender Social Accounting Matrix for South Africa (SAM-SA) which provides a detailed description of the development of an input-output SAM for South Africa.

At an aggregate level, a SAM allows one to see how total income is distributed between capital and labour. At a disaggregated level a lot more detail can be provided. For example, labour, a factor of production, can be specified as being male or female, skilled or unskilled; each industry can be described by the types and amounts of inputs used, including the female/male intensity of labour employed. A SAM also allows for information on several household types to be constructed depending on specific socio-economic characteristics, i.e., poor or non-poor households, the quality and durability of their housing unit, rural versus urban location, ethnicity or racial group, etc.

In this version of the SAM, 20 household types were distinguished (classified according to income level, ethnicity and location) and four categories of workers (differentiated by skill and gender). It defined 27 market activities, of which one is agriculture, 11 are manufacturing, 4 are infrastructure related and 10 are services, and adds an EPWP social sector that uses some inputs from other sectors of the economy and employs primarily unskilled workers—female and male—from ultra-poor and poor households. This level of detail permits a better understanding of how a policy intervention aimed at job creation can yield a differentiated impact on female and male workers, depending on their ethnicity, the type of household they belong to, their skill level and their location.

At the household level, the simulation showed that inter alia, an expanded Early Childhood Development (ECD) and HCBC (Home and Community Based Care) public works programme will benefit women in multifaceted ways:
(a) The programmes can alleviate some of the burden of imposed on mainly rural women who are the primary caregivers
(b) Ultra-poor women with minimal education attainment benefit, by providing them with jobs that do not require much training immediately
(c) Given that educational attainment has strong impacts on the wages of African females, as they move from primary education to General Education and Training certificate levels, their monthly incomes double and the female-male gap closes by 12 percent.
(d) Given that health and education are highly feminized sectors, women can find jobs in them without facing too many barriers to entry once they have received certification

At the economy wide level, the simulation showed that given an initial expenditure of ZAR 9.3 billion (in 2000 Rand) the direct contribution of this intervention is increase GDP by R15 billion, which represents a 1.8 percent increase in GDP. In terms of factor contributions to value added, labor contributes R9,249 million (61 percent) while R5,939 (39 percent) comes from capital. The increase in industry output is largely accounted for by output growth in the agriculture and food industry (3.5 percent, compared to 1.1 and
1.5 percent in the manufacturing and services sectors, respectively. This is mainly due to the relatively larger allocation of the injection to purchasing commodities from these industries for preparation of meals and food stamps as part of food security which amounts to 41 percent of the total. Output growth in the service sector is higher than that of manufacturing, as expected, since the intervention focuses on social sector services. The implied GDP multiplier is estimated at 1.6 (15B÷9.2B).

Food Stamp Programme (FSP) or Social Security Vouchers

Food Stamp Programmes\(^\text{39}\) (FSP) have been a feature of the US welfare system for more than six decades. Once again, it is notable that such a system is a hallmark of a country that regards itself as a champion of free enterprise. There is a great deal that South Africa can learn from this experience in guaranteeing food security and providing incentives to work,

The FSP, known in public policy circles as “work support,” is intended primarily for people looking for a job, or those employed but not making enough to make ends meet. Because food stamps allow this latter group to maintain their low-wage employment, most experts believe food stamps actually keep people off welfare and in jobs and do not create dependency. The available evidence, in particular a University of Maryland study conducted in 2002, indicates that enrollment in the food stamps program keeps former welfare recipients from sliding back into poverty and re-enrolling in welfare programmes. There was very little abuse. According to the US Government Accountability Office, in 2004, only 4.5% of food stamps benefits were found to be overpaid. In 2005, 98% of food stamp benefits were correctly paid to eligible households. Although today most food stamp benefits are distributed using Electronic Benefit Transfer (EBT) cards, for most of its history the programme used paper vouchers of some kind.

The idea for the first FSP has been credited to various people, most notably US Secretary of Agriculture Henry Wallace and the program’s first administrator, Milo Perkins in 1939. The rationale was to create a bridge between farm surpluses on one hand and needy under-nourished people on the other. The programme permitted people on relief to buy orange stamps equal to their normal food expenditures; for every $1 worth of orange stamps purchased, 50 cents worth of blue stamps were received. Orange stamps could be used to buy any food; blue stamps could be used only to buy food determined by the Department to be surplus. This meant that both the recipients benefited in that they could purchase whatever they normally would, but in addition would be given the opportunity to choose from products that the Department of Agriculture determined was in surplus. Over the course of nearly 4 years, the first FSP reached approximately 20 million people at one time or another in nearly half of the counties in the U.S. at a total cost of $262 million. At its peak, the program assisted 4 million people simultaneously. The first FSP ended in 1943 when the conditions that brought the program into

\(^{39}\) http://en.wikipedia.org/wiki/Food_stamps
being, unmarketable food surpluses and widespread unemployment, no longer existed.

The 18 years between the end of the first FSP and the inception of the next were filled with studies, reports, and legislative proposals. In 1961 President Kennedy's first Executive Order called for expanded food distribution and immediately initiated food stamp pilot programs. The pilot programs retained the requirement that the food stamps be purchased, but eliminated the concept of special stamps for surplus foods. Emphasis was placed on increasing the consumption of perishables. By January 1964, the pilot programs had expanded from 8 to 43 areas in 22 States with 380,000 participants. In 1964 with President Johnson’s endorsement, the US Congress passed legislation making the FSP permanent. Among the official purposes of the Food Stamp Act of 1964 were strengthening the agricultural economy and providing improved levels of nutrition among low-income households.

Growth of the FSP was phenomenal. By 1965 there were over half a million beneficiaries, 1 million by 1966, 2 million by 1967, 3 million by 1969, 4 million by 1970 growing exponentially from that point to 15 million in 1974. Rapid increases in participation during this period were primarily due to geographic expansion.

In 1977 the FSP underwent legislative reform aimed at targeting benefits to the neediest, simplifying administration, tightening controls on the program to curb abuse and streamlining a complicated, cumbersome process that delayed benefit delivery and caused errors. Importantly it eliminated the purchase requirement which had been a barrier to participation. In 1979, participation finally surpassed 20 million.

In the early 1980s there were some cutbacks to the programme. However, recognition of the severe domestic hunger problem in the latter half of the 1980s led to incremental improvements in the FSP in 1985 and 1987, such as elimination of sales tax on food stamp purchases, reinstitution of categorical eligibility, increased resource limit for most households ($2,000), eligibility for the homeless, and expanded nutrition education. The Hunger Prevention Act of 1988 and the Mickey Leland Memorial Domestic Hunger Relief Act in 1990 led to even further improvements. By 1993, major changes in food stamp benefits had arrived. By 1994, participation hit a new high of 28 million.

From the mid-1990s there was a period of welfare reform. Although the Food Stamp Program was reauthorized in the 1996 Farm Bill, major changes to the program were enacted. Participation declined somewhat throughout the late 1990s as a result of the legislative changes as well as falling unemployment. In 2002, further simplification of program rules were promulgated in the Food Security and Rural Investment Act. During 2005 the FSP served an average of 25.7 million people each month and cost $28.6 billion for the year.
Negative Income Tax

Negative income tax (NIT) is a tax reform system where all adults are enrolled by the receiver of revenue office and as part of their income tax returns given an equitable tax allowance which has the net effect that persons or families that are below the poverty line receive an income subsidy. The benefit for the state is that all grants and income tax are unified within one system that has less scope for fraud and reduced administration costs. As with the Food Stamp Programme, it is intriguing that the concept originated and has been most developed in the United States, where although widely discussed among economists has only been partially implemented. A notable experiment is described more fully below.

