Third World Quarterly, Vol 22, No 4, pp 505–527, 2001

Overcoming apartheid's legacy: the ascendancy of neoliberalism in South Africa's anti-poverty strategy

FANTU CHERU

ABSTRACT *Poverty in South Africa is intertwined with a host of social and economic issues. The burden of poverty is exacerbated by limited access to basic services, poor housing, limited employment opportunities and inadequate infrastructure, which are an outcome of the terrible legacies of apartheid. During its first year in office, the ANC-dominated government officially endorsed a policy of 'growth from redistribution', whereby a strong state and a strong market were expected to serve as vehicles for generating growth and reducing poverty and inequality. By 1996, however, the government had embraced a standard neoliberal strategy as a central piece of its anti-poverty strategy. This article examines the potential contradictions between what appears to be on the surface progressive social policy on the one hand, and on the other, the implementation of aggressive neoliberal strategies of privatisation, liberalisation and deficit reduction to stimulate the economy and create jobs. This heavy reliance on market-led solutions is a high risk strategy, since there exists no example internationally where neoliberal adjustment of the sort championed by President Thabo Mbeki and Finance Minister Trevor Manual has produced a socially progressive outcome, especially in a country like South Africa, which is marked by extreme disparity and poverty.*

South Africa is a very unequal society, consisting of a highly developed, 'first world' sector on the one hand and an underdeveloped, 'third-world' sector on the other. Racial and class differences generally coincide; most members of the wealthy minority are white, and most members of the poor majority are black. A closer examination of the South African Human Development Index (HDI) shows the depth of these inequalities. While the overall score for the country is 0.63, whites score 0.878 while blacks score 0.462. Whites' score on the HDI is roughly equivalent to that of Spain, while that of the black majority is similar to that of Congo-Brazzaville (Friedman, 1998: 3–4). If 'white' South Africa were a separate country, it would rank 24th out of 180 countries, while 'black' South Africa would rank 123rd. According to its Gini-coefficient, of 0.58 (which measures the degree of inequality), South Africa is only second to Brazil, which at 0.63 has the worst inequality among similar middle-income countries

Fantu Cheru is at the School of International Service, American University, 4400 Massachusetts Avenue, NW, Washington, DC 20016, USA. Email: MalkomC@aol.com.

ISSN 0143-6597 print/ISSN 1360-2241 online/01/040505-23
DOI: 10.1080/01436590120071768

(Whiteford & McGrath, 1994; UNDP, 1997). This, said President Mbeki, 'represents a scale of human suffering and wretchedness which, by any standard, is impermissible'. (Mbeki, 1998: 143). This inequality, historically determined by the apartheid policies of the previous government, continues to be the source of poverty today.

The scale and depth of poverty in South Africa

Estimates of the incidence and depth of poverty in South Africa vary. Figures have ranged from over 56% of the population to just over 36% living in poverty. Roughly 53% of the South African population were living in poverty and earned less than R301 (or $50) a month in 1995 according to the Reconstruction and Development Plan Office (Government of South Africa, 1995). Based on consumption expenditure levels consistent with the minimum level of food intake, which usually defines the 'absolute poverty' level, it is estimated that about 40% of the South African population may be considered poor. This translates into 3 126 000 households or more than 18 million citizens living below the poverty line.

Poverty is not confined to any one racial group, but it is heavily concentrated among black people: 61% of 'Africans' and 38% of 'Coloureds' are poor, compared with 5% of 'Indians' and 1% of Whites. In the 1990s 'Africans' still earned only 20% of what Whites earned. Looking at the expenditure shares, the lowest 40% of households account for only 11% of consumption, while the richest 10% of households account for over 40% of consumption.

Besides race, poverty in South Africa also has a gender dimension. Overall, the poverty rate among female-headed households is 60% compared with 31% for male-headed households—underlining the need to target especially African women in welfare, job creation, and training and small business development programs.[1] Of the eight to nine million regarded as completely destitute, the majority are women.

While roughly 50% of the population of South Africa is rural, the rural areas contain 72% of those members of the total population who are poor. These are mostly women with children. In addition, poverty is distributed unevenly among the provinces. Provincial poverty rates are high for the Eastern Cape (71%), Free State (63%), Northwest (62%), Northern Province (59%) and Mpumalanga (57%), and lowest for Gauteng (17%). According to the *Poverty and Inequality in South Africa* report (1998), it would require R28 billion merely to increase the income of those South Africans living below the poverty line to R353 per month. Fully 76% of this money would have to be spent in rural areas (Government of South Africa, 1998).

Following the first democratic elections in 1994, the new African National Congress (ANC) government has placed the need to address poverty and inequality firmly at the centre of its transformation agenda. This is reflected in the poverty audits that have been undertaken, as well as in the range of policy documents and strategies developed in the first five years of its administration. President Mbeki has further reinforced this with his challenge to the nation to create 'a caring society without regard to race, color or disability.' (Mbeki, 1999). How the government is facing up to this challenge is the subject we now turn to.

From RDP to GEAR: the ascendancy of neoliberalism

Since 1994, the ANC government has instituted numerous measures to rectify the legacies of apartheid. *The White Paper on Reconstruction and Development* formed the overarching strategy of government to redress the economic legacies of apartheid (Government of South Africa, 1996a). The major stated goals of the RDP were to:

- eliminate poverty and inequalities generated by decades of apartheid;
- raise living standards and develop human resource capacity;
- address imbalances and structural problems in the economy and labour markets;
- end discrimination in business;
- establish a living wage;
- address economic imbalances in southern Africa and develop a prosperous and balanced regional economy.

It was expected that the RDP would provide the impetus required for transforming public service activities and to direct expenditure towards the government's development priorities. It set out an unequivocal set of targets (see Figure 1). And indeed, in its two years of existence, the RDP office, which was located at the office of the Deputy President, registered major accomplishments before the government decided to terminate the programme in 1996. Most impressive were the connection of electricity to 1.3 million homes and one million new water supply connections (in both cases on strict commercial terms). The housing department claimed (in 1997) that some 193 000 houses were built, compared with the 40 000 built in 1996. A primary school feeding scheme to combat malnutrition among children was operating in 12 3000 schools, free medical care was available to pregnant women and children younger than six years, and 297 new primary health care clinics were built in rural areas. Almost 500 public works programmes were launched, providing temporary employment for 30 000 people while several hundred municipal upgrading projects were started in townships.

The RDP experiment in demand-side stimulation, however, was soon replaced with a supply-side approach when the economic climate became unfavorable to sustain such an ambitious initiative. The RDP was therefore subsequently re-articulated in the form of the *Growth, Employment and Redistribution Strategy* (GEAR—Department of Finance, 1996) and various sectoral White Papers. Part of the reason given by government was that the RDP functioned not as a development framework, but as an aggregation of social policies designed to alleviate poverty without affecting the complex of economic policies and practices that reproduce poverty and inequality.

