

South Africa's progress towards its development objectives

ESSAYS BASED ON THE FINDINGS OF
THE 2020 NDP ASSESSMENT REPORT

25 May 2021

This collection of essays elaborate on the findings of the 2020 NDP Assessment Report (download the report from www.ber.ac.za). The essays are edited from opinion pieces originally published in Business Day (www.businesslive.co.za).

Email: helanya@sun.ac.za

Tel: +27 21 808 3004 / +27 82 722 7028

Contributig authors:

Alize le Roux (CSIR)

Craig Lemboe (BER)

Eldridge Moses (ReSEP, SU)

Elsona van Huyssteen (CSIR)

Gareth Newham (ISS)

George Kershoff (BER)

Helanya Fourie (BER)

Johan Maritz (CSIR)

Johann Kirsten (BER)

Leila Patel (UJ)

Mark Napier (CSIR)

Mikhail Moosa (IJR)

Ronelle Burger (ReSEP, SU)

Tshepo Moloi (BER)

Wandile Sihlobo (AgBiz)

Copyright & Disclaimer

Copyright for this publication is held by Stellenbosch University. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.

For more information on the BER's services please visit: www.ber.ac.za

Table of contents

- Essay 1** South Africans can hold the government accountable with a new, living document
By Helanya Fourie & Johann Kirsten
- Essay 2** From load-shedding to lack of confidence in institutions, NDP has steep hill to climb
By Helanya Fourie & George Kershoff
- Essay 3** Economic transformation and job creation: How far are we from the targets of the NDP?
By Helanya Fourie & Tshepo Moloji
- Essay 4** Agriculture and land reform: How far are we from an integrated and inclusive rural economy?
By Johann Kirsten & Wandile Sihlobo
- Essay 5** Health and education: the building blocks of a thriving economy
By Ronelle Burger & Eldridge Moses
- Essay 6** What can be done to increase South Africa's social wage?
By Helanya Fourie, Craig Lemboe and Leila Patel
- Essay 7** Transforming human settlements and the spatial economy
By Elsona van Huyssteen, Johan Maritz, Mark Napier & Alize le Roux
- Essay 8** Police reform: Can we achieve a safer and more united South Africa?
By Mikhail Moosa & Gareth Newham
- Essay 9** Creating a better Africa and world through trade
By Helanya Fourie



South Africans can hold the government accountable with a new, living document

How to evaluate progress with the National Development Plan through a data-driven perspective in a short and concise format

By Helanya Fourie & Johann Kirsten

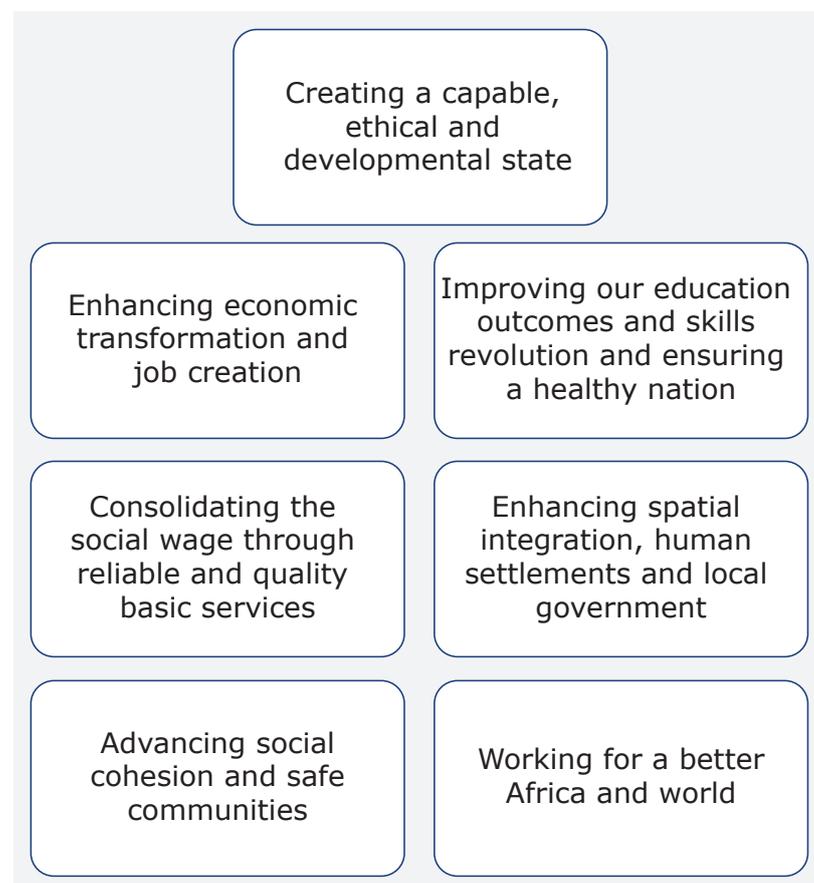
Besides the social and economic hardship that will be left in the wake of the Covid-19 pandemic, the past year has also made South Africans more attuned to the role of data in managing a problem. This is not only true for responding to a pandemic, but also for dealing with SA's broader range of development objectives.

In the debate about the 2021 state of the nation address, acting minister in the presidency Khumbudzo Ntshavheni reiterated President Cyril Ramaphosa's invitation to South Africans to measure the performance of the sixth administration. It speaks to a heightened focus on accountability and the president's signing of performance agreements with his cabinet in October last year. These are vital steps in rooting out corruption and creating a capable state.

If you don't know where you are going, you might wind up someplace else. It's been two years since the president identified the priorities of his administration, and it's important to remember what these are — not only to keep the government accountable, but also to guide our own efforts towards the kind of SA we all want to live in. In the 2021 state of the nation address, the president emphasised four priorities for the economic and social onslaught of the Covid-19 pandemic: defeat the pandemic, accelerate economic recovery, implement economic reforms in a manner that creates sustainable jobs and drives inclusive growth, and root out corruption. Besides defeating the pandemic, these priorities are not far removed from the overarching objectives of his administration.

However, SA's development objectives must withstand changes in the political landscape, and for this the National Development Plan (NDP) remains crucial. Published in 2012 and setting out a vision for where SA should be by 2030, the NDP remains the policy guide for the next nine years. The National Planning Commission (NPC) recently released a review of the NDP in which it confirms that the plan is still a relevant roadmap. The priorities of the sixth administration fully align with the objectives of the NDP.

The seven priorities of the Sixth Administration



Knowing where we want to go means little if we don't have a clear vision of where we find ourselves at the moment. In many ways this is not a rosy picture: population growth has

outstripped economic growth since 2015, so South Africans have become poorer in real terms. Load-shedding still hobbles the economy, and inequality continues to be one of the largest sources of division in society.

These factors are not only matters of opinion — we can measure them. Yet nine years after publication of the NDP there has been no consistent means of reporting on these issues. The closest instrument is the medium-term strategic framework, but this serves a different purpose: it guides the budgeting process and lists the resources and actions needed to achieve certain objectives. It does not report on developmental progress.

The Bureau for Economic Research released its NDP assessment report in February 2021 to contribute to filling this policy lacuna. Together with a team of collaborators across academic and civil organisations, we identified a list of indicators that can be used to evaluate SA's developmental progress. Members of the NPC brought the need for measurement of the NDP to our attention and gave input into the process. The focus throughout was to identify a set of indicators that reflect on impact and outcomes, with the goal of providing a data-driven perspective of development progress in as short and concise a format as possible.