Negative taxation was first developed as an idea by Juliet Rhys-Williams in the 1940s and later promoted by monetarist economist Milton Friedman in 1962 in *Capitalism and Freedom*. This is remarkable, as Friedman was a strong advocate for free market solutions, but realised that negative taxation was completely compatible with such an approach. Negative income taxes can implement or supplement a guaranteed minimum income system.

Milton Friedman, although he would have preferred no income tax at all, recognising that it was not politically feasible, envisaged that a negative income tax would eventually replace the current progressive income tax system used throughout most of the Western world. The rationale was that it would provide for basic household security but would also be beneficial to high income earners. All adults would be registered as tax payers, irrespective of income levels. However, the sliding scale of the progressive tax system would be replaced by a flat tax of, say, 25%. For example, each taxpayer would be given an allowance of R10,000 by the government and taxed at the flat rate for any additional income earned above this. This would mean that there would be no disincentive to a person earning additional income. Thus a person earning only R4,000 per year would pay R1000 in taxes and earn a net income of R13,000 (ie R10,000 + R4000 - R1000 = $13,000). Overall, they would receive a net gain of $9,000 from the government. A person making R40,000 would be at the break-even point, essentially paying no taxes (ie. R10,000 + R40,000 - R10,000 = R40,000 net income. A person making R1,000,000 per year would pay close to the full 25% tax (ie. R10,000 + R1,000,000 - R250,000 = R760,000 net income). In Friedman’s original model, even the R10,000 subsidy was to be used as an incentive, where the Government would match any income earned by an equal payment of a similar amount up to this threshold after which the flat rate of taxation would apply. This would encourage people to work as the government was effectively doubling the wages of very low income earners.

The advantages of negative income tax are that it could solve several problems with current systems, eliminating welfare dependency and effectively set a minimum wage. It would draw all adults into a unified tax system. Given that there has been a substantial rise in the number of people in the middle class, this would increase the likelihood of an orderly expansion of the income tax base. A single administration for both receiving income tax
and providing income support would reduce administrative overheads, since the large bureaucracies responsible for the various current support services could be reduced or eliminated. Since the administrative overhead would be reduced, the payouts to recipients could be proportionally increased, reducing the need to increase taxes. The actual amount of the allowance could be varied by the tax authorities depending on the prevailing fiscal situation.

The main drawback of negative income tax is that with such high unemployment, this tax regime would initially be costly to implement. As is common in almost any income-based tax and grant system, the provision of allowances requires careful supervision and auditing to avoid fraud. Policing fraud could increase administrative costs. There is also the risk that the NIT, if reasonably large, might reduce the incentive to work, since recipients would receive a guaranteed minimum wage in the absence of employment.

A negative income tax could be, but is not necessarily, a mechanism for introducing a guaranteed minimum income or Basic Income Grant (BIG). A BIG should provide enough money to survive on whereas a NIT could be as low as a few hundred Rand.

9.1 The Basic Income Grant (BIG)
“The solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income.”

The Basic Income Grant (BIG)\textsuperscript{40} is a monthly grant that would be paid by the state to everyone legally resident in South Africa, regardless of age, income, family status, or other factors. It has been proposed by a wide range of groups-including the government's expert panel on comprehensive social security-as one way of giving effect to the right to social security, guaranteed by the Constitution. Supporters of the grant have recommended that it be set at R100 a month at first, but that it increase as prices rise. Although the Cabinet has previously rejected the proposal, its basic assumptions remain correct.

The cost depends on the amount of the grant, the way in which it is paid out, and the way in which the government finances the grant. A number of affordable plans have been proposed. Paying R100 a month to everyone in South Africa would cost about R48 billion a year. But a large portion of this would be recovered through the tax system. Depending on the way the money is recovered, the net (additional) cost to the government is likely to be between R15 billion and R24 billion extra a year. This must be seen in the light of the government's excellent capacity to collect tax and the fact that the government has cut income taxes by nearly R50 billion since 1995. The BIG would also allow government to save money in other areas. Health care costs

\textsuperscript{40} Frequently Asked Questions about the BIG: www.big.org.za/index.php?option=faq&task=viewfaq&artid=3
go down, for instance, if people can afford better food and are able to maintain a better level of general health. So the final cost of the grant would be even less.

**Basic Income Grant Coalition**
The Basic Income Grant Coalition was formed in mid-2001 to develop a common platform among advocates of a universal income support grant and to mobilise popular support for the introduction of the grant. The Basic Income Grant Coalition calls for the introduction of a Basic Income Grant which would

- provide everyone with a minimum level of income,
- enable the nation's poorest households to better meet their basic needs,
- stimulate equitable economic development,
- promote family and community stability, and
- affirm and support the inherent dignity of all.

Proposed in 2004 Big was seen as complementary to expanding the child support grant and Expanded Public Works Programme (EPWP). It was seen as necessary to help people get transport and meet other costs associated with finding a job.

**Taylor Proposal**
The Taylor Report put BIG squarely on National Agenda for the following reasons:

At that time:

- No income for children 7 - 18 years of age
- No income for adults 18-59 years of age.
- Over 13m live below the poverty line and have no access to social security.
- S.A. Social security System is neither comprehensive nor adequate.
- A narrow employment centred social security concept is insufficient to meet the challenges of poverty and inequality.

The Taylor report recommended the adoption of the notion of social protection referred to earlier with a package of 5 components:
1. Income poverty alleviation
2. Capability poverty alleviation
3. Asset poverty alleviation
4. Special needs social insurance

**The Value of BIG**

If adopted BIG could:
1. Target poor efficiently – eliminate means test and complicated application process;
2. Be cost effective – avoid admin costs;
3. Be developmental – BIG aims to prevent people from falling into destitution. Can afford people risk to seek work;
4. Stimulate economic growth. Cash transfers into household increase and stabilize demand, consumption and savings. Impact on rural areas where it has the potential to kick-start the economy.
5. Combat the “poverty tax”. It is the working poor not the rich who help the very poor to survive – help the unemployed family members or friends – acts as an effective tax.
6. Improve the efficiency of social investments – UN studies have shown that poverty undermines social investments e.g. under nourished child – increased medical costs – more time for care.
7. Enhance responses to HIV/AIDS Pandemic – working age adults have very little time to access social grants.
8. Contribution to equity and social cohesion. BIG acts as a form of general reparation along the lines of TRC.

BIG is not only a mechanism of guaranteeing a minimum income, but a key means of enabling people to engage in sustainable economic activities, to become more reliant in the medium term and ultimately to reduce dependency on grants.

Objections to Basic Income Grant

1. Productive employment (structural nature of the unemployment takes a long time) versus hand outs
2. Developmental social security – dependency (grant go to family )
3. Opportunity cost
4. Capacity to implement
5. Affordability and fiscal sustainability e.g. Ekhombe community (grant and EPWP [Zenzeleni] + economic activity.

The BIG and the EPWO

The BIG and EPWP should not to be seen as mutually exclusive alternatives. Rather they should be seen as complimentary interventions.