For outside observers, the premature abandonment of the RDP by the ANC in favour of GEAR may appear a sudden break from the past. In reality, however, the ideological downshifting actually dates back to the pre-election period (1990–94), when the ANC leadership made a strategic surrender on the economic front. Although political power was handed to blacks, economic policy followed

FIGURE 1
RDP targets

- Creating 2.5 million jobs in 10 years;
- Building one million low-cost houses by the year 2000;
- Providing electricity to 2.5 million homes by the year 2000;
- Providing potable water and sewage systems to one million households;
- Redistributing 30% of arable agricultural land to black farmers within five years;
- Shifting the health system from curative services to primary health care, with free medical services at state facilities for children under six years and pregnant mothers;
- Providing 10 years of compulsory, free education, as well as revising the curriculum, reducing class sizes and instituting adult basic education and training programmes;
- Democratising and restructuring state institutions to reflect the racial class and gender composition of society.

the same neoliberal restructuring that began in the mid-1980s under the National Party of FW De Klerk. The prevailing view in government circles was that economic growth should be translated into redistribution of incomes and opportunities through appropriate social development programmes, economic empowerment and deliberate promotion of employment creation (Government of South Africa, 1998: 53). In so doing, the government hoped to replicate the successful experiences of the newly industrialising countries (NICs) of East Asia which had managed to reduce poverty and inequality drastically in a few short years.

Promoting economic development: macroeconomic stability

A key step forward in establishing the macroeconomic framework was taken with the publication of the GEAR in June 1996. The GEAR, which the government has tried to present as the macroeconomic policy side of RDP, has largely focused on attacking structural inequalities and eradicating poverty through market-led economic growth and reprioritisation of government budget in favour of disadvantaged communities. The strategy emphasises the need for improved growth performance to sustain the government's social and developmental programmes through fiscal discipline, monetary policy and the restructuring of state assets, in order to increase the competitiveness of the economy (Department of Finance, 1996).

The GEAR also emphasises the importance of redistribution in government expenditure priorities and the role of sectoral policies in meeting basic needs and improving services to previously disadvantaged people and the poor. It is widely believed in official circles that public spending channelled to employment-intensive activities can contribute to job creation, although this cannot address the entire shortfall in the labour market. Policies aimed at strengthening job creation in the private sector take time to bear fruit, but such market-related employment has the advantage of being self-sustaining.

Time and space do not permit a detailed critique of GEAR (for this, see Bond, 2000). Despite attempts by its architects to present it as a strategy more in line with the NICs model than with the much discredited 'Washington Consensus', GEAR bears little resemblance to the state-led mixed-economy approach widely practiced in Taiwan, Singapore and South Korea. The government's obsession with deficit reduction, containing inflation, restructuring state assets and tax reform has no direct bearing on the achievement of GEAR's growth and employment targets. Over the three-year period 1996–98, virtually all GEAR's targets were missed.[2] For example, GEAR projected that 650 000 jobs would be created between 1996–98, when in reality about 300 000 jobs were lost. Its much anticipated massive increase in private investment has not materialised, and productivity increases have been hampered by the shortage of skilled people in both the public and private sectors (ANC, 1998b).

The Asian NICs, on the other hand, succeeded in reducing poverty in the early phase of their industrialisation, not by relying on market-led solutions alone, but by putting emphasis on land reform, reducing income inequalities, and investing heavily in education, and by establishing linkages between the rural and the urban economy to redress unmet basic needs. In addition, the Asian NICs also protected their infant industries until they had developed a competitive niche in exports. Wholesale privatisation of state assets was avoided, and workers affected by privatisation were retrained instead of being retrenched, as is the case now in South Africa. Furthermore, exchange controls were put in place. The effort in the initial years had been on developing the 'basic needs' economy before these countries embarked on production for the export market. In so doing, they achieved rapid economic growth without incurring high debts and high human costs.

The above observation regarding the cataclysmic failure of GEAR as the basis for South Africa's 'transformation' strategy should be kept in mind when examining the viability of the government's national anti-poverty strategy. It is safe to say from the outset that, in cases where clear social gains have been registered since 1994, (eg provision of water supply and education), these are the results of direct and concerted government intervention (in the face of budget reductions) rather than an outcome of the magic of the market place.

Expansion of public sector investment spending in economic and social infrastructure

In addition to liberalisation of the economy, the government's macroeconomic framework provided for a marked acceleration in investment spending. This partly reflects the need for transport, energy and communications infrastructure associated with increased trade and industrial activity. In addition, social infrastructure development—specifically in housing, water supply, health and education—forms part of the government's commitment to providing basic services and meeting the basic needs of the majority of the poor (Department of Finance, 1999).

On close examination, however, social infrastructure development has largely been achieved not through the significant commitment of new resources in the budget, but rather through the re-prioritisation of the existing budget allocations and by relying more on market-driven delivery mechanisms. The expansion of public sector investment spending in economic and social infrastructure has focused on the following.

Water supply and sanitation. Inadequate water supply and sanitation is seen by the government as one of the major symptoms of poverty and underdevelopment While white areas have access to first-world standards of service, severely crowded townships and rural areas lack basic essential services such as water and sanitation. According to the Census, 55% of South Africans do not access water via an inside tap; the majority of these are in rural areas. Also, 12% of South Africans, mostly in rural areas, have no formal toilet facilities, with only half of households using flush toilets (Department of Statistics, 1998). Use of electricity for various purposes is very limited among black Africans and to some extent among Coloureds.

To address the backlog, a new Department of Water Affairs and Forestry was established in March 1994, assuming responsibility for providing water to communities. In the first five years of democratic government, the programme has brought basic water supplies to over four and a half million people. Projects are underway to increase this to seven million (out of an estimated initial backlog of 12 million). Pilot sanitation programmes, while not making nearly as large a dent on the similarly large sanitation backlog, have nevertheless produced a concrete strategy through the experiences of 250 local projects.[3] Critically, these activities are conceived and executed as a local government support programme rather than as an independent central government intervention. This reflects the policy as well as the constitutional imperative, which recognises that responsibility for the provision of such service is best located at the local level (Department of Water Affairs, 1994; 1996). At the same time, the debate on the privatisation of water services has raised doubts about the sincerity of government commitment towards the poor.

A good example of the problem of water privatisation is the recent cholera outbreak in KwaZulu-Natal. Water supply cuts to people who were too poor to pay their accounts had resulted in the deaths of 32 people by 25 October 2000. The number of cholera cases reported in the area has risen to 3711 and the number is rising daily at the time of this writing. Water was available free of charge in the Mpendle area in KwaZulu-Natal from the early 1980s after tap water supplies were laid on by the apartheid government following a severe drought. The free water supply was, however, terminated recently as a result of cost recovery systems implemented by the local water board in the area in accordance with the government's GEAR strategy. The poor who could not afford to pay had to resort to polluted river water to meet their needs and this, according to the Ministry of Water Affairs and Forestry, contributed to the cholera outbreak. In the wake of local government elections promised by the ANC, the Inkhatha Freedom Party and the Democratic Alliance Party have promised free access to basic services (van der Westhuizen, 2000). Whether this is pure political opportunism or a real commitment to provide basic services to the poor remains to be seen.

