

MIND THE GAP:

Assessing nature of trends and
analysis of national policies to address
inequality in SA (Composite Report)



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South Africa Network on Inequality (SANI) is a product of intensive work on mobilising the South African Civil Society Organisations (CSOs) which include the Social Network Organisations (SNOs), Faith-based Organisations (FBOs), Organised Labour Organisations (OLOs), Community-based Organisations (CBOs) and other Non-government organisations (NGOs). SANI secretariat is at EJM working in partnership with Oxfam in South Africa.

Specifically, the objective of SANI at EJM, working together with other BRICSAM networks is to ensure that: Policy-making processes in global institutions are influenced by civil society networks to take account of the needs of poor and marginalised people.



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EXECUTIVE SUMMARY

The overall objective of this paper is to conduct an assessment and analysis of policy trends on three thematic policy areas; namely – (i) economic policy and governance; (ii) social protection; and (iii) land and agrarian reform. The aim is to generate evidence to support policy and advocacy work, facilitate evidence based policy dialogue and advance alternatives based on research. Specifically, the paper focuses on the following interrelated areas:

- Assess nature of trends in inequality –South Africa & Scoping of Existing Inequality Research (Inequality-South Africa); and
- Analyse national policies to address inequality in South Africa

The African Economic Outlook's (AEO) 2013 report highlights how growth has been accompanied by insufficient poverty reduction, persisting unemployment and increased income inequalities. While poverty rates seem to have declined in some cases, the same cannot be said about inequality. South Africa is a classic example. Some evidence exists to show that poverty rates have declined as a result of the roll-out of social cash grants. The same cannot however, be said about inequality. Evidence on income inequality indicates marginal increases in the Gini coefficient in a number of studies conducted. Today, inequality is greater than ever before, a pressing issue not only for South Africa but globally, affecting both the developed and developing World.

A closer look at the South African context reveals that many of the causes of inequality emanate from previous colonial and Apartheid policies and laws. However, this does not exclude new drivers of inequality that are emerging which have the potential to entrench past causes and deepen other divides. Pre- 1994 saw a period that dates back to 1948 during which laws were passed with the purpose of entrenching racial inferiority and superiority with the introduction of the system and ideology of Apartheid. Most importantly, Apartheid affected the rights of Blacks while giving privileges to Whites. Among others, Blacks were refused common political rights, excluded from decision-making institutions in society, residential choices, rights of movement, educational issues and issues of welfare or the ability to accumulate assets or run businesses.

From a policy point to view, given the critical need to address the unsustainably high levels of income inequality in the immediate as well as in the medium to longer terms, the use of fiscal policy as a tool for redistribution requires serious engagement. The two main suggestions that we make involve Personal Income Tax (PIT) and the flat rate Value Added Tax (VAT).

Incomes in the top income decile have continued to increase at a very fast pace, which has of course aggravated income inequalities. We recommend firstly increasing the marginal tax rate for the highest income tax bracket to 45%, as has been done in a number of European countries since the financial crisis to address this very issue, and secondly ensuring that tax brackets keep strict indexing with inflation to prevent further leakage due to 'bracket creep'. Tax relief through annual PIT reductions announced with each successive national budget should also stop with immediate effect.

As integral to this recommendation however, we believe, must also be a very clear statement of intent by the state to the use of fiscal policy to actively act as a redistributive measure.

In terms of VAT, we recommend that the zero- rating of basic food stuffs be re-evaluated to ensure that ALL the main basic unprocessed foods consumed by poor people are zero – rated. VAT rates should also be amended to reflect a bias for locally manufactured products through the imposition of a higher tax rate for luxury imported goods.

On social protection it is important to note that while policy makers are swift to claim the income- replacement benefit of social protection, especially social assistance, the replacement- value of grants needs to be re-assessed against an assessment of need. It is clear from the section on the origins of the Child Support Grant, in particular, that this was never the point of departure for the fixing of the value of the grant. It is however vital, we believe, given the critical developmental requirements of childhood development. In addition, given the prevalence of poverty amongst children in South Africa, the continued use of the means test serves to place an administrative burden on poor parents and care-givers that often serves to exclude the eligible, for questionable reasons. By universalising the CSG, and clawing back the value from middle- class and elite parents through the tax system, this danger can be avoided entirely.

From an agrarian reform perspective rural development policy needs to set out a compelling and detailed vision of the alternative structure and character of a future rural agrarian economy and society, specify the ‘what’ (e.g. priorities for wealth creation, resources, and geographic and sectoral priorities for public investment) and the ‘how’. In South Africa, agrarian reform has to concern itself with whether a more mixed farming sector in which broad-based accumulation by smallholders is the main route to ‘development’.

BACKGROUND

Africa has for decades been grappling with poverty and inequality. The more recent levels of high growth rates which the Continent has experienced, have not led to a decline in poverty or inequality rates. The UN Economic Commission for Africa, (UNECA), in its 2012 report, states that:

'Despite the acceleration of economic growth in Africa over the past decade, however, Africans' welfare has generally failed to improve. Social indicators have picked up only modestly, but with unemployment, particularly among youth, remaining stubbornly high, while income inequalities have widened'.

The African Economic Outlook's (AEO) 2013 report highlights how growth has been accompanied by insufficient poverty reduction, persisting unemployment and increased income inequalities. While poverty rates seem to have declined in some cases, the same cannot be said about inequality. South Africa is a classic example. Some evidence exists to show that poverty rates have declined as a result of the roll-out of social cash grants.¹ The same cannot however, be said about inequality. Evidence on income inequality indicates marginal increases in the Gini coefficient in a number of studies conducted.² Today, inequality is greater than ever before, a pressing issue not only for South Africa but globally, affecting both the developed and developing World.

According to OECD research, in developed countries in the three decades prior to the global financial crisis, wage gaps widened and household income inequality increased in a large majority of OECD countries. This was at a time when countries were even going through a period of sustained economic and employment growth.³ To date, South Africa's problems are not just about inequality, but a triple challenge that also includes poverty and unemployment. The 'triple challenge' has revealed itself increasingly in ongoing protest and strike action. Since 2008, estimates are that more than 2 million people have taken to the streets in protest every year⁴. Aggrieved residents have been protesting against poverty, corruption, joblessness and inadequate and uneven provision of public goods and services.

The future looks bleak unless we experience a change in prioritisation from government, and radical reforms are implemented. Since the advent of democracy in 1994, the African National Congress (ANC) - led government embarked on a policy formulation process which sought to overhaul previous discriminatory Apartheid- legislation in line with the directives contained in the Constitution. While this process was characterised by comprehensive political, constitutional and socio-economic transformation and change, results were mixed.

Some critiques started pointing out that in the new South Africa, the ANC, "has been focussing too much on creating different legislations and policies" and not focussing on their implementation– an assertion acknowledged by the ANC led government.⁵ Implementation has not been that evident, which has led to the realisation that the existence of policies does not automatically translate into effective outcomes.

¹ Leibbrandt, M. et al. (2010), *Trends in South African Income Distribution and Poverty since the Fall of Apartheid*, OECD Social, Employment and Migration Working Papers, No. 101, OECD Publishing, © OECD. doi:10.1787/5kmms0t7p1ms-en

² Bhorat, H. Van Der Westhuizen, C. 2012. DPRU paper, pg 2 [online] http://us-cdn.creamermedia.co.za/assets/articles/attachments/43772_dprugrowthpoverty.pdf

³ Kumar, C. 2014 – Tax Justice, CA report

⁴ Plaut, M. 2012. *The New Statesmen*, 20 August

⁵ ToR back ground, pg 2.

OBJECTIVES OF THIS REPORT

Against this background, the Economic Justice Network, (EJN), working in partnership with Oxfam GB, is implementing a project entitled 'Empowering CSO networks in Unequal Multi-Polar World'. Specifically, the objective of this project is to ensure that policy-making processes are influenced by civil society networks to take account of the needs of poor and marginalised people.

The overall objective of this paper is to conduct an assessment and analysis of policy trends on three thematic policy areas; namely – (i) economic policy and governance; (ii) social protection; and (iii) land and agrarian reform. The aim is to generate evidence to support policy and advocacy work, facilitate evidence based policy dialogue and advance alternatives based on research. Specifically, the paper focuses on the following interrelated areas:

- Assess nature of trends in inequality –South Africa & Scoping of Existing Inequality Research (Inequality-South Africa); and
- Analyse national policies to address inequality in South Africa

The rest of the paper is split into three broad sections. The first section looks at inequality trends under democracy. This is followed in the second section by policy analysis, where the three thematic areas are discussed within the context of addressing inequality. The third and final section provides a summary of policies' values; strengths; weaknesses or gaps. This is then followed by concluding remarks and finally a way forward is proposed.

Section I

INEQUALITY TRENDS IN A DEMOCRATIC SOUTH AFRICA

In South Africa, despite being an upper middle-income country, millions of people live in dire poverty and destitution, while a small elite continue to profit and prosper. The country has one of the highest income inequalities in the world with a Gini Coefficient of 0.63 according to the latest Human Development Index⁶.

It is worth noting that inequality is not only a difference in income or economic power but includes all types of differences – “based, for example, on gender, ethnicity or location – that determine how individuals and groups can exercise control over their own lives and prospects.”⁷ The outcomes of such differences present a complex picture in which the poorest suffer the most as a result. In terms of gender inequality it is interesting to note that South Africa is ranked 90 with a gender inequality index of 0.46 and fares well as compared to the overall inequality index.

The effects of inequality are numerous. Apart from the fact that inequality does not just offend against the enjoyment of equal rights and considerations of justice, it also has very specific social and economic implications. Inequality excludes full participation of people in the economy because only those who have access to resources are able to participate thus slowing economic growth. Furthermore, local economic production in poor communities and townships invariably fails because people do not have enough income to buy those goods - there is insufficient demand or purchasing power required to turn the business into a going concern.⁸

A closer look at the South African context reveals that many of the causes of inequality emanate from previous colonial and Apartheid policies and laws. However, this does not exclude new drivers of inequality that are emerging which have the potential to entrench past causes and deepen other divides. Pre- 1994 saw a period that dates back to 1948 during which laws were passed with the purpose of entrenching racial inferiority and superiority with the introduction of the system and ideology of Apartheid. Most importantly, Apartheid affected the rights of Blacks while giving privileges to Whites. Among others, Blacks were refused common political rights, excluded from decision-making institutions in society, residential choices, rights of movement, educational issues and issues of welfare or the ability to accumulate assets or run businesses.⁹

In addition, for millions of people what they had accumulated was systematically removed from them, including their homes and property. Divisions were also established between the various race groups, thus deepening divisions further. This led to a situation in which patterns of exclusion and marginalisation emerged that were subsequently reproduced from one generation to the next, reinforcing themselves. The situation escalated even further when the demand for low skilled labour diminished as the South African economy shifted away from primary extraction and agriculture towards secondary and tertiary sectors which require better skilled workers, without the provision of the necessary training.¹⁰

⁶ Human Development Report, 2013. [online]: http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

⁷ Kumar, C. 2014. Africa Rising? Inequalities and the essential role of fair taxation, Tax Justice Network, Nairobi, pg 12