Evidence available (McCord) in S.A. and internationally suggests that in and of themselves EPWP do not necessarily move participants out of poverty, but offer a temporary respite. Reducing the depth of poverty during the period of employment and do not offer sustainable livelihood improvement without a range of complementary social development interventions. BIG can become crucial partner to EPWP.
APPENDIX

Glossary

The following explanations are extracted from *The Measurement of Poverty in South Africa Project: Key issues*, Studies in Poverty and Inequality Institute, edited by Frye and Farred in 2007. For a fuller explanation please consult this excellent review.

**Poverty**

Poverty can be understood in a narrow or broad sense. In the narrowest sense it means lack of income. In a broader sense poverty can be seen as multidimensional, encompassing other issues such as housing, health, education, access to services and to other avenues of accessing resources, and what is somewhat controversially referred to as ‘social capital’, and access to social power relations. Poverty can be construed in a minimalist or more expansive way: the most minimalist way is to consider people who are poor as being those who are unable to survive even in the short term, i.e. people who are utterly without the means of survival. A more expansive understanding of poverty is that people are poor if they are unable to participate in society as full citizens.

**Absolute poverty**

Absolute poverty usually refers to a state of deprivation defined in relation to a supposedly objective, invariant and value free external definition of basic human needs. The World Bank adopted an absolute approach when conceptualising poverty in the international development context, ‘*In a classic study first published in 1901, Seebohm Rowntree calculated that 10 percent of the population of the English city of York in 1899 was living in poverty (below minimum needed expenditures). As we enter the next century, the World Bank calculates that a fourth of the population of the developing world—about 1.2 billion people—is living in poverty (below $1 a day). These two calculations of income poverty are separated by a century and have very different coverage. Nevertheless, the basic concepts and methods they embody have strong similarities*.’ (World Bank, 2000, p.17) An alternative – and more multidimensional - concept of ‘absolute’ poverty was given at the World Summit for Social Development in Copenhagen in 1995 as follows: ‘*a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services*’ (World Summit for Social Development, 1995).
Relative poverty
In contrast, the concept of relative poverty explicitly relates poverty to a reference group. Rather than refer to a supposedly objective standard, it links poverty to a particular point in the distribution curve of a particular variable such as income. People are judged to be poor if they are poor in comparison to those around them. This notion of poverty is therefore particularly relevant when debates on social justice do not merely focus on the needs of bare survival, but also on the question of inequality in society. It is also explicitly acknowledged that what it means to be poor will change over time and from place to place. As Townsend wrote: ‘there is no list of the absolute necessities of life to maintain even physical efficiency or health which applies at any time and in any society, without reference to the structure, organisation, physical environment and available resources of that society.’ (Townsend, 1962. 219).

Deprivation
Deprivation refers to the effects of poverty on a person’s life. ‘Multiple deprivation’ is often used interchangeably with ‘multidimensional poverty’ and the term ‘deprivation’ is popular with some commentators as it is not ‘contaminated’ with notions of minimal subsistence which is sometimes associated with the word ‘poverty’.

Inequality
Inequality has two equally important meanings. In a sociological sense, inequality is a characteristic of social power relations. Inequality is said to be present if membership of different social groups is linked to highly differential power relations. In this sense, inequality is closely linked to the notion of social exclusion, in that unequal power relations may be linked to differential access to political or socio-economic rights. In a much narrower quantitative and economic sense, inequality can refer to an imbalance in the distribution of particular resources, such as income, in a specific population. In a well-resourced country, the existence of poverty can be said to be a manifestation of inequality. The gini coefficient is a measure of distributional inequality in a population (see Annex 1). Other ways of measuring inequality include mean log deviation and the Theil Index. These last two measures are both general entropy class inequality measures (Hoogeveen and Ozler, 2006, 72). It is important to track inequality on a very regular basis as inequality measures provide a disaggregation of poverty dynamics.

Vulnerability
Vulnerability is a concept that is often used in widely divergent ways (Alwang et al 2001). Vulnerability in this paper is used to refer to a state of being that is defenceless to threats to someone’s well-being. Vulnerability and insecurity are often used interchangeably to describe situations in which people are not able to cope with threats to their well-being without damaging loss (Dercon, 2005). People are vulnerable when they are at a tipping point, when a shock that they would otherwise recover from with relative ease causes a catastrophic and hard to reverse reduction in their well-being or access to resources (Devereux 2002; Ellis 2003). An important contribution has been made by the study of ecological vulnerability which emphasises that vulnerability is a property of systems, and focuses on how systems respond to
shocks. Vulnerability is often defined as a function of two properties of a system: its sensitivity (how heavily it is impacted by a shock or event) and its resilience (the ease and speed with which it recovers. People are vulnerable when the systems on which they depend for their livelihoods are highly sensitive but not very resilient (Du Toit & Ziervogel 2004).

Capabilities approach
It is important to note that a relative conceptualisation of poverty should also encompass the meeting of basic needs. Defining the poor merely as the bottom 20% of society, would for example be ridiculous if almost everyone in that society was struggling to eat. Such considerations caused Sen to state that an adequate concept of poverty should always contain an absolute component: ‘There is, I would argue, an irreducible absolutist core in the idea of poverty. One element of that absolutist core is obvious enough … If there is starvation and hunger, then-no matter what the relative picture looks like - there clearly is poverty.’ (Sen, 1983: 159). He went on to develop his now widely used capabilities approach. This approach conceived of poverty as being absolute in the space of ‘capabilities’ - in other words, referring to supposedly universal human needs with relation to nutrition, education, human dignity and participation in society - but relative in the space of ‘commodities, resources and income’ that are required to realise those capabilities. ‘Capabilities’ include such things as nutrition, shelter, and the capacity to move from A to B, and should be defined in absolute terms; the ‘commodities’ required to meet them will be relative and depend on a particular society at a particular time. For example, it is necessary to have the capability to get from A to B, but in different societies this would require differing commodities such as a car, a bicycle or a pair of shoes (Sen, 1983). Sen also touches on notions of participation in society when he talks about the capability of “avoiding shame”: ‘An absolute approach in the space of capabilities translates into a relative approach in the space of commodities, resources and income if dealing with some important capabilities, such as avoiding shame from failure to meet social conventions, participating in social activities, and retaining self-respect.’ (Sen, 1983: 167)

Relative poverty with an absolute core
A way of combining absolute and relative poverty concepts, and drawing from the capabilities approach, is to conceptualise poverty in a multi-dimensional and relative way that incorporates the meeting of basic needs. By conceptualising poverty in this way, to be poor would mean to be excluded from full participation in society, i.e. excluded from full citizenship. There would also be an absolute ‘core’ which relates to the meeting of basic needs across the various dimensions of poverty. A diagrammatic example of such a model of poverty is shown below in Figure x. The dimensions shown are illustrative rather than prescriptive.

Poverty Lines, Indicators and Indices
The use of a single datum (“datum” here meaning “information”) line to separate the “poor” from the “non-poor” was first used in initial attempts to quantify levels of poverty (Rio, 2006). There are two types of poverty lines which are generally in use: first, those which represent the value of a selection
of goods or services that are identified as necessary, and second, those which relate to the distribution of income/expenditure within a society. The first is a poverty line generally calculated by giving a monetary value to a basket of goods and can be used to present a “head-count” of the total number of people living in poverty. This is usually a measure of absolute poverty. The second kind of line, the relative poverty line is often set at the level that includes people living below 40% of national income, with those living below 20% as being very poor.