Reams of paper can be written on each of the indicators included in the report, and many of the experts who worked with us have dedicated their careers to these issues. Drawing from their knowledge, we were able to craft the document in a format that is accessible to all and easy to interpret. This is vital because achieving the objectives of the NDP requires a concerted effort by all South Africans.

The government plays a crucial role in creating a policy environment that instills confidence, but SA's development journey is not only up to them. It requires all South Africans to buy into Vision 2030: if you are constructing a new building, it asks that you factor in the environmental cost of carbon emissions. If you are part of the police force, it asks that you act in a way that instills confidence in the institution. It asks of us to buy local if we are in the position to do so. If you are in school, it asks that you give your best. It asks of us to pay our municipal tariffs and to keep municipalities accountable to the towns and cities they serve. It asks for the best effort from business to make employment-based insurance affordable to employees.

Few things are as gratifying as working towards a goal and seeing things tick up. Our intention is to annually update the NDP assessment report so that South Africans have a better mechanism with which to hold themselves and, importantly, the government accountable. We will maintain it as a living document that can become part of the conscience of South Africans, for the general public and public servants alike.

Economic growth is often a self-fulfilling prophecy: if consumers and business believe the future looks rosy, they spend and invest. This creates a demand for goods, services and jobs. However, if the future is clouded by policy uncertainty, bad governance, poor service delivery and corruption, consumers and business hold on to their money, reinforcing a downward spiral. This is largely what has characterised many of the years since 2012, but it does not have to define the next nine years. We hope the NDP assessment report will help improve accountability in government and across all spheres of society on our journey to 2030.

Originally published as a **Business Day** opinion piece on 21 February 2021. Fourie is a senior economist and Kirsten is director of the Bureau for Economic Research, Stellenbosch University.



From load-shedding to a lack of confidence in institutions, the NDP has steep hill to climb

Sound policies are useless if the body that has to lay the foundation of a growing economy is incompetent

By Helanya Fourie & Tshepo Moloji

Those following President Cyril Ramaphosa's development narrative will know that the goal of improving the capabilities of the state is high on his reform agenda. As one of the seven priorities of the sixth administration as per his 2019 state of the nation address (Sona), Ramaphosa reiterated in this year's speech that fighting corruption and strengthening the state will be one of the overriding priorities for the year.

These objectives also speak to the National Development Plan (NDP): "To address the twin challenges of poverty and inequality, the state needs to play a transformative and developmental role. This requires well-run and effectively co-ordinated state institutions with skilled public servants who are committed to the public good and capable of delivering consistently high-quality services, while prioritising the nation's developmental objectives. This will enable people

from all sections of society to have confidence in the state, which in turn will reinforce the state's effectiveness."

As a development objective, having a capable state makes good sense. It doesn't help to have sound policies if the institution responsible for laying the foundation of a growing economy is not up to the task. Failure to capacitate the state risks that other NDP objectives will not be realised. Load-shedding is perhaps the example we feel most directly, in which past failures have now caught up with us. Dismal audit outcomes and growing irregular and unauthorised expenditure at the coalface of service delivery, that is local government, can also be included in the list. Fixing these challenges will require skilled public servants appointed through a system of meritocracy.

We experience the impact of these issues in our daily lives, but it is often difficult to quantify and measure how the state is performing from a holistic perspective, or as a whole. We suffer from availability and recency biases, which mean we give more weight to yesterday's newspaper headlines than those of last year. More objective measures are available, but few citizens make the effort to peruse the reports of the auditor-general, or to delve into performance agreements of ministers. We tend to focus on the big-ticket items that the media brings to light. Even if small, incremental improvements in processes and capabilities are achieved, the public often remain unaware until these changes translate into visible, better outcomes.

It's perhaps easier to judge the performance of local government. Things such as access to clean water and sanitation, formal housing and the quality of roads determine if we think our municipalities are up to the task. Trends in major service delivery protests are a proxy for whether constituents are satisfied with the services they receive from government. The year 2018 saw the highest number of protests since Municipal IQ started reporting on this in 2004. With 218 protests, 2019 had the second-highest number on record but showed an 8% decline relative to 2018 — would it be wishful thinking to hope that this might be the start of a downward trend?

We have to dig deeper, though, if we want to measure the government's capabilities beyond media reports or service delivery. The SA Reconciliation Barometer (SARB) survey of the Institute for Justice and Reconciliation (IJR) is a valuable resource. It reflects, among other interesting results, on the share of survey respondents who have confidence in different institutions. South Africans seem to suffer from a general lack of confidence in both public and private institutions. In 2019 only 42% of respondents had "quite a lot" or "a great deal" of confidence in national government — up by 12 percentage points from 30% in 2017. In comparison, only 34% of respondents had a similar level of confidence in

local government in 2019 — yet also up slightly from 2017. Interestingly, only 35% of respondents had confidence in large corporations.

In addition to the different levels of government, the capabilities of SA's regulatory authorities are crucial to the functioning of the economy. The World Governance Indicators report on perceptions about "regulatory quality", and SA has been on a downward trend since 2013. One example of the high economic cost of a lack of regulatory capabilities is the difficulty the Independent Communications Authority of SA has had in auctioning high-demand spectrum. A capable communications regulator, even if unable itself to come up with the right auction design, would have followed a process that could withstand attacks from private players.

A capable, ethical and developmental state also requires that corruption in the public and private sector is identified and sanctioned. Corruption per definition takes place below the radar, so its prevalence is difficult to measure. The number of whistle-blower reports submitted to entities such as Corruption Watch could be a proxy, but a downward trend might indicate either a decrease in corruption or less detection. If one wants to look for green shoots, it could be that SA climbed three places on Transparency International's Corruption Perceptions Index between 2018 and 2019. We ranked 70th out of 198 countries, one spot below where we were when the NDP was published in 2012.

Creating a capable state out of institutions that were decimated over the past 10 years is crucial for SA to get back on the path to economic development. It's up to the government to get its house in order, and up to us to measure their progress and hold them accountable.

Originally published as a **Business Day** opinion piece on 24 March 2021. Fourie is a senior economist and Moloi an economist at the Bureau for Economic Research (BER), Stellenbosch University.



Economic transformation and job creation: How far are we from the targets of the NDP?

Fixed investment can help stimulate economic growth and job creation — but environmental sustainability is just as important

By Helanya Fourie & George Kershoff

Questions we often get in response to the BER's National Development Plan (NDP) Assessment Report are — in what direction is SA trending? Are things worse or better today than when the NDP was published in 2012?

One cannot draw an average across different objectives, but perhaps the metrics that give the closest approximation are economic growth and job creation. Both of these outcomes are dependent on achieving many of the other NDP goals. Citizens need access to quality healthcare to be part of a productive labour force. Good education is needed to equip the labour force with the necessary skills. A capable and ethical state is a prerequisite for policy certainty, which translates into business and consumer confidence — both necessary inputs into economic growth, which creates jobs.