⁸ Frye, I.S. Farred, G. 2011

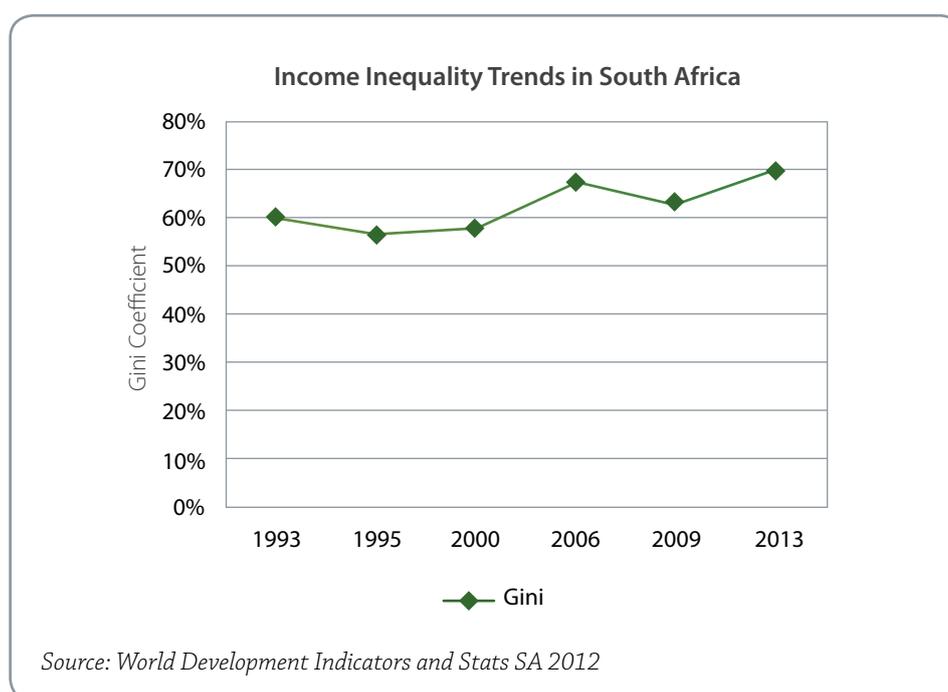
⁹ Stadler, 1987.

¹⁰ Frye, I. 2008. 'Poverty, Social Security and Civil Society in South Africa: Triangulating Transformation', Dec.2008, p. 8

Twenty years into democracy, the issue of inequality has continued to dominate the post-Apartheid landscape. Deep anger and frustration that is highly flammable currently prevails amongst the marginalised and poverty stricken millions of South Africans. While there have been some attempts at redress since the end of Apartheid, with a variety of economic policies and strategies (including black economic empowerment initiatives and land restitution), the effects and impact of these have been regarded as relatively ineffective.¹¹ Forbes' list revealed that in 2012, South Africa's wealthy were clearly getting wealthier as their net worth increased and, as the rich got richer, the poverty gap also increased. The redistribution of wealth that has taken place saw a transfer of some wealth from white business to the black business sector through black economic empowerment deals which have benefited few.¹²

A look at World Bank Indicators since 1993 reveal that income inequality has risen significantly and is currently at its highest (see Figure 1 below). Furthermore, a comprehensive report by the OECD, which looked at income distribution trends and household surveys from 1993, 2000 and 2008, finds that the Gini coefficient increased from 66% in 1993 to 70% in 2008, a remarkably high figure by international standards and much higher than the figure used in cross-country comparisons¹³.

Figure 1: Inequality trends



However, analysis of national statistics allows a more precise estimate of inequality as income data can be used. This is more accurate than the figures reported by the World Bank, which are based on expenditure data, used as a proxy for income to enable cross-country comparisons.

¹¹ Kumar C. 2014.

¹² Business Report, August 6, 2013. [online] http://www.iol.co.za/business/news/johannesburg-is-home-to-the-rich-and-richer-1.1558031#.UwyMI_mSx1Y

¹³ Leibbrandt, M. Woolard, I. McEwen, H. Koep, C. 2009. *Employment and Inequality Outcomes in South Africa*. OECD, [online]: <http://www.oecd.org/els/emp/45282868.pdf>

Between 2005 and 2010, the average income for households in the upper income decile increased by 70.3% from R271 256 to R461 000 , while households in the lower income decile received an average of R1 159 in 2005 which increased by 49% to R1 727¹⁴.

The Income and Expenditure Survey of 2011/12¹⁵ also looks at income changes shows that Indian/Asian-headed households showed a 36.8% average increase in income (an increase of R68 013), closely followed by black African-headed households at 34.5% (an increase of R17 859)¹⁶. Households headed by coloureds saw a 27.7% increase in income (an increase of R30 152), while white-headed households saw only a 0.4% real increase or roughly R1 412 more. The average income increase was 24.9% for all four categories; however, despite the significant growth in income in non-white households, there is still a tremendous gap between the population groups. White-headed households on average earn more than 5.5 times the income of the average black African-headed household. So while the income growth trend shows very positive signs, inequality remains a serious challenge for the country.

While it is true that the between race component of inequality remains very high, when considering inequality between racial groups as a percentage of the maximum possible level, this measure declined by 21% from 1993 to 2008, with the largest decline occurring before the year 2000. Table 1 highlights the Gini coefficients for each racial group and shows that in within-race, inequality has increased markedly for all racial groups. By 2008 the most populous racial group, the African group, made up 80% of the population and had the highest inequality of the four major racial groups. The Gini coefficient for Africans was 0.12 points higher than the same measure for Whites. Thus, within racial group dynamics have become more important and within African dynamics have become especially important in driving aggregate changes in inequality.¹⁷

Table 1: Income inequality trends by race

| | 1993 | 2000 | 2005 | 2008 | 2012 | %change (1993 - 2008) |
|----------|------|------|------|------|------|-----------------------------|
| Agregate | 0.67 | 0.67 | 0.72 | 0.7 | 0.68 | 1% |
| African | 0.55 | 0.61 | 0.62 | 0.62 | -- | 13% |
| Coloured | 0.43 | 0.53 | 0.6 | 0.5 | -- | 16% |
| Indian | 0.46 | 0.5 | 0.58 | 0.61 | -- | 33% |
| White | 0.42 | 0.47 | 0.51 | 0.5 | -- | 19% |

Source: Leibbrandt, M. et al. (2010)

¹⁴ Source: Income and Expenditure Survey, www.statssa.gov.za , various years.

¹⁵ Produced by Statistics South Africa www.statssa.gov.za

¹⁶ Increases are in nominal terms

¹⁷ ibid

Even though South Africans are getting richer, overall there are still very high levels of income inequality across and within population groups. The poorest and those dominating the lower income deciles are predominantly black South Africans. At any poverty line, black South Africans are poorer, which is not surprising considering the legacy left by Apartheid, given the active discrimination in state policy, the labour market and in relation to the provision of education, health and other social services.

To date, rising wage inequality is a major factor. Most workers have experienced virtually no improvement in their wages, with the median real wage for a formal sector worker in 2011 being the same as it was in 1997¹⁸. Low-skilled workers' wages furthermore have a historic legacy of dampened wages for black workers (who occupied these positions under job reservation legislation) under Apartheid. On the other hand, the 22.7% increase in the average formal sector wage has been entirely due to increases for top earners. This dramatic increase in wage inequality has been paralleled with widespread social protests, strikes and conflict amongst poor communities¹⁹.

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<sup>18</sup> ibid  
<sup>19</sup> ibid

## Section 2

# POLICY AND IMPACT ANALYSIS

We note that levels of poverty and inequality continue to bear a persistent racial undertone. Two indicators of the post- Apartheid political economy have attracted special attention in this regard. The first indicator addresses the question whether the evolving character of the post- Apartheid economy and the policy efforts of the post- Apartheid government have been able to start to lower these very high aggregate levels of poverty and inequality. A related question is whether the racial footprint underlying poverty and inequality is starting to grey and will be replaced by new social strata and more subtle socio-economic dynamics.<sup>20</sup> In order to answer these questions, a review of government initiatives is imperative in order to understand why South Africa is in its current status when looking at poverty and inequality.

Looking at the first 15 years of democracy, within the context of a new political framework – the Constitution of South Africa- a number of socio-economic development strategies have been implemented. In terms of framing post- Apartheid, socio-economic policy, land reform as well as governance for a new democratic South Africa the three most important documents were the:

- Reconstruction and Development Programme (RDP) (ANC 1994);
- The Restitution of Land Rights Act (1994)
- Growth, Employment and Redistribution policy (GEAR) (ANC 1996); and
- Constitution of the Republic of South Africa, 1996.

These among others set the tone for the manner in which the new South Africa is shaping today. Redressing the displacement of people was central to the objectives of the Restitution of Land Rights Act (1994). The Act provided for the establishment of a Land Claims Commission and a Land Claims Court to respectively probe and adjudicate claims of individuals and communities dispossessed on or after June 1913. The court, with the same status as the Supreme Court, was empowered to instruct the government to buy or expropriate land and return it to the claimants on condition that such action was just and equitable.

On the other hand, socio-economic development post-1994 has been deeply divided on the question of approach. Two main schools of thought emerged, both within the ruling party and more broadly across the nation, and these have shaped diverse policy approaches depending on the then- ascendancy of policy influence. The two schools are to either push for immediate and equitable redistribution of existing resource (growth through redistribution), while the second school argues for redistribution through growth - to increase growth and then distribute a bigger pie, which would obviate the need for any redistribution of entrenched property.

<sup>20</sup> Leibbrandt, M. et al. (2010), *Trends in South African Income Distribution and Poverty since the Fall of Apartheid*, OECD Social, Employment and Migration Working Papers, No. 101, OECD Publishing

Two successive macro socio-economic policy framework documents (the RDP and GEAR) were the driving force for these two strategies. When GEAR was introduced in 1996, people on the left described its assumptions and objectives as being regressive, a neo-liberal 'self-imposed structural adjustment plan'. These debates began to fade with time, although there was mounting evidence that the directives of GEAR were failing to address poverty and inequality, principally due to a failure in job creation, and the notion of 'jobless growth' and even 'job-loss growth' emerged. Then in a further policy development, the notion of the 'developmental state' was introduced in 2005.<sup>21</sup>

Over the past 5 years a new focus and recommitment to the fight against eradicating poverty and reducing inequality is emphasised in the National Development Plan<sup>22</sup> under a 'capable' state. The government also looking at new ways to address the land issue considering the slow pace of the current redistribution process.

As a sign of government's commitment to the NDP and its action plan, President Jacob Zuma in December 2013 signed the Employment Tax Incentive Act No 26 of 2013<sup>23</sup>, making into law an initiative that will complement government's measures to create jobs for young workers and those in special economic zones. The Act which took effect on 1 January 2014 aims to promote employment of young people by offering a tax incentive to employers.

In the sections that follows these broad policy strategies are described, together with their development targets and goals, and the progress towards achieving the objectives set out in each successive policy framework. The policy strategies are described within the three aforementioned thematic areas.

## Economic policy and governance

As already highlighted; among these is the RDP; GEAR; and NDP. Other secondary policies are also briefly discussed. In terms of governance and in our analysis of economic policy, several issues need to be highlighted and taken into consideration in understanding the manner in which economic policy has evolved post- Apartheid.

- Firstly, there are varying notions of democracy at play, which highlight tensions within the governance framework. These range from liberalist notions of the role of the elected representative and minimal state intervention to a far more participative notion of democracy with active engagement between the state and non-state actors in populist and pluralist models.
- Secondly, the nature of social and economic human rights is contested, resulting in basic needs being approached in varying ways. The issue of whether South Africa has a rights-based approach to development or not remains contested.