Poverty lines can either be applied to levels of income or expenditure. Both of these have their advantages and disadvantages. Income is generally seen as being easier to measure than expenditure, since most people struggle to record everything that they have spent over a certain period. However, surveys using income as a source for data have found that people tend not to report their full incomes. It is also important for data gatherers to be aware that sometimes people receive and use goods in kind that are not generally perceived as being either income or expenditure.

A basket of poverty indicators can be collated that reflect the different dimensions of poverty and deprivation that have been identified (by experts or through consultation) as important. In some respects, each indicator can be seen as being a mini-poverty line: the selection of each indicator requires just as much attention as a poverty line, e.g. is one ‘poor’ in terms of access to water if one has no access to clean running water within a certain distance, or if one does not have a tap with running water in the house? Indicators can be left uncombined which has the advantage of transparency but the possible disadvantage of losing an ‘overall message’ regarding levels of poverty.

**Gini coefficient and Lorenz curve**

The Gini coefficient is a measure of statistical dispersion most prominently used as a measure of inequality of income distribution or inequality of wealth distribution. It is defined as a ratio with values between 0 and 1: the numerator is the area between the Lorenz curve of the distribution and the uniform distribution line; the denominator is the area under the uniform distribution line. Thus, a low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient indicates more unequal distribution. 0 corresponds to perfect equality (everyone having exactly the same income) and 1 corresponds to perfect inequality (where one person has all the income, while everyone else has zero income). The Gini coefficient requires that no one have a negative net income or wealth.

Indigent/pauper

South African Government often refers to poor people as being ‘indigent’. ‘Indigent’ (like the related ‘pauper’) is an archaic, Middle English word, which is used to refer to people who are in need or destitute, and is usually used in the South African context to refer to those poor people who are eligible for certain municipality-administered poverty relief programmes. In Eighteenth Century France this term was used to describe people living in chronic poverty, as opposed to people who experienced seasonal or transitory poverty (Hulme and McKay, 2005). One of the services that some municipalities offer are pauper’s funerals. When someone dies and there is no one to take responsibility for the body, the hospital where death occurred will arrange for a simple funeral and burial. If death occurs outside a hospital, the state authorities arrange the burial. Other subsidised services may include housing debt, sewerage, refuse removal and assessment rates, and consumption service charges. The indigent household’s consumption will be limited to a three month average of a maximum of 12 kilolitres of water and 250 units, excluding the free 50 units, of electricity per month, inclusive of the free basicservice grant. (eg. George Municipality Indigent Policy)

Social Wage

The ‘social wage’ refers to that part of government spending dedicated to the provision of income security, goods and services that confer a personal benefit to individuals. The term is often used to refer to composite state spending on education, social security and housing (although sometimes social security expenditure is removed from the ambit of the social wage).

Social Exclusion

“Social exclusion” originated from European debates on welfare policy, and originally referred narrowly to particular minority groups (immigrants, single mothers, the insane) who were assumed to be inadequately integrated into the welfare state (Silver 1994). Since then the term has become much more widely used, and currently it usually refers to the process by which poor people are excluded or marginalised from mainstream economic, social and political life. The main way in which social exclusion is different from other poverty-related concepts of poverty is that it focuses attention on social process and social relations, and emphasises the ways in which adverse power relations, discrimination and identity can help to marginalise and impoverish people (Hickey & du Toit 2007).

Project for Statistics on Living Standards and Development (PSLSD) dataset

This survey is a nationally representative, multi-purpose household survey which contains information on a series of subjects including (but not limited to) household composition, education, health, fertility, expenditures, employment and other income earning activities. The sample consists of approximately 9,000 households in 360 clusters. It was undertaken in the nine months prior to the country’s first democratic elections in April 1994. The principal purpose
of the survey was to collect data on living standards in order to provide policy makers with the data required for planning strategies to implement such goals as those outlined in the Government of National Unity's Reconstruction and Development Programme.
Development indicators: mid-term review 2007

17 PER CAPITA INCOME

Goal
To halve poverty between 2004 and 2014.

Trend analysis
Since 2002, strong overall income growth, including the expansion of social grants, resulted in the rise of the income of the poorest 10% and 20% per cent of the population. However, the rate of improvement of income for the poor has not matched that of the rich, and thus while income poverty is declining, inequality has not been reduced.

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18 INEQUALITY MEASURES

| Goal            | To reduce inequality. |

Trend analysis
The Gini Coefficient measures income inequality and increased over most of the period. The overall increase in inequality shows that the beneficial impact of social grants and some job expansion was not enough to overcome widening income inequality, particularly between more and less skilled black workers. This points to a growing scarcity of high level skills and the need for more and better education. Large fluctuations in single years (e.g., 2002) can probably be ascribed to sampling and data issues rather than to real changes. The Theil index is another measure of inequality. While inequality by this measure has been rising, it has changed in nature. Inequality between races has declined, while inequality within race groups has grown. In 1993, 81% of inequality was between race groups, however, by 2006, inequality between race groups had declined to 40% per cent. Over the same period, inequality within race groups has become much more prominent.

INEquality Measures

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini coefficient</td>
<td>0.671</td>
<td>0.665</td>
<td>0.674</td>
<td>0.678</td>
<td>0.674</td>
<td>0.683</td>
<td>0.685</td>
<td>0.682</td>
<td>0.685</td>
<td>0.670</td>
<td>0.686</td>
<td>0.679</td>
<td>0.683</td>
<td>0.685</td>
</tr>
<tr>
<td>Theil total value</td>
<td>0.899</td>
<td>0.890</td>
<td>0.889</td>
<td>0.898</td>
<td>0.906</td>
<td>0.937</td>
<td>0.938</td>
<td>0.925</td>
<td>0.937</td>
<td>0.921</td>
<td>1.013</td>
<td>0.987</td>
<td>1.012</td>
<td>1.032</td>
</tr>
<tr>
<td>Theil Within-Race</td>
<td>0.350</td>
<td>0.349</td>
<td>0.366</td>
<td>0.370</td>
<td>0.382</td>
<td>0.389</td>
<td>0.400</td>
<td>0.446</td>
<td>0.456</td>
<td>0.502</td>
<td>0.550</td>
<td>0.514</td>
<td>0.597</td>
<td>0.613</td>
</tr>
<tr>
<td>Theil Between-Race</td>
<td>0.549</td>
<td>0.532</td>
<td>0.523</td>
<td>0.548</td>
<td>0.524</td>
<td>0.548</td>
<td>0.538</td>
<td>0.471</td>
<td>0.480</td>
<td>0.418</td>
<td>0.463</td>
<td>0.465</td>
<td>0.415</td>
<td>0.416</td>
</tr>
</tbody>
</table>

INEquality Measures

Definition
Gini coefficient: It measures the inequality as a proportion of its theoretical maximum. The Gini coefficient can range from 0 (no inequality) to 1 (complete inequality). Theil: This index calculates the weighted sum of inequality within subgroups.

Data source

Notes on calculations
Gini coefficients calculated from data recorded in income brackets and without prorating on all individual income sources (such as census data or ANPS) are usually somewhat higher. Trends, however, should not be affected.

19 POVERTY HEADCOUNT INDEX

Goal

Meeting basic needs of all South Africans.

Trend analysis

This index measures the number of people living below a poverty line of R3 000 per capita per annum (in 2000 constant Rand). The strong decline in the headcount poverty rate (Po) after 2001 is mainly due to the expansion of social grants, and more jobs created in the economy.