Housing. Accelerating the delivery of housing has been a major government priority since 1994. The *White Paper on Housing* provides a long-term framework for institutional arrangements, funding and delivery. The aim is to entice banks and developers into providing low-cost housing through subsidies and mortgage guarantees. The main state actor in this sector is the Department of Housing. Other actors include the Development Bank of Southern Africa (DBSA), the National Housing Finance Corporation, NGOs specialising in low-income housing projects, and commercial financial institutions. Implementation is largely concentrated in the private sector, with the Department of Housing playing a more limited overseeing and monitoring role.

However, large-scale delivery of housing has not occurred because the policy is market-driven, not people-driven, and is co-ordinated by bankers. The World Bank and the Urban Foundation—a corporate sponsored think-tank that went out of business recently—have been particularly influential in the evolution of a market-driven housing strategy in South Africa (Bond, 2000). Since 1994 some 600 000 cheap houses eligible for government subsidy have either been built or are under construction, and about 25 000 have been completed. A further 250 000 housing subsidies had been granted for projected housing schemes by May 1998. This is a far cry from the one million low-cost houses that were envisaged under the RDP. On the whole, however, what passes now as housing policy is simply 'toilets-in-the-bush''part of a site-and-services programme, in addition to government subsidy and loan guarantee schemes. About 2.6 million houses are still needed for the roughly seven million South Africans living in shanty settlements (Cheru, 1997: 229).

It is not possible here to delve into the profound failure of transition politics in the housing field, which can be traced back to the very hard ideological positions taken by late apartheid state agencies and liberal capitalists, and was exacerbated by inadequate and inconsistent ANC staff attention, cemented through the 'coerced harmony' of the kind of bogus social contract formation in the period preceding democratic rule (Bond, 2000: ch 4). The social contract ruled out social housing to 'kick-start' the economy as an alternative, and instead focused on sites-and-services schemes and making credit available to the poor using market-based criteria. In some respects, the policy represented a continuation of the 'deracialisation' policy in housing that began under the de Klerk era and whose aim was to evolve apartheid racial segregation into class-based segregation. The policy was largely drawn from the work done by the Urban Foundation and the Independent Development Trust, which experimented with site-and-services and low-income housing credit schemes mediated by the private sector. This strategy, however, did little to change the geography of urban apartheid or the structural causes of poverty and homelessness in South Africa. The post-1994 housing policy has simply followed the same lines. And with the ascendancy of neoliberal strategy, the role of community groups has been reduced.

Considering the limits of the current market-driven housing policy, the government needs to invest directly in a public-sector housing programme, focusing on the poor without having to rely on financial institutions. This can be achieved only if the government enters the lower end of the market as a developer and provides rental stock for the marginalised sector for a specified period of time. This would involve provision of rental stock with an option to take ownership by repayment of a loan portion; loans directly through the housing budget and/or indirectly through the National Housing Finance Corporation; or by increasing the amounts available for people in lower income brackets and decreasing the allowances for those in the higher income brackets.

The missed opportunities of an alternative development model based on a housing 'kick-start' become obvious when one examines estimates of the job creation ability of the low-income housing process. The most optimistic scenario done by the National Manpower Commission has stated that for every R1 million invested in the building industry, 186 new job opportunities are created. On the more conservative side, the scenario produced by the Gauteng Provincial Government assumes that, for one house built, 22 direct person-days and 21 indirect person-days are created.[4] For example, during 1996, 164 055 houses were built or completed, which resulted in 3.77 million direct person-days and 3.45 million indirect person-days. If both totals are divided by 254 working days, this results in 13 671 direct jobs and 13 050 indirect jobs (Department of Housing, 1999).

Improving access to and quality of education. The South African education system comprises 12 million students, and almost half a million staff. Education expenditure absorbs 26% of the total government budget, but inequalities in spending under apartheid were such that in 1993 the spending on whites was over three times that on Africans. Since 1994, however, South Africa has introduced free and compulsory education for 10 years for all children. It is placing emphasis on non-formal education and early childhood development. Other cornerstones of the education strategy include dismantling racial and geographical disparities in service provision (Department of Education, 1995). The re-prioritisation between government departments and functions is one way in which the government is addressing the legacy of under-investment in people and past discrimination (Financial and Fiscal Commission, 1998).

Table 1 demonstrates that overall the level of public spending on education is higher than that of other middle-income countries in terms of its percentage of total government expenditure and percentage of GDP. This has remained on average 22.6% (Department of Finance, 1999). About 46% of the total education budget is spent on basic education. In real terms, the increase in expenditure on basic education between 1995 and 1996 was 12.8% (Financial and Fiscal Commission, 1998: 42). At the same time, there are serious challenges related to the quality of education. Much of the school system suffers from poor management, high repetition and absenteeism, inadequate work effort and considerable deficits in basic infrastructure and support materials. This is despite the fact that a disproportionate share of public funds is being channelled to poorer schools. A related critical issue in the context of high unemployment, particularly among youth, is the critical need for training in vocational areas, which is not being urgently addressed.

Improving access to health services. Expenditure on health comprises about 8% of GDP, with 60% of funding from the private sector. The bulk of spending is on tertiary health care, with 20% of the total population on medical aid schemes. Only about 12% of public sector health spending accounts for primary health care. The immunisation rate is also slow to increase. The quality of and access to health care facilities and provisions also differ by provinces (Department of

TABLE 1
Consolidated national and provincial spending by function, 1998/99 to 1999/00

	1998/99 (R millions)	*As % of total*	*1999/00 (R millions)*	*As % of total*
Consolidated expenditure	206 996	100.0	219 602	100.0
Social services	98 814	47.7	103 708	47.7
Education	46 347	22.4	48 532	22.3
Health	23 220	11.2	24 036	11.7
Welfare	19 262	9.3	19 817	8.9
Housing and community development	8534	4.1	9855	4.1
Other social services	1431	0.7	1469	0.7

Sources: Department of Finance, *Budget Review 1999*, calculated from Table 5.8, p 132.

Welfare, 1997a: 5).

The most important policy goal of the government has been to shift resources from tertiary and secondary to primary health care, resulting in greater proportional expenditure on primary health care clinics and less on provincial and academic hospitals. The District Health System is viewed as the key to the transformation of the health sector and for expanding services to rural areas. Provinces are, therefore, instructed to make this shift in their budgets (Department of Health, 1997). The most notable achievement has been free health care services for expectant mothers and children under six years of age. Similarly, the government's HIV/AIDS initiatives, particularly those focused on poor communities have placed an emphasis on reaching women both for preventive, treatment and support dimensions of the programmes.

One should not minimise the achievements made in the social sector since 1994. At the same time, however, a lot more could have been done in the initial years since there existed a 'window of opportunity' to generate new revenues from the white middle class and the domestic private sector. Regrettably, the ANC government was reluctant to levy new taxes on the well-off segments of society and the private sector to finance massive social infrastructure projects for fear of alienating these powerful forces. This would have been possible in the first three years following democratic rule, since most white South Africans were prepared to pay a one time 'reparation/reconciliation tax' for their past crime had the ANC government asked for it. It was a missed opportunity given the political climate of the time.