<sup>21</sup> Reitz, M. 2009. *The Impact of Democracy on Development: The case of South Africa*, Centre for Policy Studies, Research Report 120, Johannesburg

<sup>22</sup> <http://www.npconline.co.za/>

<sup>23</sup> The tax incentive scheme is one of the actions proposed in the NDP objectives under economy and employment. See Summary of Objectives and Actions [online]: <http://www.npconline.co.za/MediaLib/Downloads/Home/Tabs/NDP%20202030-Summary%20of%20objectives%20and%20actions.pdf>

- Thirdly, public sector reform and service delivery are undergoing massive upheavals, with differing understandings informing the extent to which greater efficiency of the bureaucracy will in fact lead to improved access to services. Within this debate the issue of poverty alleviation is central, and the extent to which there is a coherent policy framework in place to address it is questioned. The introduction of user fees for many of the socio-economic rights in effect cancels out the impact of the guaranteed right of access promised by the Constitution and raises questions about the constitutionality of these policies given the obligation on the state to ‘respect, protect, promote and fulfil’ the constitutional guarantees.
- Finally, the importance of the region, and SA’s role within it, is attracting increasing attention. There are varying views about the leadership position that SA could and should take, and the likely impact of regional economic integration.<sup>24</sup>

### These and other issues are highlighted in the policy discussions below:

#### **The Reconstruction and Development Programme, 1994**

The RDP decisively relates growth to development and redress for the effects of Apartheid, arguing against commonly held notions that growth and development are mutually exclusive – that growth is a priority that precedes development, and that development is a marginal effort of redistribution to poverty nodes<sup>25</sup>. In its original version, the RDP spelled out a vision for a new democratic South Africa in which people would be granted access to services, enabling them to participate fully in society, along the notions of Armatya Sens’ ‘capabilities’..

The driving rationale was growth through redistribution. The idea was to significantly increase spending on service provisions and create jobs, thereby tackling marginalisation, inequality and unemployment. The approach was both people-centred and people-driven.<sup>26</sup> The RDP formed the basis for the ANC’s first election manifesto, which brought the party into power under the first Government of National Unity.

#### **GEAR, 1996**

GEAR is predicated on the need for economic growth and provides a strategic framework within which decisions on monetary, fiscal and labour market policy have been taken since 1996. It involves, inter alia, liberalization of the economy, privatization of government assets and a reduction of state spending.<sup>27</sup>

Considered as a unilateral adoption of the Growth, Employment, and Redistribution (GEAR) Plan by the ANC government in 1996, this marked a departure from the previously practiced negotiations within the alliance and civil society structures, and resulted in a policy of fiscal austerity. GEAR was adopted at a time when South Africa was facing a currency crisis and the aim was to reassure domestic and foreign investors by pursuing a conservative macro-economic strategy. The new emphasis on cutting the national budget deficit led to a general disillusionment with the government and its ability to deliver social services. ‘Growth through redistribution’ was replaced by ‘redistribution through growth’.<sup>28</sup>

<sup>24</sup> White, G. Heymans, C. Favis, M. Hargovan, J. 2000. *Development Co-Operation Report: Democracy and Good Governance*, Report on Democracy and Good Governance for the Swiss Development Co-operation (SDC)

<sup>25</sup> ibid

<sup>26</sup> The Reconstruction and Development Programme of 1994. Available at: [www.anc.org.za](http://www.anc.org.za)

<sup>27</sup> Padayachee, A. Desai, A. 2011. *Post- Apartheid South Africa and the Crisis of Expectation – DPRN Four*, Rozenberg Quarterly [online]: <http://rozenbergquarterly.com/post- Apartheid-south-africa-and-the-crisis-of-expectation-dprn-four/>

<sup>28</sup> Visser, Wessel, “Shifting RDP into Gear”, p. 7

GEAR no longer placed the emphasis on government changing things for the better, but on market forces solving the existing problems. It became a key driver of the government's trade strategy and was recognized by the private sector both locally and internationally as being a sound economic framework. But outside these constituencies, GEAR was consistently criticized by among others, the labour movement and the South African Communist Party (SACP). The view held by these parties was that, even if GEAR did facilitate growth, it will do so in such a way that income redistribution will remain unaffected, resulting in a widening of the gap between rich and poor. These critics argued that poverty was on the increase and the country lacked a comprehensive framework on poverty alleviation.<sup>29</sup>

### ***Other state economic policies***

Government's two major policy frameworks, the RDP and GEAR, were supplemented by various other "secondary" policies and programmes that sought initially to fix the economy, but more recently have articulated the need to have better avenues for the sharing of the economic wealth by the inclusion of more people in the formal economy.

### ***Accelerated and Shared Growth Initiative for South Africa***

Having failed to reach projected growth rates, government adopted the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) that sets out the broad framework of steps that needed to be taken to raise growth to much higher levels. The main focus of ASGI-SA was to deal with a set of binding constraints that inhibit faster growth. These constraints are<sup>30</sup>:

- currency volatility and macro-economic stability;
- cost and efficiency of the national logistics system;
- skills shortages;
- high levels of inequality;
- barriers to compete in the sector;
- the regulatory environment for small and medium sized enterprises; and
- deficiencies in the capacities of government and parastatals.

A key proposal was to increase infrastructure spending to over R370 billion over the medium term expenditure period, fast track skills development, reducing the regulatory burden on small enterprises and improving capacity at the local and international level. Furthermore, ASGI-SA<sup>31</sup> had a development strategy with specific sections on poverty eradication, equity, and distributional issues. The important Poverty Reduction dimension, included budget reform and reprioritisation, increasing access to income and employment opportunities for the poor, including the Extended Public Works Programme, ensuring food security and providing nutrition, meeting the demand of housing, providing comprehensive free primary health care, building and upgrading clinics, and revitalising hospitals and expanding the immunisation programme.<sup>32</sup>

<sup>29</sup> Brockerhoff, S. 2013

<sup>30</sup> ibid

<sup>31</sup> ibid

<sup>32</sup> ibid

### ***The Medium Term Expenditure Framework (MTEF)***

The three-year budget cycle, known as the Medium Term Expenditure Framework (MTEF), is another response from the state to articulate a comprehensive poverty alleviation framework which was introduced in 1998. The first MTEF's priorities were as follows:<sup>33</sup>

- Meeting basic needs – principally in education, health, water and sanitation, social services, welfare, land reform and housing;
- Accelerating infrastructure development – ensuring investment in infrastructure, upgrading of roads, undertaking of spatial development initiatives (Spatial Development Initiatives), and addressing urban renewal – principally via private-public partnerships;
- Economic growth, development and job creation – the stimulated building of the economy to achieve sustainable, accelerated growth with correspondent redistribution in opportunities and income;
- Human resource development – the education and training of citizens in pre-primary, formative, tertiary, technical institutions and lifelong education and training for adults, the unemployed and out-of-school youth;
- Safety and security – the transformation of the criminal justice, police and prisons administration and the improvement in national defence and disaster management;
- Transformation of government – the strengthening of administration and good governance and the implementation of a code of conduct (Batho Pele – People First) for service delivery by the public sector.

Subsequent MTEFs have been produced and have their own objectives, some of which may have changed from the ones highlighted above<sup>34</sup>.

### ***The National Development Plan: Vision for 2030***

A National Development Plan (NDP) is not uncommon in developing economies. The focus seems to be developing a framework to derive a common set of priorities to guide where a country is heading. In South Africa's context, as already highlighted, the realisation by government that a sectoral and/ or short-term view to planning hampers development weakened its ability to provide clear and consistent policies & its ability to mobilise all of society in pursuit of the South Africa's developmental objectives partly attributed to the NDP.

At the core of the NDP is the need to eradicate poverty and reduce inequality by 2030. To eliminate poverty and reduce inequality, the economy must become more inclusive and grow faster. It is envisaged that by 2030, the economy should be close to full employment; equip people with the skills they need; ensure that ownership of production is less concentrated and more diverse (where black people and women own a significant share of productive assets); and be able to grow rapidly, providing the resources to pay for investment in human and physical capital<sup>35</sup>.

<sup>33</sup> *ibid*

<sup>34</sup> It is important to note that the MTEF priorities are reviewed at the end of each cycle and therefore may not remain the same.

<sup>35</sup> National Planning Commission, 2011. *What the National Development Plan proposes*. [online]: <http://politicsweb.co.za/politicsweb/view/politicsweb/en/page71656?oid=266508&sn=Detail&pid=71656>

Amongst the objectives of the NDP is to see a South Africa that in 2030<sup>36</sup>:

- Has created eleven million new jobs bringing unemployment down, to no more than 6%
- eliminated poverty across the majority of the population
- Has reduced the Gini coefficient for income from an outrageous 0.7 to an, admittedly, far from acceptable level of 0.6
- Has a notable reduction in corruption and corresponding increase in government capacity and efficacy
- Has a national health service provided through the public sector free at the point of delivery with a focus on primary and preventative care.
- Has a major expansion in provision of basic needs such as housing, water, electrification, education and other elements of social and economic infrastructure; and
- Has made considerable progress in shift towards a green economy with adoption of new renewable technologies

According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. Minister Trevor Manuel highlighted the following processes in the implementation of the plan.<sup>37</sup>

- The NDP and its proposals will need to be implemented in the right order over the next 17 years. Three phases have been identified.
- Government has already started a process to align the long term plans of departments with the NDP and to identify areas where policy change is required to ensure consistency and coherence.
- The NDP is a plan for the whole country. Government will engage with all sectors to understand how they are contributing to implementation, and particularly to identify any obstacles to them fulfilling their role effectively.
- The Plan will shape budget allocation over the next 17 years.
- The Plan identifies the task of improving the quality of public services as critical to achieving transformation. This will require provinces to focus on identifying and overcoming the obstacles to achieving improved outcomes, including the need to strengthen the ability of local government to fulfil its developmental role.
- Planning and implementation should be informed by evidence-based monitoring and evaluation.
- The President and Deputy President will be the lead champions of the Plan within Cabinet, in government and throughout the country. Premiers and Mayors will need to be visible and active champions of the Plan, with their offices being the catalytic agencies to drive implementation at provincial and municipal levels.

<sup>36</sup> NUMSA, 2012. "Chronicle of a Developmental Transformation Foretold: South Africa's National Development Plan in Hindsight", National Union of Metalworkers of South Africa, Johannesburg. [online]: [http://www.numsa.org.za/admin/assets/articles/attachments/00116\\_numsa\\_draft\\_critique\\_of\\_the\\_ndp\\_of\\_the\\_npc\\_.pdf](http://www.numsa.org.za/admin/assets/articles/attachments/00116_numsa_draft_critique_of_the_ndp_of_the_npc_.pdf)

<sup>37</sup> Key issues - National Development Plan 2030 [online]: <http://www.gov.za/issues/national-development-plan/>

While the NDP in its entirety or parts thereof to a certain extent has received a warm welcome, both business and civil society remain cautious especially when it comes to effective implementation. The Institute for Security Studies believes the National Development Plan (NDP) is crucial for growth heading towards 2030 and went further to note that “South Africa may remain the perennial underachiever if goals that have been set out aren’t followed through.”

On the other hand, the Congress of South African Trade Unions (COSATU) and its affiliate the National Union of Metalworkers of South Africa (NUMSA) were vocal with regards to the unions’ reservations about the National Development Plan (NDP). COSATU’s main concern is that everyone is not in line at the moment. “There’s nothing wrong with implementing these plans now but everyone needs to be working and heading in the same direction.” This is according to COSATU’s President Sdumo Dlamini<sup>38</sup>. Of concern to NUMSA’s was its perceived unlikelihood of the policies of the NDP to deal effectively with the often mentioned challenges of poverty, unemployment and inequality<sup>39</sup>.