PERCENTAGE OF POPULATION LIVING BELOW R3 000 PER ANNUM

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>50.1%</td>
<td>50.5%</td>
<td>51.7%</td>
<td>52.1%</td>
<td>52.2%</td>
<td>51.0%</td>
<td>52.3%</td>
<td>52.8%</td>
<td>51.4%</td>
<td>49.0%</td>
<td>47.6%</td>
<td>46.0%</td>
<td>44.5%</td>
<td>43.2%</td>
<td></td>
</tr>
</tbody>
</table>

20 POVERTY GAP ANALYSIS: POVERTY GAP INDEX (P1) AND SQUARED POVERTY GAP INDEX (P2)

**Goal**
To reduce the poverty gap and the severity of poverty.

**Trend analysis**
The P1 measures the depth of income poverty compared to a poverty line of R3 000 per capita per annum (in 2000 constant Rand). The declining P1 shows that the incomes and/or expenditure of those in poverty have improved, bringing them closer to the poverty line. In addition, the declining P2 shows that the severity of poverty has been reduced, especially since 2002.

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0.2419</td>
<td>0.2397</td>
<td>0.2678</td>
<td>0.2624</td>
<td>0.2549</td>
<td>0.2555</td>
<td>0.2591</td>
<td>0.2539</td>
<td>0.2649</td>
<td>0.2440</td>
<td>0.2262</td>
<td>0.2193</td>
<td>0.2130</td>
<td>0.2039</td>
</tr>
<tr>
<td>P2</td>
<td>0.1482</td>
<td>0.1441</td>
<td>0.1711</td>
<td>0.1615</td>
<td>0.1574</td>
<td>0.1554</td>
<td>0.1574</td>
<td>0.1547</td>
<td>0.1661</td>
<td>0.1699</td>
<td>0.1365</td>
<td>0.1276</td>
<td>0.1228</td>
<td>0.1228</td>
<td>0.1231</td>
</tr>
</tbody>
</table>

**POVERTY GAP ANALYSIS**

**Definition**
Depth of poverty (P1), at a poverty line of R3 000 in constant 2000 constant Rand. It is based on how far the poor are from the poverty line, i.e., how deep their poverty is. Severity of poverty (P2), at a poverty line of R3 000 in constant 2000 constant Rand. It is based on the square of the gap between the poverty line and the incomes of the poor, thus it gives great weight to those who are most deeply in poverty.

**Data source**
Van der Berg, et al. (2006) based on ANPS of various years (1993 - 2004). ANPS income is recorded in more than 30 household income brackets, incomes were converted to per capita levels by applying household size. Means estimated income were estimated in the open interval for each race and household size category. Income was assumed to be distributed equally within income brackets.

**Notes on calculation**
See notes on calculation indicators P1 and P2.

21 SOCIAL-ASSISTANCE SUPPORT

Goal: To provide appropriate social-assistance support to all eligible beneficiaries.

Trend analysis: At present, nearly 12 million people receive social grants, and 3.2 per cent of GDP is spent on social grant assistance. The increase in the number of beneficiaries over the years has been as a result of increased government efforts to reach out to those people that are eligible to receive social assistance grants. The strong growth in grants in aid, care dependency grant and disability grant, is a reflection of government’s programme of social assistance and poverty reduction for persons with disabilities. The strong growth in the uptake of grants has stabilised over the past two years as the majority of eligible beneficiaries have been registered.

SOCIAL-ASSISTANCE SUPPORT GRANTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Old age</th>
<th>War veterans</th>
<th>Disability</th>
<th>Grant in aid</th>
<th>Foster care</th>
<th>Care dependency</th>
<th>Child support</th>
<th>Total beneficiaries</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,812,925</td>
<td>7,646</td>
<td>6176</td>
<td>5,640</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,140,406</td>
<td>9.5%</td>
</tr>
<tr>
<td>2000</td>
<td>1,800,719</td>
<td>7,644</td>
<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
<td>9.6%</td>
</tr>
<tr>
<td>2001</td>
<td>1,800,719</td>
<td>7,644</td>
<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
<td>9.6%</td>
</tr>
<tr>
<td>2002</td>
<td>1,800,719</td>
<td>7,644</td>
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<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
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</tr>
<tr>
<td>2003</td>
<td>1,800,719</td>
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<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
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<td>5,646</td>
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<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
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</tr>
<tr>
<td>2005</td>
<td>1,800,719</td>
<td>7,644</td>
<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
<td>9.6%</td>
</tr>
<tr>
<td>2006</td>
<td>1,800,719</td>
<td>7,644</td>
<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
<td>9.6%</td>
</tr>
<tr>
<td>2007</td>
<td>1,800,719</td>
<td>7,644</td>
<td>6175</td>
<td>5,646</td>
<td>4,584</td>
<td>3,340</td>
<td>3,766</td>
<td>2,150,406</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

SOCIAL-ASSISTANCE GRANT EXPENDITURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure (R million)</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>36.982</td>
<td>4.4%</td>
</tr>
<tr>
<td>2003</td>
<td>44.815</td>
<td>5.0%</td>
</tr>
<tr>
<td>2004</td>
<td>50.708</td>
<td>5.7%</td>
</tr>
<tr>
<td>2005</td>
<td>57.719</td>
<td>6.4%</td>
</tr>
<tr>
<td>2006</td>
<td>62.218</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

**23 LIVING STANDARDS MEASURE (LSM)**

**Goal**
Reducing income inequalities.

**Trend analysis**
Between 2000 and 2005, the LSM data shows a significant decrease of the number of people in the poorest categories (LSM 1-3), with a marked reduction of the number of people living in LSM 1. The number of people living in LSM 4-10 shows an increase and in part reflects the growth of the middle classes.

**TABLE LIVING STANDARDS MEASURE**

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>LSM 1</td>
<td>3 156 000</td>
<td>R 742</td>
<td>3 003 000</td>
<td>R 808</td>
</tr>
<tr>
<td>LSM 2</td>
<td>3 030 000</td>
<td>R 893</td>
<td>2 921 000</td>
<td>R 943</td>
</tr>
<tr>
<td>LSM 3</td>
<td>4 012 000</td>
<td>R 1 092</td>
<td>4 140 000</td>
<td>R 1 200</td>
</tr>
<tr>
<td>LSM 4</td>
<td>4 016 000</td>
<td>R 1 041</td>
<td>4 096 000</td>
<td>R 1 196</td>
</tr>
<tr>
<td>LSM 5</td>
<td>3 634 000</td>
<td>R 2 195</td>
<td>3 703 000</td>
<td>R 2 239</td>
</tr>
<tr>
<td>LSM 6</td>
<td>3 621 000</td>
<td>R 3 565</td>
<td>3 716 000</td>
<td>R 3 625</td>
</tr>
<tr>
<td>LSM 7</td>
<td>1 717 000</td>
<td>R 5 348</td>
<td>1 886 000</td>
<td>R 5 662</td>
</tr>
<tr>
<td>LSM 8</td>
<td>1 663 000</td>
<td>R 7 212</td>
<td>1 705 000</td>
<td>R 7 537</td>
</tr>
<tr>
<td>LSM 9</td>
<td>1 559 000</td>
<td>R 9 568</td>
<td>1 666 000</td>
<td>R 10 224</td>
</tr>
<tr>
<td>LSM 10</td>
<td>1 455 000</td>
<td>R 13 416</td>
<td>1 469 000</td>
<td>R 15 073</td>
</tr>
</tbody>
</table>

**TABLE LIVING STANDARDS MEASURE**

**Definition**
The SAABF Living Standards Measure (LSM) divides the population into 10 LSM groups. 19 (Highest) to 1 (Lowest) and LSMs are calculated using 29 variables taken directly from the SAABF All Media and Products Surveys. It calculates an imputed average monthly income.

