

## **NEDLAC Community Constituency Annual Summit Speech**

**The NEDLAC Community Constituency Speech prepared for the 12<sup>th</sup> NEDLAC Annual Summit -**

**1 September 2007, Emperors Palace, Kempton Park, Gauteng**

---

The year 2007 has seen significant progress in narrowing the gap between government and civil society resulting in the adoption of the National Strategic Plan 2007-2011 on HIV and AIDS. Also of significance is the restructured National AIDS Council, removing any doubt about the legitimacy of structures charged with fighting AIDS.

This progress occurs in an environment in which just under a year, we will assemble once more, to mark the fifth anniversary of the Growth and Development Summit of 2003. This, we hope will also record significant progress in the evolution of our country. Most importantly, how are we progressing towards meeting our noble goal: that of halving poverty by 2014? Halving poverty by 2014 occurs in an environment where the global economic prospects are showing signs of fragility. Therefore any progress we need to make is inextricably linked to global economic performance. In the GDS, we asserted that our country faces persisting duality in the midst of progress. This remains a true picture as we have noted some increase in employment, yet deepening levels of unemployment. This requires a consensus which the GDS sought to build, but implementation will be a major test of progress.

We are pleased that over the 13 000 estimated growth in the number of registered co-operatives by 2007, the growing support for the establishment of co-operatives displayed by various government departments and the private sector, the promulgation of the Co-operative Act (14) of 2005, the finalization of the regulations and implementation of the Act since May 2007, and the drafting of the national co-operative strategy, in July 2007. In the same vein, we would like to draw attention to the continuing lack of understanding

## **NEDLAC Community Constituency Annual Summit Speech**

amongst government agencies of the principles embodying the existence and functioning of co-operatives. This lack of understanding often results into unnecessary litigations between funding agencies and primary co-operatives.

More broadly speaking, it is commonplace that the last two years have generated a prodigious amount of socio-economic policy debates in South Africa -involving a range of consultative and participatory processes with NEDLAC stakeholders, policy makers, experts/academics and civil society activists. Some of the key topics encompassing these debates relate to the design of South Africa's industrial policy - identified as a key aspect of state intervention to achieve the broader objective of economic development - and the specific policy instruments to be utilised in its implementation, the definitions and measures of poverty - to inform the design of policy and government interventions, and the elements necessary for redesigning our social protection system - as the bedrock of our human development project - aimed at enlarging people's choices, in particular the poor and vulnerable.

Over the period, we have undertaken our own broad consultative processes within civil society in order to shape our agenda for effectively engaging social partners and policy makers on socio-economic policy options and alternatives. This culminated in our Socio-Economic Policy Dialogue in May, which in itself has enriched our perspectives on a wide range of fronts. It is important that we highlight key issues in our radius screen.

### ***a) Industrial policy for pro-poor economic development***

In terms of South Africa's industrial development approach, we argue that industrial policy must be informed by our government's commitment to halve unemployment - specifically among unskilled and semi-skilled workers - and poverty rates by 2014. In this context, it's our view that the following principles should govern South Africa's industrial policy:

## NEDLAC Community Constituency Annual Summit Speech

- First, economic growth is best achieved through strategic integration into the global economy, based on a modulated tariff policy (designed to protect learning in dynamic sectors and new infant industries), export support and gradual capital account liberalisation (rather than blanket unilateral liberalisation). While tariffs are not the first-best policy option, the erosion of our policy space to develop and diversify the economy heightens the importance of a strategic tariff policy. Indeed, the exchange of reduced policy autonomy in the South for improved market access in the North is a bad bargain where development is concerned.<sup>1</sup>
- Second, economic policy can support industrial development and diversification by combining an expansionary fiscal policy that guarantees the resources to kickstart new economic activities with a monetary policy designed to support increased investment and growth in exports (this generally requires a lowering of real interest rates and support from development finance institutions). This must be coupled with a supply-oriented ‘productive development policy’ embracing, inter alia, technology policy, human resource development, physical infrastructural development and industrial organisation. Importantly, these policies should all be framed and evaluated in terms of their impact on the environment and ecology.
- Third, the high-technology export sector is leaving behind the larger low skills economic sectors characterised by fewer formal economy jobs and minimum skills development. What is required in addressing this fundamental dualism is, first, the orientation of investment towards the generation of high-end as well as low-end employment opportunities;

---

<sup>1</sup> See Dani Rodrik (2001) *The Global Governance of Trade As If Development Really Mattered*. New York: United Nations Development Programme (UNDP).

## **NEDLAC Community Constituency Annual Summit Speech**

second, the implementation of a package of social provisioning to compensate for the unavailability of wage labour opportunities or low-wage labour, and to stimulate the domestic economy.