### **The Tax Incentive Act - 2013**

Typically the Tax Incentive Act which came into force on 1 January 2014 introduces what has usually been referred to as the Youth Wage Subsidy, which is an amount which will be given by government to private businesses. The purpose of the Bill is to implement a tax incentive which will reduce the cost to employers of hiring young and inexperienced youth through a cost-sharing mechanism. The Bill therefore seeks to encourage employers to create job opportunities for young and inexperienced job seekers, in addition to boosting employment by firms operating in Special Economic Zones (SEZ).

The incentive will be available for the first two years of employment. The value of the incentive is prescribed by a formula, which has three components for different wage levels. For monthly wages of R2 000 or less the incentive value is 50% of the wage. For monthly wages that range from R2 001 to R4 000 the value of the incentive is R1 000 per month per qualifying employee. For monthly wages between R4 001 and R6 000 the value of the incentive tapers down from R1 000 pm to zero according to a formula. The value of the incentive is halved for the second year of employment<sup>40</sup>.

While it is the intention of Government to focus on labour market activation and to thereby stimulate a demand for young workers, through the implementation of the tax incentive, the question that remains is whether the Bill will in fact achieve its objective? In other words, will the Bill stimulate economic activity across the employment spectrum and thereby benefit all businesses or will the incentive operate exclusively for the benefit of large corporations to the exclusion of the small scale employers?<sup>41</sup>

### **Social Protection policy <sup>42</sup>**

Social protection can be regarded as a kind of insurance policy against poverty and a tool for delivering social justice, as well as a means of promoting inclusive development.

<sup>38</sup> MyNews24, 2013. *The National Development Plan: A Discussion*. News24, 23 September 2013. [online]: <http://www.news24.com/MyNews24/The-National-Development-Plan-A-Discussion-20130923>

<sup>39</sup> NUMSA, 2012. *ibid*

<sup>40</sup> Tax Flash 2013. *Publication of the Draft Employment Tax Incentive Bill for Public Comment*. BDO Newsletter, September 2013. [online]: <http://www.bdo.co.za/resources/showitemarticle.asp?ResourceSectionId=4&ResourceSectionName=Publications&ResourceId=7&ResourceName=Tax%20Flash&Issued=417&ContentPageID=&Archive=&articleid=427>

<sup>41</sup> Paulsen, N. *ibid*

<sup>42</sup> Unless otherwise specified, this section is summarised from SPII’s recent published work by Brockerhoff, S. 2013. *A review of the Development of Social Security Policy in South Africa*. Working Paper 6. Newtown, Johannesburg.

It is an expression of solidarity and cohesion between the haves and have-nots, between governments and citizens, and even between nations. Social protection can be delivered to those who need it through a variety of mechanisms, including unemployment benefits, pensions, child support, housing assistance, national health insurance, job-creation schemes, retraining programmes, agricultural insurance, and more.<sup>43</sup> It is important to note that there is no uniform definition of social protection. Amongst the definitions contained in the Code for Social Security in SADC (2007):

“Social protection is broader than social security. It encompasses social security and social services, as well as developmental social welfare. Social protection thus refers to public and private, or to mixed public and private measures designed to protect individuals against life-cycle crises that curtail their capacity to meet their needs. The objective is to enhance human welfare.

Conceptually and for purposes of this Code social protection includes all forms of social security. However, social protection goes beyond the social security concept. It also covers social services and developmental social welfare, and is not restricted to protection against income insecurity caused by particular contingencies. Its objective, therefore, is to enhance human welfare.”

Within the context of South Africa, effective social protection schemes are of crucial importance for the future of South Africa and whilst social protection can never compensate for a lack of employment it can diminish some of the immediate hardships of unemployment. The responsibility of implementing social protection programmes falls under a number of government departments, however the lead department is the Department of Social Development (DSD).

## Social Security

In order to understand the policy development on social assistance through the Social Assistance Act of 1992, the White Paper for Social Welfare of 1997, the Social Assistance Act of 2004 and the South African Social Security Agency Act of 2004, it is necessary to contextualise the wider policy debates taking place in South Africa during this time. The RDP and GEAR had failed to address the issue of redistribution in the manner that was popularly expected at the time.

Opinion in society had started to shift away from the more radical policies adopted by the ANC in the early days of reconstruction. It was no longer expected that the government would successfully deliver on the principles of the RDP, at least in the immediate term. Hence, cash transfers were identified as something the government could expand in order to alleviate poverty to pockets of the most vulnerable and deliver on its constitutional obligations with regard to social security. GEAR thus marks the beginning of the period in which CSOs and others started to focus on working towards increasing the coverage and values of cash transfers, as this was identified as something that government could actually deliver on.<sup>44</sup>

<sup>43</sup> European Report on Development, 2010. *What is Social Protection?* [online]: [http://www.erd-report.eu/erd/report\\_2010/documents/volA/factsheets/1-what\\_social\\_protection\\_en.pdf](http://www.erd-report.eu/erd/report_2010/documents/volA/factsheets/1-what_social_protection_en.pdf)

<sup>44</sup> *ibid*

## ***The Social Assistance Act and the South African Social Security Agency Act, 2004***

The Social Assistance Act of 2004 replaced the Social Assistance Act of 1992. By and large it consolidated legislation on social assistance as it emerged throughout the above discussed policy process. The Social Assistance Act codifies the right to the OAG, the CSG, CDG, DG, WVG, FCG, GIA, and SROD. It did not include the idea of introducing a BIG, but included an extension of the CSG through the Regulations to the Social Assistance Act.

The Social Assistance Act of 2004 is disappointing in so far as it did not restructure the social assistance system, but largely formed part of the consolidation process and focused on the expansion of the existing system. However, it did firstly include the Social Relief of Distress Grant (SROD) as a social assistance grant for the first time (as opposed to its previous status as a discretionary relief fund), and secondly it centralised the administration of social assistance which has resulted in significant advantages as discussed below.

The real reform of the social security system in 2004 was the creation of the South African Social Security Agency, or SASSA. The Taylor Committee<sup>45</sup> had called for a one-stop shop for the administration of social security in 2002. Prior to the establishment of SASSA, “social assistance benefits were administrated by the provincial departments responsible for social development in each of the nine provinces... [and] financed by the provincial legislatures”.<sup>46</sup> Delivery of services differed between provinces and was poor in general. Amongst the things that went wrong were:

- provinces failing to observe the rules of administrative law and being sued for it;
- inefficiency e.g. long processing times, unskilled and rude staff;
- corruption and fraud, and (4) fragmentation of services.<sup>47</sup>

The South African Social Security Agency Act established SASSA in 2004 and it became operational in 2006. The Department of Social Development (DSD) now continues to determine social security policy, oversees and evaluates SASSA's activities, sets targets and policy frameworks and is ultimately politically responsible for social security.

<sup>45</sup> Taylor, 2002. *Transforming the Present Protecting the Future*. Pg.41. [online]: <http://www.cdhaermann.com/Publications/Taylor%20report.pdf>

<sup>46</sup> Mpedi, L. G. 'Pertinent Social Security Issues in South Africa', p. 17.

<sup>47</sup> Mpedi L.G. *ibid*

**Table 2: Social Grants and their eligibility Criteria as of 2012/ 2013**

| <b>Social Grant</b>          | <b>Purpose</b>                                                                                                                               | <b>Who can apply (SA citizens and permanent residents)</b>                                                      | <b>Amount in Rand</b> | <b>Means Test (Max income and assets to be eligible)</b>                                                                                  |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Old Age Grant</b>         | Income support for older men and women                                                                                                       | 60 years or older                                                                                               | R1 260                | Income:<br>Single =R 4 160pm or R49 920 pa<br>Married = R831 600 or R99 840 pa<br>Assets:<br>Single =R831 600 or<br>Married =R1 663 200   |
| <b>War Veterans' Grant</b>   | Income support to older men and women who served in WWI, WWII or the Korean war                                                              | 60 years or older                                                                                               | R1 260                | Income:<br>Single =R 4 160pm or R49 920 pa<br>Married = R831 600 or R99 840 pa<br>Assets:<br>Single =R831 600 or<br>Married =R1 663 200   |
| <b>Disability Grant</b>      | Income support to adults who are not able to work because of a mental or physical disability                                                 | Adults who are 18 or older<br>(refugees included)                                                               | R1 260                | Income:<br>Single = R 4 160pm or R49 920 pa<br>Married = R831 600 or R99 840 pa<br>Assets:<br>Single =R831 600 or<br>Married = R1 663 200 |
| <b>Grant in Aid</b>          | Income support to people (already getting Older Persons; War Veterans or Disability Grant) who need full-time care from someone              | Adults who are 18 or older                                                                                      | R290                  | Not means tested                                                                                                                          |
| <b>Foster Child Grant</b>    | Income support to caregivers of children in foster care (you must have a court order)                                                        | Foster parents of children under 18 (or up to 21 on the recommendation of social worker)<br>(refugees included) | R800                  | Not means tested                                                                                                                          |
| <b>Care Dependency Grant</b> | Income support to caregivers providing permanent care to children with severe mental or physical disabilities (must have medical assessment) | Parent or caregiver or foster parent of children from 1 up to 18 years (not for infants)                        | R1,260                | Income:<br>Single =R 12 600 pm or R151 200 pa<br>Married =R25 200 or R302 400 pa<br>No Asset test                                         |
| <b>Child Support Grant</b>   | Income support to caregivers of children in need.                                                                                            | Parent or primary caregiver of children born on or after 31 December 1993.                                      | R290                  | Income:<br>Single =R2 900 or R34 800 pa<br>Married =R 5 800 or R 69 000 pa<br>No Asset test                                               |

Source: Adapted from Brockerhoff, S. 2013.

## Health

In 1994, the first Minister of Health, Dr Nkosazana Dlamini-Zuma, in the new democratic South Africa assumed her ministerial duties. Her Department faced the challenge of bringing about an efficient and equitable health care system that would benefit all South Africans.

Some of the themes of health policy in 1994 included Public Health Care (PHC), human resources development, and financing of public health care. Since 1994, several health care policies and legislation were enacted to further strengthen the position of health care provision in the country. Amongst these were The Medical Aid Schemes Act, Act 131 of 1998, National Health Laboratories Service Act, Act 37 of 2000, Council of Medical Schemes Levy Act, Act 58 of 2000, National Health Act, Act 61 of 2003, Nursing Act, Act 33 of 2005, the 2005 Health Charter, and more recently the comprehensive Human Resources for Health Strategy published in 2011.

### *Is a National Health Insurance the answer?*

The NHI is a comprehensive financing system that is aimed at providing essential, efficient and quality healthcare to all citizens of South Africa, regardless of their employment status, socio-economic background and ability to make direct contributions to the NHI fund. It is envisaged that the NHI will be rolled out over a period of 14 years, beginning with a 5 year pilot in 10 selected districts in 2012.<sup>48</sup>

The overarching objective of the NHI is to bring about reform in the present health care system which is currently skewed to benefit only a privileged minority. By making quality healthcare affordable and accessible to all, the NHI seeks to promote equity and improve service provision in the health sector, thereby changing the status quo in the South African health care system.

The following section seeks to ascertaining whether the NHI is indeed a pro-poor policy, by looking specifically at some of the potential benefits that will accrue to low-income households and the marginalised members of society in the long run who are currently indirectly excluded from equally deriving good quality healthcare services that are readily available to those who can afford to pay for them, specifically the middle and upper income class.