**Data source**
South African Advertising Research Foundation

Small business development agencies

Khula Enterprise Finance

Khula facilitates access to credit for small, medium and micro-enterprises (SMMEs) through commercial banks, retail financial intermediaries and micro-credit outlets. It provides mentorship to guide and counsel entrepreneurs in various aspects of managing a business. Entrepreneurs do not get financial assistance directly from Khula.

Contact: (012) 394 5566/ www.khula.org.za

Business Partners Umsobomvu Franchise Fund

The programme helps to fund youth business projects and youth development projects. The Business Partners Umsobomvu Franchise Fund is a finance company that finances existing or new viable businesses. It requires capital from R60,000 to a million. It also has a voucher programme that helps entrepreneurs gain access to business development services support, like accounting and business plan development.

Contact: (011) 470 3111

Umsobomvu Youth Advisory Centres

Youth Advisory Centres are walk-in centres around the country where the youth can receive information, training and referral services.

Contact: 086 009 6884

Gender and Women Empowerment Unit

The Gender and Women Empowerment Unit manages the South African Women Entrepreneur's Network (SAWEN). The SAWEN was established to assist women entrepreneurs in South Africa to overcome a wide array of persistent obstacles and barriers to their business operations. The SAWEN concept aims to provide women entrepreneurs with solutions to these challenges by addressing the constraining factors. Constraints specific to women include gender discrimination and negative perceptions that persist despite the fact that female-owned enterprises contribute an ever-increasing share of national revenue. Enterprise size is another constraint for women; almost all female-owned enterprises fall into the lower end of the SMME category, being either very small or micro-sized companies, while men predominate the larger, more lucrative sectors. Approximately 70 percent of informal businesses in South Africa are owned and/or controlled by women.

Contact: (012) 394 1605/6

Technology for Women in Business (TWIB)

TWIB aims to make science and technology more accessible to women in business, particularly women in SMMEs.

Contact: (012) 841 4983 or www.twib.co.za

Skills Development in the Cultural Industries
A skills development training strategy has been developed in partnership with the Department of Labour for the craft (product development and business/entrepreneur skills), film, design (interior design, graphic design, fashion design, text tile, ceramic design, jewellery design, industrial design, set design and others), and music sectors (business management, technology and song-writing). The strategy is implemented through the MAPPPSETA. Further information on the skills development programme is available on [www.createsa.co.za](http://www.createsa.co.za).

**Contact:** (011) 699 3007-9

**Thuso Mentorship Programme**

The Programme aims to ensure the transfer of skills on a one-to-one basis. It offers pre-loan and post-loan services. During the pre-loan service, clients are assisted with advice, counselling and development of viable business plans.

**Contact:** (011) 315 0036/7

**Eastern Cape** (043) 721 0437/0442
  (041) 363 2570

**Free State** (051) 430 0275

**Gauteng** (011) 315 0036/7

**KwaZulu-Natal** (031) 301 1916/1917

**Mpumalanga** (013) 755 2370

**North West** (014) 592 6392

**Western Cape** (021) 671 9056/9057

**Local Economic Development (LED)**

These are municipality-led projects to create employment and growth in the area with the aim of alleviating poverty. They also improve linkages with other household, social and economic infrastructure programmes of government.

**Contact:** (012) 301 1058

**Small Enterprise Development Agency (SEDA)**

SEDA incorporates the Ntsika Enterprise Promotion Agency (Ntsika), the National Manufacturing Advice Centre Trust (NAMAC), the Community Public Private Partnership Programme (CPPP) and the Small Enterprise Human Development Programme. Its mandate includes the support and promotion of Co-operative enterprises to reach a greater variety of enterprises, particularly those located in rural areas. This support of alternative forms of enterprises will be an important way to facilitate the integration of second economy into the first economy.

**Contact:** (012) 428 5000 or 0860 103 703 (Business Information Centre)


The programme includes:

- **Business Referral and Information Network (BRAIN Programme)**
The BRAIN programme was initiated by the dti, and is now managed by the NAMAC Trust. BRAIN's major objective is to supply high-quality, value-added information services through existing delivery structures to ensure improvement in the business of SMMEs, with the emphasis on businesses which empower historically disadvantaged individuals. Any individual or small business that needs business information may call the national centre for assistance with business queries. Queries may vary from basic, general questions ('Who can help me finance my business?') to complex questions about manufacturing processes, international markets, patent infringements, and so on.

Contact: (012) 349 0100 or http://www.brain.org.za

- **Community Public-Private Partnership Programme (CPPP)**

The main role of the CPPP is to facilitate and promote of economic activity in rural areas. This is achieved by linking resource-rich communities with relevant state and private investors who are interested in sustainable utilisation of natural resources. We facilitate mutually beneficial strategic partnering processes that include: drawing up of feasibility studies and business plans, organisational development, bankable business opportunities, empowerment strategies, marketing, and development of the methodology and rural business models. We also identify resources and equity. This offers new opportunities for private sector players to expand into untapped markets and resources, whilst ensuring that ownership rests in the communities.

The CPPP is committed to unlocking the economic value of state or community-owned land, so as to revitalise rural economies, reduce poverty, increase community empowerment and promote sustainable resource use in the country's poorest regions.

Another core activity is the development of appropriate and ongoing guidelines for community public private partnerships, based on experiences from pilot projects in the five key economic sectors – agribusiness and forestry, agro-biodiversity, fishing and aqua-culture, small-scale mining and tourism.

Contact: (012) 428 4125 OR www.cppp.org.za

- **South African Micro Finance Apex Fund (SAMAF)**

SAMAF does not loan money or provide financial services directly to end-users but, but uses a range of partner organisations to deliver its products. These partner organisations are regional and local organisations that have experience in working with the communities and understand the day-to-day problems that people in these communities experience.

SAMAF works local partner organisations to provide loans of up to R10,000; the loans will be used for micro-enterprise activities and other productive uses. The primary target market of SAMAF and its partners are micro-entrepreneurs, as well as households that have an income of less than R1500 per month.

Contact: (012) 394 1796 http://www.samaf.org.za/
**Reports on cooperatives:**

**PROVINCE: Gauteng**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Comments/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and Strategy development</td>
<td>Currently with the Executive Council – for consideration</td>
</tr>
<tr>
<td>Number of Co-operatives supported:--</td>
<td></td>
</tr>
<tr>
<td>- Employment created</td>
<td>(8)</td>
</tr>
<tr>
<td>- The beneficiaries in terms of youth, women, men, disabled, races</td>
<td>(86)</td>
</tr>
<tr>
<td>- Sectors supported e.g. agriculture, tourism</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>- The amount invested on co-operatives</td>
<td>R1.8million</td>
</tr>
<tr>
<td>Status on Financial and Non-Financial Support Programmes by the Province</td>
<td>R1.8million</td>
</tr>
<tr>
<td>Relationship with SEDA</td>
<td>None</td>
</tr>
<tr>
<td>LED involvement on the development of Co-operatives</td>
<td>Currently None</td>
</tr>
<tr>
<td>Budget allocated for Cooperatives</td>
<td>R2million: R1million for the Implementation Plan : R1million for the Launch &amp; Road Shows.</td>
</tr>
<tr>
<td>Status on Financial and non-Financial Support Programmes by the Departmental Agency/ies</td>
<td>The Gauteng Enterprise Propeller is currently giving these types of support to the cooperatives.</td>
</tr>
<tr>
<td>Collaboration with other departments</td>
<td>Currently no collaboration.</td>
</tr>
<tr>
<td>Procurement from cooperatives</td>
<td>None</td>
</tr>
<tr>
<td>Research on cooperatives</td>
<td>None</td>
</tr>
<tr>
<td>Contact information</td>
<td>Ms: Mashadi Manong : Director Local Economic Development Support</td>
</tr>
<tr>
<td>Further reference</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Case studies</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>
## PROVINCE: MPUMALANGA