Indeed, in the initial years, a 5% RDP levy was imposed aimed at reducing the budget deficit and freeing funds for the RDP. In addition, a 1% payroll levy was imposed to fund skill development and training as part of an overall human development strategy (Department of Labour, 1997). But these were miniscule in comparison with what the government would have been able to collect had it gone after the private sector. With the passage of time, however, and with the recomposition of powerful social forces (which now include the new black elites), the government has bent over backwards to grant tax and other incentives to the very capitalist forces who benefited from the apartheid system. This strategy is based on the flawed assumption that the private sector should be the engine for growth and for eradicating mass poverty in South Africa.

Employment creation

Employment status is a key determinant of poverty. Unemployment in South Africa is very high and is of a structural nature, mainly because of misallocation of resources in the apartheid economy. The unemployment rate is estimated at 30%, but goes up to 55% for black South Africans (Government of South Africa, 1998). Even though job creation is a priority in South Africa, the rate at which jobs can be generated is limited by overall economic considerations, a shortage of skilled workers and high unemployment among the unskilled. New entrants to the labour market have increased to around 450 000 per year, and will rise to 600 000 per year over the next decade (Department of Finance, 1999). This is where social development in welfare has to play a major role, combined with the provision of social security as a safety net.

Government and the constituencies of civil society represented in the National Economic Development Labor Council (NEDLAC) reached an agreement during the Presidential Job Summit held in October 1998 to act in concert to create jobs and stable employment, as part of the broader strategy for providing a better life for all South Africans.[5] The central objective of the government's employment strategy is to increase the labour absorptive capacity of the economy. Under the auspices of the Department of Labour, a co-ordinated approach to the unemployment problem has been developed, focusing mainly on skill development, removing structural impediments to job creation and identifying key employment generating opportunities. Employment creation is, therefore, the aim of a range of industrial support policies, tourism promotion, small business development and agriculture support (see above).

Support for the small and medium business sector (SMME)

The government is aggressively diversifying the economy by promoting rapid industrial development, tourism and small business development. The latter sector was suppressed in the apartheid era because the regime did not want this sector to develop and absorb labour in competition with the large mining industry. However, since 1990 the sector has started to evolve on its own as a result of economic decline in the formal sector and the dismantling of restrictive apartheid laws. As early as 1995 there were more than 800 000 small, medium and micro enterprises in South Africa, providing jobs for about 3.8 million people. Beyond this figure, other micro enterprises provide jobs for 3.5 million people (UNDP, 1996: 2).

The democratic government has put into place measures to support the sector in a more formal way. In 1996 it issued *The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*. The Department of Trade and Industry (DTI) is responsible for promoting small business in the country. Two agencies—Khula and Ntsika—have been established to provide financial and expert support. Khula is an agency designed to assist small business through advice and mobilisation of resources. In its three years of existence, Khula has assisted 35 000 small, micro and medium enterprises through its micro finance programme. Its Credit Guarantee scheme assisted about 1000 small to medium businesses, creating 15 000 jobs.[6] The Small Business Development Corporation, one of several parastatals, also provides loans and equity investment to small business initiatives. These institutions have become vehicles for the poor to access economic opportunities (Department of Trade and Industry, 1995).

Land reform

South Africa's apartheid past has left the country with a skewed land distribution pattern, with far-reaching social and economic consequences. Therefore land reform constitutes a key component of the government's development strategy. At the same time, it has proven to be a sensitive and difficult area to address given that most of the stolen land has since been reinhabited and developed. The government's land policy is based on three initiatives: land redistribution to poor and disadvantaged people, land restitution to people who were deprived after 1913 because of racially discriminatory laws, and tenure reform (Department of Land Affairs, 1997).

The land redistribution programme is aimed at the poor, labour tenants, farm workers, women and emergent farmers. Applicants can obtain a Settlement/Land Acquisition Grant to buy and develop land, and the Department of Land Affairs provides planning funds of up to 9% of the grant. After a slow start, the programme has redistributed half a million hectares of land to some 200 000 beneficiaries.[7] The National Land Committee (NLC) says that less than 1% of South Africa's farmland has been redistributed to poor, black households. The target set by the ANC in 1994 was 30%.

Land restitution has turned out to be much more complex than was originally realised (Department of Land Affairs, 1998: 17). The purpose of land restitution is to compensate or restore land to people dispossessed by racially discriminatory legislation or practices after 19 July 1913. The Restitution of Land Rights Act (1994) gave content to the constitutional right to restitution. Of the 4000 land claims lodged with the Land Claims Court, 27 have been settled in favour of claimants, involving 168 000 ha of land and about 70 000 people (Department of Land Affairs, 1998).

The third leg of the land policy, tenure reform, aims to provide people with secure tenure where they live and to prevent arbitrary or unfair evictions. The major impact of the tenure policy has been on privately owned land, where some six million people are affected. These include farm workers, their families, and other people living on land with the consent of the owner.

The Land Reform Act of 1996 provides secure tenure to one of the most vulnerable rural groups—people who are employed on the basis that their main remuneration is the right to occupy and farm a piece of land. As a result, the unfair or unlawful evictions of labour tenants have virtually been halted, with major benefits to an estimated 250 000 people (Department of Land Affairs, 1998: 16). Furthermore, the Interim Protection of Informal Land Rights Act of 1996 ensures that holders of informal land rights, mainly in the former homeland areas, are recognised as stakeholders in land transactions and development projects on the land they occupy.

Finally, the Extension of Security of Tenure Act (1997) provides secure tenure for people living on other people's land in rural and peri-urban areas, and applies human rights standards to the relationship between owner and occupier. Work has now been finalised on developing a national Land Rights Monitoring System to determine the impact of legislation, and the related support systems on the tenure security of farm workers and labour tenants.

Needless to say, progress in land redistribution has been far below than what was envisaged under the RDP. Subject to the creeping influence of the World Bank (through its policy advice since the early 1990s), the ANC-dominated government has progressively brought its land policy in line with the market-driven approach long advocated by the Bank. This is a strategic mistake, since similar attempts by the World Bank in neighbouring Zimbabwe, Kenya and other developing countries have done little to alleviate rural misery and mass dislocation of peasants. Rural poverty in South Africa is being accentuated further by a clear lack of a comprehensive rural development strategy. The over-emphasis by the government and its multilateral supporters to transform South Africa in the image of the NICs of East Asia has resulted in the neglect of the potential contribution of rural development.

The picture that emerges from the foregoing analysis is that the ANC government's pre-election social transformation agenda has been severely compromised because of the influence of powerful local elites closely tied to transnational capital. Rhetorically, attempts were made by the government to align GEAR with the socially progressive objectives of the RDP. In reality, however, a tightly controlled macroeconomic balance—deficit reduction, keeping inflation low, privatisation, tax cuts and phasing out exchange controls—has taken precedence over redistribution. This has resulted in serious internal contradictions. The social infrastructure was to be expanded while public sector spending was drastically reduced. Job creation was presented as a significant objective while deficit reduction would require the shedding of hundreds and thousands of public sector jobs.