### *Benefits of the NHI*

There are multiple advantages to rolling out the NHI. The fact that the NHI is a non-discriminatory policy means that all persons will have equal access to all levels of care i.e. primary, secondary, and tertiary health care services. In the 2011 policy paper on the NHI, the NDoH refers to some of the benefits that have accrued in middle income countries as a result of successful implementation of a NHI. It is envisioned that similar outcomes will be seen in South Africa after the NHI has been rolled out. The benefits mentioned in the paper are:<sup>49</sup>

<sup>48</sup> The selection of the participating districts will be based on a combination of factors which include demographics of the district, social indicators impacting health delivery performance, income levels, health profile of individuals in the district, etc. Department of Health, the National Health Insurance: Questions and answers. [www.doh.gov.za](http://www.doh.gov.za).

<sup>49</sup> National Department of Health, Government Gazette, "Policy on National Health Insurance", 12 August 2011.

- a) There is a positive correlation between an individual's health status and the wealth of a country. According to research done by the NDoH on the relationship between health and economic development, an extra year of life expectancy increases a country's GDP by 4% in the long run.
- b) Investment in health has served as a safety net against poverty traps during tough economic times.
- c) Public financing of health care means that low-income households have more money at their disposal for improving their own welfare.

At first glance the idea of a NHI appears to be a pro-poor progressive policy, but the challenges around its proposed implementation and the success thereof remain widely contested. For example, how will the existence of a NHI address the human resource shortages currently experienced in the country? How will the NHI ensure that corruption or misuse of funds does not happen? And how will the NDoH better manage its budget so that it translates to long term (positive) health outcomes?

The green paper does not address these salient concerns, nor does it provide in-depth detail on how the NHI plans to improve the health system. Concerns have also been raised that the NHI will be too costly to implement. Other sceptics have even labelled the idea of a NHI as being an unachievable pipe dream, destined to fail. Furthermore, the moral argument i.e. the idea that the wealthy will have to contribute to the fund even if they choose not to use the NHI is a concern that has been raised by many stakeholders.<sup>50</sup>

In South Africa the wealthiest 10% control 58% of total income<sup>51</sup>, it would therefore not be unreasonable to expect the rich to reinvest this wealth in society to the benefit of the marginalised. The basis for all these arguments is that the NHI green paper does not provide adequate detail on the implementation and feasibility of this policy objective. If anything the green paper raises more questions than it provides answers, which casts doubt on the success of the NHI.

## Education

The legal framework regulating schools is encapsulated in South African Schools Act (SASA), 1996 and the National Education Policy Act of 1996, together with a plethora of subordinate legislation. This framework creates a single unified national system of schooling and provides for the desegregation of education, the establishment of school governing bodies, nine years of compulsory schooling, the funding of public schools and the establishment, and subsidising of independent schools.

While the Further Education and Training Colleges Act of 2006 is said to regulate all levels of learning and training above the General Education Certificate (GEC)<sup>52</sup> phase and therefore supposedly regulates learning and training for grades 10-12, it is silent in respect of the funding of grades 10-12. Funding of all schooling up to matric is regulated solely by SASA and its subordinate legislation. Accordingly, this policy review does not include a discussion of the Further Education and Training Colleges Act.

<sup>50</sup> Austin-Evelyn, K. "Affordable health care for all South Africans: The National Health Insurance Green Paper". Consultancy Africa Intelligence, Published on 16 November 2011. Accessible on: <http://www.polity.org.za/article/affordable-health-care-for-all-south-africans-the-national-health-insurance-green-paper-2011-11-16>.

<sup>51</sup> Leibbrandt, M, et al. 2010. "Trends in South African Income Distribution and Poverty since the Fall of Apartheid." *OECD Social, Employment and Migration Working Papers*, No. 101, OECD Publishing. doi: 10.1787/5kmms0t7p1ms-en

<sup>52</sup> also sometimes referred to as the GETC

### ***Constitutional commitments and the commitment to redress***

Prior to the funding reforms initiated in 2003, rights rhetoric was largely absent from the legal framework. Where right obligations were noted, this occurred, as a passing reference and as a misinterpretation of the state's obligations. For example, the original Norms and Standards spoke of the obligation to "progressively realise the right to basic education". As has already been highlighted in the section discussing section 29, the right to basic education is an unqualified right and is therefore unfettered by the progressive realisation qualifier.

What has remained consistent in all policy development since 1996 is the stated commitment to redress the historical legacy of Apartheid education. For example, the preamble to SASA acknowledges, "this country requires a new national system for schools which will redress past injustices in educational provision." The amendments to SASA then contain an interesting and innovatively worded amendment titled "Responsibility of the State."<sup>53</sup> In terms of which Section 34(1) states:

"The State must fund public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to an education and the redress of past inequalities in education provision. (own emphasis)".

The pressure from civil society resulted in the Department of Education introducing of the "Review of Financing, Resourcing and Costs of Education in Public Schools (the "Review" and "Plan of Action for Improving Access to Free Quality Basic Education for All" (the "Plan") by the Department.

The Plan, at first blush, appears to be an emphatic statement by the Department of its constitutional imperatives. It acknowledges the rights of all South Africans to basic education, which it seems to suggest has been realised by making education compulsory for learners between the age of 7 and 15. It then goes on to outline the state's constitutional commitment in respect of Grades 10 to 12 as being to progressively improve access to further education, thus implying a lesser obligation towards learners in these grades compared to learners in the compulsory phase<sup>54</sup>

### ***The GEC phase as encompassing the scope of the state's commitment to basic education***

The Plan stipulated that the GEC phase of education is the basic education phase. This has translated into policy making in three distinct areas:

Firstly, the state has made this phase of education compulsory, the premise being that this will ensure universal access to a basic education. The state then measures universal access based on levels of initial enrolment of learners in this phase of education. The analysis of data conducted in this paper has suggested that initial enrolment figures on their own cannot be used as a marker for universal access, since there are many and ongoing obstacles to access affecting attendance at schools.

Secondly, within the context of no-fee schools, the Norms and Standards for School Funding leave it to ministerial discretion to establish no-fee grades, whilst allowing fees to be charged at no-fee schools in grades 10-12 which fall outside the GEC phase.

<sup>53</sup> Section 34  
<sup>54</sup> Section 2.5

Again, this is highly problematic when the high dropout rates during this phase of schooling are taken into consideration, as well as the fact that affordability is cited as the main reason for non-attendance at school.

Thirdly, the Department's interpretation of the scope of the basic education phase has translated into the prioritisation of allocations for building of schools and other infrastructural development in the GEC phase. In practice, and in the context of scarce resources, it appears that this can result in the extension of new primary schools or the building of primary schools only, to the exclusion of secondary schools.<sup>55</sup>

The definition of the GEC phase of education as embodying the scope of the state's basic education mandate and the subsequent prioritisation of the GEC phase appear to be neither grounded in a rights-based premise nor rationally connected to the socio-economic realities of South African life. Indeed, commentators within an international discourse on education rights are increasingly putting forward the view that in order for education to impact and improve the lives of learners, as well as reduce poverty it cannot be limited to a few years of schooling but should be predicated on the acquisition of basic skills such as numeracy or literacy and should be lengthened to include secondary education. Such an approach would also be in keeping with the World Declaration on Education for All which states that:<sup>56</sup>

*"The focus on basic education must, therefore, be on actual learning acquisition and outcome rather than exclusively on enrolment, continued participation in organized programmes and completion of certification requirements."*

### **A pro-poor policy through socio-economic targeting and cross-subsidisation**

Since 1996 and as a result of the 2003 funding reforms the Department has stated that its overall policy objective is the redressing of the legacy of Apartheid education. It claims to have achieved this through the institution of a model of socio-economic targeting that distributes 80% of the funding for recurrent non-personnel expenditure to 60% of the poorest schools. Since the new funding framework has been instituted, this pro-poor policy has also included making more than 40% of the poorest schools fee free.

Other pitfalls within the state's pro-poor policies have also become evident in the implementation of 2003 reforms. This is particularly the case for the shift from provincially determined to nationally determined quintiles through a process whereby provincial education departments assign a poverty score to each school based on the poverty of the community around the school.<sup>57</sup> This has resulted in significant hardships for many schools that have been inaccurately ranked.<sup>58</sup>

As a direct consequence of being inaccurately ranked these schools receive low state allocations and because of the absence of sufficient fee revenue with which to maintain these schools, these schools exist in conditions of under-funding and under-resourcing.

<sup>55</sup> This was the basis of reasoning provided to CALS and the South African Human Rights Commission (SAHRC) in correspondence between the organisations and the North West Department as to the shortage of high schools in a particular area of that province.

<sup>56</sup> Adopted in Jomtien in 1990. Article 4, see also Articles 1 & 5

<sup>57</sup> Amended Norms (note 27 above) paragraph 101

<sup>58</sup> This is problematic because, firstly, the revised ranking system largely ignores the current reality of post-Apartheid schooling, which is that many learners travel from poorer communities to attend schools in other areas with better infrastructure in terms of learning facilities and teachers. There are also case studies where learners in informal settlements and townships are inadequately catered for and therefore have no option but to travel to schools in other areas. See F Veriava (note 12 above). See also R Wildeman "Reviewing 8 years of the implementation of the school funding norms." (2008) 39. He notes that the way targeting occurs (using census data) at ward level means that vastly different levels of incomes and educational levels are drawn into the same boundary that defines a ward.

As a result of the incorrect classification of many schools not all schools that should be declared 'no fee schools' have been declared thus.<sup>59</sup>

Thus, while the state has pursued pro-poor policies, the resources allocated on this basis have been insufficient in addressing infrastructural and other backlogs in education. Moreover, where a pro-poor policy has resulted in fee-free schooling this has failed to cover all schools that ought to fall within this safety net.

### **Cross-subsidisation**

While the plan talks about the "progressive roll-out of free-education", it also renews commitments to charging school fees at more advantaged schools. The rationale being that wealthier parents cross-subsidise poor learners through fee exemptions for poor learners at wealthier schools. However, Fiske and Ladd's research into exemption patterns at wealthier schools show low exemption uptakes and therefore does not provide support for this system. They also note that the extremely low number of exemptions at formerly white primary and secondary schools, the well-resourced schools, suggests that "race is being replaced by economic class as the determinant of who is able to go to formerly white schools."<sup>60</sup>

In terms of the latest GHS, only 10% of those surveyed stated that they benefited from full or partial exemptions in fee-charging schools. Research into the reformed funding framework also suggested that despite the tightening of the non-discrimination provisions in the funding framework, problems relating to the non-implementation of the exemption system and the discrimination of poor learners in fee-paying schools continue to persist.<sup>61</sup>

It appears, therefore, that to the extent that wealthier parents subsidise poor learners at fee-paying schools, this subsidisation is negligible when weighed against the fact that fees continue to exist as a barrier to education for many learners. However, Government argues for fee retention on the basis that it facilitates cross-subsidisation by allowing wealthier schools to charge fees, thus enabling the state to allocate fewer resources to these schools and thereby provide higher allocations to poorer schools, as well as making them fee-free.

## **Land and Agrarian Reform**

The 2007 commercial agricultural census estimates that South Africa has 39,982 commercial farm units which produce about 95% of total agricultural output<sup>62</sup>. These are largely white owned farms. These figures contrast with landlessness, widespread rural poverty and the net food buyer status of the majority of rural black dwellers. Responding to this situation, the December 2007 ANC Polokwane Conference resolved:

<sup>59</sup> 'See no fee schools spark row' Sunday Times 1 October 2006. In this article it was alleged that there are dozens of schools across the country that are lodging objections to the ratings given to their schools because while their schools actually meet the criteria for being declared no-fee schools, these schools have been ranked as wealthy schools even though the learners come from mostly poor backgrounds.

<sup>60</sup> Fiske & Ladd (note 41 above) 74

<sup>61</sup> See V Gullapalli, M Ngwenya & F Veriava 'Implementation of the Schools Fees and Funding Framework: A study of three provinces' (July 2006) Centre for Applied Legal Studies.