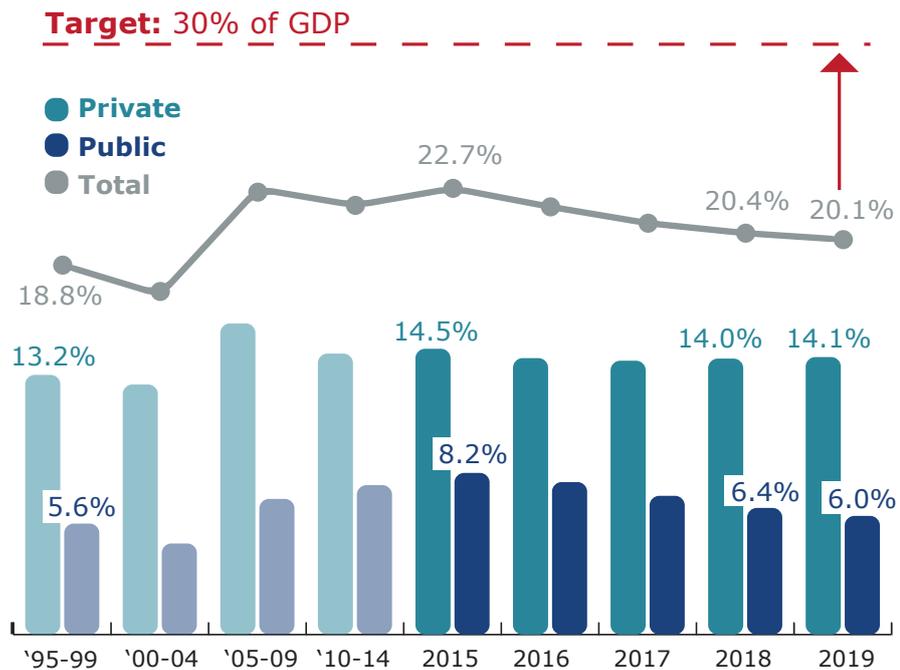
Over the past five years, the SA economy has been growing at a slower rate than the population. Between 2015 and 2019 (before the Covid-19 pandemic), the population grew by an average of 1.4% per annum. In comparison, the average annual economic growth rate in real terms over the same period was 0.8%. As a result, the average South African has become poorer.

Growth has been far below the target of 5.4% the NDP envisaged SA should average between 2011 and 2030. The country was, therefore, sliding backwards even before the onset of the pandemic.

The pandemic has made matters even worse. SA's economy in 2020 was 7% smaller than in 2019. The Bureau for Economic Research's (BER) most recent growth forecast for 2021 is for the economy to grow at 3.9%, but bear in mind the base effect: even if GDP remains at the same level as in the fourth quarter of 2020 for each of the four quarters of 2021, the economy will still have grown by 2.8% in the 2021 calendar year.

To eliminate poverty and make inroads in reversing the effects of decades of racial exclusion, economic growth must increase. However, now more than ever, economic growth must be sustainable and inclusive. With an unemployment rate of 28.7% in 2019 — which increased to 32.5% in the last quarter of 2020 — higher economic growth alone won't suffice. The NDP envisaged an unemployment rate of 14% for 2020; unfortunately we have missed that target by miles.

Private and public fixed investment as a percentage of GDP (%)



Source: Stats SA (BER calculations)

Fixed investment can help stimulate economic growth and job creation. The public sector (specifically network industries), as well as the private sector (particularly to increase the output of the non-mineral tradeable sectors), need to play a role. In 2019, investment amounted to 20% of GDP — 14% by the private sector and 6% by the state — and was far below the 30% target of the NDP.

Other key NDP proposals to boost inclusive growth are to increase exports; hire more young, unskilled work-seekers; raise savings and investment through fiscal policy; lower the cost of transport and logistics; and strengthen the social wage. The NDP foresees that many jobs would be created in the services sector and in domestic-orientated activities.

It also notes that “some 90% of jobs will be created in small and expanding firms” and that, as a result, as SA expands access to employment a large proportion of working people would receive low pay. This emphasises the importance of strengthening the social wage, which we consider in Essay 6.

Another vital but often overlooked component of economic transformation is environmental sustainability. The economic cost of climate change is becoming increasingly apparent. In the past, these costs were, in many ways, indirect and far removed; this is rapidly changing. Extreme weather events illustrate the direct economic costs of climate change. Impoverished households are especially vulnerable to the physical and economic effects of extreme weather events such as droughts and floods.

An example close to home is the impact the 2017 drought had on the Western Cape’s tourism industry, and those it employed.

The NDP highlights the need for environmental sustainability and achieving an equitable transition to a low-carbon economy — the “just energy transition”. SA’s efforts to help mitigate climate change can contribute to the goals of economic transformation and job creation.

The NDP sets a target for 20GW of electricity to be generated from renewable sources by 2030. In 2019, SA’s power generation capacity from renewable energy was 6.5GW (compared to close to 38GW from coal). The 11.8GW to be procured from independent power producers (IPPs), gazetted in September last year, brings us closer to that target.

Investing in renewables is not only crucial from an environmental perspective but also for economic growth. Eskom’s energy availability factor (EAF) — which measures its electricity production as a share of the maximum that could have been produced — has been declining since 2017. The Integrated Resource Plan sets an EAF target of 75%; in 2020, Eskom missed this target by 10 percentage points. Investment in additional capacity, such as through the Risk Mitigation IPP Programme and the Renewable Energy IPP

Procurement Programme will help address our energy crisis and, through attracting investment, stimulate economic activity. But for that to happen we urgently need to move beyond the planning phase and into operation. Only then can we begin to alleviate the plight of the 7.2-million South Africans unable to find jobs.

Originally published as a **Business Day** opinion piece on 31 March 2021. Fourie is a senior economist and Kershoff deputy director at the Bureau for Economic Research.



Agriculture and land reform: How far are we from an integrated and inclusive rural economy?

Progress with land reform as per the NDP has been underestimated and, while still slow, is closer to the 30% target than typically believed

By Johann Kirsten & Wandile Sihlobo

Chapter 6 of the National Development Plan (NDP) sets out the parameters for an integrated and inclusive rural economy. It opens with: "By 2030, SA's rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. People should be able to access decent basic services that enable them to be well-nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture and, where possible, by mining, tourism, agroprocessing and fisheries."

Agricultural expansion, more agroprocessing, job creation and land reform are central to growing rural economies. It rests on goals such as promoting irrigated agriculture and high-value and labour-intensive industries; bringing unproductive land in former homelands and underutilised land-reform farms into production; increasing productivity; and expanding access to new export markets.

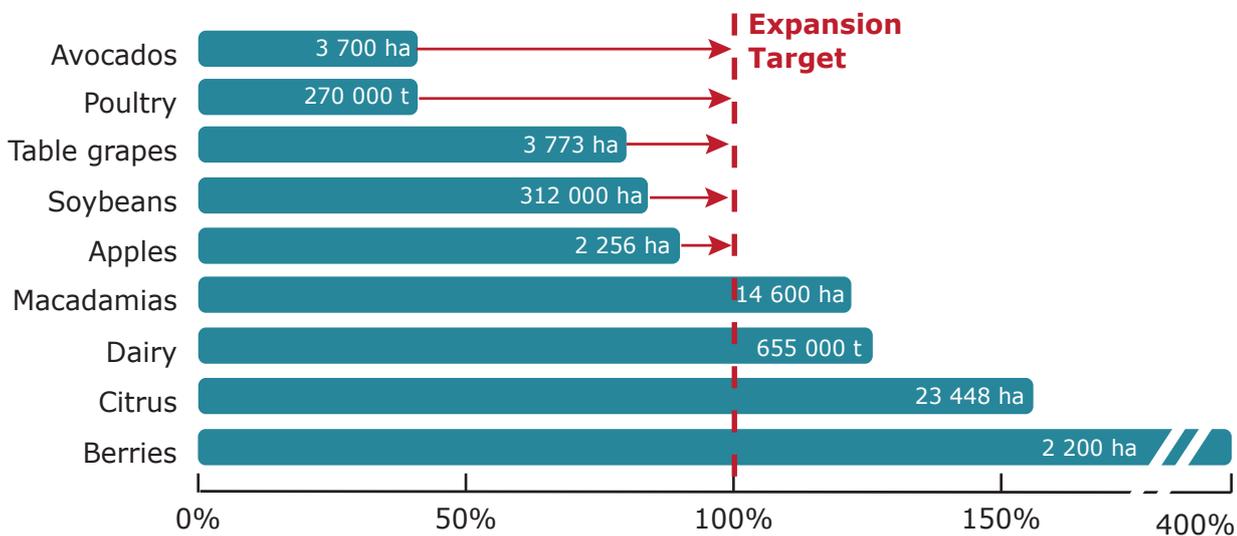
It needs to encourage inclusivity by extending these activities to former homeland areas. Redistributing 30% of commercial farmland formerly under white ownership is another important goal.