- Fourth, employment opportunities should respond to the attributes and capabilities of the poor and marginalised (e.g. people with disabilities). It is our contention that the expansion and provision of social infrastructure - public transport, local roads, village wells/dams, urban and rural housing, schools, clinics, etc will create jobs for the poor at a larger scale that simultaneously contribute towards the (re)building of communities/people and the generation of skills.
- Fifth, in reducing inequalities the state has to promote the social economy to address ownership inequalities - through the establishment and promotion of cooperatives and other forms of social ownership.
- Finally, industrial policy needs to recognise the growth potential of the informal economy as an integral part of the overall growth trajectory and integrate the industrial and manufacturing needs of informal enterprises into a comprehensive industrial strategy. The informal economy should not be seen as a separate sector, but as part of the entire economy which has a formal and informal end. For example, there is little in common between a street vendor selling fruits and vegetables and a taxi-owner owning a fleet of minibus taxis but operating in the informal economy. Growing the informal economy thus requires a sectoral or industry by industry approach.

## NEDLAC Community Constituency Annual Summit Speech

### *b) A “national anti-poverty plan” for pro-poor development*

Furthermore, recent national engagements about developing official poverty measures for South Africa - led by the National Treasury- and the development of a comprehensive social security framework - led by the Department of Social Development - have revived social policy debates in South Africa since the Taylor Commission Report in 2000.

The concept, definition and measurement of poverty in a society is like a mirror-image of the ideals of that society: in conceptualising, defining and measuring what is unacceptable in a society is projecting development perspective. It is therefore vital that we move beyond concepts to concrete realities of our times.

On the other hand, some people might say that arguing about definitions and measures of poverty is splitting hairs: that in a country such as South Africa, the presence of poverty is so obvious that there is no reason to undergo complicated processes to measure and quantify poverty - instead we should be concentrating on doing something to eradicate the causes of poverty and to alleviate its effects.

While the existence of poverty might be all too clear, it is also true that government is currently directing billions of rands to social spending - and specifically on spending that is directed at poor people, such as the social grants programme. However, being able to measure aspects of poverty helps ground debate, and is essential as part of the design of policy and government interventions. Clarifying what we mean by poverty can contribute to effective poverty eradication in the following ways:

## **NEDLAC Community Constituency Annual Summit Speech**

- By being able to measure poverty we can also begin to map geographically where poverty is more severe and so direct resources accordingly.
- By understanding the various dimensions of deprivations experienced by people living in poverty government can focus its resources on specific programmes, such as housing, basic services etc.
- By having a poverty measure we are able at appropriate intervals to evaluate whether the poverty programmes are being effective and moving people out of poverty and improving their well-being, both in the short term and over an extended period of time.
- By placing information about the levels of poverty and the resultant inequality in South Africa in the public domain we can build a national commitment to eradicate poverty that goes beyond government.

Hence, we need to develop measures that are based on empirical evidence of the nature, causes and real impact of poverty on the lives and potential livelihood strategies that people will be able to pursue both now and in the medium to long term.

Accordingly, what policy makers, researchers, academics and social partners need to focus on producing in the immediate future entails:

- Developing a “New Deal” national anti-poverty plan that addresses the following aspects:
  - An acceptable definition of poverty consistent with the South African Bill of Rights and measures of this definition that provide for an acceptable basic platform of goods and services as well as lend themselves to regular monitoring through the various surveys that are undertaken by Statistics South Africa.

## **NEDLAC Community Constituency Annual Summit Speech**

- An equally robust definition of “anti-poverty”, “poverty eradication”, “poverty alleviation” and “pro-poor” to ensure consistency in the formulation of policies.
- The setting of clear immediate poverty alleviating objectives which seek to focus on addressing peoples actual needs today based on where they are, what they have access to and what they lack in order to provide a basic platform for a decent existence.
- Medium and long term poverty eradication objectives that take account of people’s potentials.
- The development of empirically based policies that enable people to develop towards these clearly articulated objectives. These policies need to set out the various activities and responsibilities for all relevant actors in reaching these objectives.
- The development of appropriate and efficient monitoring and evaluation mechanisms to ensure effective feedback on the attainment or failure of the milestones necessary for the attainment of these objectives, which will allow for early warning mechanisms for the need to review policies that are not sufficiently achieving the necessary milestones.