Despite these contradictory tendencies and persistent criticism from organised labour, the government has vowed to stay the course. In a three-day consultation convened in Pretoria by President Thabo Mbeki in early November 2000, where World Bank President James Wolfenson and the Deputy Director of the IMF participated, both the Bank and the IMF gave a 'thumbs-up' to the government's macroeconomic policy and advised it to intensify the pace of the reform. The government was further encouraged to repeal the labour law to make the economy competitive in world markets and to attract foreign investment into the country. The argument was that South Africa's competitiveness is hampered by high labour costs. When implemented, the policy is likely to result in the dismissal of thousands of workers while lowering wage rates and accentuating the problem of poverty in the country.

Welfare, social security and pro-poor social expenditure

Since 1994 the new democratic government has devoted large sums of money to the social sector, mainly through the re-prioritisation of the budget. However, this still needs to be monitored closely to ensure that programmes are well designed and well targeted to make a difference to the lives of the beneficiaries. Large expenditures on social programmes through increased taxes on the wealthy and through other means did not happen as initially anticipated. This is because concern for inflation and fiscal prudence have taken precedence over any frontal attack on mass unemployment, poverty and homelessness.

The national anti-poverty strategy includes a broad range of support for the poor. The *White Paper on Social Welfare* provides a policy framework within which this commitment is being realised. Welfare services comprise a wide range of developmental and community-based functions (comprehensive systems of social services, facilities, programmes and social security), including support for the non-governmental welfare sector (Department of Welfare, 1997b). Welfare financing at present is based on a subsidy system in which the government is considered to be a funder of services and not a purchaser of services.

Targeting poor people for government programmes occurs in a variety of ways. Three types of criteria are utilised: location, population and socioeconomic characteristics. Poverty relief programmes tend to target rural and urban areas that have a high prevalence of poverty (eg the Co-ordinated Municipal Infrastructure Programme, Community Rural Water Supply Programme, Clinic Building Programme, etc) (Department of Finance, 1999: 123–124). The programmes focus on women, children, youth and the aged—groups considered vulnerable to poverty. Some programmes are based on means tests such as social grants and the housing subsidy (Department of Welfare, 1998: 24).

In some instances, the government has opted for universal coverage over targeted coverage, ie of those where social returns from providing a particular service are high. This is true for basic education, primary nutrition and health care, maternal and child health care, and immunisation. Any individual in the public school system where the programmes exist can access them. Similarly, where there are significant spillover effects from a benefit, universal coverage has been opted for, eg old-age pensions.

In addition to government institutions, the welfare sector in South Africa has a large institutional infrastructure rooted in civil society. It is estimated that there are up to 10 000 organisations of civil society with a welfare and development focus. The government recognises the need to broaden the scope of partnership with the non-governmental welfare sector, particularly the current 'unfunded' welfare sector where historical imbalances still exist. The National Development Agency, which will assume the work of the Transitional National Development Trust, will channel government funds to organisations for programmes aimed at meeting the development needs of the poor and to strengthen their organisational and institution-building capacity (Department of Finance, 1998: 55).

Special employment programmes

The government has put in place labour-intensive infrastructural and special employment programmes intended to enable quick job creation, particularly for people who are at the low end of the labour market. These include ongoing capital projects and maintenance expenditure by government and public corporations on roads, telecommunications, regional water networks and electrification (Department of Finance, 1998: 46). The bulk of the funding goes for housing (R3.2 billion) and the Consolidated Municipal Infrastructrue Program (CMIP) (about $700 million). Labour-intensive programmes include:

- The CMIP, which provided grants to local authorities for bulk infrastructure works in low-income neighbourhoods and housing projects;
- The Community Based Public Works Programme (CBPWP) of the Department of Public Works, which provided mainly rural road maintenance and other local infrastructure needs;
- The Working for Water programme of the Department of Water Affairs and Forestry, which clears alien vegetation in water catchment areas;
- Rural Water Supply and Sanitation, which provides water services to formerly under-served communities;
- Support for social development and income-generating projects of non-governmental organisations and community-based organisations through the Transitional Development Trust and the National Development Agency. Through its Flagship Programme, the Department of Welfare provides economic development support to unemployed women and their young children living in rural areas. In 1998, 15 pilot projects were under the implementation phase in eight provinces. Participants earn two to three times more than they would have received in social security grants (Department of Welfare, 1998: 24).

According to the 1998 Medium-Term Budget Policy Statement, special employment programmes accounted for 300 000 jobs and were expected to add another 100 000 jobs over the period ending 2001. These programmes together created 50 000 temporary jobs, largely in poor communities. The 1999 Budget included R3 billion linked directly to job creation programmes (Department of Finance, 1998: 47). Much of the government's employment creation projects have explicit training components, and are aimed at strengthening small businesses and community organisations and will make lasting contributions to local infrastructure. It will take several more years to assess the actual impact of these programmes on the ground.

The government believes that public spending channelled to employment-intensive activities alone cannot address the entire shortfall in the labour market. Policies aimed at strengthening job creation in the private sector, although taking longer to bear fruit, have the advantage of being self-sustaining. Put simply, liberalisation and deregulation of the economy should be carried out further with greater intensity.

Social grants

Social assistance in the form of grants remains one of the most extensive forms of redistribution in South Africa. The Department of Welfare has ended legal disparities by race, changed access to grants and established a unified administrative system at the provincial level. Social grants are provided to over three million beneficiaries, representing income support to a large proportion of poor households. Social security absorbs 90% of the total welfare budget. Social grants provided an important safety net for the poorest households particularly in the rural areas. Social pensions can be used as collateral, infuse cash in rural areas and are gender sensitive. Overall, social grants have been found to be well targeted and decrease poverty and inequality (Department of Welfare, 1997a: 7).

The government is presently reorientating programmes and resources to support developmental income-generating programmes, promotion of family-centred and community-based programmes for children, youth and people with disabilities. The goal of the budget and programme re-prioritisation exercise is to use resources efficiently in order to reach out to as many poor people as possible.

Poverty Relief Fund

The main source of funding for the anti-poverty plan is through the budget, broadly as indicated in the public expenditure review above. There is, however, funding which is earmarked for specific poverty relief programmes above and beyond broad programmes targeted at meeting basic needs. In the 1994/1995 FY the government allocated funding through the RDP fund. This funding was earmarked for targeted spending on the most pressing poverty-related problems. An important component of this funding was the R250 million allocated for community-based public works programmes.

In 1997 the Minister of Finance allocated R300 million for special anti-poverty programmes. A further R203m has been allocated for the 1999–2003 budget years. Of this fund, R50 million was allocated to the Department of Welfare to support community-based social development projects. As a result of the success of this initiative, the Department of Finance allocated R800 million toward a multi-year Poverty Relief Fund (Department of Finance, 1998). This is over and above the money allocated to other sectors of the social services in the welfare budget.