<sup>62</sup> Statistics South Africa, 2009

*“Our vision of rural development is based on vibrant economies in rural areas, where a small-holder farming sector exists side by side with a commercial farm sector, both of which form the base of sustainable livelihoods, job creation and the growth and development of other rural industries”. (December 2007, ANC 52<sup>nd</sup> Conference Resolution on Land Reform, Rural Development and Agrarian Change).*

This vision presents a broader perspective on land reform, agrarian reform and rural development encapsulating both agricultural and non-agricultural development. It is a realization of South Africa’s failed land reform program. This market-based land reform program is not achieving the scale or outcomes required and fail to change rural and agrarian social relations. Beyond the redistribution of land, land reform is not located within a broad strategy of rural development and consequently is not realizing its full potential to transform social relations, combat rural poverty and promote rural development.

The main economic benefit from land redistribution and tenure security, taken on their own, is the quality in the distribution of assets. However, if land redistribution can have economic benefits, then acquisition of land is a necessary but far from sufficient condition for successful land reform<sup>63</sup>.

This underlines the important point that the economic case for land reform is the critical link between the two concepts of land reform and agrarian reform. Where land redistributions have been successfully implemented and where significant changes in land tenure institutions are the result, additional restructuring of a number of other institutions have also been necessary to serve the beneficiaries of the new tenure system<sup>64</sup>.

### **Types of land reform projects**

Hall (2009) suggests four typologies for land reform projects to date:

- i) Large groups obtaining farms and farming collectively as a single commercial entity;
- ii) Large groups obtaining farms and farming individually or in smaller groups;
- iii) Individuals, families or small groups obtaining farms and farming them as a single commercial entity;
- iv) Joint ventures between land reform beneficiaries and private sector or state institutions.

Hall (2009) shows that contract farming has contributed to the substantial growth in the proportion of South Africa’s sugar crop produced by small growers. Through contract farming resource-poor sugar growers were able to bring in private sector support in the form of access to inputs, credit, training and a secure market<sup>65</sup>. Despite its potential, she recognizes that this model has proved controversial given cases where the terms of these contracts are shaped by dominant players in particular sectors and include price-setting.

Other joint ventures have brought private sector expertise into land reform projects in order to maintain continuity with the pre-existing model of production. It appears that many restitution claims are now following the route of strategic partnerships.

<sup>63</sup> Groenewald, 2004

<sup>64</sup> Dorner & Thiesenhusen, 1990.

<sup>65</sup> Hall, 2009.

Whilst the beneficiaries continue to own the property, there is typically an agreement where the farming operations will be controlled by a company in which the beneficiaries may be shareholders who earn dividends and income from rent. Furthermore, they may also be the preferred labour pool<sup>66</sup>.

### How much land has been delivered to date?

Available academic and research work as well as official government reports show that the existing land reform programme does not deliver land in sufficient quantity; people on land or acquiring land receive very little support, and there are few successes where there has been a substantial and positive change to people's livelihoods<sup>67</sup>. Between April 1994 and April 2010, the land reform program had redistributed just fewer than 7% of agricultural land, while the vast majority of agricultural land remains in the hands of fewer than 40,000 white farmers (see Table 1 below).

**Table 3: Land distribution in South Africa – April 2004 to April 2010**

|                                                                                    |                       |                                                                 |
|------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------|
| Total area of South Africa                                                         | 122,320,100 ha        | 100% of total                                                   |
| Former "homelands"                                                                 | 17,112,800 ha         | 13,9% of total                                                  |
| Former "white" SA                                                                  | 105,267,300 ha        | 86,1% of total                                                  |
| Commercial agricultural                                                            | 86,186,026 ha         | 70,4% of total                                                  |
| 30% of commercial agricultural land                                                | 25,855,808 ha         | 21,1% of total                                                  |
| Land transferred through redistribution and tenure reform                          | 3,186,000 ha          | 3,7% of commercial agricultural land                            |
| Land delivered through land restitution                                            | 2,714,000 ha          | 3,2% of commercial agricultural land                            |
| Total land transferred                                                             | 5,900,000 ha          | 6,9% of commercial agricultural land                            |
| Required rate to meet target of 30% between January 2011 & December 2015 (5 years) | 2,123,840 ha per year | 3,991,161.6 ha per year = 4,63% of commercial agricultural land |
| Average rate to date (1994-2010, 16 years) of land redistribution                  |                       | 368,750 ha per year                                             |
| Number of years to meet the 30% target at current rate                             |                       | 70 years                                                        |

Sources: *Mayson, 2004 and PLAAS, 2010*

### Vulnerable tenure in farms

Another area of concern in the land reform program regards the security of tenure of vulnerable groups including farm workers, other farm dwellers and residents of communal areas which coincide with the former homelands. The Extension of the Security of Tenure Act was operational from 1997.

<sup>66</sup> *ibid*

<sup>67</sup> See Hall, 2009; CDE, 2008; Lahiff, 2004; Maluleke, Manenzhe & Wegerif, 2008; Cousins, 2007.

It was meant to protect the rights of farm workers, labour tenants and farm dwellers. However, it had only limited success in preventing evictions from farms let alone in enabling these highly vulnerable groups acquiring land in their own right<sup>68</sup>.

### **Gender and land reform**

Available data does not provide enough material to analyse the extent to which women have benefited from the land reform programme particularly as owners and the main users of land. Indeed, the post-1994 constitutional framework has enabled women to have land registered in their own name. This period has also seen women emerging as important voices and interests in reform groups and Communal Property Associations (CPAs). In addition, government has also developed dedicated programmes that target women farmers and rural dwellers.

However, these advances by women have been met by resistance from vested male interests which have been aided by traditionalist laws (see discussion below). The extent to which attention has been given to how the land reform programme can contribute to the transformation of gender relations in rural areas is unclear.

Aliber and Hart (2009) conclude that women make up 60% of the estimated 4 million black people involved in agriculture for their own account. This largely applies to subsistence agriculture in the former homelands. The picture is somewhat different when it comes to commercially-oriented black farmers who “*are equally likely to be women as men*”<sup>69</sup>. When it comes to white farms, there is no available data. However, the overwhelming majority of members of Agri-SA (the main representative association of commercial farmers) are male.

### **Other challenges**

Complicating the picture further are the lack of integration between the 3 pillars of the land reform program (restitution, redistribution and tenure security), the failure to integrate land reform within a wider program of rural development, and the lack of attention paid to the need for significant restructuring of the models, systems and structures of production, input supply, processing, storage and marketing<sup>70</sup>. In addition, land reform projects are poorly integrated into the development plans of local government bodies<sup>71</sup>. The land reform program has also not adequately differentiated and addressed the needs of different strata and segments: for example, it largely neglected the rural poor and landless as it was reoriented towards the creation of a new class of black commercial farmers.

<sup>68</sup> Hall 2003

<sup>69</sup> Aliber and Hart, 2009. p. 440

<sup>70</sup> Cousins, 2007.

<sup>71</sup> Hall, 2005.

## Policy (In)Effectiveness: Impact and Policy Debates

### *Economic Policy, Social Protection and Governance*

Economic growth, poverty reduction, land reform and job creation remain key goals of economic and social policy in South Africa. There has been a focus on sustainable and diversified economic growth – as underscored in the Ready to Govern and Reconstruction and Development Programme documents. These objectives have been reiterated in subsequent policy documents, from the Restitution of Land Rights Act, the Growth, Employment and Redistribution (GEAR) strategy of the late 1990s through the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA) of 2006, the New Growth Path of 2010, and the NDP of 2012, among others.<sup>72</sup>

Between 1994 and 2000 the South African government made significant progress in meeting the goals of the RDP: providing housing, basic services, health care, education and land reform. The lives of millions of people have been improved. The government said GEAR and privatization were the best long-term way to achieve this growth. To date the government has argued that it has a good story to tell and much has been achieved.

The President during his 2013 Freedom Day speech reintroduced South Africans to the achievement of government since 1994. Highlights included that<sup>73</sup>:

- The RDP housing programme had built over three million housing units since 1994.
- The percentage of households with access to potable water had increased from 60% to over 90%.
- Access to electricity had increased from 50% of households to approximately 80%.
- He conceded that the gap between white and black households, for obvious historical reasons, remained wide as revealed by Census 2011, with white households earned six times more than black households.
- While income inequality remained high, the expansion of social grants system from 2.7 million people in 1994 to 16 million currently had contributed to a significant reduction in the proportion of households living in poverty.
- The further extension of basic services required the public service to be more efficient, effective and caring in order to make people's experience of government a pleasant one.
- The South African economy has expanded by 83% over the past 19 years.
- The national income per capita has increased from R27 500 in 1993 to R38 500 in 2012, which is an increase of 40%. Disposable income per capita of households has increased by 43%.
- Total employment has increased by more than 3.5 million since 1994.
- The transformation of ownership and management of the economy continues – over R600 billion of black economic empowerment transactions have been recorded since 1995.
- Another success story is that the number of black people and women in senior management has increased from less than 10% in the 1990s to over 40% today.

While some notable progress has been made, critics highlight that not enough has been done to eliminate poverty and reduce inequality. The government has significantly lowered the budget deficit and inflation; however growth remains at about 3%, far short of the 6% goal which is seen as necessary to reduce unemployment.

<sup>72</sup> South Africa 20 Year Review Chapter 4 – Economic transformation, pg 84

<sup>73</sup> Bathembu, C. 2013. *Zuma tells South Africans to be proud*, South Africa Government News Agency. [online]: <http://www.sanews.gov.za/south-africa/zuma-tells-south-africans-be-proud>

## CASE STUDY 1

### Economic Policy and Governance Survey

#### Economic Policy

##### *Changing economic landscape since 1994*

There was a general consensus that the economic environment had improved for previously disadvantaged groups, mainly as a result of government serving the needs of the people and not just a few. One respondent noted that “most people are able to acquire luxury items.”

A sense of appreciation from respondents on the manner in which government created a gateway to economic emancipation albeit only a few have managed to take advantage while the majority remain poor, vulnerable and unable to capitalise on this new environment. Interestingly, there is a sense that while the conditions have improved, the “rich get richer and poor get poorer.” In a nutshell, inequality is increasing under the current economic environment.

##### *Is government doing enough to redress the imbalances of the past through its economic policies?*

Whether government was doing enough or not, the consensus was in the negative. What emerged was a feeling that government was only concentrating on the needs of the few who are politically connected. Furthermore, one respondent noted that government officials lacked the skills and experience required, to manage the country in general and unfortunately greed has taken over.

##### *On unemployment, wages and unskilled labour*

Unemployment remains a concern and there is no sign of reducing. There was a sense that government was more involved in talking rather than acting to address the issue. Wages remain low and highly unacceptable especially if one compares with developed countries which have a universal minimum wage for labour.

##### *On affirmative action and black economic empowerment*

This was another issue where the respondents reemphasised the issue of patronage, with no visible impact on the majority. As one respondent noted that none of these have benefited anyone they knew in their area. Another respondent retorted that “it’s a great

initiative however the not so qualified workers get higher jobs that don’t meet their qualification and the qualified are unemployed.”

##### *Future outlook*

Future outlook looks bleak and there is no sense of confidence that the government will do anything meaningful to reduce inequality. One respondent noted... “all you have to do is look at the countries on the African continent that have gained control from the west to know what is in store for us should things not change any time soon. Pick any five countries and you could draw up a timeline of where we headed at the rate we are going at.”