In order for this to be developed, we need to:

- End the ideological dismissal of social spending being wasted expenditure and instead view it as an investment in the human capital of the nation.
- Be guided by the socio-economic rights of citizens enshrined in the Bill of Rights of our Constitution.
- Move away from the tendency to juxtapose the concepts of a “developmental” and a “welfare” state. Arising from this point, one cannot develop a nation or a country without ensuring that the basic needs of the people are addressed. A people centred developmental

## **NEDLAC Community Constituency Annual Summit Speech**

state needs to provide for the well being of everybody in a fair and inclusive way.

- Develop a national poverty line that provides for a comprehensive basket of basic goods and services necessary to live a decent life in South Africa, and commit that no one should live below this standard of living.
- Develop as a platform a comprehensive social protection system that includes not only arrangements for contributory social insurance for those who are able to contribute but who currently fall outside of the established contributory institutional arrangements, but also basic social assistance to address the needs of those who are not able currently to contribute to any such insurance.
- Reject as being unambitious the Millennium Development Goals of only halving poverty and inequality by 2015.
- Accept that we will not be able to achieve the defined objectives immediately, but develop through a transparent and consultative process, a sequencing of the various stages required to roll out an appropriate and comprehensive anti-poverty plan for the country.

### ***c) A comprehensive social protection system for Human Development***

With regards to our social security system, the Department of Social Development has authored a discussion document entitled “linking social grant beneficiaries to poverty alleviation and economic activity”, which was released for public comment towards the end of 2006.

Whilst we embrace the overarching theme of the discussion document - which is to combine a mixture of social policy and economic policy instruments to addressing the scourge of income poverty, the document’s proposal of linking grants to economic activity betrays a fundamental misunderstanding of the assumptions informing the current social grants system in SA. The main grants



## NEDLAC Community Constituency Annual Summit Speech

still reflect the underlying assumption that shaped policies in post World War Two European social welfare experiments - i.e. that such “relief” or “support” is available to those citizens who are not able or who cannot reasonably be expected to earn waged or salary incomes. In other words, it implies an economy that provides full employment which functions as the mainstay of livelihoods. The main social grants in SA (old age pension, child support grant, and disability grant account for the vast majority of persons receiving cash grants) still fit that mould, even if their social functions have changed dramatically. “Linking grants to economic activity” disregards this fundamental characteristic of SA’s main social grants currently.

Furthermore, some of the strategies posited are also problematic. For example, suggestions for integrating grant beneficiaries into labour-intensive employment opportunities/schemes are oblivious of the approximately 1.8 million unemployed persons living in zero-income households receiving no incomes at all<sup>2</sup>. Meanwhile, proposals to “re-assessing beneficiaries of the disability grants and ways explored to get them employed” seem to deflect attention away from the equally important attention-grabbing topic of the adequacy of the grant in meeting the highly varied needs of those classified as disabled. For example, evidence<sup>3</sup> suggests that there are more than a million disabled children in the country, whilst only 78 000 care dependency grants were made in 2004. This suggests that there is clearly a huge unmet need. The question that arises is to what extent are the needs of those who actually receive the grant met?

The proposal also implies that a distinction be drawn between the “deserving” and the “undeserving” poor, i.e. those who are willing to “earn” support or

---

<sup>2</sup> Meth, C. (2006) Income poverty in 2004: A second engagement with the recent van der Berg *et al* figures: Working paper 47, September 2006

<sup>3</sup> Salojee, G. (2006) Unmet health, welfare and educational needs of disabled children in an impoverished South African peri-urban township, *Child: Care, Health and Development* 0 (0), Online version published by Blackwell, 15 June 2006.

## NEDLAC Community Constituency Annual Summit Speech

relief, and those sunk in supposed helpless dependency. Such an approach finds no support in progressive research and analytical literature on poverty, poverty reduction and welfare strategy. Also unbecoming, is the underlying thrust of this proposal - which is that assistance to the poor be mediated - “rationalized”, if you like - through the workings of the market. The philosophical positions implicit in such approaches are a far cry from those that informed the Freedom Charter and, later, the Reconstruction and Development Programme.

Whilst, appreciating the fact that job creation is desperately needed, given the surfeit of working poor, the porous division between formal and informal employment, and the resolute grab-back of workers’ benefits by employers, a job often does not ensure the rudiments of well-being—a secure living income, affordable access to essential services and insurance, food security, etc. As the AIDS epidemic peaks, our perspective needs to broaden to take in the entirety of the challenge. The jobs ‘debate’ has become something of a proxy for what should be a debate about social rights and about the *various* ways of realising them in a society in which millions are impoverished in the midst of abundance.

In this context, we argue for a redesigned social protection system which is comprehensive and inclusive rather than exclusive - channelling outsiders of the current social security system to become insiders - promoting people’s inclusive participation in the economy and society.