Good quality and regularly reported data is vital to measure if we are reaching these targets. We report here on indicators for which long-term series of good quality data is available from official resources.

2020 was a good year for agriculture, despite the Covid-19 pandemic. Agricultural gross value-added expanded by 13.1% year-on-year, continuing an improvement that has been under way for a while. Based on a five year moving average, the gross value of agricultural production increased by 44% between 2010 and 2020. In value terms, horticultural production is the star of the sector, increasing by 70%. The value of animal production grew by 43% and field crops by 22% over the same period.

A number of high-value, export-led and labour-intensive industries have exceeded the targets put forward during the drafting of the NDP: citrus, macadamias, berries, dairy and pork fared particularly well.

Commercial agricultural expansion for select commodities relative to their NDP targets



Source: BFAP, Hortgro

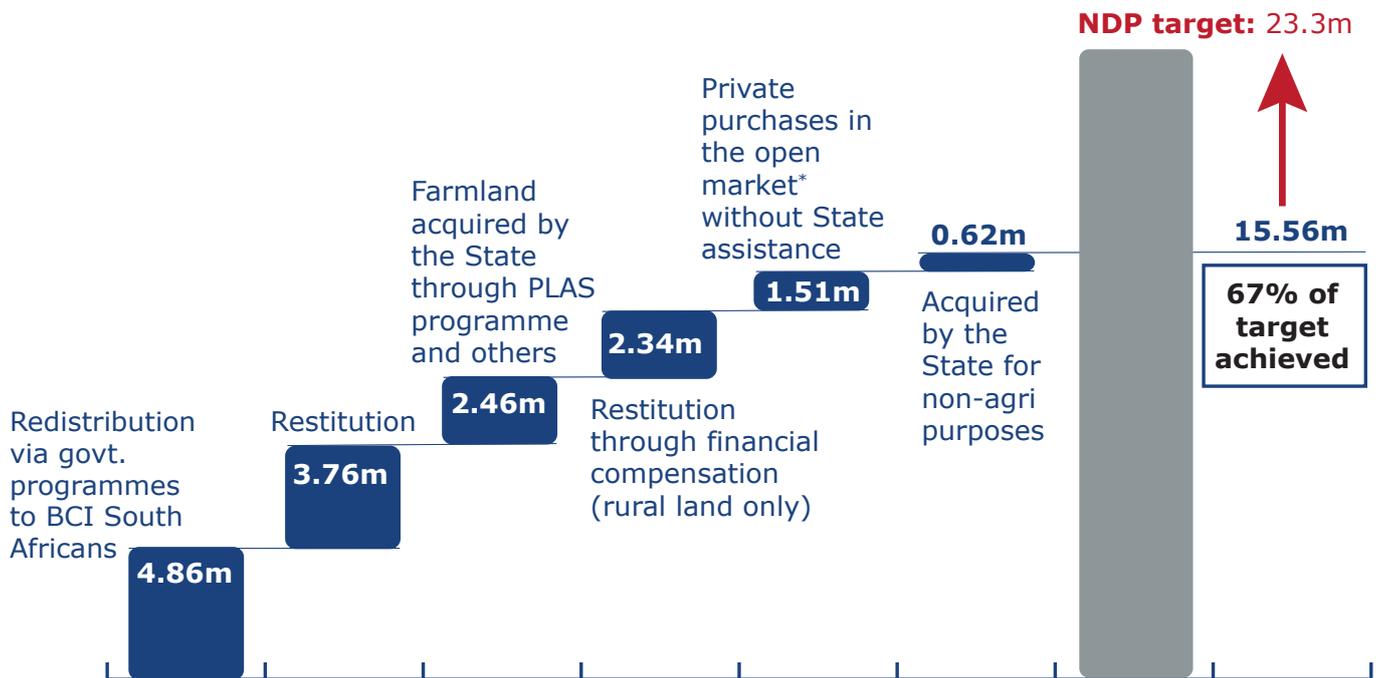
However, these gains are not reflected in agricultural employment statistics. In 2012, the NDP estimated that agriculture has the potential to create about a million new jobs. This is often misinterpreted as referring to on-farm jobs only, but includes 393,000 jobs through the revitalisation of smallholder and land-reform farms and underutilised farmland; 250,000 jobs in export-led and high-value agricultural industries; and 326,000 jobs in agro-food value chains with upstream and downstream linkages.

Between 2012 and early 2020, SA lost 100,000 full-time equivalent jobs in the former homeland areas. The general lack of farmer support services — such as access to finance, farm inputs, product markets, extension services and infrastructure — have left agricultural production in these areas severely underdeveloped. The general lack of data also remains a major stumbling block in the measuring, monitoring and support of agriculture outside commercial production.

In addition, the 2017 agricultural census by Stats SA missed a large chunk of the agricultural sector since the survey sample only included VAT-registered farmers.

High-value, export-led agricultural industries saw a gain of 25,000 jobs, though it remains far from the target of 250,000 new jobs. Agroprocessing and its integrated value chains created 102,000 jobs. Overall, a net gain of only 27,000 jobs has been recorded since the publication of the NDP. The poor performance can, in part, be attributed to the field crop and livestock industries being challenged by animal disease and external factors in recent years. This has increased the drive towards mechanisation and consolidation of farms, resulting in a reduction in job numbers.

Progress with land reform up to October 2020



Source: DALRRD, Johann Bornman (Agri Development Solutions); *By Black, Coloured and Indian (BCI) South Africans

The redistribution of farmland owned by white farmers and businesses at the start of 1994 is a critical component of the NDP’s vision. In 1994, 77.58-million hectares of farmland was owned by white farmers and agribusinesses. The NDP prescribes that 30% of this area (equal to 23.25-million hectares) should be transferred to black owners by 2030.

Poor record-keeping by the government has resulted in an underestimation of progress on land reform. Our estimates — which include restitution, redistribution, private transactions and state procurement — suggest that 13.2-million hectares have already been transferred. Of this area, 3.08-million hectares went to the state and 10.14-million to black owners through private and state-supported transactions (including land restitution).

Most official estimates of land-reform progress ignore private transactions in which black individuals have bought land without making use of government programmes. Based on records from the deeds office, we estimate that 1.5-million hectares have been transferred in this manner.

If we add land that was successfully identified for restitution but for which communities elected to receive financial compensation as the means for restitution (2.34-million hectares), the total area of land rights restored since 1994 comes to 15.56-million hectares. This suggests that we have so far met two thirds of the NDP target.

SA's progress towards the ambition of creating an integrated and inclusive rural economy has thus far yielded mixed results. There is good progress from an agricultural growth perspective and in the expansion of high-value, capital-intensive industries. This is also the area where most employment creation has happened, though the effects are offset by job losses in underutilised land, especially in former homeland areas. More could have been achieved if the former homeland areas in the Eastern Cape, KwaZulu-Natal and Limpopo were fully productive.

Progress with land reform has been underestimated and, while still slow, is closer to the 30% target than typically believed. Of concern is the 2.4-million hectares the state still owns, and which is not being transferred to deserving beneficiaries. These are some of the challenges SA policymakers should address in the near term to live up to the NDP's promise of improving rural livelihoods.