<table>
<thead>
<tr>
<th>Programme</th>
<th>Comments/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy and Strategy development</strong></td>
<td>The appointment of a service provider to assist the development of the provincial co-operatives strategy is awaiting the signature of the HOD.</td>
</tr>
<tr>
<td><strong>Number of Co-operatives supported:</strong></td>
<td><strong>Employment created</strong></td>
</tr>
<tr>
<td></td>
<td>The beneficiaries in terms of youth, women, men, disabled, races</td>
</tr>
<tr>
<td></td>
<td><strong>Sectors supported e.g. agriculture, tourism</strong></td>
</tr>
<tr>
<td></td>
<td><strong>The amount invested on co-operatives</strong></td>
</tr>
<tr>
<td></td>
<td>To early for this information.</td>
</tr>
<tr>
<td></td>
<td>The beneficiaries are mainly women but we are observing a slight increase of the youth.</td>
</tr>
<tr>
<td></td>
<td>Agriculture is dominant</td>
</tr>
<tr>
<td><strong>Status on Financial and Non-Financial Support</strong></td>
<td>The dept is responsible for developing policies around both financial and non financial policies.</td>
</tr>
<tr>
<td>Programmes by the Province</td>
<td>The dept is no longer allowed to fund co-operatives or SMME’s directly.</td>
</tr>
<tr>
<td></td>
<td>The dept holds awareness campaigns and consultations on co-operatives.</td>
</tr>
<tr>
<td></td>
<td>Assist and link cooperatives to institutions that provide finance at both the provincial level and national level (government and private)</td>
</tr>
<tr>
<td><strong>Relationship with SEDA</strong></td>
<td>We have a good working relationship with SEDA. The dept receives quarterly reports from SEDA. The work of SEDA gets reported in the Department’s economic report.</td>
</tr>
<tr>
<td><strong>LED involvement on the development of Co-operatives</strong></td>
<td>The Department has an LED unit that works with LED offices in the municipalities. We work well with some but not with others. The pending co-operatives strategy is expected to spell out how we are going to work.</td>
</tr>
<tr>
<td><strong>Budget allocated for Co-operatives</strong></td>
<td>The budget that is allocated is meant to support the activities /run the programme for the co-operatives sub-directorate.</td>
</tr>
<tr>
<td><strong>Status on Financial and non-Financial Support</strong></td>
<td>The province has entrusted the funding of SMME’s and cooperatives to MEGA (Mpumalanga Economic Growth Agency). Umsobomvu is entrusted with funding youth cooperatives</td>
</tr>
<tr>
<td>Programmes by the Departmental Agency/ies</td>
<td>SADMA is also very active and working very well with the dept SEDA IS largely responsible for non-financial needs for co-operatives.</td>
</tr>
</tbody>
</table>
We also link cooperatives to SEDA, Umsobomvu, Dept of Agriculture and the Dept of Labour for non-financial needs.

<table>
<thead>
<tr>
<th>Collaboration with other departments</th>
<th>We have a good collaboration with the departments of Agriculture, Education and Health Social Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement from cooperatives</td>
<td>There is no significant progress as the co-operatives are still very few. We expect that the provincial Co-operatives Strategy will address this area. We however anticipate procurement problems with regard to Tax clearance certificate which is a condition for any procurement.</td>
</tr>
<tr>
<td>Research on cooperatives</td>
<td>We have not undertaken any research on cooperatives.</td>
</tr>
<tr>
<td>Contact information</td>
<td>Makaringe W H 0828122270/0137664595</td>
</tr>
<tr>
<td>Further reference</td>
<td>Mamabolo R 0796343608/0136952595</td>
</tr>
<tr>
<td>Case studies</td>
<td></td>
</tr>
</tbody>
</table>

**PROVINCE: NORTHERN CAPE**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Comments/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and Strategy development</td>
<td>Since the training of community development workers on cooperatives in the Northern Cape, number of activities has taken place i.e. the CDWs who attended the workshop have shared information with their colleagues, and have also conducted information sessions in the communities. The process of establishing and registering cooperatives is slow and we intend accelerating it by working closely with GCIS and SEDA in the province.</td>
</tr>
</tbody>
</table>

**Number of Co-operatives supported:**
- **Employment created**
- **The beneficiaries in terms of youth, women, men, disabled, races**
- **Sectors supported e.g. agriculture, tourism**
- **The amount invested on co-operatives**

In the Northern Cape six (6) cooperatives although not all of them registered are supported and they are as follows:

- **Group Name: Retswelele Youth Development Project** – not yet registered. It focuses on Agricultural development (food Gardening). The project has created jobs for 36 people (24 Africans and 12 Coloureds. The project is supported by the department of Agriculture and Labour. No investment so far. This project is situated in the Phokwane Municipal area.
- **Groups Name: Lukhanyo Self-Help for the Blind, Women in Agriculture and the N12 Car Wash** – not yet registered. These projects focus on food gardening, manufacturing House Hold Chemicals and washing cars. These projects are situated at the Emthanjeni Municipal area.
Municipality respectively. These three projects have created jobs for 39 unemployed women and the youth.

c. Two Cooperatives namely: Concordia Youth Forum and O’ Kiep Aggr Coop Ltd are established and registered in the Nama-Khoi municipality in the Namqua District. These two cooperatives have created 43 jobs for unemployed youth men and women. The focus of this two coops is Flower Garden and plantation of Lucerne

| Status on Financial and Non-Financial Support Programmes by the Department | a. Labour department paid Morowe Agri Training for the training of the beneficiaries and the department of Agriculture provided the Seeds for plantation.  
c. The cooperative have received a Starter- Pack from the department of Agriculture |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Status on Financial and non-Financial Support Programmes by the Departmental Agency/ies</td>
<td>a. None</td>
</tr>
</tbody>
</table>
| Collaboration with other departments | a. Department Agriculture and Labour  
b. Department of Social Services  
c. Department of Agriculture and Social Services and Population Development. |
| Procurement from cooperatives | a. No procurement as they are not yet registered but intends to sell to the local community in the mean time.  
b. The community and the tourist who pass through the N12 support the projects. |
| Research on cooperatives | a. thorough research done  
b. Libraries, Internet, and Seda |
| Contact information | a. Retswelele Youth Development Project : Danisile Mamkeli – Cell No: 078 276 1215  
| Further reference | a. Tlhwahalang High School : 053 4561235  
Jan Kempdorp Primary School : 053 4561629  
For more information contact Cdw Tebogo Mabilo on 0732186692.  
b. For further information contact Cdw Moses September on 0836936284 or 053 6720202  
c. For further information contact Cdw Johannes Milford on 0721577148 or at 027 7138654, Cdw Josline Van Wyk – 083 231 5977 / 027 731 6640 |
### Case studies