The main features of this social protection system include:

- Directing resources to maintain minimum living standards of all people
- Supporting living standards - preventing reversal of living standards through poverty relief and income insurance
- Reduction of inequality through explicit forms of redistribution

## **NEDLAC Community Constituency Annual Summit Speech**

- Facilitating social inclusion should be facilitated by preserving dignity and social participation based on social support
- An administratively feasible system - free from corruption and easy to access

**Extending the Child Support Grant** - The South African Constitution defines children as those up to the age of 18, but 14 to 18 years olds are not yet included as beneficiaries of the Child Support Grant. For legal as well as rational reasons the CSG should be extended to children under 18. We recommend additional specific measures for child headed households. The General Household Survey (2006) and Statistics South Africa (2005) suggest that there are more than 100 000 child-run households with no social protection. It is our recommendation that a framework which considers how we can draw child headed families into the social security net be urgently identified. (Or, the implementation of a universal Child Support Grant should be explored as an administratively easier option).

**Equalising the Old Age Pension** - The equalisation of the Old Age Pension will change the current social exclusion of elderly males from social protection, which has been based on gendered assumptions about males lesser role and/or ability to care for their family and community.

**Removing the means test** - We would encourage the removal of means testing for indigent people, affording people the dignity they deserve and the social cohesion and support that has become the vocabulary of 2007. In the context of high levels of poverty, it has been argued that the administrative costs of means testing are not too different from the additional costs of grants given to those previously excluded by the means test.

## **NEDLAC Community Constituency Annual Summit Speech**

**Measuring real progress** - We must measure real progress made in the challenge against poverty and underdevelopment and, by so doing, identify the real challenges.

**Investigate alternatives** - There is clearly a need for extensive research to be undertaken in regard to the potential alternatives to the design of a truly comprehensive social security package for South Africa before any decisions are taken with regard to the said design.

Furthermore, a comprehensive social protection strategy recognises poor people's right to the delivery of essential or basic services, e.g. water, electricity, health, etc. The increase use of cost recovery mechanisms by local municipalities and city councils continue to compromise poor people's access to basic services - turning such services into market commodities - resulting into widespread disconnections and evictions.

Poor people's access to quality health care is of paramount importance especially in the context of the rampant HIV and AIDS infection rates. Recent data of domestic HIV and AIDS patterns suggests that more than 550,000 are being infected with HIV each year (ASSA, 2005). Some 5.5m [4.9 million - 6.1 million] people, including 240 000 [93,000-500,000] children younger than 15 years, were living with HIV in 2005 (UNAIDS, 2006).<sup>4</sup> Roughly one in five adults (19%) is infected with HIV.

The latest official mortality data show South Africans are dying in unprecedented numbers and at exceptional rates. Total deaths (from all causes) in South Africa increased by 79% from 1997 to 2004 (from 316 505 to

---

<sup>4</sup> UNAIDS (2006). *Report on the global AIDS epidemic*. UNAIDS, Geneva. Current HIV prevalence estimates of WHO, UNAIDS, ASSA and HSRC are in broad agreement on the numbers and percentage of persons living with HIV in SA. Thus ASSA (2005) estimated that 5.2m people were HIV-positive in 2005

## NEDLAC Community Constituency Annual Summit Speech

567 488) (Statistics SA, 2005 & 2006).<sup>5</sup> Death rates for women aged 20-39 years more than tripled and for males aged 30-44 they more than doubled over that period. A large proportion of deaths - more than 40% by several estimations - is attributable to the AIDS epidemic (Anderson and Phillips, 2006; Actuarial Society of South Africa, 2005; Medical Research Council, 2005; Bradshaw et al., 2004; Dorrington et al., 2001).<sup>6</sup> The increasing death toll has driven average life expectancy below 50 years in four provinces (Eastern Cape, Free State, KwaZulu-Natal, Mpumalanga) (ASSA, 2005). Without further expansion of antiretroviral treatment, ASSA (2005) estimates that some 390,000 people in South Africa would die of AIDS in 2010.

Another important feature of a comprehensive social protection strategy is to create assets for the poor. We argue that service delivery should not be confused with creating an asset base for the poor, or creating an environment to create assets. For example, having sanitation or electricity cannot be considered a stock from which flows are derived, or as a cushion in times of crises. Most aspects of service delivery are in fact not intended at creating assets, but rather extending access. For instance, water delivery often based on having a yard-tap, might arguably satisfy water needs but is not an adequate supply for irrigation. Nonetheless, delivery would have been achieved in this case, and an addition would have been made to the delivery statistics. This is not a response to improving access, as having a supply of water is associated with higher levels of health, improved nutritional status and the elimination of disease. The same could be argued for electricity delivery,

---

<sup>5</sup> Statistics South Africa (2005). Mortality and causes of death in South Africa, 1997–2003: Findings from death notification. Pretoria. Available at: <http://www.statssa.gov.za/publications/P03093/P03093.pdf>; Statistics South Africa (2006). Mortality and causes of death in South Africa, 2003 and 2004: Findings from death notification. Statistics South Africa. Pretoria.