Table 2 indicates round figures of funds which were allocated by the Department of Finance to poverty relief in different financial years. The purpose

TABLE 2
Poverty Relief Fund

Programme	*1997/98*	*1998/99*	*1999/00*
Poverty relief	R300 million	R500 million	R1 billion

Sources: Compiled from *Annual Report of Social Welfare* and the 1999 Budget Review, Department of Finance.

of the fund is to allocate money to local projects on the recommendation of provincial welfare departments, and to national projects in collaboration with national departments and NGOs in the welfare sector. In addition to funding in these areas, a certain component of the fund will be utilised for building the capacity of NGOs and community-based organisations involved in preventative and early intervention services, eg, HIV/AIDS counselling services for young people in rural villages and towns, which do not have adequate access to welfare services (Department of Finance, 1998).

Housing subsidies

The government allocates housing subsidies to poor households with an income less than R1500–R3000 a month. The maximum amount of the subsidy is R16 000 and decreases as the level of income increases. The subsidy can be utilised to achieve single home ownership. In reality, however, most people receiving this subsidy are not able to access bank loans to top up the R16 000 because of high interest rates and the stringent qualification criteria of the banks, such as having secure regular employment.

Subsidies are also available to builders in projects controlled by provincial committees. This is designed to entice builders into social housing projects, which they are unlikely to otherwise undertake.[8] Yet fewer than 20% of houses built under the subsidy scheme were linked to the R16 000 subsidy scheme for individuals (Department of Housing, 1996). Given the cost of administering a large portfolio of small loans, it should not be surprising that the banks do not favour low-income mortgages. As profit-orientated companies, their rate of return is much higher when they service fewer, larger loans. In light of this, a mechanism such as a Community Reinvestment Act is needed to compel banks to make available loans to low-income customers (Bond, 2000: ch 4).

The Child Support Grant

The Welfare Laws Amendment Act, which was passed in December 1997, ushered in the new Child Support Grant over a five-year period. This grant replaced the State Maintenance Grant, which exclusively targeted White, Coloured and Indian households during the apartheid years. The Child Support Grant programme, which became effective on 1 April 1998, is a cash transfer to poor families to care for young children under seven years of age. It is intended to supplement the cost of rearing young children, particularly in rural areas. The grant is targeted at three million children and is means tested in order to reach the poorest children. The objective for FY1999/2000 is to reach 500 000 children with payments. Co-operation with NGOs such as the South African National Civics Organisation (SANCO) has borne fruit in increasing the uptake of the grant (Department of Welfare, 1999: 3). The Child Support Grant must be viewed within the wider context of the government's efforts to reduce poverty in the country.

In summary, the central theme of South Africa's welfare policy is social development—a process through which members of society can increase their individual and institutional capacities to mobilise and manage resources as well as produce sustainable improvements in their quality of life, consistent with their aspirations. Central to this approach is the recognition that, while there is a need to address the symptoms of poverty through material relief/grants, sustainable development strategies are those that focus on building institutional capacity to address structural conditions. While the focus on economic growth is commendable and inevitable, the heavy reliance on market forces to redress the legacies of apartheid is misguided and unsustainable in a society marked by extreme inequality and poverty. The gulf between the government's macroeconomic policy and its social policy is glaringly apparent.

The financing of the national anti-poverty plan

The bulk of the funding for the national anti-poverty strategy occurs through the regular budget, while added support comes through the Poverty Relief Fund. The government's approach is that the needs of poor people must be met through the re-prioritisation of the budget towards the provision of basic needs, support for job creation strategies that encourage labour-intensive employment and SMMEs, and measures that enhance the competitiveness of the economy.

A primary tool used by the government is the re-prioritising of state expenditure, thus moving the budget towards reconstruction and development. One of the core elements of the GEAR strategy is a renewed focus on budget reform to strengthen the redistributive thrust of government expenditure. To give effect to this, the government embarked on a significant budget reform process, which was to assume a central role in its development plans; it introduced a three-year rolling expenditure plan known as the Medium Term Expenditure Framework (MTEF). The policy statement tabled in parliament in November 1998 outlined the division between national, provincial and local government for the next three years, and set out broad medium-term expenditure projects.

Aiming to assess how reconstruction and development could be addressed through the budget and the re-prioritisation of expenditure, a comprehensive review of six spending functions was undertaken: education, health, welfare and social security, infrastructure investment, the integrated justice sector and personnel spending. The reviews also sought to ensure greater effectiveness of donor support in strategic areas. These included: job creation against the background of a broad range of policy commitments; strengthened infrastructure investment in areas such as electrification, transport, water, telecommunications, etc; improving performance in the integrated justice system—Justice, Police and Correctional Services; enhancing the quality of education, reforming provincial education spending, with particular emphasis on increasing capital expenditure, and skills development; improving health services; and strengthening welfare and social security.

Institutional arrangements for implementation of the National Anti-Poverty Plan

All government functional departments are responsible for implementing the national anti-poverty programme. The Co-ordination Implementation Unit (CIU) located in the Office of the President is responsible for programme co-ordination. It does this through the Chief Directorate of Intergovernmental Co-ordination. The CIU, which is coordinated by the Minister of Welfare, chairs the Inter-departmental Committee on Poverty.[9] The Minister of Welfare also chairs the Cabinet Committee on poverty reduction. The committees are supported by technical task teams, which comprise the top management of the various ministries. Cross-departmental co-ordination is facilitated through inter-departmental committees, which are structured along clusters, eg social sector, economic sector, and intergovernmental relations (Presidential Review Commission, 1998). In addition to the policies and programmes implemented by the line function departments, some are the responsibility of the provincial and local spheres of government as set out in the 1994 Constitution.

A major challenge for the national anti-poverty plan is co-ordination across departments and among the three spheres of government through effective intergovernmental relations, institutions and mechanisms. Where concurrent power exists, national government sets norms and standards in consultation with the provincial sphere of government. The National Council of Provinces (NCP) is the institutional mechanism through which provincial government participation is effected in the legislative process. Through its proximity to grassroots linkages, infrastructure investment projects, local economic development strategies, partnerships with the private sector and integrated development plans, local government is believed to be the public service agency best able to have a direct and enduring impact on the lives of citizens.

Intergovernmental co-ordination

A system of intergovernmental fiscal relations exists to ensure that all spheres of government are allocated sufficient funds from the central government to carry out their mandates. Revenues collected at the national level are then allocated to other spheres of government through grants allocated on the basis of a formula. The provinces generate only 5% of their revenue needs and receive the other 95% in the form of unconditional and conditional transfers from national government (Department of Finance, 1999). The Constitution requires that several factors should be taken into account. These factors include the level of development of the province and extent of need for basic services. Expenditure allocation among the three spheres of government attempts to carry through the logic of the anti-poverty plan.