#### Governance

##### *Ability for government to police itself*

There is a feeling that government is not adhering to its own rules. One respondent noted that “Government only managed to adhere for a few short years. With the way things are going it appears all that are in power at the moment are catering for their own personal gain.” The economy is not being managed but abused and when it comes to addressing inequality it’s, the “animal farm” effect, some people are more equal than others.

##### *Issues related to corruption*

On corruption, all respondents acknowledged its existence and highlighted that the government’s failure to police itself was the biggest obstacle. One respondent noted that “Nothing is done to rid corruption, government employed workers leak information to their family and friends, influence tender decisions to ensure their friends and families win. From this they benefit too cos they will be expecting payment for the part they played in ensuring that the tender was won by the candidate of their choice.”

##### *What government must do on governance issues?*

Reaction was mixed and responses ranged from having distinct lines separating government from the justice system to ensuring that all rotten apples are weeded out (get fired) to ensuring that an environment where equal opportunities can be harnessed is created.

## CASE STUDY 2

### Social Services Focus Group Discussions<sup>74</sup>

*A common general understanding of social services and grants in particular*

Based on the FGDs, there was a general perspective that social services are provided by government to support people. On the specific issue of CSG, the majority of the participants highlighted that it was money meant to support the child's welfare and provided to people who cannot afford. One participant noted, "it's money from Government to assist people to support their kids in terms of school uniform, food and clothes." Asked whether grants were only for kids, there was a common understanding of the different types of grants available, their use and the recipients with the exception of the Aid Grant (R250 provided for 6 months after a disaster situation) that was something new.

*No awareness on people's right to social services*

When asked further if participants knew that it was their 'right' to access social services, only one was aware. The majority felt it was government doing them a favour as they know that people are poor. This begs the question regarding the extent to which availability of information and the nature in which it is disseminated. As one individual<sup>75</sup> retorted, "Grants are from the ANC," further demonstrating the lack of knowledge of between the separations of a political party to the role of government.

*Social services are easily accessible*

As this FGD was conducted in a peri-urban area, all participants acknowledged that government had done an exceptional job to ensure that people easily access their grants. From the application process to receiving the money, participants noted that this has greatly improved since it only takes within a month to have an application processed and receiving the grant from their experience. The introduction of the SASSA cards was also hailed as revolutionary as it allowed people to purchase at different retail outlets and even get 'airtime' from service providers and in some cases on credit leveraged against the grant.

A negative however, was the bank charges associated with accessing the grant from a private bank which has forced others to continue using old systems such as mobile payment centres, community centres etc. furthermore, one participant noted that the current SASSA system did not encourage savings because any money that is not withdrawn after the 15th of each month would be returned back to SASSA and therefore had to withdraw all of it immediately.

Nomahlubi: "I withdraw it all after my experience and I was thinking that I'm saving for my child but since I realised that after the 15th I'm losing that money I just take it all out and do the child stuff and I prefer it like that not to swipe. I really don't know how Government can change the setup of taking it back after the 15th because I needed to save some money because when you save with banks there's always a bank charge."

*Positive impact on reducing destitution and poverty albeit not adequate and more needs to be done*

While participants acknowledged that the grants have had a significant impact on their livelihoods, the issue of inequality was somehow not as clear cut. When informed what inequality meant, the majority highlighted that nothing had changed. Discussions became drawn on racial lines with participants highlighting that white people had everything and there was some aspiration to work for whites rather than for oneself as a way of reducing inequality.

In terms of reducing vulnerability, destitution and poverty, everyone agreed the different grants made a significant change in their lives, highlighting the critical importance of cash transfers as a poverty reduction measure. However on inequality, this was not addressing the issue and measures of addressing with this based on participants' views will be discussed under 'expectations from government.'

In terms of adequacy, the responses varied based on how financial situation of the household was like. Some households entirely depended on grants (especially CSG and old age pension), and in this case this was not adequate and sometimes the CSG was also used for purchasing food.

*Some reasonable expectations from government to reduce inequality*

Based on the FGD there seems to be an understanding that government cannot do everything and people must also play their part. The myth that grants create laziness was dispelled by the majority although some few shared that view. That also includes the myth that CSG encourages pregnancy rates amongst poor especially teenagers.

However in terms of addressing inequality, participants had some suggestions which include increasing the amount of social grants; providing economic opportunities and increasing employment; as well as providing quality education to children so that they can have a better future. These and other suggestions are contained in the original transcripts which are separate annexes to this report.

<sup>74</sup> Based on Focus Group Discussion held in Evaton, April 2014.

<sup>75</sup> Separate discussion held around the 2014 national and provincial election campaign

A look at some of the policies implemented by government such as the GEAR policy, which government at the time touted as a long-term strategy that will provide South Africa with the most economic growth, we note that this has not materialised. One of the most outspoken critics of GEAR was the COSATU which noted that GEAR failed to deliver the promised economic and job growth or significant redistribution of income and socio-economic opportunities in favour of the poor.

Furthermore, it noted that GEAR, with its focus on stringent monetary and fiscal targets, conflicts with the goal of the RDP of growth based on job creation, meeting people's needs, poverty reduction and a more equitable distribution of wealth. Characteristic of GEAR was deep cuts in government spending between 1996 and 1999 which curtailed efforts to improve services to the poor suffered, despite the continued reprioritisation of spending from the rich to the poor.

A closer look at the economic and social policy, much of the debate has focused on employment and poverty. Statistics South Africa highlighted that unemployment was 22.5%, down from 23.3% in 1999 using the narrow definition of unemployment - only including those actively seeking work, excluding discouraged job seekers. COSATU however noted that using the broader definition unemployment rose to 37.3% from 36.3% in 1999. To date these figures have not changed significantly or at worse remain the same.

While government has said it has created significant job opportunities, NALEDI<sup>76</sup> noted in December 2000 that some official estimates suggest that up to one million jobs in the informal sector have been created since 1995, but the opposite was the case in the formal sector:

“Between 1996 and 1999 more than 400,000 formal sector jobs were lost. The impact on families is disastrous, as there is little in the way of social security protection for the unemployed. The jobs that are being created are generally informal and lowly paid positions.”

The net result, notes NALEDI, is that the income of the poorest 40% of the population has declined by 20%. NALEDI concludes: “It is now widely acknowledged that the Growth, Employment and Redistribution strategy (GEAR) has, despite its name, failed in terms of economic growth, creation of quality jobs and redistribution towards the poor...[G]overnment is increasingly feeling the pressure to address the wider socio-economic failures of economic policy.”

The much hyped National Development Plan has also received attention with the same issues coming to the fore. It is yet to be determined to what extent this will shift the tide for the poor performance of government policy into tangible and visible progress towards a nation living without extreme poverty and high levels of inequality, a nation that guarantees its citizens the right to a decent living level as enshrined in the Constitution. The challenge we face as government, civil society and the nation as a whole is to work towards ensuring that we live in an equitable society.

### ***The impacts of land reform***

The above analysis of land and agrarian reforms shows that the current market-based land reform programme is not achieving the scale or outcomes required to address the historical legacy as well as achieve a more equitable agrarian structure.

<sup>76</sup> National Labour and Economic Development Institute (NALEDI) – a think tank initiative of the Congress of South African Trade Unions (COSATU).

According to Cousins (2007), land reform has not realised its full potential to transform agrarian space, combat rural poverty and promote rural development. If there was an agrarian reform agenda in South Africa post-1994, it would have been considered as having failed simply on the basis of the under-achievement of the land reform programme.

This means that any advance towards agrarian reform will be limited if there is limited land reform. The land reform programme has not yet fundamentally changed land ownership patterns in South Africa. As Wildschut and Hulbert (1998) suggested, the limited land reform programme as well as neo-liberal economic policy choices made by the government in 1996 imposed severe limits on any potential agrarian reform thrust.

Under such conditions, it will arguably be even more difficult for land reform beneficiaries to start out and succeed as commercial farmers. The limited government role envisaged by the mid-1990s deregulation and liberalisation of agriculture held serious implications for land redistribution, agrarian reform and possibilities for agricultural production and marketing by new farmers and land reform beneficiaries. Without a certain level of state support and interventions in the agricultural system it is doubtful whether new farmers can benefit from a deregulated agricultural system.

This point was recognised by the Development Bank of Southern Africa (DBSA – which was a key pillar of apartheid economic institutions) even before the completion of the deregulation and liberalisation process. Simon Brand, the then Chairman and Chief Executive of the DBSA told the then Weekly Mail newspaper that

*“It doesn’t make sense just to scrap the Land Act. Black farmers will need access to markets, credits, inputs and infrastructure... Most black farmers would not have the finance to buy formerly white farming land if it became available. The Land Bank would therefore have to ensure it was in a position to meet any possible demands for loans”.*<sup>77</sup>

In an environment dominated by large-scale commercial farmers and agribusiness, and made more difficult by exposure to global competition with subsidised farmers of the global North, agricultural policy liberalisation meant that what Simon Brand called for would not be met. The changes to agricultural policy effectively weakened the state from directing these public assets in driving an agrarian reform agenda. Arguably, these changes limit the scope and content for equity, transformation and restructured/revived economic activities in rural areas.

In light of the above failures of what was a modest land reform programme, government identified new 2009-2014 policy targets as including the development of a new rural development plan and the drafting of a Green Paper and a White Paper on Agrarian Transformation, Rural Development and Land Reform (DRDLR Strategic Plan 2009-2012).

However, the recent changes have not overcome the broader questions concerning the economic and policy environment into which new farmers enter. These changes and interventions in favour of small-scale and resource-poor farmers have tended to be on a ‘project’ basis rather than being systemic interventions and mechanisms for restructuring the economic and market environment for new entrants<sup>78</sup>. All these failures have meant that the land reform programme has not been able to effectively support the goals of sustainable livelihoods, poverty reduction and the revival of the rural economy. Below is a further discussion on specific impact related issues associated with land reform based on the Quality of Life Surveys (QOLS).

### **Impact on livelihood**

Since 1994 government commissioned two Quality of Life Surveys (QOLS) but none were released for public engagement. This limits the amount of information available to enable an informed discussion on the impact of land reform on livelihoods. Hall (2009) bemoans the limited scope of available information including the poor conceptualisation of assessment indicators.

<sup>77</sup> Dolny, 1990.

<sup>78</sup> Hall, 2009

The first QOLS was not considered a credible assessment for reasons of its limited scope, questionable theoretical assumptions and sampling methodology. The second QOLS was faulted for having been administered in half of the cases within a period of less than a year after settlement. Nonetheless, the second survey found widespread under-utilisation of land, reduction in the intensity of land use with grazing and household maize production as the most common forms of productive land use<sup>79</sup>.

When it came to livelihoods, the second survey found that the majority of land reform beneficiaries lived under poverty and had adopted multiple livelihood strategies. 38% of surveyed households derived income either from the sale of or their own consumption of agriculture and livestock, with average household income from agriculture being R1 146. The study found that land reform beneficiaries were better off than the rural population on average. However this was not enough to demonstrate whether or not this was as a result of their improved access to land, or whether this was due to those who were better off being more likely to be able to access the programme<sup>80</sup>.

### **Impact on employment**

Given the problems noted above with the QOLS, it is difficult to draw a relationship between land reform and employment. However, a fair body of diverse research exists that has tracked and attempted to account for employment trends in commercial agriculture going back to the pre-1994 period.