<sup>6</sup> Anderson BA & Phillips HE (2006). *Adult mortality (age 15-64) based on death notification data in South Africa: 1997-2004*. Report No. 03-09-05. Pretoria, Statistics South Africa; Actuarial Society of South Africa (2005). *ASSA 2003 AIDS and demographic model*. Cape Town, ASSA; Medical Research Council (2005). *South African national burden of disease study 2000*. Medical Research Council. Cape Town. Available at: <http://www.mrc.ac.za/bod/reports.htm>; Bradshaw D et al. (2004). Unabated rise in number of adult deaths in South Africa. *South African Medical Journal*; 94(4): 278-279; Dorrington R et al. (2001). *The impact of HIV/AIDS on adult mortality in South Africa*. September. Medical Research Council. Available at <http://www.mrc.ac.za/bod/>.

## **NEDLAC Community Constituency Annual Summit Speech**

which has significant social multipliers. However, improved levels of access without supporting livelihood strategies do not feed into a system of delivery that reduces poverty.

### ***d) What then are the policy implications?***

Finally, as the Community Constituency, we support the call for a joined-up policy approach to government's economic and social policy instruments. We have long been arguing that the linkages between government's economic indicators and the broader development and poverty reduction targets are not always clearly established.

As a matter of fact, the progressive nature of government's social policy programmes is often compromised by open-'free' market economic policy choices advanced by the economic departments of government. At the heart of this compromise lies the contradiction inherent in the government's drive to liberalise the economy, e.g. adopting a 'free trade' regime - as the sine-quo non for economic growth - yet also claim that this economic liberalization path can accommodate anti-poverty objectives. Evidence shows that economic liberalization increases the chances of poverty owing to its negative effects. For example, economic liberalization can affect aggregate real wages, unemployment, underemployment, distributional patterns, etc.

In this context, we argue that there is no fundamental reason to pursue economic growth as a primary objective of policy, or to consider it as the key indicator of economic performance. Economic growth does not, in itself, make people's lives any better. For example, GDP growth calculations exclude unpaid work - since money does not change hands; the non-financial aspects of well-being such as working time, more importantly calculations take no account of the distribution of income. Further problems develop when we

## NEDLAC Community Constituency Annual Summit Speech

consider the environmental aspects of economic growth. We can fuel growth literally by chopping and burning forests, or by drilling and burning oil, but growth calculations take no account of the destruction of natural resources or the state of the resource base.

Meanwhile, international research abounds with examples of developing countries experiencing low levels of economic growth with high material quality of life indicators. One such example is the Indian state of Kerala, which achieved significantly high quality of life statistics in 1997. With a 1997 per capita income of \$324, Kerala had a literacy rate of 91% versus 65% for all-India. Kerala's life expectancy was 67 for males and 72 for females, versus 62 and 63 for all-India, and Kerala's infant mortality rate was 13 per thousand compared with 65 for all-India. The Indian birth rate of 29 per thousand women of child-bearing age contrasts with 18 in Kerala. More interestingly, the average Keralite lived on the equivalent of US\$1,371; lower than the all-India figure of \$1,650.<sup>7</sup> The question is how did Kerala achieve such high quality of life indicators with such low income levels? Part of the answer is redistribution: in Kerala education, health, and access to food are all more evenly distributed than in the rest of India. In the South African context, there is definitely room for a wider redistributive strategy if a strong link between economic growth and development is to be sustained. It most certainly means increased levels of revenue, but also major improvements in the design of redistributive programmes. This requires us focusing on the need for a comprehensive development strategy.

In practice, the question is not whether our policy objective should be economic growth or no growth, rather the question is whether economic policies should aim to maximize total income, and hope for poverty reduction as a by-product, or whether they should aim more specifically to increase the

---

<sup>7</sup> Franke, R. (2001) *Fueling Economic Growth Through Democratic Participation: Three lessons from Kerala, India*: Presentation to Chautauqua Institution Lecture Series, Week Seven, and 10 August 2001.

## **NEDLAC Community Constituency Annual Summit Speech**

incomes of the poorer households and treat growth (or the lack of it) as a by-product.

Forward the Freedom Charter -Forward- the Reconstruction and Development Programme.

Thank you

---

**END**

---