Originally published as a **Business Day** opinion piece on 7 April 2021. Prof Kirsten is director of the Bureau for Economic Research. Sihlobo is chief economist of the Agricultural Business Chamber of SA.



Health and education: the building blocks of a thriving economy

Without access to essential primary health requirements, such as nutrition, water and housing, education may barely matter

By Ronelle Burger & Eldridge Moses

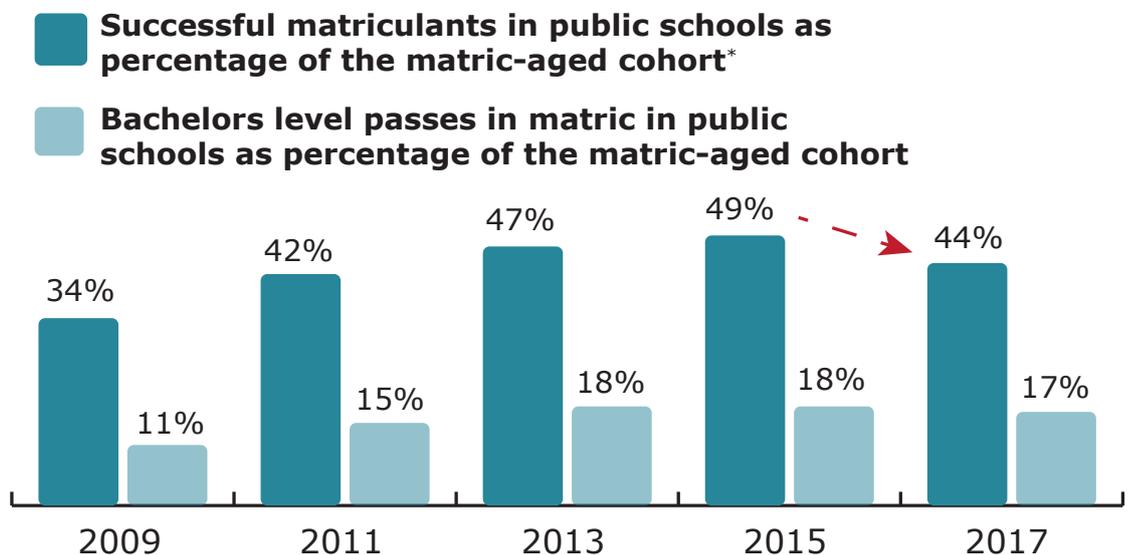
Improving education outcomes and producing a skills revolution, as well as ensuring a healthy nation, are two of the key priorities of the sixth administration, as highlighted by President Cyril Ramaphosa in his 2019 state of the nation address (Sona). The complementarities between education and health are well documented: children who are healthy, stimulated and well-nourished from birth are better equipped to develop cognitively and learn than children who receive poor nutrition, are not stimulated often or suffer from poor health.

Similarly, adults who are healthy are able to participate more fully in the labour market. Education, through its impact on parenting practices, can also contribute to good child-health outcomes.

Access to good education is therefore essential, not only for individual success in the labour market but also for societal goals such as inclusive economic growth, economic stability, political stability and fuller participation of citizens in other spheres of life.

Concerningly, in 2017, only 44% of SA's matric-aged cohort passed matric, and only 17% achieved a bachelor's pass. These headline education quality indicators capture the impact of a basic education system that essentially still operates as two systems: one that is extremely well-resourced, produces good outcomes and serves a relatively small part of the SA child population; and another that serves the majority of children, has relatively little resources, and, for the most part, produces outcomes that do not prepare learners adequately for higher education or successful participation in a very competitive labour market.

Matriculation passes



*Source: RESEP calculations from matric datasets and using population data of Machedze, Takwanisa, Kerr, Andrew & Dorrington, Rob. 2020; *If all children enter Grade 1 in the year they turn 6, then 11 years later they should be 17-year old in matric, if all had progressed without repetition. The cohort size was taken as one fifth of the 15 to 19-year age cohort*

At the heart of education inequality is the ability to read early on in a child's life. Ramaphosa, who was the deputy chair of the National Planning Commission when it drew up the National Development Plan (NDP), emphasised the importance of early reading in his 2019 Sona by stating: "Early reading is the basic foundation that determines a child's educational progress, through school, through higher education and into the workplace."

All the other investments we make in basic education, and even free higher education for the poor, will not produce the results we want to see unless we ensure that children can read for meaning by the age of 10.

The World Bank refers to the inability to read and understand a basic text by the age of 10 years as “learning poverty”. In work the Research on Socio-Economic Policy (Resep) group at Stellenbosch University has done on reading performance using the Progress in Reading and Literacy Survey (Pirls) data, it was found that 78% of SA children in grade 4 (who would be about 10 years old) could not read for meaning.

That staggering number means large numbers of SA children, most in former black and coloured government schools, are severely disadvantaged because their inability to read for meaning also prevents them from learning well in other subjects such as maths, science and the humanities.

To address learning poverty in SA requires a multi-pronged approach to investment in human capital that begins before birth and recognises the health of parents and children as necessary inputs in inequality-reducing education outcomes. These educational outcomes are crucially dependent on good nutrition; access to quality early childhood development services; access to good quality basic education; quality higher education that offers degrees that are relevant and geared towards knowledge growth and innovation; and accountability frameworks to ensure the resources we spend on human capital inputs deliver the desired outcomes.

In order to eliminate learning poverty we also need to be able to measure it from early on to see what works, long before the final basic education hurdle of matric. It is therefore of critical importance to conduct regular, systemic testing of reading skills among a national sample of learners in early grades to determine whether progress is being made in improving early education quality.

Similar to education, healthcare is also a multi-dimensional issue. The NDP differentiates itself from other health policy documents in emphasising that health is not just a medical issue but is determined by a variety of social factors. It is widely acknowledged that the social determinants of health are vital, and that health services contribute relatively little to health outcomes. Education, social development, nutrition, clean water, decent sanitation and adequate housing contribute towards our country’s disease burden and become crucial allies for disease prevention.

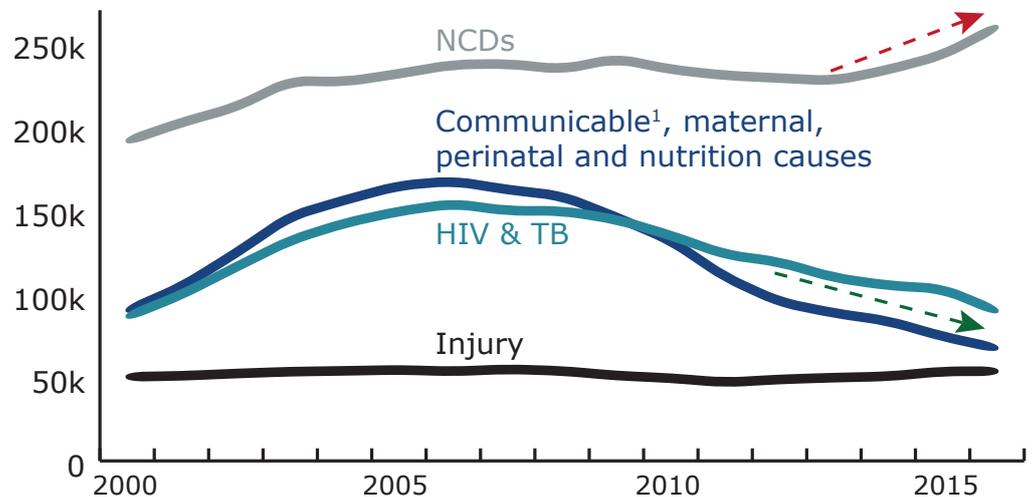
The consequence of this broader view is that health is not just the domain of the health department. Greater inter-sectoral and inter-ministerial collaboration is required to address the social determinants of health. However, this does not absolve the health department from its role of providing adequate healthcare.