Local governments and municipalities are seen as having an important role to play in the implementation of the Anti-Poverty Plan. The 1994 Constitution grants extensive legislative power to the provinces, ranging from key service delivery functions such as education, health and welfare, to more facilitative function such as town, regional and district development planning. They are expected to play both a planning and developmental role (Ministry of Provincial Affairs and Constitutional Development, 1998). *The White Paper on Local Government* (1998) established the basis for a new integrated and developmental local government system, which is committed to working with citizens, groups and communities to more effectively meet their social and economic needs.

Despite the devolution of power to local governments, however, many provincial and municipal structures have struggled to find their feet. Severe capacity constraints are one reason, exacerbated by conventional executive–legislature relations and dynamics. This situation has allowed corrupt local politicians to siphon off taxpayers' money for their private ends. In the Eastern Cape, for example, 10 out of 14 provincial departments, responsible for 97% of the budget, failed to submit proper accounts for 1998–99 to the auditor-general.[10] Strengthening the capacity of local governments for poverty reduction, therefore, remains the Achilles hill of transformation. This is particularly true in the case of the poorest provinces—Eastern Cape and Northern province—where such capacity is woefully lacking because of the integration of former 'homeland' civil servants in the new local government structures.

Scope for civil society participation in poverty reduction

At the community level, depending on the nature of the programme, efforts have been made to incorporate mechanisms which enable poor people to play an active role in deciding how the benefits from programmes are distributed. For example, in the community-based public works programmes, communities often set up committees to manage the programme. The committee, in conjunction with other structures, determines what infrastructure should be built and where, what the employment criteria should be, what wages should be paid, and how many days/hours different people should work in order to spread the benefits of the programme to as many households as possible. Similarly, with the Community Water and Sanitation programmes, communities could through their Water Committees influence the location of taps and methods for determining payments and managing the water supply.

At the level of macro-policy, however, the influence of the most disadvantaged segments of the population is often limited. The one exception was the National Speak Out on Poverty Hearings (March to June 1998) convened by the Commission for Gender Equality, the South African Human Rights Commission and the South African NGO Coalition. The Poverty Hearings provided a platform for poor people in South Africa to share their perspectives on what economic and social rights meant for them, the obstacles and difficulties they experienced in gaining access to these rights, their suggestions for overcoming these obstacles, and the role of government in promoting their rights.[11] Generally, however, limited access to media, low education levels and geographic isolation from the centres of government, not to mention constraints of time and money, preclude meaningful participation among much of society in policy decisions.

Risks and threats to the national anti-poverty strategy

The success of the national anti-poverty strategy will depend on the capacity of the government to manage the following threats effectively.

Unsustainable economic policy

The sustainability of a market-led strategy for fighting structural poverty and inequality in the context of a volatile global economy is widely questioned, not only in South Africa, but also in other parts of the world. The GEAR strategy of rapid liberalisation of the domestic economy and the abandonment of financial controls effectively rendered GEAR hostage to the vagaries of finance capital. By allowing uncontrolled penetration of domestic financial markets by foreign capital and encouraging the migration of local capital, patterns of investment are swept out of the ambit of government policy. The lessons of the East Asian crisis and the effect of financial contagion on South Africa four years ago are excellent reminders of the importance of financial control and the need to avoid indiscriminate liberalisation of the domestic market. The South African stock market crashed by 40% between April and September 1998; the currency dropped 30% over a few weeks in between. To avert the slide, the Reserve Bank raised the interest rates by 61%, the highest real level in South Africa's modern history (Bond, 1999: 7). Moreover, as South Africa is heavily integrated into the global economy, slower world growth will have a serious impact on the economy through both weaker export prices and volumes and a more cautious investment environment (ANC, 1998a).

HIV/AIDS

The high prevalence of HIV among large segments of the South African population presents a new challenge to the government's anti-poverty strategy. Its effects on the human development prospects of South African citizens are already massive, and if not seriously addressed, will be traumatic (UNDP, 1998). In the absence of any major breakthrough in countering HIV infection or curing the disease, AIDS will significantly affect future mortality, family structures, labour market participation and demands on health and welfare services. Unless the disease is checked, one in every four citizens is expected to be HIV-positive by the year 2010 (UNDP, 1998).

Crime

A third threat eroding the ability of the poor to utilise all their assets in an efficient and productive manner is crime. South Africa has a high incidence of all forms of violent crime, particularly gender violence, which affects women of all races. Although it affects both rich and poor, black women in poor communities are most at risk of gender violence. The incidence of reported rapes has increased steadily since 1994.[12] The high levels of violence also affect children, both directly, as victims of crime and abuse, and in terms of psychosocial trauma. The rising level of crime is severely testing the government's capacity to provide its citizens with a sufficiently secure environment and puts pressure on welfare, health and education systems while threatening the integrity of family and community structures. In 1996, the National Crime Prevention Strategy was introduced to strengthen public and international confidence in the government's capacity to deal with the levels of crime. As long as unemployment and poverty remain high, however, the crime situation is likely to get worse before it gets better.

Concluding observations

The efforts of the South African government to generate economic growth and reduce poverty through market-led solutions are commendable, and even desirable in the context of globalisation. However, in a South Africa marked by extreme inequalities and poverty, the most appropriate strategy to follow would have been a mixed economy approach in order to establish the basic foundations for long-term development through the provision of basic services and the redistribution of income. The Asian NICs succeeded in reducing poverty in the early phase of their industrialisation not by relying on market-led solutions alone, but by placing emphasis on land reform, reducing income inequalities and investing heavily in education, and by establishing linkages between the rural and the urban economy to redress unmet basic needs.

Unlike South Africa, the Asian NICs also protected their infant industries until they had developed a competitive niche in exports. Wholesale privatisation of state assets and indiscriminate liberalisation of the domestic market were avoided, and workers affected by privatisation were retrained instead of being retrenched, as is the case now in South Africa. The effort in the initial years was on developing the 'basic needs' economy before these countries embarked on production for export markets. In so doing, they achieved rapid economic growth without incurring high debts and high human costs. The NICs' past development experience, and their sudden trouble in 1997, should be instructive for policy makers in South Africa as they try to navigate the cold currents of globalisation.

Second, given the myriad policies, programmes and initiatives on poverty that are under implementation by the South African government, it is essential to establish an effective mechanism for assessing overall impact and to ensure that programmes are well designed and well targeted to make a difference on the ground. However, no system exists to provide a comprehensive and integrated picture of what the impact of the various initiatives is on the overall reduction of poverty and inequality. Some government departments may have internal monitoring and evaluation mechanisms, designed to inform them how well they are meeting the targets they have set for themselves. But how well their individual success and failures compare to those of other departments is not clear.

Finally, it is of paramount importance that government and civil society institutions involved in the implementation of poverty strategies have robust internal systems for managing and evaluating performance. Equally important is the calibre of human resources deployed to co-ordinate programmes and interface with stakeholders at both local and national levels. This is especially true in the case of the poorest provinces—Eastern Cape and Northern Province—where such capacity is lacking because the integration of former 'homeland' civil servants into the new local government structures. The central government must invest heavily to improve the performance of public institutions in these two provinces, if the delivery of services to the poor is to be handled efficiently and in a timely fashion.