There are two major long-term trends in the changing composition of the agricultural work force. The first trend shows an absolute decline in the total number of agricultural workers. This number fell from 1,3 million in 1985 to about 920,000 in 1995 to about 628,000 in 2005<sup>81</sup>. Indeed, there were upward fluctuations in some years but the general trend has been this continuous decline. The second major trend has been the rise in numbers of non-permanent, often casualised agricultural workers (Greenberg, 2003). Alongside the absolute decline in the total number of employed farm workers, the percentage of non-permanent workers as a share of total farm employment had increased from 36% recorded in 1991 to an estimated 49% in 2002 (Hall, 2009).

However, these figures are bedevilled with poor measurement methods and the difficulties associated with accessing farms in general and tracking seasonal farm workers in particular<sup>82</sup>. Agricultural economists such as Sandrey and Vink (2007) suggest the pressures of deregulated and liberalised agriculture triggered efficiencies in agriculture that also included improvements in total factor productivity including labour. These productivity improvements effectively displace labour instead of absorbing the massive rural surplus labour.

Despite this downward trend in agricultural employment and even though wages in agriculture are historically low, the sector has in the past played a major role in providing formal employment. According to Simbi and Aliber (2000), up to 1998 agricultural employment, at 30% of all employment for rural blacks living in South Africa, was the largest single source of rural employment.

Prominent development and agricultural economists such as Todaro (2001) insist that agriculture can create employment primarily because it has a comparatively low 'cost-per-job' and has strong multiplier effects. Given the long-term decline in agricultural employment in South Africa the question remains unanswered - are there ways in which agriculture can be reorganised in order to realise its developmental and job-creating potential?

<sup>79</sup> *ibid*

<sup>80</sup> *ibid*

<sup>81</sup> Aliber et al, 2009.

<sup>82</sup> Vink, 2003

## Section 3

# CONCLUSION AND WAY FORWARD

From the above it is clear that the state has shown a demonstrable commitment to improving the lives of poor people through the social wage. SPII's review of the benefit distribution of state spending found that the social wage is clearly biased in favour of the poor.<sup>83</sup> However, inequality trends persist, as do intergenerational patterns of poverty and marginalisation.

In terms of policy recommendations that could be advocated for by civil society, and the means to advocate for them, the following are put forward.

### **Macro-economic policies**

Given the critical need to address the unsustainably high levels of income inequality in the immediate as well as in the medium to longer terms, the use of fiscal policy as a tool for redistribution requires serious engagement. The two main suggestions that we make involve Personal Income Tax (PIT) and the flat rate Value Added Tax (VAT).

Incomes in the top income decile have continued to increase at a very fast pace, which has of course aggravated income inequalities. We recommend firstly increasing the marginal tax rate for the highest income tax bracket to 45%, as has been done in a number of European countries since the financial crisis to address this very issue, and secondly ensuring that tax brackets keep strict indexing with inflation to prevent further leakage due to 'bracket creep'. Tax relief through annual PIT reductions announced with each successive national budget should also stop with immediate effect.

As integral to this recommendation however, we believe, must also be a very clear statement of intent by the state to the use of fiscal policy to actively act as a redistributive measure.

In terms of VAT, we recommend that the zero-rating of basic food stuffs be re-evaluated to ensure that ALL the main basic unprocessed foods consumed by poor people are zero-rated. VAT rates should also be amended to reflect a bias for locally manufactured products through the imposition of a higher tax rate for luxury imported goods.

### **Civil Society Interventions**

There are many possible interventions for civil society in this regard. The Davis Tax Committee embarked on its task of reviewing South African tax policies in 2013. The work of the Committee should last for at least two years, enabling CSOs to engage with it through submissions while it undertakes its review, as well as to call for a process for engagement with the recommendations that the Committee finally produces and submits to Parliament.

The Parliamentary hearings on the National Budget as well as the Medium Term Budget Policy Statement further provide opportunities for robust advocacy from civil society. This should be located in comprehensive research that starts by reviewing the existing research

<sup>83</sup> Dlamini, T. 2009. *Pro Poor Budget Benefit Incidence Analysis of Five Expenditure Categories of the 2006/07 Budget of the Republic of South Africa*. Occasional Paper, Studies in Poverty and Inequality Institute (SPII), Johannesburg

and policy analysis that has been undertaken, including by COSATU and the AIDC. Civil society also needs to review the impact of the implementation of the revised PIT brackets in countries such as the UK and France to inform our recommendations and prevent unintended consequences down the line.

### **Social Protection:**

#### Needs- Based Universal Child Support Grant

While policy makers are swift to claim the income- replacement benefit of social protection, especially social assistance, the replacement- value of grants needs to be re-assessed against an assessment of need. It is clear from the section on the origins of the Child Support Grant, in particular, that this was never the point of departure for the fixing of the value of the grant. It is however vital, we believe, given the critical developmental requirements of childhood development. In addition, given the prevalence of poverty amongst children in South Africa, the continued use of the means test serves to place an administrative burden on poor parents and care- givers that often serves to exclude the eligible, for questionable reasons. By universalising the CSG, and clawing back the value from middle- class and elite parents through the tax system, this danger can be avoided entirely.

#### Universal Basic Income Grant

As set out above, the redistributive value of a universal BIG was clearly set out in the Taylor Committee's report. Although a BIG was not adopted by the state, there is a need for civil society to revisit and update the earlier research of the BIG Coalition, and to resume the lobbying and advocacy work of the previous BIG Campaign.

### **Civil Society Engagement:**

International lobbying with networks such as the Basic Income Earth Network would assist in strengthening access to international research.

It is however crucial that demands for social security reform is rooted in grass roots organisations, rather than being predominantly the calls from more specialised NGOs. This requires true collaboration across civil society, the production of accessible educational and mobilisation materials, and the hosting of training workshops, and brave and committed campaigners who are unflinching in their demands.

An advocacy strategy that has not yet been used in respect of the call for a Basic Income Grant is the use of constitutional litigation around the failure of the state to advance reasonably working age poor adults' rights to social assistance under Section 27 of the Constitution. A reasonable policy remedy that could be advanced is certainly the idea of a BIG.

#### National Minimum Wage

The Tripartite Alliance Summit held in August 2013, as a result of the influence of the Congress of South African Trade Unions (COSATU), supported in principle the need for a National Minimum Wage as a key critical policy tool to reduce poverty and inequality. Proponents within the Alliance successfully campaigned to ensure that a commitment to investigating the feasibility of a NMW was included in the ANC's 2014 Election Manifesto. This position was based largely on the empirical evidence of the positive impact of the NMW in terms of reducing poverty and inequality in Brazil under President Lula da Silva's PT administration. A combination of a NMW in Brazil, and the extension of social cash

transfers through the Bolsa Familia programme together with an overhaul of their Collective Bargaining system, have been shown to have been successful in promoting the advance of a decent living level nationally.

Between 2003 and 2010 the National Minimum Wage increased by 81% in real terms and in 2013 was the equivalent of over R3000 per worker per month. In addition, partly as a result of the increased local demand made possible due to the redistributive nature of these policies, 17 million formal jobs were created between 2002 and 2011. Furthermore, between 2004 and 2008 the number and proportion of formal employment in the economy increased significantly, outpacing informal jobs by 3:1. Between 2003 and 2008 the number of poor people fell by 20 million from 61.4 million people living in poverty 41.5 million. Inequality also fell dramatically<sup>84</sup>.

#### Civil Society Interventions:

Civil society should appraise itself of these positions, and collectively support COSATU's call. Another critical tactic beyond the 2014 elections is to submit a formal request to the ANC to have a CSO representative included in the study into the feasibility of the NMW. Civil society can also call for policy proposals to be submitted to NEDLAC and to the Parliamentary Portfolio Committee on Labour, and to call for public hearings to follow the latter.

Given the high levels of disparity amongst current sectoral minimum wages, it would be useful for civil society to support the current conversations regarding a Decent Living Level and a Decent Wage, localising these through their own networks, partners, and nationally, through the media.

### **Land and Agrarian Reform**

From an agrarian reform perspective rural development policy needs to set out a compelling and detailed vision of the alternative structure and character of a future rural agrarian economy and society, specify the 'what' (e.g. priorities for wealth creation, resources, and geographic and sectoral priorities for public investment) and the 'how'. In South Africa, agrarian reform has to concern itself with whether a more mixed farming sector in which broad-based accumulation by smallholders is the main route to 'development'.

Hall (2009) adapts the diversified smallholder-led scenario put forward by Aliber, et al (2009) by suggesting the following elements of a vision for an alternative agrarian structure that can ensure a land and agrarian reform programme that addresses equity and drives job-creation and rural development:

- i. a mixed farming sector that includes different scales and types of production;
- ii. subdivision of commercial farms to make possible small-scale family farming;
- iii. reliance on family labour, although there was also an interest among new 'emerging' farmers in hiring farm labour;
- iv. a mix of tenure types to allow for more individualised rights to residential and cropping land, even in the context of group ownership and on commercial farms – this necessitates on-going public investment in decentralised systems of land administration;

<sup>84</sup> Presentation by N Coleman, COSATU to a NEDLAC seminar on A South African Decent Living Level, 23 September 2013.

- v. a strong focus on food production allotments for household consumption and sale, and expanded commonage for livestock grazing around the 'urban fringe', particularly on the edge of smaller towns, where residents of growing informal settlements (including evicted farm dwellers) struggle to eke out a living;
- vi. promotion of low-risk production technologies through appropriate inputs and infrastructure;
- vii. increasing overall state support to the agricultural sector and, within this, shifting priorities towards greater support for low-input small-scale primary production;
- viii. subsidised inputs into production – including seeds and implements;
- ix. sequencing interventions in input and output markets to support smallholder production;
- x. promotion of and public investment in agricultural co-operatives for input supply, processing and marketing;
- xi. investment in transport and storage infrastructure, as well as irrigation infrastructure, to support smallholder production;
- xii. subsidised interest rates with a reasonable no-repayment window period;
- xiii. overcoming monopoly power in product markets and limiting the exposure of primary producers to risk due to fluctuations in input and output market prices;
- xiv. efficient and transformative forms of regulation of agricultural product markets that create barriers;
- xv. promotion of co-operative arrangements to enable poor and small-scale farmers to access inputs (including equipment) and to secure a ready market for produce, but not necessarily production cooperatives;
- xvi. altering the labour regime by promoting self-employment in agriculture and encouraging labour-intensive production where there is waged employment;
- xvii. building linkages into value-adding for small producers through incentives and/or regulation of processing industries, and prioritising cooperatives in agro-processing;
- xviii. providing opportunities for non-farm economic activities among small producers to strengthen diversified livelihood strategies and provide inputs and investments into part-time farming; and
- xix. altering the spatial planning approach to settlement patterns by investing in settlement on redistributed land aligned to effective service delivery by municipalities in order for them to effectively access social infrastructure land, allowing more dispersed settlement on the urban fringe to support part-time farming, and formalising and servicing small rural settlements.

Ultimately, this paper recommends the combination of policy and measures that addresses both systemic issues over the long term whilst also undertaking concrete practical measures as a basis for harnessing economic policy, social protection and land reform towards effectively addressing poverty and inequality.

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# OUR ORGANISATION

We are the Economic Justice Network of FOCCISA, the Fellowship of Christian Councils in Southern Africa. FOCCISA is an ecumenical organisation working with 12 national councils of churches in southern Africa.

Our vision is to harness the resources of the southern African region for all of its people, with a view to bringing about economic justice through the transforming agency of Christians compelled by the gospel of Jesus Christ.

# OUR MISSION

Our mission is to strengthen the commitment of the church in its advocacy work on economic justice and to act as a catalyst for engaging people in the promotion of just economic and social structures. The Network will establish mechanisms to bring the experience and concerns of the marginalized and the poor people to the agenda of the church and society.



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