Health, with its many dimensions, is one of the most difficult outcomes to track. Quality-adjusted life years and disability-adjusted life years may come closest, but require large amounts of data and lack the immediate intuitive connection

of well-known health indicators, such as death rates or HIV cases. Deaths, however, are also an imperfect measure of health outcomes as they reflect an extreme health event. It is therefore prone to only flag health issues at a very late stage.

While the state of SA's healthcare system leaves much to be desired, we have over the past decade become more effective in treating certain causes of death. The number of deaths caused by communicable, maternal, perinatal and nutrition causes, as well as from HIV and TB, have dropped considerably since 2010. Deaths attributed to non-communicable diseases such as diabetes and heart disease are however on the rise, likely attributable to SA's high and growing levels of obesity.

SA's burden of disease (number of deaths by broad cause, '000)



Source: Stats SA 2020. Mortality and causes of death in South Africa: Findings from death notification.

The Covid-19 pandemic has illustrated the failures in service delivery and the need for improved quality of care in SA, especially in rural regions. To remedy this situation requires a more equitable geographic allocation of staff, stronger governance, improved performance management and quality measurement, better information systems and the strengthening of patient responsiveness and community accountability.

The NDP's clarion call to South Africans in 2012 was that it is "Our future — make it work". For us to make our future work, we need to invest heavily in our citizens' education and health outcomes as early as possible and manage these human capital investments efficiently to ensure that we achieve our goal of societal transformation for the better of all who live in SA.

Originally published as a **Business Day** opinion piece on 15 April 2021. Burger is a professor and Moses a lecturer with the economics department of Stellenbosch University.



What can be done to increase SA's social wage?

While it is the state's primary responsibility to ensure social protection, the private sector can play a big role in ensuring a social wage

By Helanya Fourie, Craig Lemboe & Leila Patel

In his 2019 state of the nation address President Cyril Ramaphosa listed consolidating the social wage through reliable and quality basic services as one of the priorities of the sixth administration. A country's social wage is, in simple terms, services that reduce the cost of living. This includes basic services the government provides from public funds, as well as support provided by the state in the absence of wages.

Grants, school feeding programmes and subsidies for water and sanitation services are examples of a social wage. It goes without saying that with 7.2-million unemployed South Africans, the social wage is critical to protect many citizens from the effects of poverty. To put the need in context, in 2020 there were 12.8-million recipients of child support grants and 3.7-million recipients of the state old-age pension. The social wage is also a powerful tool to reduce inequality.

Any discussion of SA's social wage needs to be grounded in the reality of our severe fiscal constraints. The Covid-19 pandemic has again highlighted the challenge of allocating limited public funds — the economic problem of balancing unlimited needs and wants with scarce resources. However, it is impossible to understand the trade-offs between different funding priorities without a firm grasp of the status quo. In the absence thereof, we run the risk of responding to those who shout the loudest, as opposed to where resources are most needed or would have the greatest impact.

To measure the provision of basic services, we can track access to electricity, water and sanitation, communication technologies, and public transport — vital network industries for any economy. On a number of fronts, access to basic services is relatively high, but it could be better. In some instances it is lower than in previous years because new connections are struggling to keep up with household growth.

According to the 2019 Stats SA General Household Survey (GHS), 85% of households had access to mains electricity, up from about 83% in 2010, but 88% of households had access to piped water, down from 90% in 2010. Household access to the internet has improved considerably, up from 28% in 2010 to 63% in 2019. This is, however, largely due to the presence of private-sector players.

While our level of access to basic services is relatively high, data on the quality of the infrastructure and the frequency of access is not readily available. The dilemma facing Eskom's electricity-generating capacity is a good example. Access to mains electricity means little if load-shedding causes electricity supply to be sporadic. Another example would be having access to water, the quality of which is unfit for cooking or drinking.

Beyond Eskom, the responsibility to provide these services lies with local government, where there is a huge need for improved capabilities.

The social wage also includes social protection. This mainly relates to social assistance (where the recipient does not make a contribution) and employment-based insurance (where the recipient makes a contribution, for example to pension funds, medical aid or unemployment insurance).

The prevalence of hunger among households is a proxy for social protection and, fortunately, SA has made good progress in expanding access and coverage of vulnerable populations. The expanded reach and age eligibility of child support grants, as well as relatively high economic growth between 2000 and the global financial crisis, allowed child hunger to halve since the start of the century: it dropped from 35% in 2002 to 16% by 2018.

The pandemic caused an increase in household and child hunger, although the temporary top-up of social grants, especially the child support grant, old-age pensions, the new social relief of distress grant, and the primary school nutrition programme, helped mitigate its effect.

Despite the grants, food insecurity and hunger remain a worrying trend: 41% of respondents in the NIDS-CRAM study reported running out of money to buy food at the end of 2020. In addition, child stunting has remained persistently high since 1995, with 27% of children under five being stunted according to the 2016 GHS. Stunting occurs when children are not eating enough or lack nutritional food. It is a serious condition as it impairs a child's growth and development and has far-reaching, long-term consequences.

Addressing household and child hunger remains a critical policy concern and is crucial in meeting the country's 2030 global food and nutrition targets. Government funding and support is not sufficient to meet the challenge. It needs to be complemented by private, philanthropic and corporate social responsibility support, civil society and community-level programmes that are targeted at those in need.

The government does not, and should not, stand alone in providing the social wage. A growing economy that generates employment and access to contributory social security benefits, such as unemployment insurance, can protect workers against social risks. In terms of access to basic services, private, renewable energy producers can help improve electricity availability, and lower costs. Not only will this help create jobs, it would lessen the pressure on the fiscus.

The government still has the primary responsibility to provide social support and build a more inclusive society, but we should not underestimate the role a competitive private sector can play in contributing to the social wage. Crucially, it again highlights the importance of policy certainty, capable regulators and a favourable investment climate to achieve our National Development Plan objectives.

Originally published as a **Business Day** opinion piece on 22 April 2021. Fourie and Lemboe are senior economists at the Bureau for Economic Research, Stellenbosch University. Patel is professor of social development studies at the Centre for Social Development in Africa, University of Johannesburg.



Transforming human settlements and the spatial economy

Spatial transformation, with its social and economic benefits, needs to be promoted at all levels, from neighbourhoods to regions

By Elsona van Huyssteen, Johan Maritz, Mark Napier & Alize le Roux

Human settlement transformation is a critical component of addressing the impact of SA's spatial legacy on people's lives and livelihoods and establishing a new development path. While the fundamental reshaping of the colonial and apartheid impact on the space economy is a long-term project, chapter 8 of the National Development Plan (NDP) states that "by 2030 SA should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements".

The network of major urban areas and diverse range of cities, towns and service nodes are "home" to more than 82% of South Africans. These are places where urbanisation acts as an enabler of growth and innovation (in spite of the associated service delivery challenges). As stated in the Integrated Urban Development Framework (2014) "in the economic history of

humanity, urbanisation has always been an accelerator of growth and development, bringing about enormous changes in the spatial distribution of people and resources, and in the use and consumption of land”.

SA has made significant progress in addressing the accommodation and service delivery conundrum. However, spatial challenges, such as rural inequalities and urban inefficiencies, have grown, in part because of our increasingly mobile and youthful population.