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>No Case Study can be provided as follow-ups are been made in terms of the registration process.</td>
</tr>
<tr>
<td>b.</td>
<td>No Case Studies available so far</td>
</tr>
<tr>
<td>c.</td>
<td>Case Studies on these Cooperatives will be forwarded soon.</td>
</tr>
</tbody>
</table>

### PROVINCE: LIMPOPO

<table>
<thead>
<tr>
<th>Programme</th>
<th>Comments/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and Strategy development</td>
<td>The Department is still working on the draft cooperatives strategy. The national strategy is critical for finalisation of the provincial strategy.</td>
</tr>
<tr>
<td>Number of Co-operatives supported:–</td>
<td>As per attached report</td>
</tr>
<tr>
<td>• Employment created</td>
<td></td>
</tr>
<tr>
<td>• The beneficiaries in terms of youth, women, men, disabled, races</td>
<td></td>
</tr>
<tr>
<td>• Sectors supported e.g agriculture, tourism</td>
<td></td>
</tr>
<tr>
<td>• The amount invested on co-operatives</td>
<td></td>
</tr>
<tr>
<td>Status on Financial and Non-Financial Support Programmes by the Province</td>
<td>As reflected in the attached report</td>
</tr>
<tr>
<td>Relationship with SEDA</td>
<td>We have not yet signed an agreement with SEDA and therefore can not hold them to account to the Department</td>
</tr>
<tr>
<td>LED(Municipalities) involvement on the development of Co-operatives</td>
<td>Some of the cooperatives get land and some even buildings form the local municipalities. Some municipalities have funded the establishment of some cooperatives, specifically the goat breeding cooperatives.</td>
</tr>
<tr>
<td>Budget allocated for Co-operatives</td>
<td>R24 million including administration at LIBSA</td>
</tr>
<tr>
<td>Status on Financial and non-Financial Support Programmes by the Departmental Agency/ies</td>
<td>As reflected in the attached report</td>
</tr>
<tr>
<td>Collaboration with other departments</td>
<td>We have not yet started working with other Departments except on specific technical support required by cooperatives like Agriculture on fish and goat breeding cooperatives</td>
</tr>
<tr>
<td>Procurement from cooperatives</td>
<td>As per attached report</td>
</tr>
</tbody>
</table>
Research on cooperatives

We have a report currently running, almost finished which looked at the status of cooperatives in the Province.

Contact information

Carol Nkambule 082 806 3286 015 293 8559

Further reference

Case studies

PROVINCE: KWAZULU NATAL

<table>
<thead>
<tr>
<th>Programme</th>
<th>Comments/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and Strategy development</td>
<td>Have only started, In Progress</td>
</tr>
<tr>
<td>Number of Co-operatives supported:-</td>
<td></td>
</tr>
<tr>
<td>• Employment created</td>
<td>Jobs created – 8157</td>
</tr>
<tr>
<td>• The beneficiaries in terms of youth, women, men, disabled, races</td>
<td>Benefiting from Ithala funding</td>
</tr>
<tr>
<td>• Sectors supported e.g agriculture, tourism</td>
<td>Adult women benefiting – 5440</td>
</tr>
<tr>
<td>• The amount invested on co-operatives</td>
<td>Adult men benefiting – 2605</td>
</tr>
<tr>
<td>Status on Financial and Non-Financial Support Programmes by the Province</td>
<td>Youth females – 3906</td>
</tr>
<tr>
<td>Relationship with SEDA</td>
<td>Co-operatives are funded through Ithala and they get training from the Further Education and Training</td>
</tr>
<tr>
<td>LED involvement on the development of Co-operatives</td>
<td>Youth males – 2218</td>
</tr>
<tr>
<td>Budget allocated for Co-operatives</td>
<td>Disabled – 1</td>
</tr>
<tr>
<td>Status on Financial and non-Financial Support Programmes by the Province</td>
<td>Agriculture</td>
</tr>
<tr>
<td></td>
<td>Textile</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
</tr>
<tr>
<td></td>
<td>Financial Services</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
</tr>
<tr>
<td></td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>R163 154 871.62 since inception of programme in 2005</td>
</tr>
</tbody>
</table>

Status on Financial and non-Financial Support Programmes by the Province

Financial support is active and training is not active since the training is being reviewed at the moment
<table>
<thead>
<tr>
<th>Departmental Agency/ies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collaboration with other departments</strong></td>
<td>Have a good relationship with Depts of Health, Education, Transport, Agriculture.</td>
</tr>
<tr>
<td><strong>Procurement from cooperatives</strong></td>
<td>Catering, furniture, textile for Dept of Health</td>
</tr>
<tr>
<td><strong>Research on cooperatives</strong></td>
<td>Not Done</td>
</tr>
<tr>
<td><strong>Contact information</strong></td>
<td>Nelisiwe Mokoena</td>
</tr>
<tr>
<td><strong>Further reference</strong></td>
<td>Ayanda Mthembu</td>
</tr>
<tr>
<td><strong>Case studies</strong></td>
<td>None</td>
</tr>
</tbody>
</table>
PROVINCE: NORTH WEST

<table>
<thead>
<tr>
<th>Brief history/profile of priority project (focus area)</th>
<th>In August 2005, government passed a new Co-operatives legislation, Act 14 of 2005 which seeks to promote cooperatives in all sectors of the economy through ensuring that they access finance, markets, business technical skills, compete globally and nationally and accesses all government support programmes including incentives. For the cooperatives movement to grow, government need to develop and sustain a supportive environment that allows autonomous cooperatives to grow. Therefore, in November 2005, the Department of Economic Development &amp; Tourism hosted a one day Cooperative Seminar to create awareness about the new Act on Cooperatives and its implications thereof and also to inform existing cooperatives of services and opportunities that are available from government, parastatals and private institutions. One of the resolutions from the seminar was to host a 2 day Working Conference that will be soliciting input from existing cooperatives in order to inform the crafting of the North West Cooperative Development &amp; Support Strategy. The conference was held on the 29 &amp; 30 November 2006.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress report</td>
<td>• The new Co-operative Act, 2005 has been implemented from 2 May 2007. • Regulations, application forms and model constitution are now available on the CIPRO website • Registration fee is now R215.00, and is payable in the same manner as for a CC or company registration. However, e-lodgement is not yet available. • The draft NW Cooperative Development &amp; Support Strategy is available and ready for discussion and adoption with stakeholders.</td>
</tr>
</tbody>
</table>
| Challenges/hurdles | • Centralisation of registration of Co-operatives at provincial and local level  
• There is still lack of knowledge on cooperatives by LED officials  
• Establishment of Cooperative’s Unit at Municipalities  
• Lack of Financial Assistance towards Cooperatives  
• Link Cooperatives with Agencies at Local level  
• Lack of up-to-date Co-operative data |
|-------------------|----------------------------------------------------------------------------------|
| Implementation/ Acceleration plan | • The department to speedily come up with a date of discussion and adoption of the Provincial Cooperative Development & Support Strategy.  
• The department to review training offered to LED officials during November 2005 and February 2006 to ease implementation of the Strategy |
| Regulatory requirements | Once the Strategy is adopted and ready for implementation, the department will monitor municipalities very closely together with other stakeholders. |
| Funding source and application | For now the Cooperative Incentive Scheme is the only source of finance for emerging Cooperatives. Partnerships to be forged with Financial Institutions to assist Co-operatives |
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