References

African National Congress (1998a) The global economic crisis and its implications for South Africa, Discussion Document, Alliance Summit, Johannesburg, 24 October.

African National Congress (1998b) The state, property relations and social transformation, ANC Discussion Document reprinted in *African Communist*, 4th quarter.

Bond, P (1999) The 'Washington Consensus': winning or waning?, *Southern Africa Report*, March.

Bond, P (2000) *Elite Transitions: From Apartheid to Neo-liberalism in South Africa* (London: Pluto Press).

Cheru, F (1997) Civil society and political economy in South and southern Africa, in: S Gill (ed), *Globalisation, Democratisation and Multilateralism* (Basingstoke: Macmillan and United Nations University Press).

Commission for Gender Equality, the South African Human Rights Commission and the South African NGO Coalition (SANGOCO), *Poverty and Human rights*, National Speak Out on Poverty Hearings, March to June 1998.

Declaration of the Presidential Job Summit (1998) convened by President Nelson Mandela, 30 October 1998.

Department of Education (1995) *White Paper on Education and Training* (Pretoria: Government of South Africa).

Department of Finance (1996) *Growth, Employment and Redistribution Strategy* (Pretoria: Government of South Africa).

Department of Finance (1998) *Medium Term Budget Policy Statement 1998* (Pretoria: Government of South Africa).

Department of Finance (1999) *Budget Review 1999* (Pretoria: Government of South Africa).

Department of Health (1997) *White Paper for the Transformation of the Health System in South Africa* (Pretoria: Government of South Africa).

Department of Housing (1996) *Housing Facts* (Pretoria: Government of South Africa).

Department of Housing (1999) Job Creation in the Building Industry: Establishment of a Calculation Method, draft report.

Department of Labour (1997) *Green Paper on Skills Development Strategy for Economic Growth in South Africa* (Pretoria: Government of South Africa).

Department of Land Affairs (1997) *White Paper on South African Land Policy* (Pretoria: Government of South Africa).

Department of Land Affairs (1998) *Annual Report 1998* ('Director General's Report') (Pretoria: Government of South Africa).

Department of Statistics, *Statistics South Africa 1998* (Pretoria: Government of South Africa).

Department of Trade and Industry (1995) *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa* (Pretoria: Government of South Africa).

Department of Water Affairs and Forestry (1994) *Water and Sanitation Policy White Paper* (Pretoria: Government of South Africa).

Department of Water Affairs and Forestry (1996) *White Paper on Water Supply and Sanitation Policy* (Pretoria: Government of South Africa).

Department of Welfare (1997a) *Social Welfare Services in South Africa*, Annual Statistical Report 1996/1997 (Pretoria: Government of South Africa).

Department of Welfare (1997b) *White Paper on Social Welfare* (Pretoria: Government of South Africa).

Department of Welfare (1998) *Annual Report 1997/8* (Pretoria: Government of South Africa).

Department of Welfare (1999) *Parliamentary Briefing by the Minister of Welfare and Population Development* (Pretoria: Government of South Africa).

Financial and Fiscal Commission (1998) *Public Expenditure on Basic Social Services in South Africa* (Pretoria: Government of South Africa).

Friedman, S (1998) Addressing the knowledge gap—donor assistance and poverty alleviation in South Africa, analysis prepared for Department for International Development, July.

Government of South Africa (1995) *Key Indicators of Poverty in South Africa* (Pretoria)

Government of South Africa (1996) *White Paper on Reconstruction and Development* (Pretoria).

Government of South Africa (1998) *Poverty and Inequality in South Africa*, Office of the Deputy Vice President, Pretoria.

Mbeki, T (1998) *Africa—The Time Has Come* (Cape Town: Mafube/Tafelberg).

Mbeki, T (1999) State of the Nation address to Parliament, 25 June.

Ministry of Provincial Affairs and Constitutional Development (1998) *The White Paper on Local Government* (Pretoria: Government of South Africa).

Presidential Review Commission (1998) *Developing a Culture of Good Governance: Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa* (Cape Town: Government Printer).

UNDP (1997) *Human Development Report 1997* (New York: Oxford University Press).
UNDP (1996) *Program Support Document for the National Strategy for the Development and Promotion of the Small, Medium and Micro Enterprises (SMME) Sector* (Pretoria: undp).
UNDP (1998) *HIV/AIDS & Human Development in South Africa, 1998* (Pretoria: undp).
van der Westhuizen, C (2000) Supply cuts caused cholera, *Beeld*, 25 October.
Whiteford, A & McGrath, M (1994) *Inequality and the Size Distribution of Income in South Africa*, Stellenbosch Economic Project, Occasional Paper No10.

Notes

A longer version of this article was submitted to UNDP as a background paper to the global report on poverty, *Overcoming Extreme Poverty* (UNDP, New York: 2000).

1 *Statistics South Africa* figures, using the 1995 Income and Expenditure Survey; and Government of South Africa (1998).

2 Annual GDP growth fell from 3.2% to 1.7% to 0.1% percent in 1996, 1997 and 1998, instead of the strategy's projection of 3.5%, 2.9% and 3.8% growth. The rate of increase in private sector investment fell from 6.1% to 3.1% to a negative –0.7% in 1996, 1997 and 1998, instead of rising by 9.3%, 9.1% and 9.3%, respectively. Of private investment, virtually all foreign direct investment was related to the purchase of existing assets through privatisation as opposed to new plant and equipment. Exports of South African products (other than gold) rose slowly in 1997–98 (5.3% and 2.1%, respectively), confounding GEAR projections of 8% and 7%. Interest rates remained in double digits from 1996–98 (instead of falling from 7% to 5% to 4%, as GEAR hoped) and the value of the rand collapsed. National Institute for Economic Policy, NGQO! *An Economic Bulletin*, 1 (1), http:\\www.niep.org.za\, pp 1–3

3 Interview with Mr Mike Muller, Director General, Department of Water Affairs and Forestry, Pretoria, 6 September 1999.

4 The number of direct and indirect jobs created per year is calculated by dividing the number of direct and indirect person-days created by 264 working days per year.

5 *Declaration of the Presidential Job Summit* (1998).

6 Personal communication with Dr Patrick Kohlo, Chief Director, Centre for Small Business, Department of Trade and Industry, and with Dr Thami Madinane, Khula Enterprise, Mid Rand, 26 August 1999.

7 Interview with Dr Geoff Budlender, Director General, Department of Land Affairs, Pretoria, 6 September 1999.

8 Interviews with Dr Denis Barnard, Director General and Mr Karsen, Deputy Director General, Department of Housing, Pretoria, 9 September 1999.

9 Interview with Mr Pundy Pillay, Deputy Director General, Office of the President,(Pretoria, 26 August 1999; and interview with Ms Julia De Brun, Focal Point for the Poverty Programme, Office of the President, Pretoria, 30 August 1999.

10 The problem of growing corruption was the subject of an article in the 28 April 2001 issue of *The Economist*, 'South Africa, trouble, trouble', pp 45–46.

11 Commission for Gender Equality *et al* (1998).