Urbanisation and townward migration have resulted in the percentage of SA’s population residing in urban regions (metros) and cities increasing from almost 40% in 2011 to 50%. Urban regions, cities and large towns house 53% of the population and almost 56% of the youth. However, there has also been significant growth and townward migration in rural towns. This is especially so along national and regional road corridors and in the coastal zone from Umhlatuze in the east to Saldanah in the west.

The coastal zone is home to almost 38% of the population and we anticipate that this trend will continue. The latest population projections for 2050 confirm the projected growth in urban regions and cities and also point to significant population increases expected in large and medium towns.

Service delivery and access to livelihoods, as well as inclusivity, life expectancy and access to education, have been improving in urban areas and cities. Consistent progress has also been made with the provision of “housing opportunities” (defined not only as a house and/or serviced site, but also as delivery of tenure, or water and sanitation) through the SA Housing Subsidy Programme.

The proportion of households living in informal dwellings decreased from 16% in 1996 to 13.6% in 2017. However, urbanisation and townward migration and a decrease in household size (hence growth in new household formation) have increased the housing backlog in urban regions, cities, and towns. By 2018, the number of informal settlements in SA reached 1,185, with 1.89-million households still in need of decent housing.

While there is a positive trajectory in some component indicators (such as households with access to water, sanitation, energy, shelter and transport), these do not necessarily contribute to well-functioning and transformed cities, towns and neighbourhoods. The Covid-19 pandemic highlighted that many households across urban and rural SA still face difficult living conditions.

To support municipalities with disaster risk management related to the pandemic, the Council for Scientific and Industrial Research (CSIR) developed a composite indicator for built-environment living conditions. The indicator was developed to identify neighbourhoods with a high risk for

Covid-19 transmission potential and provides an integrated comparison of settlement conditions in neighbourhoods/ settlements across urban and rural landscapes.

It identifies areas with relatively high population density, a high share of dwellings that are informal, a relatively low percentage of households with access to services (running water and sanitation in the house), while taking the number of people per ward into account.

Challenging living conditions across urban and rural areas are evident and spatial transformation at settlement scale, as well as at national scale, remains a major challenge. The Draft National Spatial Development Framework (2020) states that “spatial transformation ... would result in a fairer balance of outcomes — in ownership, production, distribution and consumption (all with ethnic, income and gender dimensions) — as well as access to a range of opportunities, leading to a more inclusive, participative and cohesive society”.

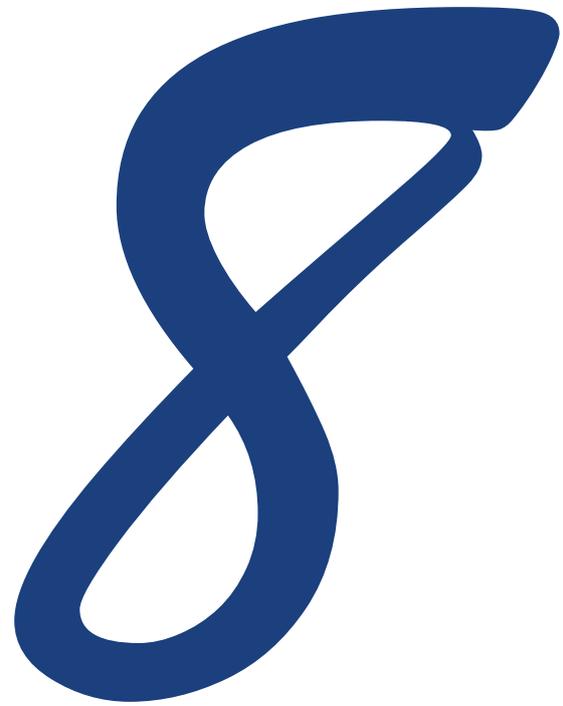
Spatial transformation, with its social and economic benefits, needs to be promoted at neighbourhood level as well as at town/city and even regional scale. Measuring spatial transformation ideally requires tracking a range of inward- and outward-looking development outcomes within and across neighbourhoods.

Inward-looking spatial transformation outcomes include indicators such as well-being within neighbourhoods; security of tenure; the range of opportunities people can access from where they live; and vulnerability indicators related to socioeconomic and or settlement conditions. The CSIR is also considering developing an internationally comparable indicator of habitable space per person for more regular tracking of change at neighbourhood and settlement level.

In spite of the NDP’s call for enhanced co-ordination between national, provincial and local government, the governance capabilities of local municipalities have remained weak and the intergovernmental system highly complex. By providing a national spatial vision and identifying areas of national importance, the 2020 Draft National Spatial Development Framework can make a substantial contribution to the NDP’s spatial governance objectives.

Measurement remains vital as we track our progress towards reviving rural areas and creating functionally integrated, balanced and vibrant urban settlements.

Originally published as a **Business Day** opinion piece on 28 April 2021. The authors are researchers and built environment practitioners with the CSIR’s Smart Places Cluster.



Police reform: Can we achieve a safer and more united SA?

The NDP vision of a professional and well-resourced police service has not been realised, affecting social cohesion and public trust

By Mikhail Moosa & Gareth Newham

President Cyril Ramaphosa wants to advance social cohesion and improve the safety of communities during the term of the sixth administration (as per the state of the nation address in 2019). In some ways, these priorities are influenced by economic growth and employment, but shortcomings in the policing system have contributed to poor outcomes.

The National Development Plan (NDP) presented a vision that by 2030, "The police service [should be] a well-resourced, professional institution staffed by highly skilled officers who value their work, serve the community, safeguard lives and property without discrimination, protect the peaceful against violence and respect the rights of all to equality and justice."

Hardly any of the recommendations for achieving this vision have been implemented. The consequence is that both policing and public safety have substantially deteriorated

since the adoption of the NDP in 2012. Between 1994 and 2012, SA's murder rate dropped by 54%. However, over the past eight years this positive trend has been reversed, with murder increasing by 37%. The latest crime statistics show that 21,325 people were murdered in the 2019/2020 financial year. Out of the 58 people who were murdered every day on average last year, 48 were men, seven were women and three were children under the age of 18.

The 43% rise in armed attacks over the same period has contributed to the increase in murders. In 2019/2020, 143,990 armed robberies were reported to the police — an average of 396 armed attacks every day. Yet the true figure is much higher as only about 40% of the victims of street robberies and 60% of home robberies report the crime to the SA Police Service (SAPS).

Public safety has deteriorated in part due to a notable decline in policing since 2012. Despite the SAPS budget increasing by 60% since then, the number of annual arrests has fallen by 24.5% and the ability of the police to solve crimes (the detection rate) has dropped by 31% for murder and 24% for aggravated robbery. Last year, less than 20% of murders and less than 17% of armed robberies reported to the SAPS were solved.

As perpetrators of these crimes increasingly get away with it, they are emboldened to commit more crimes, and other criminally-orientated individuals start to follow suit.

As well as the decline in police performance has been the decline in accountability for police misconduct. The number of disciplinary hearings held in 2019/2020 was 69% lower than in 2011/2012. Out of the more than 42,000 formal complaints received against police officers by the Independent Police Investigative Directorate (Ipid) since 2011, 95% are closed with no sanction against the subject officer.

Victims of unlawful behaviour have increasingly started to turn to the civil courts for compensation. The amount paid out by the police last year was 153% higher than in 2012. The police have had to pay out more than R2.6bn to victims of proven cases of unlawful police officer conduct over the past eight years.

With an annual budget of more than R101bn and a staff complement of more than 187,000, the SAPS should be able to at least stabilise levels of murder, rape and robbery. However, even in 2012, the NDP recognised that "serial crises of top management in the police" have profoundly weakened policing in SA. None of the seven people occupying the post of SAPS national commissioner since 2009 was appointed after a competitive, merit-based and transparent process as recommended by the NDP.

Subsequently, two were found to be unfit following boards of inquiry, one is being prosecuted for fraud and corruption, and

the incumbent has a scathing high court judgment against him, which may also lead to a board of inquiry considering his fitness for office.

Nevertheless, simply ensuring the SAPS national commissioner is competent and honest is insufficient. Scores of poor appointments have been made to the 800 senior management echelon over the years. It was recently reported that 228 top SAPS managers do not possess the necessary qualifications for the posts they occupy.

It is for this reason that the NDP recommended the establishment of a national police board to undertake a detailed performance assessment of the almost 200 generals and more than 600 brigadiers responsible for the performance of the SAPS and conduct of its members. Most highly skilled, experienced and honest senior commanders would welcome such an initiative as it would enhance their authority.

Those that were irregularly appointed and were not performing could be removed and replaced by more capable women and men. The unfortunate reality is that without an initiative to rejuvenate the top management structure of the SAPS we can expect little improvement in policing or public safety.

It is critical that Ramaphosa and his cabinet recognise that unless they ensure the recommendations in the NDP, along with the 2018 panel of experts report on policing and crowd management, are implemented, little progress will be made to improve public safety.

Deteriorating public safety also constrains social cohesion, made even more difficult by SA's history of legislated, racialised inequality and segregation. Racism, gender-based violence and other forms of intolerance and distrust are common. An ideal cohesive society is one in which there is a recognition of a shared identity amid diverse groups, a high degree of trust among groups of citizens and the state, and in which inequalities are minimal.

The SA reconciliation barometer, a nationally representative public opinion survey conducted by the Institute for Justice and Reconciliation, provides valuable insights into the state of social cohesion. The barometer focuses on three primary indicators: shared identities, societal trust and perceived inequalities.

The 2019 barometer shows that many South Africans do not have a high degree of trust in people outside their immediate families and neighbourhoods. Respondents are most trusting of their relatives, but much less trusting of people from other racial, religious or linguistic groups. Foreigners, particularly from other African countries, are the least trusted group in society. Mistrust among diverse groups of South Africans is both a cause and a consequence of the legacies of apartheid. Roughly 40% of respondents reported they never interact

with people from other race groups in their homes or public transport.

Many South Africans primarily identify with their linguistic group. On the other hand, the barometer reveals that a majority agree that there is more that unites us than keeps us apart. Four in five respondents agree that being a South African is an important part of how they see themselves. South Africans are proud of their cultural and linguistic heritage, but recognise the importance of a common national identity.

South Africans identify extreme inequalities in income and wealth as the greatest source of division in society. It dampens social cohesion, reduces opportunities for cross-cultural interaction and, by contributing to increased crime rates, also shapes public perceptions of trust.

As we look to contain and overcome the Covid-19 pandemic, it is crucial that the NDP recommendations for improving policing and public safety are properly implemented, and that policies that aim to reduce inequality and foster a more inclusive and cohesive society are prioritised.

Originally published as a **Business Day** opinion piece on 6 May 2021. Moosa is project leader of the SA Reconciliation Barometer at the Institute for Justice and Reconciliation. Newham is head of the Justice and Violence Prevention Programme of the Institute for Security Studies.



Creating a better Africa and world through trade

If done right, AfCFTA might just be the mechanism that enables SA to achieve NDP objective of expanding regional and African trade

By Helanya Fourie

In his 2019 state of the nation address, President Cyril Ramaphosa recognised that one of the priorities of his administration would be to “work towards a better Africa and world”.

This broad objective is difficult to measure, but the National Development Plan (NDP) dedicates a full chapter to how SA should position itself in the world: “The main objectives in terms of foreign policy-making should be to expand regional, continental and African trade based on an informed understanding of the geopolitics of Africa; to develop a healthy consultative and practical relationship with SA’s research and corporate institutions to deploy its foreign service more effectively in the pursuit of expanded trade and investment; and to improve the country’s leadership role in regional and global affairs.”

As a small, open economy SA's foreign relations, including its trade agreements, play an important role in how we address our economic, political and social challenges. Trade allows us to expand our market and generate income from beyond our borders, and diplomats and ambassadors can help to facilitate this process. We focus here on broad trends in SA's trade patterns since the NDP was adopted.

Exports and imports of goods and services as a share of a country's GDP is often used as a measure of trade openness. While the relationship between trade openness and economic growth has been contested, the trade-led growth hypothesis suggests that — in the long run — trade openness can enhance economic growth by allowing efficient allocation of resources, improving productivity through technology diffusion and knowledge sharing, and providing access to goods and services.

SA's low GDP per capita means we, more than rich countries, need to draw from the purchasing power that is available elsewhere in the world. As Gary Fields (2000) eloquently phrased it: "A fundamental truth is sometimes forgotten: if you're poor, you can't get rich by selling to yourself."

Our challenge is to find those industries and markets in which SA producers have a comparative advantage. Agriculture and mining cannot be the only part of this story. We are well placed to grow our tourism sector once the Covid-19 pandemic has passed. The demand for business and financial services, especially from African countries, will probably grow in the coming years. We need to invest in the infrastructure and skills that allow us to optimise these opportunities.

Combined, in nominal terms, SA's exports and imports as a share of GDP was 61% in 2012, and largely similar at 60% in 2019 — with a global ranking of 129th. We have not strengthened the role that trade plays in our economy since the NDP was published in 2012. Our high unemployment rate means the longer-term advantages of trade, which can be difficult to isolate and quantify, often receive lower priority than the immediate goal of preserving jobs. The slew of applications for increased protection of the poultry industry, for example, is a case in point.

The steel industry is another example where import protection has been used to safeguard a primary domestic industry, with downstream sectors losing out through reduced availability of key inputs. The trade-offs between competitiveness, security of supply and employment are difficult but vital to get right.

Increased protectionism should not lead to inefficiencies and lower export competitiveness of our industries. Lowering SA's export competitiveness — and hence limiting our market to domestic purchasing power — will result in job losses that protectionist policies have tried to avoid in the first place.

Of specific relevance for the objectives of the NDP is SA's trade with other countries in Sub-Saharan Africa. The share of SA's exports to Sub-Saharan Africa increased between 2001 and 2014, this positive trend has halted.

In 2019, SA's share of trade with the region was slightly below the 2012 level. Of SA's total merchandise trade in 2019 25.7% of exports and 10.7% of imports were to and from other countries. The majority of SA's exports to Sub-Saharan Africa is directed towards our neighbouring countries (Botswana, Lesotho, Namibia and Eswatini), but to meaningfully increase exports to Sub-Saharan Africa we will need to diversify and target countries beyond these limited markets.

The African Continental Free Trade Area (AfCFTA), effective from January 2021 is a big step in the right direction of creating a single market for goods and services in Africa. For the AfCFTA to be successful, however, African countries will have to increase their levels of productive capacity so that goods and services are available at internationally competitive prices.

Infrastructure and logistics capacity will also have to improve dramatically to reduce transport costs. Regional integration and industrial policy will need to form part of the same development agenda.

If done right, the AfCFTA might just be the mechanism whereby SA, at last, progresses towards the NDP objective of expanding regional and African trade, and manages to diversify the trade relationship with the rest of the continent beyond our nearest neighbours.

Originally published as a **Business Day** opinion piece on 13 May 2021. Fourie is a senior economist at the Bureau for Economic Research at Stellenbosch University.

